

**“CHINA’S TRANSITION AT A TURNING POINT:
CRISES, CHALLENGES, AND OPPORTUNITIES”**

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“IS CHINA READY TO BE A GREAT POWER?”

SPEAKER:

**FAREED ZAKARIA,
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ALTON FRYE: Ladies and gentlemen, if we can come to order the afternoon is about to begin. Good afternoon, and welcome once again. I am Alton Frye of the Council on Foreign Relations, and on behalf of Council Chairman Pete Peterson and our new president, Richard Haass, I want to add our special welcome to this exciting and important conference.

It's always a pleasure to work with our colleagues here at the Carnegie Endowment. The French invented the concept of cohabitation, but the Council and the Endowment have practiced it for three decades now, and I can testify that it works better here than in Paris.

Among our many Council members present for this significant meeting, I want to take special notice of the presence of former World Bank president, Robert McNamara, who has had a particular long and deep engagement in China, and we're delighted that he could be with us.

We come now to a highlight of a program filled with highlights. I am particularly pleased to have the opportunity to introduce Fareed Zakaria as our luncheon speaker. Even venerable institutions need regular injections of creative energy if they are to remain venerable. When James Hoge became editor of the Council journal, *Foreign Affairs*, in 1992, he came with a mandate to modernize a splendid publication. One of Jim's wisest innovations, of which I know he is especially proud, was to bring Fareed Zakaria to the magazine as managing editor. It was a bold decision to place a 28-year-old scholar just completing his doctorate in such a responsible role. That decision was quickly vindicated by the enormous contribution Fareed made to the magazine and to Council life more broadly. His sparkling intelligence was coupled then and now with both mature judgment and deep learning. Those qualities are well reflected in the many articles and books that have flowed from his pen over the last 10 years, including his provocative new study, "The Future of Freedom: Illiberal Democracy at Home and Abroad."

Many of us would have been proud to claim Fareed as one of our students, but in fact we have become his students. As editor of *Newsweek International*, his current role, and as frequent commentator in print and on the airways, Fareed has now become one of the nation's most insightful commentators.

I was thinking as we prepared for this about the gracious comment that John Kennedy made when he received an honorary doctorate at Yale in 1962. You recall that

aphorism that he had the best of both worlds: a Harvard education and a Yale degree. (Laughter.)

Being a – perhaps a bit less gracious, but in the spirit of friendly rivalry that sometimes arises between New Haven and Cambridge, I was thinking that I should say that Fareed is proving that even the handicap of a Harvard Ph.D. can't stifle the talent he developed as a Yale undergraduate. (Laughter.)

Fareed, we are delighted to have you with us, and look forward to your remarks.

(Applause.)

FAREED ZAKARIA: Thank you very much, Alton. That was a very gracious introduction, proving that sometimes in life inflation is not such a bad thing after all. (Laughter.)

I am delighted to be here, but I have to confess: you are all here under false pretext or a misapprehension or something. This is why I am speaking to you today: I called Minxin Pei when I got a fax about this conference and said to him, "This sounds fascinating. You've got all the best China scholars in the country in one place on one day. Can I attend the conference and just come up to speed on China?" And he said, "Well, you can do it if you'll be the luncheon speaker." (Laughter.) So here I am singing for my buffet supper. You know. (Laughter.)

Look, I thought what I would do as somebody who genuinely is not an expert on China and really is here to learn, is to just throw out some ideas of what it looks like from the outside and do it in a relatively brief format so that we can then have a discussion and you can, in effect, tell me where I am going wrong.

Any discussion about the world, and particularly from Washington these days, has to begin with a discussion of our 51st state. You realize we have a 51st state -- it's called Iraq. We have acquired it on that lofty principle of international relations that Tom Freedman talks about, the Crate and Barrel principle: you break it, you buy it. (Laughter.) And so here we are.

Here we are, you know, looking at it trying to figure out just how much it costs and what one has to do to put it back together again. And I think that – I know that there will be questions about Iraq, so I'm not going to really get into it much more than to say that I fear, even though I am generally speaking optimistic about the course of things in the short term, I fear that Iraq will not turn out to be a functioning, blossoming, liberal democracy in five years and that it will discredit the idea that you can have transitions to democracy around the world outside of the West in poor countries or countries that are developing.

I think it's unfortunate, because in fact one of the quiet, profound transforming things that has been happening in international relations and international life has been

precisely the opposite. There is a theory in political science called modernization theory, which I think is a series of arguments – among the most powerful arguments developed by political scientists about answering Plato’s question how do you get good government – which talked about the way in which you get good government. It was very popular in the 1950s and ‘60s and it was an argument about the fact that you needed to have societies modernize along every dimension: economic, social, political; and that economic modernization was the great engine of this process; and that once you got that, you would also get political modernization -- that is to say, a sophisticated, responsive political system that is a democratic system.

Modernization theory went into great disrepute during the 1960s and ‘70s because the world seemed to be going in very different ways – much of it because of what happened in Vietnam – and since then has never really recovered. It has always been seen as slightly embarrassing to speak of it, because it sounds like you are an economic determinist. It sounds like you have some kind of naïve belief in a happy connection between economic growth and other good things.

But a funny little thing was happening in the 1970s and ‘80s while political scientists had begun mounting critique after critique of modernization theory, which was that in large parts of the world there were key countries that were moving and transforming themselves precisely in the manner that modernization theory would have suggested. And you had what Sam Huntington called the third wave of democracy; somewhere starting in Portugal, but Portugal, Spain, East Asia by and large, and then moving on to some countries in Latin America – Chile most importantly – and then of course Eastern Europe. And in almost all those cases what is crucial is to recognize that the basic argument – the basic sequence that modernization theory posited, which was that you would have economic growth which would produce an increasingly complex and modernized society, which would then require a complex and modernized series of institutions – legal, administrative, et cetera – eventually produced a complex, responsive, accountable political system. This is obviously a very short and rough version of what happened. There were many bumps along the road, but it’s fair to say that that accurately describes the transition toward genuine democracy in large parts of the world.

Well, in some ways the most important quiet story that has been taking place is that of China. China is the most important case of modernization in the 20th century, or 20th and 21st centuries if you will. It will certainly be the most important case of modernization in the 21st century. And I think for somebody like me who has an interest in vindicating this theory – feeling that it has been unnecessarily – it has unnecessarily suffered disrepute, I am anxious to see where it’s going to go right and where it’s going to go wrong. And one of the – what I would like to ask you, as real experts and China watchers, is to help me go through the process and ask where is it that China could stumble, if it does, and what are the likely scenarios? If in fact, you know, this basic logic is the framework through which to view the Chinese case.

What I am struck by is the many objections to modernization theory don't really apply to China; that is to say, the first objection that I recall that was made was that you look – you found rich countries that were not, in fact, politically developed democracies in any sense of the word. The most famous examples, of course, the Gulf states, oil-rich countries in general, which I think is in a way an odd mischaracterization of modernization theory because the argument is not simply about the fact that high per capita GDP will equal democracy. It is the process of obtaining and earning high per capita GDP that will produce political democracy. In other words, if you don't modernize of course you're not going to get modernization. You need an economic modernization process to be in place. By the way, this I think is, at the end of the day, going to be the single biggest obstacle to Iraq's development as a democracy.

Unless there is some way to break the very sad pattern of what happens when you have resource-rich countries, which is the state finds it very easy to rely on easy access to revenues, which means that the state does not have to develop the institutions, laws, practices, and policies that produce well, and instead exists in a kind of -- (unintelligible) -- relationship with society. All the wonderful constitutions in the world won't matter because, believe me, they've been tried. You know? Nigeria had a nice constitution. You can go down the list. There is really only one oil-rich country in the world that is a functioning democracy, and that is Norway. And it got its democracy a lot earlier than it got its oil.

But there is, you know, there is hope. Kuwait is actually a country that has managed its oil revenues very well, and there are models that you can look at. And basically the simplest model is the Kuwaiti model, which is you take the oil revenues and you ferret them away to London and put them in an investment trust and don't use them. In some way you have to get them out of the body economic and body politic.

So if you think about that objection to modernization theory, it doesn't seem to me it really has held water. If you look at the arguments made during the '60s and '70s, again, about the kinds of obstacles you would find, some of them were essentially historical or relating to the fact that in the late '60s it didn't look like things were going in a kind of happy way. Economic development was not producing the kind of political development you expected to see. As I said, Vietnam being one example, but there were lots.

The arguments as I understand them would be around three groups, and I think these are the ones that I would like to understand where China stands on. The first is of course Tocqueville's old argument about the causes of the French Revolution, which is that when you have a regime that is repressive it is the process of reform that actually produces revolution. And I have heard a lot today, and I hear – whenever I hear about China I am always hearing about the success of reform, the success of liberalization, and in some ways the political debate is consumed by that. You have certain groups on the one hand saying this is still a Leninist, dictatorial regime that is actually in no way reforming. And then there are, I would say, people who actually know something about China who point out that actually to describe what is going on in China that way doesn't

make a lot of sense. I am with the majority of China hands on this. There is clearly liberalization taking place in China. My question is, is that the problem? In other words, does that produce certain kinds of pressures – rising expectations, rising levels of mobility, rising levels of social mobilization – that make this very difficult?

To date, I think the most powerful critique of modernization theory is Samuel Huntington's "Political Order in Changing Societies." And his argument there is that revolutions, if you look at them, occur in a very narrow band of cases in human history. Most societies for most of their existence do not have social revolutions. They do not have massive upheavals of the social order. Agrarian societies, societies stable, stagnant, poor – you very rarely see a revolution. You will see coups, but you will not see revolution.

Advanced industrial societies that have sophisticated, accountable, transparent and flexible political, economic, social systems do not see revolutions by and large. You see them in that middle band of countries that are modernizing and producing a great deal of social upheaval, change, and potentially discontent without the institutional structures to deal with them. It is the lack of political institutions, social institutions, civic institutions that produces this process. So you have a modernizing society that is moving along and you do not have those structures in place to actually do that.

One of the things that I worry about in China that may – that had a totalitarian legacy if it is not a totalitarian state – is that generally speaking there were very few such associations, organizations. You have a very poor civic life in a society like China and does that produce a certain degree of problem -- that you don't have political parties, you don't have rotary clubs, you don't have things like that. And the fact that these are viewed with such suspicion by the Chinese government strikes me as a very real problem. I mean, if you are worried about people getting together to engage in breathing exercises, you know, you are going to – that is going to cast a pall on the ability of the formation of these kinds of institutions that have – that allow for the venting of political energy, political dissatisfaction, political voice.

A great deal of time has been spent over the last two years talking about the failure of modernization in the Middle East, and of course much of it has centered on the character of Islam, the religious nature of this problem, the way in which it is in opposition to the West. People like Bernard Lewis have reminded us of the long history of the clash of civilizations – a term he will be quick to remind you that he came up with before Sam Huntington did. To be fair, Sam actually quotes him in the article, "The Clash of Civilizations," so he does not do it without attribution.

And the part, I think, that's often forgotten in that process is that in many ways the failure of modernization in the Middle East is actually quite understandable on the basis of the arguments I was laying out here because what you have in the Middle East more than anything else is four or five decades of intense political repression and the absolute clamp-down on any formation of political institutions anywhere in the society. You want to form a rotary club in Egypt; you will be put in jail. If you want to have 10

people get together to discuss politics in Saudi Arabia; you will have people watching you. The one thing, of course, you could not ban in the Middle East was the mosque, and so all the political extremism and discontent of society channeled itself into this one available area and Islam became the language of political opposition because it was the only permitted language.

Now, there is a tendency in these circumstances to focus a great deal on the strength of the challenger to the state; that is, Islamic fundamentalism. But again, a very powerful critique of modernization theory Theda Skocpol's work, has argued it is much more important to look at the failure of the state than the strength of the challenger because what you find in history is that there are lots of challengers and the challengers always seem unique and powerful and historically specific, but what is striking is whenever you have a failed state – and I am using it now in a particular context – you will always find a challenger: a challenging ideology, a challenging movement, a challenging process, because the state is unable to fulfill its basic functions.

And so if you look at a little microcosm here, the Palestinian Authority and Hamas, one of the reasons the Palestinian Authority is so woefully unable to deal with Hamas is because it itself is a crippled, fractured, unsuccessful state confronting Hamas, which is actually a very effective social organization – very effective social welfare organization – that happens to do terrorism on the side. Now the point is the strength of Hamas is not unrelated to the weakness of the Palestinian Authority.

Now, when talking about China it is very rare to hear about the discussion of the weakness of the Chinese state because of course not only is it a powerful growing economy, but it is remarkably well managed, it seems to me, at the very highest levels. If you look at the kinds of problems China is dealing with -- kinds of mass organization, for example -- just one thing I can think of, I can think of no developing country that has managed that process better than China has. If you look at the cities in China and again compare them to the cities of developing societies around that time, or in that income level in that process, it is very difficult to think of ones that have done it a whole lot better.

And yet, you clearly have a huge governance problem in China when you go below that level of 40-plus year old party functionaries who talk to Western journalists and officials and seem to be speaking in a common language of reform. You have the problem of mass corruption. You have the problem of mass discontent. And all this seems to be bubbling up, and as I say, I say this as an outsider, but I notice that you have had these protests over the last few weeks in China and they are centered around the issue of corruption.

And what is extraordinary about them is that they are taking place in urban locations – that you are seeing an increasing linking-up of protesters – something you have not seen before and you are beginning to see the Party feel it has to respond to them. So that you have Hu Jintao publicizing the fact that he has made marginal notes or marginal comments at various fora about the fact that he's concerned about this. He

asked a question at an anti-graft meeting apparently which somebody pointed to a particularly egregious corrupt official and he said, "Are there any other instances of this kind of thing?" which of course in China is a kind of rhetorical question of a high order, I suppose. But what's interesting is the fact that he felt the need to publicize this. That there is clearly a pressure being felt by the regime which they have not felt before. How deep is this? How much does it make it difficult for the Chinese state, you know, to govern? That's the question I have never quite figured out about China, partly because it is a very opaque state. I find when I talk to reporters who are coming in and out it is very difficult to get a sense of what is actually going on, and it is unclear to me whether it is fundamentally a weak state or a powerful state, and it may be both.

So those are the kind of revolutionary impulses, domestically, that I worry about. You then have a revolutionary international environment that China is coming of age in. When historians look back, I think they will be very struck by the reality that while the Cold War ended in 1989 with the collapse of the Soviet Union, it really took a while until you got a post-Cold War world. We called it a post-Cold War world, but that's really because we didn't know what else to call it. But for much of the 1990s the world was stuck in a kind of abeyance. The last two years I would say we really are in a post-Cold War world. And what are the characteristics of that world? The number one characteristic is the reality of American hegemony and superpowerdom. American hegemony existed in a kind of soft, latent sense in the 1990s. Post-9/11, it has been actualized. It has been – American power has been mobilized and it has had a reaction around the world, I think it is fair to say.

If you look at the extraordinary shift in people's perceptions of the United States, I believe -- and I have written that some part of this is because of the Bush administration's maladroit diplomacy -- but some part of it is without question the mobilization of American power, and the mobilization of American power on a scale never seen before in history. It's very difficult to exaggerate that. I mean, you are really in a new international age. You have never had a world in which every part of the globe is simultaneously, politically an – a player, an actor, not just an arena. And you have never had a country this powerful.

You know, one example that I like, which I think is worth repeating: when Britain was really the superpower of its age it had a rule – the two-navy rule – it was that it would maintain a navy that was as large as the next two navies put together. But the United States military, as most of you know, in dollar terms is larger than the next 20 put together. If current spending patterns hold, which they are likely to, in about two years from now the United States will spend more on its defense than the rest of the world put together, so you'll have 191 countries on one side and one on the other. That's new. I mean, you really have never been in a situation like that before.

You are seeing, I think, a particular shift in the East Asian balance of power. You have never really had a circumstance in which China and Japan are both simultaneously an active great power. This is new. We don't quite know how it will change things. And you are beginning to see the emergence of India as a great power in a way that I think we

have not fully digested yet. I think the rivalry between India and China -- or I should say the relationship between India and China -- is going to be one of the most complicated relationships in the world over the next 20 or 30 years. And in fact, if you look at India's nuclear testing and its general attitude on nuclear issues, it has been by and large, I think, misread as one that is exclusively directed at Pakistan. There is a significant part of that -- of the impulse at least -- that is directed toward China, I should say, not against China.

Now the North Korean issue is obviously the one in which we have seen the most movement -- the most notable shift, and is -- has the potential to most dramatically change the East Asian balance of power. I think by and large it is fair to say that the United States on this issue is -- has a more revolutionary attitude than all the neighboring powers. The United States wants a kind of permanent settlement to this problem. The rest of the neighboring countries want to manage it. But that is changing because the circumstances are becoming revolutionary in and of themselves. It is becoming very difficult to manage the problem, which is why I think you have seen a shift in China's attitude.

It may be that this is the issue on which you will begin to see China rise or emerge as an active player in world politics. What has always been striking to me about the debate in Washington is that you have a whole group of people saying that China is the next Soviet Union, it is the evil empire, it is rapacious, about to take over the world, and you talk to any American who has had any kind of diplomatic experience with China and they will say, "If only we could get them to do something. If only we could get them slightly active in even their region, let alone the world." So, you know, you have these two completely contrasting perceptions of what -- how China behaves.

Well, in North Korea, you have for the first time begun to see Chinese activism and I think it is because their preference ordering -- which for a long time was the thing they feared most was an implosion in North Korea and the thing they feared second was North Korean nuclear weapons -- may have switched. They might now be tied. One and two might be tied; that is, they worry about North Korean nukes and they worry about a North Korean implosion, which might explain the recent troop movement down to the borders.

Now what will that mean and is that a sign of good things to come in the sense of a China that is responsible and wishes to be engaged in the world and wishes to be helping solve problems? Well, I think firstly in the short term much will depend on what happens in North Korea. If the North Korean situation explodes, I think the Chinese will draw the lesson from it that they should not have gotten involved and these things never work out, and it's much better to just be quiet and, you know, the Americans love to stir up hornets' nests, and perhaps the passive approach was a better one. So it is in -- very much in our interests to try and make sure that this thing works out in an orderly trajectory because if our broader goal is what I believe it should be, which is the attempt to integrate China into the international system and to make it find a responsible place commensurate with its power, it's very important that this go right.

And let's face it, China is coming to power on an issue that just happens to be the most difficult issue the international system is currently facing. You know, this is not that easy. For all one can criticize the administration, there aren't a lot of easy answers out there as to what to do about North Korea, so, you know, I have my own preferences, which would be to have a united, multilateral, and fairly coercive stand on the issue of proliferation, but then also to have some carrots and to be willing to provide those carrots so that you can imagine a movement forward here. And obviously it would have to be verifiable that the North Koreans have shut down their reactors. But if that were the case, even if we could begin to start saying if that were the case here is what we are willing to do, I think it will make it much easier for the Chinese to stomach what has been a very tough thing for them, which is to brandish a stick – something they are not used to doing. If they were to be able to say, "We're brandishing a stick, but we got the Americans to provide a carrot," I think it would make it much easier for them.

And that North Korean example is sort of the microcosm of my broader point, which is while you have a revolutionary international system in some ways – a changing international system – the crucial issue is going to be the attitude of the hegemon. Nothing is more important. It sometimes sounds self-serving and solipsistic or self-centered to keep pointing this out in discussions of international relations, but the reality in the world today is everything depends on the United States' attitude and everything depends on U.S. foreign policy. It is the single most important variable. It is not the only factor. There are lots of other great, huge factors, but they're not changeable. The manipulable variable is U.S. foreign policy, and that's why I think it will be very important to see how the United States decides to handle the transformation of the East Asian balance of power, which is going to happen.

There is no question in my mind that in Japan you are going to see a very different attitude towards Japanese defense five years from now than you have today. You are going to see a different attitude in South Korea. I think the South Korean relationship with the United States is far more fragile than it has ever been, and how we handle those things becomes very important.

I think we have to be somewhat revolutionary in the way we address these problems, because we are the target of some of these forces in a way that no other country is. Let us face it. If you have proliferation and if it is married with radical ideologies, the target is going to be the United States by and large. So we are more concerned about this than other countries. But we have a very powerful incentive in trying to stabilize the East Asian balance of order – of power in particular, because the world is messy enough already and to have the most powerful country in the history of the world actively seeking to produce instability without a sense of how to restabilize the world – without a sense of what structures to put in place, what practices, what procedures – and in that context I do believe that an administration that sees – that views multilateral cooperation with a kind of suspicion, that comes to it assuming the world is out to get you, is not helpful -- and I think that if we could try to find ways to figure out what are the key stabilizing relationships, practices, procedures we can do.

A lot of it, you know, sounds like boring diplomacy, but if you look at what it has been able to achieve over the last 50 years, it has made the world view American power much less suspiciously than they have every cause to. Let's face it: with the United States as powerful as it is, you should be suspicious if you were another country. You should be threatened. And it is that ability to mask it, cloak it, reassure people – and that's why American secretaries of State have circled the globe, and that's why we have engaged in joint maneuvers with countries where it made no military sense for us to engage in the joint maneuver, and that's why we have, you know, had presidents visit countries when there was no real point to the visit. It is to reassure the world about American power and American intentions, so in a very real sense, I think, the future of China depends on the future of the United States.

Thank you.

(Applause.)

Now, as I said, I hope you will tell me where I am wrong.

MR. FRYE: Fareed, thank you very much. You remain one of our most stimulating agent provocateur. And the floor is open for a few questions. Just to tell you the target time, we have a rich afternoon agenda, so we will be concluding at five minutes to the hour. Question here. Please wait for the microphone, and if you are kind enough to stand and state your name, that will help us all know from whence you come.

Q: Eric McVadon, consultant, East Asian security affairs.

Fareed, you didn't specifically mention the remarkable situation with U.S.-China relations right now – many people think the best it's ever been and so forth – and whether it will persist. And of course I would suggest that the issue of Taiwan is probably a big factor in that, so I just wanted to toss that out for completeness.

MR. ZAKARIA: Sure. Very good point. I think the country that benefited most from September 11th was China, because it got itself off the U.S. potential enemies list. There was a very powerful group of people in the United States who were – let us be honest – searching for an enemy, and there was a sense in which defense establishments have to do that, strategic establishments have to do that, even think tanks have to do that. Figure out what you're looking at out there. There was also an ideologically motivated part to that. All of a sudden, China disappeared. Which frankly suits the interests of the current Chinese leadership exactly right, because the current Chinese leadership's goal – and I don't have to tell you this – is essentially economic development and modernization. As long as they can continue to do that quietly, there is a sense in which no news is good news. I think that is at the basis of the progress that has been made in U.S.-China relations.

One could put it slightly more in Washington terms, which is that Don Rumsfeld got less interested in China over the last two years. (Laughter.) And Colin Powell

became the lead player on China. Default. Because it's now a second tier issue on which you don't have a lot of debate – you don't have a lot of argument, and you need the Chinese by the way on a few things like UN votes here and there.

So I think that that, you know, has been at the core the motor of the normalization. By which I guess I mean to say that I think it's fragile. I think that you still have the fundamental basis for good U.S.-China relations are still a kind of theoretical work, policy works, and multinational corporation alliance that does not permeate very deeply into the American public, and that it would be quite easy to gin up a certain fervor about China, whether from the Christian right, whether from labor unions, you know, and so I do worry that this is not something that you can look at as the product of broad and deep forces. It is really the product of inattention and inertia.

On Taiwan, I have, you know, my feeling on these kinds of things is a very complicated subject on which I have nothing new to add. I would simply say my sense is the current Chinese leadership is not interested in doing anything provocative right now.

Back to the issue of modernization. The one thing you have seen in the past is regimes that are modernizing that are, you know, finding themselves facing a kind of complicated situation where they have thrown more balls in the air than they know what to do with have often resorted to nationalism as a way of binding the nation together. In the Chinese case you have three forms of nationalism. You can try anti-Japanese, anti-American, and, you know, and Taiwan. It strikes me the first two don't work so well for a variety of reasons, and so Taiwan could become that, but that said I have to say I haven't seen it. I don't follow it closely, but it – what I've been struck by is actually the opposite: that the arrow seems to be pointing in the opposite direction right now.

MR. FRYE: In passing to the next question here in the front, I would say that your observation about the potential fervor turning in the wrong direction in the United States is perhaps even less worrisome than the observed inflammatory fervor that developed in China after the aircraft incident with the loss of a Chinese plane and the force-down of our surveillance aircraft. It was worrisome.

Question here.

Q: Don Oberdorfer, SAIS. I'm not going to quarrel with you on North Korea. I think you've got it about right. But I'm a little tired of hearing about American power and the great effectiveness of American power. If you line up, yes, it's more than the 24 other countries militarily. Military power, yes. But there's only a small number of cases in the world where that military power is really applicable, and we're seeing at the same time, I think, basically an atrophy of American diplomacy as we saw at the UN in the last couple of days. Moreover, the ability of Americans – of the American government at least – to persuade the world of anything is less than it was a few years ago. There are people all over the world saying, "What happened to this great country that we used to like and we used to model ourselves on?" So I'm concerned that we get ourselves into the mindset of we have all this terrific power. We're not really thinking about the real

world. We're thinking about a little slice of the real world and we're just going to have ourselves in a lot more trouble if we're not a little broadminded about that.

MR. ZAKARIA: Well, let me disagree with you and then agree with you, which is to say, I think it's misleading to say, well, it's just military power and it really doesn't matter. First of all, military power is a big deal. At the end of the day, military power ends up dominating, as we are witnessing. If you look at the newspapers, if you – you know, it tends to be the thing that in the short term certainly drives political relations. Secondly, the United States is not a one-legged beast in this sense. The U.S. economy currently is larger than the next three economies put together. You take Germany, Japan, and Britain and add them up and that's the U.S. economy. You look at future predictors of growth – universities, higher education, research spending, demography – all of it points to the fact that the United States might actually increase the gap between itself and the rest of the world. The United States is likely to grow at 5 percent this year. The European Union is likely, if it's lucky, to grow at 1.5 percent.

I think it would be – you'd be kidding yourself if you didn't recognize this power is here to stay for a while. I don't know how long, but for a few decades at least the United States is in a qualitatively different position. If you look at higher education as just one example, and you think about future predictors of growth, you look at the top 30 American universities there is simply not a university in the world that comes close, particularly in terms of scientific research. You just can't afford it quite frankly. I mean, Harvard University has an endowment of \$20 billion. You know, I think there is one university in Europe that has an endowment of \$1 billion, and that's Cambridge, and half of that was given to it by Bill Gates. (Laughter.)

Now, what I'm going to agree with you is that's my point in a way: that American power is objectively scary if you're outside the wall. And that the United States has to spend a lot of time through diplomacy, through its actions, through everything it does, conveying the sense that it is trying to think of broader interests than its own national interest, that it is not narrowly and militarily focused, that it is trying to build a kind of world in which other countries interests are taken into account. We could have invested the world in Iraq's success very easily in my view at the end of the war. We didn't do that. And now, frankly, a large part of the world is invested in its failure and would rather delight in seeing it not do well because it would give us a -- you know, kind of a bloody nose.

Now, you know, whether or not that would get rid of all the trouble, I don't know. But I mean I agree – what I guess I am saying is I am sure that America will be the most powerful country in the world. My fear is not about American power. My fear is about American legitimacy and the legitimacy of American hegemony. That hegemony will probably exist no matter what, but if it becomes widely viewed as illegitimate, then you face a real problem, I think.

MR. FRYE: Questions toward the rear. Let's go along the wall here. The mike is coming to you.

Q: Thank you. I'm Elliot Feldman (sp). Like Bob Herzsteen (sp), I am a Washington lawyer. I just as a short comment from Don Oberdorfer's question: it may be easy to take Germany or Japan or other economies. It's not so easy to take European Union and assume that the United States is overwhelmingly the dominant economic power in the world, and I think that's the more appropriate comparison, but that's not my question.

My question goes back to your theory, the template you had for modernization. You never told us what you thought a modern state is, and it seemed to me that you collapsed modernization theory with the theory of the civic culture. The civic culture is easy: that's Polynesia. The modern state is a more complicated problem and the origins of modernization theory are in Nazi Germany, Stalinist Soviet Union, and the fear of peasant revolution in China. And so we got competitive theories to define what a modern state would be. Now if you use as a template four variables: settled borders, secularism, and you deal with industrialization and the reduction of the peasantry, and you take that as your template for a modern state, what then do you anticipate for China? Or how would you fit the Chinese future into a template in which you've defined what you mean by modern state?

MR. FRYE: And if you can answer that in one minute, we can get one more question in.

Fareed. (Laughter.)

MR. ZAKARIA: All right. Twenty seconds on the EU, because I can't resist. You might have noticed last week Sweden delivered a resounding "no" to the idea of being part of the Eurozone. I think the idea of the European Union as a single entity – a national state – is simply looking at the dreams of Eurofederalists like Giscard d'Estaing and not the reality on the ground. The reality on the ground is that outside of trade and regulatory issues this is a group that cannot get together on anything. You notice when they were trying to decide what to do on Iraq the three leaders of the big countries met on Saturday. I didn't see Javier Solana anywhere there.

On the issue of modernization theory: look, I think what I would argue is that the core of it is economic modernization, and by economic modernization I mean quite simply economic growth -- genuine, market-driven economic growth. Germany is a very complicated case in which, in my view, it actually upholds modernization theory with the small exception of World War I, which is to say if you did not have this massive schism in the process of German modernization, Germany in 1900 – 1910 was actually a fairly progressive, liberalizing country. It had its dark sides, but, you know, frankly so did we. If you had to choose in 1930 -- or 1920 would be a better time -- whether you wanted to be a Jew in Germany or a black in America, you know, I'm not sure which one one would choose. So every country has had uneven paces of modernization with uneven things going on, but if the core engine of economic modernization, coupled with political institutional reform, you know, which is what I think is absent in China – but I can defer

to you – if those two things are happening usually it seems to in the long run work out all right.

MR. FRYE: Let's go all the way to the back for the grand finale. And if you will stand and take the microphone, you get the final intervention.

Q: I'm Alan Tonelson with the U.S. Business and Industry Council.

Fareed, I wanted to get back to your theme of responsible great powers, because I look around the world and I only see two. I see us and I see Britain. And I think you don't have to accept the notion that everybody's out to get us in order to recognize that what we have remaining is a lot of posturing, a lot of free riding, a lot of hypocrisy. We don't really have a great deal to work with it seems. We're not getting a lot of great advice from our allies. We're certainly not getting a lot of wherewithal. They don't have a lot of wherewithal, certainly in lots of very important respects, particularly military. So again, it seems to me that this notion of nurturing responsible great powers – there may not be a lot to that.

MR. ZAKARIA: Well, you start with the structural reality that if you are so much more powerful than the rest you have a problem in making them active supporters of your hegemony. Right? I mean, we talk about all these great powers and we talk about the five on the UN Security Council. Let's be honest: there's really one great power. I mean, if the UN Security Council would have been designed in 1995, as opposed to 1945, you would have had one veto because the United States is the only country that can make anything happen. It's the only country whose single veto would actually stop anything from happening. When you have that kind of disparity, it is structurally difficult to get people to assist you in your hegemony. Britain has made a decision a long time ago that it multiplied its power by actually being allied with the United States rather than without.

I think even that theory has been tested very severely right now. I mean, let us face the facts. Tony Blair is the chief casualty of the war in Iraq -- you know, with the exception of Saddam Hussein. (Laughter.) Blair is down to 30 percent approval ratings right now, the lowest in his seven years in tenure, and it's all over Iraq and it's all over the fact that he backed the United States. Chirac and Schroeder's attitudes do seem obstructionist and irresponsible. Remember, however, that George Bush's disapproval ratings in those two countries are over 80 percent, so, you know, the reality is that Jacques Chirac is probably the most admired world leader around today. The BBC did some polls about three months ago.

So we have a – you have a structural reality, and so if your attitude is going to be if you do not agree with us, with our demands and diktats, you are uncooperative, of course they are going to be uncooperative. It's not going to work out. If you try to work through the system, accepting that, that means you'll get 70 percent of what you want rather than 100 percent, you have a better chance. Will you remove all competition and spoiler behavior? No. You know, at the end of the day the French will always be the

French. (Laughter.) You can't change that, but you can give people a sense that you're trying to work through these institutions. You can give people a sense that you want to make institutional structures work.

You always reserve the right to go it alone. I mean, I think that's implicit in everything the United States does. You don't have to ever forego that right, but, you know, looking back on Iraq would it have been – you know, would it have caused the United States to suffer a cataclysmic loss in its security if it had waited – I don't know – three weeks or three months depending on how you take it, and that would have gotten a larger number of people on board, an international process on board. I don't know. I mean, you can debate each specific issue.

All I'm saying is I think the bias should be in terms of trying to work American power through institutional and alliance restraints because it reassures the world. If we don't do that, we will still have the power, we'll just have to live in this world in which everyone is trying to act in some way or the other as a spoiler. It doesn't strike me as a particularly good solution or scenario for U.S. national security interests.

MR. FRYE: Fareed, I know that everyone here will want to join me in thanking you for moving our thinking in a very stimulating direction.

(Applause.)

And if you will stand in place or sit in place you are about to see one of those quick-change artist routines with another panel assembling momentarily.

(End of luncheon keynote.)