

The Economic Club of New York

390th Meeting
100th Year

The Honorable Henry Kissinger
Former United States Secretary of State

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Questioners: Edward Cox, Partner
Patterson, Belknap, Tyler & Webb

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Introduction

Chairman Barbara Hackman Franklin

Good afternoon everyone. I'm Barbara Hackman Franklin, Chairman of the Economic Club of New York. And it is my great pleasure to welcome each and every one of you, our members and guests, to this, the 390th meeting in the 100th year of this esteemed club. (Applause) This is the Economic Club's centennial year and it seems fitting that we have as our guest of honor today one of the preeminent statesmen of the 20th century, the Honorable Henry Kissinger. (Applause) It's a pleasure to announce that the Honorable Condoleezza Rice, our current U.S. Secretary of State, has agreed to join us for our Centennial Celebration at the Waldorf on June 7, and former Fed Chairman, Alan Greenspan, will be getting a special award that evening. We hope you will join us.

To launch our 100-year celebration, more than 70 club members have made a personal contribution of \$10,000 to the Centennial Fund. This is to ensure the stability of the club as the nation's premier speaking platform in the 21st century. Our goal is to have 100 members before this year is out. And in a break with tradition, because we don't usually do this, I want to recognize the Founding Members who are present and ask them to stand so we can acknowledge their generosity. (Applause) Thank you. Thank you very much.

Now, let's turn to our program. We will first hear from Dr. Kissinger and then turn to our usual

question period. And that will end precisely at 1:00 after which your lunch will be served. Dr. Kissinger cannot stay for lunch. He will leave to go to Washington for the White House State Dinner, White Tie State Dinner, to honor Queen Elizabeth and Prince Philip. And in another break with tradition today, at Dr. Kissinger's request, his remarks will be off the record.

Now, turning to Dr. Kissinger. How does one introduce a living legend? Well, first, briefly, because we really want to hear his remarks. And second, by saying that we're proud he is a member of the club and an Honorary Chairman of the Centennial Celebration in June. And he's spoken before us three times, including today. Dr. Henry Kissinger is widely regarded as the preeminent strategic thinker on international affairs and the most influential diplomat of our time. Although he was born in Germany, he has served our country, first in the U.S. Army and then as National Security Adviser, and Secretary of State in the administrations of Presidents Richard Nixon and Gerald Ford. And ever since, his advice and counsel have been sought by U.S. presidents, heads of state, and business leaders around the world.

A few of his accomplishments: He was crucial to President Nixon's reopening of relations with China. He brokered a peace in the Middle East after the 1973 war. He negotiated the end of the Vietnam War. He reduced tensions and the threat of nuclear war with the U.S.S.R. during the Cold War. He has won every award imaginable including the Nobel Peace Prize and the United States Medal of Freedom. He has written over a dozen books. His brilliance is the stuff of legends and he is still going strong. Now three decades after he served as Secretary of State, we

still depend on him, we still need him, and we still listen to him intently. It's a great honor to bring to this podium, the one and only, Dr. Henry Kissinger. (Applause)

The Honorable Henry Kissinger

Former United States Secretary of State

Barbara, and friends, after this introduction I can hardly wait to hear what I'm going to say.

(Laughter) I must say that all these superlatives about my accomplishments show that you have read my memoirs very carefully. I, as Barbara said, need to leave at 1:00. I'll try to compress my remarks into 20 to 25 minutes so that you can all say you were present at an historic occasion.

(Laughter) And what I will try to do is make a review of the international situation as I see it at this moment.

Sometimes I feel that I've seen all of this before, that some of the debates that are going on now I lived through in the period of President Nixon, one of our seminal presidents in foreign policy and a great leader. Some of the nature of these debates are similar, but I would like to focus on one central point and it is this. That the fundamental challenges we face right now are structural changes in the nature of international relations in every part of the world simultaneously. That has never happened before in history and it's never before been possible to observe events in real time and to operate in a global economy in which every part of the world participates simultaneously. That is the key issue of our period of which the various headlines are primarily

symptoms.

Moreover, the structural changes that are going on in the world are different in different parts of the world. So that the American nostalgia that there is one magic solution that can be implemented in a brief period of time does not apply at either end of those propositions. And so let me explain the essence of that structural problem and its different manifestations.

What we call international relations is of relatively recent vintage as history is regarded. That is to say, it developed at the end of the Thirty Years' War in the 17th century when the system of states evolved. Until then, the relations, at least in Europe, were subsumed under a vague confederation called The Holy Roman Empire and some peripheral countries of that period, namely like France and Britain. But at the end of the, at the middle of the 17th century, there emerged what we now consider a state system, that is in order to avoid the catastrophes of universal claims and religious wars, states were declared as sovereign. Their borders were defined as impermeable. International law evolved, which had not existed before, which defined aggression and the nature of appropriate international relations.

In Europe, which slowly evolved then into the center of world affairs, this multiplicity of states, of several of more or less equal size, led to the concept of the balance of power as a means to peace and some governing principle of legitimacy to which all the nations more or less subscribed. This particular system of internationalization was considered a basic pattern because

shortly after it was established, again shortly as history goes, Europe became the dominant feature, element, in international affairs.

China never went through this experience. China never had a multiplicity of states that balanced each other. It was either predominant in its region or had to be, was semi-colonized. India never went through that kind of experience. But because Europe was dominant, that is what we considered the basic pattern of international politics.

A little later, the notion of the nation was joined to the notion of the state. That is to say that people of the same language and culture were supposed to live in the same political unit. That, strangely enough, had not occurred to anyone before the 18th century. In fact, in the 18th century, there was a thing that I wish still existed. There was the profession of the itinerant foreign minister, somebody who could work for different countries as foreign minister whenever he lost his position in his own country. For example, Russia did not have a native-born foreign minister until well into the 19th century. So this combination of state-nation sovereignty became then the established pattern when international politics spread around the world. And that is now in a state of change.

In Europe, the national state is in the process of reducing its role. And Europe is giving up, in the process of giving up sovereignty to a larger unit called the European Union. The practical result of that is that politically Europe is caught in transition between its past which it is renouncing

and its future which it has not yet reached. One result of that is that until well into the 20th century, into the latter part of the 20th century, national energies could be mobilized by appeal to the nation and sacrifices could be asked for on behalf of the nation. That capacity is declining in most of the European states, and not only with respect to foreign policy but also with respect to domestic policy. The phenomenon that people know what reforms are necessary but are unable to implement them is one of the well-known phenomenon of European politics today.

Conventional wisdom argues that the strains between Europe and the United States are caused by the lack of consultation of the Bush administration. And I would grant that some of the early phases of the incumbent administration in its relations with Europe may not be studied in diplomatic textbooks. (Laughter) But the underlying problem in my view, it's a difference in perspective. America is still a national state like of the 19th century type. It still operates on the basis of certain national convictions while in many European states the tendency is to concentrate on the present and not on the sacrifices for the future. So this translates itself into a diplomacy in which any American leader will rely to a greater or lesser degree on what is called by academicians, hard power, to some extent, while the Europeans emphasize soft power. Or to put it another way, the Americans want outcomes in a briefer period of time than the Europeans are prepared to submit to. And that will be a problem in my view regardless of what administration is in office, though I think the advent of new leaders in the key European countries will facilitate the process.

One result also of these European changes is that in the North Atlantic Area, strategic issues do not govern relations between the countries. The primary issues are issues produced by globalization which is a subject that deserves a special treatment. I would simply point out here, in my view globalization which is essential in many respects for economic reasons tends to produce a gap between the economic imperatives and the political practices. The economic imperatives are global. The political impact is national. So that the public expects their governments to solve problems that are caused, not by governments but more by multinational corporations making independent decisions. So these are structural problems in Europe.

Now let me go to Asia. If Europe and the North Atlantic is 21st century, Asia is 19th century in terms of its structure. The states are a strong resurgence of their sovereignty. They think of their relations with each other in partly strategic terms. War is not inevitable or likely, but not inconceivable in the settling of disputes. And all of this is happening while the center of gravity of world affairs is shifting from Europe, from the Atlantic to the Pacific. The symptom of this is, of course, the rise of China. And historically one has to say whenever a country emerged of the magnitude of China, and there's never been a country of that magnitude emerging into an international system, major tensions were inevitable.

I made a speech in China a few weeks ago in which I said the rise of China is inevitable and we have to learn to get adjusted to it. I received an amazing number of letters that said you're a defeatist. Not inevitable. I don't know what they thought we could do. My point is it is, of

course, a mistake to believe that China can continue to grow at 11% a year indefinitely. It is, of course, true that China will have a country that has a European standard of living on the coast and an African standard of living in the deep interior. And it has 100 million people at any one point looking for jobs on the rolls, has significant problems of its own, and it's no accident that the Chinese President has declared a harmonious society as one of the principal goals of his administration.

In terms of our relations with China, however, the key test we have on both sides of that relationship is whether the generations that are coming into power over the next decade and a half in both of our countries learn to deal with each other in a cooperative way or whether they begin to think of themselves as adversarial. So the people who wrote me those letters ought to think again and the people in China who think this way need to rethink. And the challenge we have is to see whether we can develop cooperative patterns, especially as they are now global issues, like energy, environment, proliferation. But if we do not make this a key test of our foreign policy, then 10, 15 years down the road, we are going to live in a world of extraordinary tension. On the other hand, is it also a world of great opportunity particularly if we can link it together then with the hopeful evolution that might be produced in Europe.

Because I want to leave some time for questions, I must say some words about the Middle East. The structural problem in the Middle East is that the concept of nation has little applicability to many of the countries. The states were created by the victorious powers in World War I. The

loyalties do not attach to groups of the same language as was the case in Europe, but to ethnic groups or religious sub-divisions. So as a result, for example, when we call for elections in a country as in Iraq, we do not promote unity because the various ethnic groups will vote for the groups by which they define themselves and that therefore exacerbates the formal differences.

So how do we develop a concept of legitimacy, how to apply rules in such a society, it's so far the unsolved problem. The essence of what we call terrorism is the assertion of principles of legitimacy that go across borders, that do not recognize the legal systems that we have established and that attempt to overthrow those institutions. These are not groups that can be placated. The huge difference, even with Vietnam, is that in Vietnam there was a definable opponent whom we could meet. In Iraq, there are a large number of opponents and in the whole region, this is even broader.

There are, of course, exceptions. Iran combines the history of an empire with the claim of universality of its religion. And all of this is compounded by the Sunni-Shia split and by one other factor, namely the danger of proliferation about which I will say this. Of the problems that I had to deal with in government, none bothered me so much as what I would do if President Nixon or President Ford called me and said, in your view, is this the day that we use nuclear weapons? How does one respond to that question when on the one hand one knows one produces casualties out of proportion to any conceivable political objective? But on the other hand, notes that if one makes this explicit, one turns over the world to those who have no hesitation to

engage in genocide. Now we navigated that passage because we were dealing with a country in the Soviet Union that had more or less comparable assessment of risks. But when you have 10, 20 countries with totally different conceptions of values and less capacity to protect their weapons, or to acquire intelligence, then a catastrophe is inevitable. And therefore, leaving aside the Iraq and the Middle East problem, the nuclear issue of Iran is not the invention of any one administration; it is something that we will have to deal with for a substantial period of time.

Now, about Iraq, and the rest of the region in Palestine, what all of this means is whenever I hear people say we ought to stop doing this in a military way, we need a political solution, I feel they do not understand the turmoil that we are facing. I have advocated diplomatic solutions. I favor talking to Syria and Iran, but not to invite them to an academic seminar at The Kennedy School, but to create, but to do it in the context of working, of producing objective conditions out of which there could emerge some kind of standstill at least out of which a political progress could emerge.

I cannot understand how it is conceivable that we create a vacuum while we are supposed to negotiate about an outcome. Now, as an abstract proposition, I would say the objective ought to be to create a situation in which everybody looking into the cauldron there can see some ultimate objective he might want to reach but in which the risks of reaching it are too great and where, therefore, everybody decides to limit their objectives in some manner in order to get at least a breathing space for a political evolution to take place.

And when you look at the list of countries that are involved, you can see how this could occur. Turkey does not want to have to face a military confrontation with the Kurdish area. Syria cannot want to live in a situation in which a restless Israel is at one border and an Iraq in upheaval on the other. The Saudi concerns about the Sunni-Shia split are well known, and even Iran which may think it has the wind at its back right now must know that no matter how many debates take place in this country, and no matter how many disagreements are on the editorial pages, we cannot afford to let the energy supplies of the whole region fall into the hands of a revolutionary group nor can the Europeans, nor can India. So that if they have any sense of a long-term future, they might at some point be willing to achieve this.

Now, how exactly to do this? You know there's a story of somebody in World War II saying the way to deal with a submarine problem is to heat the ocean and boil them to the surface. And somebody said how are you going to do that? He said I've given you the idea, the technical implementation is up to you. But this is the general strategy that I have in mind. And I remember that when President Nixon came into office, all he had about China was sort of a general strategy. He knew where he wanted to go, and then he decided to feel his way towards it. I put this forward only to indicate that things are not hopeless, but that we have to understand what we are up against.

About 200-plus years ago, German philosopher Kant wrote an essay called Perpetual Peace in which he said sooner or later there'll be perpetual peace. The only question is whether it comes

about through a catastrophe or through human insight. As it turns out, this is still our problem.

Thank you very much. (Applause)

QUESTION AND ANSWER PERIOD

CHAIRMAN BARBARA HACKMAN FRANKLIN: Now we know why he is the preeminent strategic thinker of our time. We have two very fine questioners for you today, Dr. Kissinger. On this side of the dais, Edward Cox, a partner in the law firm of Patterson, Belknap, Tyler & Webb. And on the other side is Richard McCormack who is Vice Chairman of Merrill Lynch and a former Under-Secretary of State for Economic Affairs. The first question is yours, Ed.

EDWARD COX: Dr. Kissinger, you referred to China and its potential upcoming problems – the extraordinary economic growth, the lack of political growth, the 100 million people wandering the landscape looking for jobs. And from your working knowledge of the Chinese leaders going back to Mao and Deng and Zhou Enlai, who had gone through the fire of war and revolution and had a unique authority as a result to hold China together in those kinds of crises, how would you evaluate the current leaders in China and whether they will be able to deal with those crises that you were predicting?

THE HONORABLE HENRY KISSINGER: You know I often sum up the Chinese internal problem in an exchange between Nixon and Chairman Mao. Nixon said to Mao, the Chairman's

teaching has changed civilization. And Mao said no. All I've changed is Beijing and a few of its suburbs. And so how to get control of this huge country was the overwhelming issue of the period. Now Mao was a revolutionary. He unified China and in a way laid the basis for the later reforms, though he didn't intend it, by doing away with all the futile vestiges, bringing women into the system. Deng was one of the great reformers in human history. He's really the sort of man where you can say without him there could not, the history would have been totally, totally different. He was imprisoned twice and emerged from them – I remember one conversation with him at what they call a small dinner where he outlined what he was going to do which was totally new to me – consumer goods, market economy. None of it I'd ever heard from a Communist leader. And at the end of it, he said I hope I'm not making a mistake because we can't afford another mistake. Then it turned out it wasn't a mistake. Now Jiang Zemin implemented a lot of the ideas which Deng left him. The present generation is more technocratic and they're more implementers. And the next generation will have more global education. The present generation is still largely educated in China. So the original revolutionary impetus, it shrunk to some extent. And so the danger is – the opportunity is that the problems they have to deal with are not all that different from the problems the outside world has to deal with – the danger is that they may take, that they may be more immediately affected by day-to-day disputes and that therefore the margin we had when the economy was developing is less. But at this stage, my impression is that the Chinese current leaders have decided for the next, what, 15 years, they will not have any confrontation with the major part of the outside world, especially the United States. That gives us an opportunity to try to work at this cooperative relationship. And I think

this meeting that is starting on May 22 in Washington on the economic strategic dialogue that Secretary of Treasury Paulson has assembled can be very significant because he has the best understanding that I have encountered of the necessities, and the Chinese are coming with a big delegation. And that could really mark a very important stage.

RICHARD MCCORMACK: First, let me thank you for a truly brilliant presentation. I mean you left us with an awful lot to think about. What I'd like to just ask you about here now is basically this. You remember in 1956 when the British and French invaded Egypt and they lied to Eisenhower about what they had in mind, and Eisenhower was furious when he woke up one morning and discovered those armies were there. And so he picked up the telephone and he called Anthony Eden and said, unless you terminate these military operations within 48 hours, all American support for the British pound will cease forcing the collapse of the operation sadly and the resignation of Anthony Eden. And the question I have for you is this: I mean this year the U.S. current account deficit was \$900 billion on top of trillions of dollars of additional debt. Are we setting up ourselves ten years from now for the possibility of some future American president getting the same kind of phone call from Asia?

THE HONORABLE HENRY KISSINGER: Well, I'll tell you, frankly, I'm a great admirer of President Eisenhower, but I think it was not his greatest moment. (Laughter) And one doesn't treat allies in this manner particularly when their strategic analysis – even if the execution was bad – wasn't so wrong. Could this happen? Well, I'm told by my economist friends that it can't

happen because they would be damaging themselves and they would have no other place to put their resources. I'm not so sure. I don't think they will do it; it will be done in such a brutal manner. But I think what will be known, or what is beginning to happen already is some consultation between Japan, Korea, and China how to use these surpluses, not necessarily in our style way. And so to assume that assets a country has will not be used in some manner to enhance its own purposes is unrealistic and we ought to start thinking about this, not from a position of potential hostility. But then, of course, I want to go back to my basic point. I think that to build a cooperative relationship with China so that a genuine community of interest emerges on a broad front is one of the imperatives of American foreign policy. I'll take one more question.

CHAIRMAN BARBARA HACKMAN FRANKLIN: One more, Ed.

EDWARD COX: Yes, Dr. Kissinger. NATO's original purpose stated colloquially was to keep the Soviets out, to keep Germany down, and to keep America in Europe. That was followed, after the end of the Cold War, by the sense that NATO had to go out of area or go out of business. Well, it's definitely out of area now in Afghanistan. Do you think that will keep NATO in business? Or will the divisions with respect – between different countries in NATO – with respect to Afghanistan drive it out of business?

THE HONORABLE HENRY KISSINGER: I think that the basic problem in our relations with

Europe, it's the one I described. Certainly mistakes have been made on the American side and are actually substantially being rectified on the level of consultation. But what we need is some definition of common purposes. And, you know, President Bush is sort of being used as an alibi for non-cooperation or for blaming America for many things. The basic issues we have raised are fundamental issues. And how one deals with a global quasi-religious or religious movement with its relationships, with minorities in many countries, how to bring this into a common policy of the Western countries, a relationship with Russia which I didn't have an opportunity to discuss, are another aspect of this. So we will not, we should have, attempt a fundamental dialogue with Europe, with NATO, where NATO is attempting to go. It cannot be entirely in the military field anymore. I'm sympathetic to the free trade area concept that Chancellor Merkel has put forward, not primarily on economic grounds, but on symbolic grounds that we are trying to do certain things together. But this is a big challenge that is before us. We have three more minutes for one more quick question.

CHAIRMAN BARBARA HACKMAN FRANKLIN: He can ask it. Can you give a three-minute answer?

RICHARD MCCORMACK: I have a very brief question for you. Three years ago Colin Powell tried to convince the White House to move forward with a real dialogue with the Iranians and he lost the battle. Instead, there was a regime change effort that was quietly launched which involved hostile radio broadcasts, involved some covert operations across the border, attempts to

create difficulties with various minority elements within Iran. Now the question I have for you is basically this: Are these regime change efforts contributing to a negotiating position for the United States? Or is it merely a bunch of pin pricks which is making it more difficult for us to interact with those people?

THE HONORABLE HENRY KISSINGER: One has to make up one's mind. Diplomacy implies that you want to induce another country by pressures or incentives to move in a direction that you consider really in the common interest because you can't get away with only unilateral benefits and get the agreement kept. So it assumes certain expectations with respect to the negotiating partner. A regime change means that you want to overthrow the negotiating partner. Now up to a certain point, you might argue these things can be done parallel, but in your basic design of the strategy you have to make that decision. Now, my view has been that I favor negotiations, but I also favor accompanying negotiations with the pressures and incentives and I am restless with these arguments that we ought to drop the military side or the pressure side and rely entirely on diplomacy. I don't know what that means. And I don't know any historical examples where that has worked. So in the sense that I've described, I favor talking to Iran and Syria, but only if simultaneously we create conditions in the Sunni world, in Iraq, and elsewhere that make them think that it is a necessity also in their own interest. Thank you very much.

CHAIRMAN BARBARA HACKMAN FRANKLIN: Thank you, Dr. Kissinger, for that brilliant...(Applause) I think it was historic. He is just amazing. Please, a hand as well for Ed and

Dick, our questioners. (Applause) Our meeting is adjourned so please enjoy your lunch and your table companions and thanks for coming.