

CHECK AGAINST DELIVERY

**Speech by Dr Richard Haass
President, Council on Foreign Relations**

**Council of Councils Regional Conference
Lowy Institute**

25 February 2014

Michael Fullilove:

Chairman of the Lowy Institute, Frank Lowy, non-resident fellow of the Lowy Institute, Owen Harries, distinguished guests, ladies and gentlemen, I'm very pleased indeed to have my friend Richard Haass with us at Bligh Street for his only public lecture in Sydney. I'll come to Richard in a minute and I'll wax lyrical about him for a very long time, but let me tell you, he's in Sydney in his capacity as founder of the Council of Councils and this group brings together leading foreign policy institutes from around the world for a common conversation about global challenges facing all our countries. It comprises about two dozen institutions, including the Council on Foreign Relations, Richard's own organisation, but also IISS, the Shanghai Institutes, Chatham House, CSIS in Jakarta and many other institutes.

We've hosted over the last couple of days a really fantastic meeting of the Council of Councils. We've had very productive discussions on the G20, on Iran, on cyber, on Asia and on the TPP. Our maritime security discussions took place on board a splendid Australian warship, HMAS Choules, and we had very interesting speeches from John Howard, Peter Varghese, the Secretary of DFAT, Gareth Evans and others, and we're hoping to post some of those speeches over the next couple of days.

When Richard asked me a couple of months ago if we would consider hosting a meeting of the Council of Councils I said I would on the condition that he also give a public lecture at the Lowy Institute, and knowing what a brilliant speaker and thinker Richard is, let me say, ladies and gentleman, you owe me.

Indeed, when I looked out at the COC yesterday I was reminded of the occasion on which JFK addressed a dinner for Nobel Laureates and said “This is the most extraordinary collection of talent, of human knowledge that has ever been gathered together at the White House, with the possible exception of when Thomas Jefferson dined alone.” And yesterday when I looked out at the COC I felt like saying this is the greatest collection of think tank talent in the world, except perhaps when Richard Haass brunches alone.

Ladies and gentlemen, Richard is genuinely one of the world’s foremost foreign policy practitioners and thinkers. He is president of Council on Foreign Relations, a position he’s held for more than a decade. Prior to this he was a director of Policy Planning in the State Department during George W Bush’s first term as president, and he was a noted sceptic of the Iraq war.

In the administration of George H W Bush he was director for Near East and South-Asian Affairs on the staff of the National Security Council. He has been awarded many medals, many honours and many honorary degrees. He has written or edited a dozen books. His most recent book, *Foreign Policy Begins at Home*, has been profoundly influential in the American debate and I’d urge you all to buy it immediately.

Richard is also part of a vanishing species in Washington, and that is the moderate Republican, and I very much hope that a future Republican president would call a Republican such as Richard back into the very centre of American public life. That is not to say, of course, that Richard is on the margins now, and in fact, very interestingly he recently returned

to Northern Ireland where he previously served as a presidential envoy to chair all-party talks on the legacy of the troubles in Northern Ireland. It's a very interesting thing for a think tank president to be really involved in peacemaking in a place like Northern Ireland. You can see why we call him a scholar practitioner.

Ladies and gentlemen, it is a real treat for the Institute to host Richard Haass. Please join me in welcoming him.

[APPLAUSE]

Dr Richard Haass:

I'm almost tempted to go straight to questions. Anything I say will be slightly anti-climatic and you'll wonder what justified that generous [introduction]. Thank you Michael.

What he and Frank Lowy have accomplished here in a short amount of time is quite remarkable and this organisation is on the map and not just on the national map but is really on the international... When we were looking for a partner in this country to help launch the Council of Councils this was the natural institution to come to, and thank you for what you and your colleagues have done here for the last few days, and I would be remiss if I only pointed out Michael and Frank, 'cause there's one other gentleman here who's a wonderful friend, Owen Harries. Owen's had a profound influence, among other things, on the American foreign policy debate and when he was editing the magazine *National Interest* it was a real corrective I thought in many ways about thinking in my own country about our place in the world and it continues, among other things, to influence me. And in many ways the kinds of ideas I think that I'm associated with, one of my mentors is sitting here, so it's a treat to see him today.

The question or the subject that Michael and I agreed I would talk on is the world 25 years after the end of the Cold War. The idea that it's

already a quarter of a century since the end of the Cold War is a little bit hard for me to internalise, but here we are all the same. What I want to do is talk a little bit about what it is we know about this world and some of the principal features and what it might mean, what are the consequences of it. Unlike some of my countrymen I won't filibuster, I want to save at least half our time for whatever questions and comments you all might have.

The fact that as we meet here, 25 years after the Wall came down, and there's still not a name for this era tells you in some ways a lot of what you need to know. Like people in my business, we're pretty quick to name things. We all want the credit. Modesty is not profoundly distributed in this business, yet the fact that we still call it the post-Cold War World is quite revealing, and I think what it tells you is the character of the era is still up for grabs, and I want to come back to that at the end.

What's also interesting to me is almost all the predictions about how this era would turn out are either partially or totally wrong. Those who predicted that this moment of history, once the Cold War ended, was going to be broadly peaceful and harmonious. It doesn't look so good right now. The world, it can be described in many ways but broadly peaceful and harmonious is probably not the first thing that leaps to mind.

Second of all, a lot of triumphalism came out after the end of the Cold War and the idea of American unipolarity was put forward as a second notion. It wasn't true to begin with. The idea that power was situated as a pole I thought was a misreading of the geopolitical map but, again, since then whatever else there's been a trend away from American domination of the world, and it's anything but a unipolar world today.

Thirdly, Sam Huntington in the magazine that my organisation publishes in foreign affairs came out with the quite famous clash of civilisations. And yes, some of that is going on, but in some ways the most violent part of the world, the Middle East, the most interesting phenomenon, if you

will, there are much more clashes within civilisations than between them. It's not the dynamic, if you will, between Christendom and Islam, or even Judaism and Islam, that is the principal driver or dynamic of Middle Eastern history. It's much more what is going on inside the Islamic world, whether between Sunnis and Shi'as, the role of the state *vis-à-vis* society, what is the role of religion in the society – Persians, Arabs, what have you – and those are the principal drivers of contemporary history. So as good as Sam was, and I think Sam was the great political scientist of his era, again, while some of what he said has come to bear, in important ways it hasn't.

And lastly, the prediction of the end of history, Frank Fukuyama's prediction. Well there were two dimensions to it. One was one that you might say within societies, that the liberal capitalist open society, democratic was the highest form, most natural form of societal progression, the most advanced form. Well a lot of people would question that and they would look at say the problems of 2008 and the financial crisis and they would have fundamental doubts about whether necessarily Frank was right on that, and lots of people have put forward more authoritarian models – China and others, or Singapore. So I think that is to be continued, it's not settled.

And then obviously the end of history in the more dynamic sense, in the interstate arena which clearly has not ended. In recent days we've seen all sorts of things. So in that sense history is very much alive. Indeed, I'm tempted to say there's been a lot of history in the last 25 years. Those who are hoping for a period where they could essentially turn their gaze elsewhere are no doubt fairly disappointed, and I was thinking about just some of the things that have happened. I mean early on in the 25 years you had the breakup of the Soviet Union, you had German unification, you had Tiananmen Square – this June is the 25th anniversary of Tiananmen Square, another important anniversary of this year. You had the first-grade strategic test of the post-Cold War era which was the Iraqi invasion of Kuwait and subsequently Desert Shield and Desert Storm. You had the

crisis in the former Yugoslavia. You had the humanitarian nightmare that was Rwanda, and several other such situations, though fortunately not on quite so grand a scale. A decade later you had 9/11. After that you had the American intervention into Afghanistan. The Americans then, in 2003, what I dubbed as the “War of Choice” in Iraq. And most recently and dramatically you’ve had just over three years ago the series of events misnamed as the Arab Spring. So again, 25 years about as jam-packed with history as you get.

So there’s a lot of material in our business, for people such as Michael and myself and many of you in this room. If you want to look at what’s going on in history, there’s a lot to look at and I think what I wanted to do is share with you what I think are ten patterns that are emerging in this era that are, in a sense, dimensions or elements of the post-Cold War world.

First is what I would term non-polarity. Essentially the broad diffusion or distribution of power in many forms – military, economic, what have you, cultural, hard, soft, in between – the power in many forms to all sorts of entities. Images of chessboards are inadequate because chessboards, I can’t remember, have a fairly limited number of spaces and basically one type of piece on it. What we’re seeing is a world of many, many pieces – state and non-state, benign and malign, and all sorts of powers, some holding just one form, some holding multiple forms but the general trend is away from the concentration of power, and I think it’s in some ways been reinforced by technology.

Years ago we had the head of AT&T speaking at the Council and it was almost a scene out of Dustin Hoffman and *The Graduate* where he said “If I have one word for you it is mobility” and it’s true, whether it’s iPhones or tablets or what have you, the diffusion of this technology with its ability to communicate, but also to share and move information is quite extraordinary and it’s part and parcel, I would argue, of a larger trend in the world, which is the diffusion of power in many forms to many –

actually so much so that even phrases like multipolarity are inadequate 'cause when people use the phrase multipolarity historically, there's usually a half dozen or so actors, whether it was on the eve of World War I or at the Congress of Vienna, whatever. We're not talking about a world in which you've got dozens, or in some cases hundreds, of meaningful actors who represent concentrations and meaningful power. Indeed, one of the things about this world is that relatively small units of individuals or groups can actually carry out extraordinarily powerful actions.

Secondly, and related to this, is globalisation. Essentially the reality that enormous amounts, to use a technical word, of stuff moves across borders with amazing speed. Or to put it another way, it's vast and it's fast. And these flows are just about everything that can be imagined, whether currencies, people, greenhouse gases, armaments, ideas, emails, computer viruses, human viruses, trade, investment; essentially good things, bad things in tremendous scale, in many ways without the... beyond the capacity of governments to control. In many instances beyond the capacities of government to even monitor and it's something fundamentally different than interdependence, which is a more familiar idea where essentially what happens somewhere affects others, that's a different notion. This is actually something more fundamental which is simply a world of forces, of phenomena that is happening on a scale that is unprecedented, and again – and I'll come back to this – in ways that far outpace our ability to manage the flows.

Thirdly, despite all this I still think that geo-strategically, if you will, there is the reality of American primacy. If you will, we're first among unequals. And I said before, the general trends are against the concentration of power – fair enough – but still, the United States represents the greatest single concentration of power that continues to exist in the world, certainly militarily, economically we're still responsible for roughly a quarter, almost a quarter of global economic output. There are lots of other ways you can measure but the United States still represents the greatest single concentration of power, and also useable and exportable

power. So yes, the day may come when China's GDP is larger than that of the United States, but to say then that China is the most significant economy in the world at that point would probably be a misunderstanding of the nature of economic power.

Fourthly is a very changed position of Europe, and I don't mean this to be anti-European – I know there are those Americans who are anti-European. One of my first jobs in government was I worked in the Bureau of European Affairs; I am not your anti-European. Indeed, a lot of what's going on in Europe is good news in the fact that it's less central, and by that I mean so much of 20th century history was Eurocentric, and Europe was all too interesting. It gave us two world wars and a cold war.

The good news today is, for the most part, events like Ukraine notwithstanding, is Europe is a lot less interesting and that is good. Indeed, when I worked on the Middle East at the White House I used to say that one of my goals in life was to make the Middle East boring. I failed miserably, part of a larger pattern perhaps. But what we're seeing in a good sense is that Europe is no longer the principal theatre of international competition, and indeed it's the part of the world in some ways that most represents what someone like a Frank Fukuyama was talking about in terms of a highly integrated part of the world, certain shared consensus on what societies were meant to look like with a threat of force for the most part fairly distant. I mean the Franco-German rivalry which was so central say to history in the 19th and 20th centuries has now been essentially consigned to the past, it's something for historians to read and write about but it's no longer something that is in any way active.

But the post-European moment though has other aspects which I think are not quite as positive, and there it's much more now Europe's parochialism, its focus on itself and the lack of both capacity and mindset to play a larger world role. That Europe now has really become much more self-contained has all sorts of consequences for the United States

say, where the Atlantic relationship was so fundamental for the last half of the 20th century, but I think going forward it becomes a less central aspect of American foreign policy, simply because Europe is not going to be as willing or as able to act with the United States and other parts of the world, particularly in Asia – and I'll come to this in a minute – which is far more likely to be at the decisive arena of this era of history.

The fifth feature of this world is turbulence in the Middle East. The Middle East has been, is, and if I'm right, is likely to remain the least successful part of the world. To use a geological image, the Middle East is beset by multiple fault lines, tremors along it, any one of which can be a threat to regional stability, and I think that's what we're seeing. And what's so interesting is the fault line which has over the years garnered the most attention in the Middle East, which is the Israeli-Palestinian fault line, has in some ways now become the least significant. And even if the American Secretary of State were to be successful – I hope he will be but I have my doubts, simply based on my own analysis of whether the prerequisites are in place for successful peacemaking – but even if he is to be successful, or he were to be successful, does anyone here think for a moment that the emergence of a Palestinian state would in and of itself in any way change the trajectory of the civil war in Syria? Or would it affect the question of Egypt's domestic political trajectory? Or Lebanon's, or Bahrain's, or would it in some ways diminish the violence in Iraq, which is now the second most violent country in the Arab World? And the answer is no, it would not.

So instead what we've got is a Middle East which has multiple sources of instability and challenges to order, in some ways the old order, the old halcyon regimes in many cases have been forced out, but nothing has taken its place and there's no consensus on what could or should take its place, and I wish I could stand here and say this is likely to be a short-term transitional reality, but I think not. My own depressing prediction is if there's something to look at for historical understanding here, it's Europe in the early 17th century. They were much more likely to see a prolonged

religious struggle, which in Europe took three decades to work itself out. I think something like that is much more analogous to what we are seeing and likely to see in the Middle East than anything more short-lived and decisive, and this will have consequences obviously for the people and the countries of the Middle East, but also, thanks to globalisation, for the world at large. Sorry, by the way, to be so depressing but it is the business we are in. Not of all this, by the way, is depressing.

Sixth is the much closer to here, which is Asia, and obviously what we're seeing is the rise of Asia, the share of global output significantly larger than it was, and over the last three plus decades what's gone on in this part of the world has been remarkable. The economic coming of age of so many countries, and the fact that it could happen without in any way being occasioned by dramatic violence, and that's rare. It's almost ahistorical to have that degree of economic transformation without a political military analogue. But what's interesting now though is history is catching up with Asia and what has been a largely one-dimensional economic trajectory or dynamic in this part of the world is now being joined much more by the political military. And the real question then is how Asia can manage it and whether the political military mechanisms will emerge and be sufficiently robust and capable to deal with the inevitable challenges of nationalism, interstate rivalry, the translation of economic power into military might, whether Asia will be up to this challenge. The other historical analogy that's obviously being bandied about quite loosely is the parallel to Europe 100 years ago, enormous differences, I understand them, but there is a little bit of something there which is the idea of a great power competition, of growing nationalism and a lack of diplomatic mechanisms in place to contain the energy of the era. Again, what happens here will have extraordinary consequences, not just for this part of the world but for the world at large, again, given that Asia will occupy an ever growing percentage of world capacity.

Other things are happening in other regions which are different. What is Latin America? If we had been having this talk two decades or so ago...

25 years ago, the conversation would have been very different, it would have been much darker. There would have been real concerns about both interstate as well as intrastate developments in Latin America, and while there's still concerns – Cuba has yet to make its full, to say the least, transformation from Communism. It's obviously still there despite some reforms. You've got the growing protests in authoritarian Venezuela. You've got signs of growing instability, in part because of terrible political management in Argentina. You have a top heavy Brazil that is getting in the way of its own potential. Be that as it may, Latin America is still impressive compared to the predictions. Interstate relations are for the most part good, and even when they're not good they're not violent for the most part. More countries are democratic oriented and market oriented than ever before in its history. The future of Latin America is much more likely to look like the Chiles and Colombias and the Mexicos now than it is, I believe, like the Venezuelas and Cubas. The arrow of history in Latin America, I think – it won't necessarily happen overnight, it won't necessarily be smooth but we can see the direction it is going in.

I'd say even to some extent, though not as one-dimensionally or not as strong, the same is true of Africa. Africa this year will be growing somewhere between 5% and 6% and if you look at the 50 plus countries in Africa south of the Sahara, which interesting to me is how many are beginning to show signs of good economic growth and political governance. Again, I'm not saying there aren't many important exceptions, obviously there are. I'm not for a second underestimating the challenges, but if you look at something – one of the interesting indicators with Africa is you look at something like one of George W Bush's most important innovations which was the Millennium Challenge Corporation, essentially a large new additional American aid program that would go to countries of a certain scale that met certain types of political and economic conditions. More and more countries in Africa are qualifying, and that again tells you something. So yes, there's this terrible thing going on in the Sudans, Zimbabwe and so forth and there's major questions about the two most important countries of South Africa and

Nigeria. I understand all that but, again, it's much more variegated than a lot of people would have thought and there's many more positive dimensions than people would have predicted.

Two last features of this world in addition to the eight I've mentioned. On the positive side, on the development angle, there's so much talk these days about inequality but almost all of the talk misses the point. What matters in society is much more than inequality, which I believe is not the central dynamic or central thing we should focus on, is the reality or the potential for upward mobility and growth. The history of the world over the last couple of decades shows hundreds and hundreds of millions of people who have been moved out of poverty. India and China are both in that sense locales of enormous progress, and in many other societies as well. We've seen significant percentages of the population move out of poverty. We've seen other gains against disease, we've seen the improvements that technology has introduced. So I think on the development side there are lots of positives to point to.

And lastly though, and a slightly more sobering note, and it's actually the reason I ended with it, 'cause in some ways it's the intellectual backdrop to the conference we've had here the last couple of days, and it comes back to where we began with globalisation, but the gap between global challenges and global arrangements. When I look at the world of the next few years – and I'll come to this in a minute – it is this gap that gives me some pause. When you think of the great global challenges of the era, the spread of nuclear and other weapons of mass destruction and materials associated; terrorism, climate change, disease, the effort to keep an open world economic order, what should be the rules of the cyber domain. In each one of these areas you've got a significant gap between the scale and nature of this challenge and the scale and the nature of either the consensus or the arrangements that reflect that consensus that are meant to manage these challenges. And in some cases the gap between the scale of the challenges and the arrangements is not just large but it's

growing. Cyber is the perfect example of what should be the rules for say for governing the internet and who's to decide and so forth.

What concerns me, and it is I think one of the real challenges for the future, is whether this gap will be narrowed. And if it's not, the repercussions, whether it's the spread of nuclear materials or the openness in the internet or the warming of the planet or what have you, the consequences are enormous because, again, given globalisation the adverse consequences of a large gap between global challenges and global arrangements won't be localised. They will be felt locally but they will also be felt broadly.

So there are, again, ten features if you will of this world – the fusion of power, globalisation, American primacy, a declining role for Europe, a Middle East that is likely to remain turbulent or worse, the rise of Asia though with the uncertain question of whether it will be able to manage its own dynamism, some signs of success for both Latin America and Africa, development gains though again incomplete, and this global gap.

So what about the future? Here I can't do any better than refer to my favourite Australian thinker in my field – present company please forgive me – Hedley Bull. When I was a student at Oxford in the '70s Hedley was the Professor of International Relations at the university and though he was never one of my professors, we became fast friends. I think maybe we both felt a little bit like outsiders, the Australian and the American at Oxford. Hedley right around that time had finished *The Anarchical Society*, which if you haven't read, I strongly urge you should read. I do think it's the single best book written about this field in the modern era, and the title tells you a lot of what you need to know.

Anarchical society – the idea that's central to Hedley's work is that in any moment of history there are forces of anarchy, of disorder operate against forces of society, which is essentially rules based order between states, and it's the balance, the outcome of the struggle between forces of

anarchy and forces of society. That gives history its character at any moment. And what I find so interesting about this era of history where we are, 25 years after the Cold War, the reason we still don't have a name for it is this struggle between forces of society and forces of disorder has yet to be decided in any lasting way or in any clear-cut way. It is a moment of history that remains totally up for grabs. So Hedley's construct, I think, is still the perfect prism through which to view where we are and where we are likely to be going.

So how will we get to a point where some lucky fellow at the Lowy Institute, or maybe the Council on Foreign Relations, will be able to come up with the description of the era. Well I would say there's going to be three drivers that out of everything I've talked about are likely to be the most critical. For those of you who like sensitivity analysis, this is the area I'd steer you in.

The first is China and what it does with its growing power, but just as important is how China grows, and I would simply say more stuff is assumed about China, more projections of the future based upon the past than is warranted. I actually think the potential for discontinuity in China's future is both large and is greater than is often recognised. But China is on an unsustainable trajectory, we're already seeing the economics have slowed. I actually think the growth has perhaps slowed more than the official numbers suggest, but something's got to give. When one looks at the demographics, one looks at the export-led economic model which is unsustainable, one looks at the environmental issues, one looks at questions of corruption and a lack of political accountability and so forth and so on. How the Party is going to essentially maintain its bargain with the people and deliver ever improving living standards against this backdrop is not exactly clear. And when frustration grows, does it move in a direction of greater political tightening or greater political loosening. I think a lot of these questions are to be decided.

The only thing I am sure about when it comes to China is the future will

not be linear, and how China then and its leaders react to the inevitable speed bumps, to put it politely and gently, will be one of the drivers of this era, and how in particular what happens inside China affects what China does outside and beyond its borders. Here's where the rise of nationalism becomes significant, and the question is what is the relationship between potentially growing friction within China as a society and as a political system and how that affects China's behaviour beyond its borders, and I think that is one of the places to watch.

Second is my own country. I've written a lot about the need for the United States to avoid what you might call overreach, to avoid carrying out a foreign policy that's based upon remaking other societies – I think that's a bridge too far. ...In some ways the predictable reaction to that, which is underreach, which is just another word for isolationism, and I think in the United States now you've got, interestingly enough, co-existing at the same time, inclinations to try to do too much and too little in our foreign policy, but even more fundamental a challenge, as my last book suggested, is American political dysfunction, which increasingly I believe is getting in the way of the United States restoring the foundations of its power and doing what it can and should do to make sure that the economic foundations of all that we do in the world are secure.

To me one of the real issues, and I could be glib and say one thing or the other, but I won't be, I'll resist it, is whether we will be able to politically get through the period of increasing polarisation and dysfunctionality in which we find ourselves. The intellectually honest answer is I don't know but, again, that will be, I think, the second big driver. It's fundamentally different than the internal political challenges in China, but in their own way these internal challenges and the two major powers of the era will each have tremendous impact beyond their borders.

The third is something I referred to before, is the ability of the world's major countries, G20, whatever you want to call it, to come up with some common ideas about how to narrow these gaps between global challenges and global arrangements and then actually act on that

commonality or consensus. And again, whether it's to deal with proliferation issues or disease issues or climate issues or internet issues or trade issues or monetary issues, what have you, but virtually every facet of international life. To me, one of the real and the third grade driver will be the ability of the major powers of this era to come together.

So where does this leave us? Don't worry, I'm coming to the end here. I see three very different futures. My crystal ball could go one of three ways, depending upon how these drivers play out. One is where, for whatever set of reasons, particularly in China, nationalism begins to gain the upper hand, the Chinese look for external avenues in some ways to maintain political order at home, and essentially at some point the principal dynamic of international relations and particularly in this part of the world, becomes one of American-Chinese hostility. Not predicting it, I'm simply saying it is a possibility, where we have some version of a US-Chinese cold war, or to put it another way, where the hedging strategy that the United States has towards China decidedly moves in one direction towards a containment strategy. If that happens people in our business will then have a name for this era, 'cause it will have ended, and what will then be known as the post-Cold War era will have given way to what will be known as the inter-Cold War era in which international relations was formed by one cold war for four decades, only after several decades to transition into a second. I think that would be dangerous and tragic for many reasons, not simply because of the inherent danger of cold war, we were lucky at times that the last one stayed cold, but also because of the distraction and the drain on resources and all the things then the United States and China could not do together.

Much more positively would be an era in which China does manage to essentially not go off the rails, deal with all of its internal challenges. The United States tames its domestic demons, overcomes much of its partisanship and that you have a world of greater integration, not just in Asia, but beyond and where the United States and China and others essentially are able to do some serious narrowing of this gap between

global challenges and global arrangements. And this would be an extraordinarily positive era of international relations. I like the word integration; you can choose other words but it would be a much more integrated world where the dark side of globalisation was kept in check and the positive aspects of it were in many ways reinforced and the major powers of the day, rather than spending their calories going at one another, were able to find some useful ways to work together.

The worst future, the third future I can think of is just the opposite, where you have elements of US-Chinese cold war, where you have elements of simply China preoccupied at home, the United States also preoccupied at home, its partisanship continues to get out of hand, America does nothing to reduce its economic vulnerability. Ironically enough, just when we've tamed our energy vulnerability in the world, and we're doing fantastically well on that front, we're doing nothing that will deal with our long-term vulnerability of dependence on inflows of dollars to fund our, at some point in about half a dozen years growing deficits again. And this would be an era on which the gap between global challenges and arrangements actually grew, and I would say this essentially would be an era of tremendous disarray. We turn to Hedley's image, that this would be an era in which forces or elements of anarchy, the percentage there should move in that direction and the forces of society essentially found themselves in retreat, and this would be I think an era of international relations which would be uglier, more violent and less free.

I don't know which one of the three this is going to be. I don't know if it's going to be an inter-cold war era, an era of unprecedented integration with all the positives or an era of dangerous disarray with all the negatives. Again, I think what goes on in China, what goes on in my country and all that will have a tremendous effect. I would simply say at the risk of being self-serving, as one who works in an organisation that works in the realm of ideas, that nothing is inevitable here. What's so interesting about this period of history is it could go in lots of different ways. There's nothing baked into the cake and it's where ideas will matter

a tremendous amount and where people – the quality of leadership and the quality of thinking – is going to matter a great deal. The good news about that is the possibility for things turning out well are great and strong and the bad news about that is the possibilities for things going off the rails are just as great and just as strong. So we will see how it all works out and needless to say, we all have our preferences but we will see.

Let me leave it at that and have at me with any questions or comments you've got. Thank you very much.

[APPLAUSE]

Michael Fullilove:

Well ladies and gentlemen, I know we served some canapés outside but I think you'll agree we've also served a meaty main course, and I think you see the quality of Richard's thinking that I alluded to, a really clear, logical, orderly setting out of all these sorts of questions that in turn prompts all sorts of questions from us. And there are many questions I'd like to ask you, especially on the United States, but perhaps I might kick it off. I know there are a couple of questions from the audience but I might just kick it off with one question and I want to keep it quite open.

Given all the factors that you've described, given your ten features, what would you recommend, what sort of course would you recommend for a country such as Australia, which is a country by history and culture a Western country located in this part of the world where you indicated there's enormous economic growth, but at the same time a lot of dynamism that's not necessarily contained by arrangements, where we have a strong alliance with the United States that actually underpins many different elements of our influence, not just military but intelligence and in lots of different ways, where we're integrated with China, where our biggest trading partner is potentially a peer competitor of our great strategic ally, where we're dependent on institutions, we're joiners, we're a country that tries to narrow the gap between the challenges and the

arrangements, but at the same time needs to mind its own interests very carefully in a world where international relations is coming closer and closer to us. What game should a country such as Australia play in your world?

Dr Richard Haass:

Next question.

[LAUGHTER]

Look, it's a big issue and it'll keep you and your colleagues busy for some time to come. I have a couple of reactions to it, and some of what I'm going to say was embedded in your own question or statement. When is it that Australia doesn't have, if you will, an option of remaining aloof? It's the nature of globalisation and it's also the fact that you find yourself in this part of the world. So the real question is how are you going to influence things.

I would say a couple of things. One is in order to influence things you've got to have capacity and a willingness to act. Quite honestly you don't have an independent option that's that great, you just don't have the scale of economy, demographics, what have you. So the real question is who are you going to do it in concert with? And I would think your most natural is the United States, as an ally of the United States. But you tend to have more sway in Washington, quite honestly, if you bring something to the party, and that's being in some ways critical to the British relationship with the United States. What I said before is right, the Europeans will not be particularly significant in this part of the world. I think Australia in a sense – I haven't thought about this quite this way, I hope I don't regret this – but in some ways that Britain has been central to what the United States has done in Europe for an era of history or several eras of history, I think Australia could play a similar role here. It could be a confidant, it could be a partner, it could be strategically a really critical and central ally of the United States. In part, and you and I

and Frank Lowy, we were talking about this before, because you're part of Asia and the Pacific, just like we are, but you're not a party to many of the disputes. I mean you're not a party to this or that island or to where this or that territory lies. What you are is someone who has your country with an enormous stake in the stability of this part of the world, and that's something you share with the United States.

So I would think that if I were strategically trying to think about Australia's future, I would say okay, so let's be close to the United States, let's really think hard about Asian arrangements, let's have some capacities that we could bring to bear. So that'd be one thing. I would really want to, not be uncritically tied to the United States... that would be one thing.

The other is, and again you got at it, is the age of unilateralism, if it ever existed, is over and when it comes to shaping global arrangements it can only work with partners. And again, well any of the things that I've talked about, but take say the internet – this coming year alone there's going to be two major international conferences, one in Brazil in April and then one in October and November in South Korea about the future of the internet. Well the United States should not and cannot walk into these gatherings without having fleshed out its ideas and having some partners who essentially agree with us on some characteristics we want or see sustained say in the internet, and some “innovations” that we want to, shall we say, resist with all of our might.

Well, Australia ought to be as an open society, as someone who's part of a global economic order and so forth, you ought to be someone who, I would think, would naturally come out in some fairly similarly places. So why wouldn't the United States and Australia and some other countries in Europe also concert their thinking about how to do it. So I would think, again, both regionally and globally I would argue that Australia is a natural partner of the United States but that probably means making sure you have capacity in various forms. It would mean having a domestic

political consensus also about using them and then it would mean engaging with us in the dialogue about shaping regional or global futures.

Michael Fullilove:

Well if a future president of the United States taps Richard for some high office, we now have him on record. So we'll come back to that Richard.

Lowy Institute's chairman, Frank Lowy. You don't have to say where you're from, Frank.

Frank Lowy:

I don't have to say where I'm from. I was very interested in your picture of the globe, of where it is, where it might be and where it's likely to be and so on. It's interesting that you didn't mention Russia. You didn't mention Russia at all. I mean the Soviet Union was the major adversary to the United States and have they diminished so much? How come they're making so much noise then?

Dr Richard Haass:

Let's talk about Russia. Russia is diminished. This is a country now of roughly, what, 143 million people. It in many cases does not have global reach but it has significant local reach, certainly in the Ukraine crisis obviously. Because of its energy resources it's got some capacity, but its military is much diminished and fortunately nuclear weapons are for the most part off the table. It has a diplomacy that's of significance in the Middle East and in parts of Europe, but I think it's important to get it right, and I don't mean this as an insult, I don't mean this as criticism, this is just simply my own take on Russia.

So I think two things. I think selectively in certain situations it could play a productive role, it could be a spoiler and we ought to try to obviously work with Russia. I think Russia could be part of the answer one day on Syria because Russia does not have any interest in seeing the Syrian situation continue to boil; ten per cent at least of Russia's population is

Muslim, they have to worry about the potential for contagion. Obviously Ukraine now, we've got a real issue there, and we, for all sorts of reasons, want to discourage any Russian move to detach the Crimea or Eastern Ukraine from the rest, and I'm not saying it's going to happen but I wouldn't rule it out and we ought to try to discourage it.

I think domestically Russia is vulnerable. I think Mr Putin has not put into place the mechanisms of a legitimised political order. I think it's likely that some time there's a challenge from within. Indeed, I think that in no small part accounts for his behaviour on Ukraine, that he's worried about the presidential impact of what happened to Mr Yanukovich and what's happening to Ukrainian society.

So no, I don't think Russia will be one of the determining drivers. I left it out; it's not going to be one of the drivers of the 21st century, whether it's global arrangements or in Asia, which is not to say it's not going to matter. Yes, it will; in some cases more than others. But I do think its reach is limited and I think it could have its hands full domestically which will further limit its ability to play on a large global stage.

Michael Fullilove:

Thank you. Other questions? Yes sir.

Audience Member:

My question is on -- you touched on the rise of Asia and also of the rise of China. I am... I'm from the Philippines Consulate and my concern is on the South China Sea issues and I would like to get your thoughts on whether international legal arrangements or, for example, the International Maritime Organisation or the International Tribunal for the Law of the Sea, the role that these arrangements will play in smoothing out the things that are happening in the South China Sea.

Dr Richard Haass:

You mention a number of organisations or instruments that could play a stabilising or constructive role with disputes over the South China Sea. But there's a prerequisite, that the parties to these disputes have to accept the legitimacy of these institutions or arrangements. If they did, that'd be fine, then we'd know where to go and people would accept the rulings and all that. We're not there. We're not there.

So we can continue to hope that we get there but in the meantime I think we have to think of less formal, less legalistic approaches to try to maintain order, or if order does begin to break down, to limit any potential for escalation. So whether taking for a second the East China Sea and the Japan-Chinese, if you're not going to solve questions about sovereignty with the islands, that what you really want in place are some sort of mechanisms that keep operational distance between military forces of various size and then you want some sort of communications mechanisms, so if there is an incident you can keep the lid on. So again, you don't solve a problem but you manage it for the time being until such a time that maybe the politics would allow you to be more ambitious and I'd say the same thing with the South China Sea, you want to discourage unilateral actions, you want to encourage people to go to recognised legal and diplomatic arenas, but if they won't, then you want to try to avoid unilateral actions, discourage them, incentivise people to behave responsibly and then have whatever mechanisms you need to protect your basic interests.

So the answer is, at the moment we don't have China on the same page as many other countries when it comes to the South China Sea. I don't think we're going to have any time soon a legal resolution of this, so we're just going to have to deal with it, hopefully calmly, by the ways in which the Chinese will understand if they press certain types of claims, it'll be injurious to their interests and their relationships and I think quite honestly it's been a real argument for the United States staying heavily involved in these regions, given the unevenness of capabilities among Asian countries, given the lack of political military mechanisms, it's

important that the United States play a role not simply because it has alliance relationships, including your country and Australia, Japan, South Korea, but just more broadly as a structuring role in the region. We want China or anyone else to take that into account before they would consciously take unilateral actions that could threaten regional stability. For whatever reason, accidents happen or incidents happen. Again, we want to have things in place that dampen them.

Michael Fullilove:

Richard, can I take you to the United States and can I draw you out for a prediction, if I can? ... You mentioned the pendulum that's swinging in the United States between overreach and underreach and we're now really heading towards underreach. We saw today perhaps – I don't know if you agree with this or if you characterise it as underreach – but you saw the Defence Secretary's plan to lower the number of US Army personnel to pre-World War II levels. You have all sorts of polls saying most Americans want America to mind their own business. You even see Republicans, long the party, the daddy party, the party of a strong national security, you see someone like Rand Paul for a while leading the race.

So where will that settle? Will that pendulum swing back towards overreach or are we at the beginning of a really long swing towards underreach? And related to that, if I can, what about the pivot to Asia? Because, again, I mean from where we sit, President Obama came to Canberra a couple of years ago, said "When it comes to Asia the United States is all in, this is a major strategic priority of mine", and ever since then it seems to have dissipated a little, we don't have the same presidential level of concentration.

So in terms of the US general outward concentration, and in particular its concentration on Asia, what do you think might happen?

Dr Richard Haass:

Two big questions. On the first, it is curious I'd say that at one and the same time in the American body politic we've got impulses of overreach and underreach co-existing. And by the way, they cross party lines. You've got people in the Democratic party who sign up to both of those tendencies and you've got people in the Republican party signing up to both those tendencies. So those of you who want to see bipartisanship, you should be happy. We're seeing it in both.

Look, it's quite possible that they will co-exist for a while, and I think what... I think isolationism or underreach has had something of a comeback for two reasons. One is what you might call intervention fatigue, with both Iraq and Afghanistan. Look, more than two million Americans served in uniform in the two wars. The combined human price was enormous. More than 6,000 Americans lost their lives, more than 40,000 casualties. The direct economic costs are probably \$1-\$1.5 trillion, so it's not shocking that you've had that kind of reaction, particularly against the backdrop of the growing violence in Iraq and the growing uncertainty in Afghanistan. So a lot of Americans are quite understandably saying "What do we have to show for it?" So I think there's real aversion to that, plus there's the realities of our domestic economic troubles, and even though unemployment's come down we're still way below employments levels of 2007. The percentage of working-age Americans who are employed is still lower than it was.

So the combination of persistent domestic problems, middle class incomes have been stagnant now for probably 15 years, plus disillusion if you will with international involvement explains the growth in isolationism. I wouldn't put, by the way, Secretary Hagel's announcements today in that category. I actually think what you probably have is a general sense that the last thing we're going to do is fight in another enormous land war in the Middle East. The only land war that I could see of a significant scale for the foreseeable future would be one on the Korean Peninsula, which would also be a much more classic land war than the sort of things we fought in Iraq or Afghanistan. But I think there's a greater sense that

for this era of history, if we are thinking more about Asia or even Iran, you're much more looking at air and naval forces. So Mr Hagel's scaling back on ground forces I think reflects all that, plus the greater capacity individual soldiers can have now because of technology. I think it's wrong to read into his announcement [like] that.

I just think this will co-exist. I'm not quite sure what to say other than I think it's part and parcel of what I was talking about. If there's no consensus on what the world is, there's also no consensus about what the role of the United States is, either exactly how much we do or what we do, and I think that's what you're seeing and that struggle will continue I think for the foreseeable future. What might change it is probably the emergence some kind of new sort of -- a clear definition of the world in terms of a new threat or something new positive. Well, threats are more likely to emerge. But the good news is by the way we've got a lot of capacity in our economy to increase spending on defence and the rest, because what we're spending now is quite a modest level by historic standards. But it is true, I mean I'm not fighting your basic points.

There was a poll the other day that came out from Gallup and it simply asked Americans one question: What is the thing that concerns you most? And it listed ten things. Anything about the world did not appear on the ten, and so it shows to me that Americans are not focused -- we've come a long way in that sense since 9/11. If something awful were to happen again those numbers would change, whether it's a 9/11 sort of thing or something out there, but I think for the moment, yeah, there is a pulling back but I wouldn't read more into it than that. There's nothing about it that's irreversible or irrevocable and I wouldn't exaggerate it, we still have enormous capacity, which brings us to the pivot.

I don't think we're doing enough to make the pivot or the rebalancing, to flesh it out. My own view is in the second term of the Obama administration it doesn't seem to have a champion at the cabinet or sub-cabinet level. We continue to be, I believe, overly preoccupied in the

Middle East. We have yet to do the build-up in air and naval forces in this part of the world. There's big questions about our ability to see a trade agreement through the Congress, and as I said, I don't see us investing as much time in what you might call strategic consultations in this part of the world as we could and we should.

So if you asked me today to talk about American foreign policy, I would have talked a lot about this and the need to, I think, get certain balance right, and I would say the balances I want to see is not a switch but a slight dialling down of what we do in the Middle East and a dialling up of what we do in Asia. I want to see less focus on trying to remake the societies of other countries and more focus on shaping the external behaviour and foreign policies of other countries. And yeah, I do want to see great emphasis at home on immigration reform and infrastructure and schools and dealing with entitlements but even though I wrote a book called *Foreign Policy Begins at Home*, foreign policy doesn't end at home, and the United States has got to remain squarely involved in the world.

So I don't think we've got it right. It's always awkward for a former government official like me to come abroad and be critical, so I don't say this with any satisfaction or partisanship, but I don't think we've got the rebalancing right. What's ironic is I think it's right conceptually in the administration. What I think is missing is the implementation of it and I think that needs to be adjusted.

Michael Fullilove:

Ladies and gentlemen, one of the depressing things about listening to Richard Haass is to see how he combines depth and breadth in such an impressive way and today he's gone through ten features and sketched out several futures. He's then run through a list of domestic problems that he believes the United States has to deal with, and the really depressing thing for me as an analyst is that we could stay here all night peppering him about each of the items on that list, and on each of them he would have cogent and intelligent things to say.

We can't keep him all night, he has an appointment with probably Tony Jones at Lateline, and the Lowy Institute always tries to run its events in a timely way. I will just say that this is a fantastic book. He mentioned it, Richard Haass, *Foreign Policy Begins at Home*. I don't know if it's available at the best bookstores here; it is available on Amazon, so you should all buy it. But more importantly you should join with me in thanking one of the great scholar practitioners, Richard Haass. Thank you very much.

[APPLAUSE]

[END TRANSCRIPT]