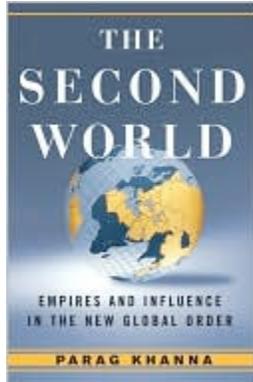




The Second World: Empires and Influence in the New Global Order

Parag Khanna

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Introduction

JOANNE MYERS: Good afternoon. I'm Joanne Myers. On behalf of the Carnegie Council, I would like to thank you all for joining us today.

We are delighted to welcome Parag Khanna, who will be discussing [The Second World: Empires and Influence in the New Global Order](#). His book has caused quite a stir, ever since an excerpt appeared in the Sunday, January 27 edition of *The New York Times Magazine*, with a provocative title: "Who Shrank the Superpower?"

Much has been written about how to understand the complex world of the 21st century. The notion that America will continue to take center stage as the world's only superpower no longer seems to hold true. While scenarios about the world's geostrategic and geopolitical future are proliferating, we may want to ask, what's in store for our country?

In *The Second World*, our guest this afternoon argues that we are on the cusp of a new multipolar world, one in which the superpower map is being redrawn without a single epicenter. Where once it could be said there was only one major player, now there are three: the United States, the European Union, and China, all of whom wish to shape the world according to their own needs and are competing with each other for shrinking energy sources and natural resources.

Our speaker identifies a set of Second World nations located in Latin America, the former Soviet bloc, the Middle East, and Asia. They are part developed and part developing, and their loyalties are very much in play in this new world order, as these countries will shape geopolitics for the foreseeable future. They are not just emerging markets, Mr. Khanna argues, but countries located in strategic regions with valued resources and a growing share of the total global economy. Even though they are seen as pursuing their own political agendas, China and the European Union are trying to pull these Second World countries into their own orbits as they challenge America's position in the global hierarchy. Mr. Khanna foresees the coming years as ones being shaped by the race to win over these Second World countries and as a challenge for the United States as it averts attempts by others who want to marginalize us.

To escort us around this new political landscape and to help us rethink our country's approach to this new world order, Parag Khanna has crisscrossed the globe, talking to government officials, policymakers, and the man on the street. This rising new star in international politics spent this past summer as a senior geopolitical adviser to the U.S. special operations forces, traveling with these elite units all over Iraq and Afghanistan. Currently, he is a senior research fellow at the New American Foundation and is senior

director of the Global Governance Initiative, based in Washington.

Please join me now in welcoming our tour guide, Parag Khanna.

Thank you for joining us.

Remarks

PARAG KHANNA: Thank you so much. I have never been introduced as a tour guide, but in a way—to tell a little revealing story about my true motivations in writing this book—it was meant originally as something of my own [Lonely Planet](#) or my own justification for writing my own geopolitical *Lonely Planet* guide, because that's precisely what I wanted to do.

How to get a book contract that pays you to travel for two years is a question that a lot of people are asking me these days. There's no real secret to be revealed, unfortunately. But it was well worth it.

Thank you, everyone, for being here this evening after a hard day's work. I hope we'll have a very stimulating discussion and keep everyone alert. Maybe, to do that, we can start with a little thought experiment that I like to play these days:

Imagine a world in which Russia sells nuclear reactor technology and weapons to Libya and Iran, over American objections.

Imagine a world in which China manages to provide economic, strategic, diplomatic, and all other kinds of assistance to every single country that America labels a rogue state.

Imagine a world in which Pakistan, over American objections or without America even knowing, proliferates nuclear weapons technology to Libya and other countries.

Imagine a world in which, despite American objections, Venezuela sponsors leftist regimes all over Latin America.

Are we imagining a sort of hypothetical world or are we imagining the world of today?

When people ask, "Why do they hate us?" they are often referring to Muslim societies around the world. But what strikes me is that when I look, not just at specific Muslim countries, but at the world, I come up with a different question altogether from, "Why do they hate us?" or a different answer. The answer I seem to have found as I have been traveling is, it's not that they hate us; they just don't seem to care.

Increasingly, people don't really care what America thinks. They even have a hard time figuring out what America wants.

The problem that we have always had is to define the world with respect to ourselves: Is the world pro-American or anti-American? Is that country pro us or against us? What I find increasingly is that many just don't care. And that's a whole new way of looking at things, obviously.

That's to sort of kick things off.

The Second World is not a book about us. *The New York Times* cover story, obviously, did make it sort of U.S.-centric: "Who Shrank Us?" But what four-fifths of this book is about is other countries, about 40 other countries in the world that I have been traveling to in order to be away from here, in order to understand the world from their point of view. So what it really is, is a book about complexity.

It's not a book about the decline of the United States and the rise of China. It's not a book about just having one leader in the world, and who's it going to be? It's about a world of several leaders.

It's not a book about the whole Second World rising together, collectively, to uproot the First World. It's about some countries rising, some countries falling, some struggling in between.

It's not a book about "Chindia," some monolithic bloc of China and India. It's about both.

It's not about the Atlantic world being replaced by the Pacific world. It's about both, because, in fact, the future will be both, not just one or the other.

It's not a book about globalization being synonymous with integration, and so no conflict is possible between powers. It's about the tensions that actually exist in a world in which geopolitics still exists, but plays itself out through globalization.

Again, it's not about a pro- or anti-American world. It's about a non-American world.

So, fundamentally, it's about complexity. It's about all of these things happening at the same time. For everyone who is focused on just America's relative decline in the world, but without asking what comes next, this is the book about what comes next. It's not that without American leadership, there is no leadership. There is, in fact, a competition for leadership. It doesn't have to be global; it can be regional—again, complexity.

Fundamentally, what I try to do is go place by place and issue by issue and show that complexity, rather than presuming that if it's not us, well, then, no one will do anything.

The best lens I found to do that is through these Second World countries. Initially, when I set out to do this, I was at the Brookings Institution and I was just reading the books that everyone else does, some books about the unending continuation of American primacy, other books about how the European Union is coalescing and becoming larger and larger, is more populous, wealthier than the United States, sets the world's standards, and then another set of books about China, the inexorable rise of the next superpower and how it's going to knock us off our perch. But none of these books seemed to refer to each other. It was as if we don't live on one planet.

But we do, and so I wanted to reconcile these notions of American, European, Chinese power. But what The Second World did was to wake me up to the notion, what if these countries actually can resist all powers and do things their own way or play everyone off everyone else? That's what I found the Second World to be doing.

The Second World is a very important lens because of essentially what people call emerging markets, and then some. If there are 20-to-30 emerging markets—I deal with about 40 or so countries, and I believe the Second World actually spans a much larger set than that. It could be considered 70 or 80 countries. The definition of First World, if we take just the [OECD](#), is about 30 countries. If you say Third World or the [World Bank's](#) LDCs [Least Developed countries], that's another 50 or so. That still leaves you with about 100 or so countries that are caught in between.

That's where the term "Second World" comes from. It used to mean something completely different, of course. Many of you remember that it referred to the Socialist bloc/[Warsaw Pact](#) countries and the Soviet Union. But as of about 1993 or 1994, pretty much everyone stopped using that term. We still say First World; we still say Third World.

What occurred to me is that in a globalization age, we find that many countries are being split in half internally—winners and losers, haves and have-nots—along cultural, political, economic lines. So the term "Second World" seemed useful to me as, not countries that are stuck in Third World poverty or backwardness or have arrived at First World modernity and development, but are really both at the same time—not halfway, but both. When you hear people talking about the shrinking middle class in the world and a world of wealth in Europe and the transatlantic area, but great poverty everywhere else, that is that stratification that we are talking about. It happens not just across countries, but within them, and

it's very stark in these Second World countries.

Everyone who has been to a place where the capital city seems developed and refined and has Internet access and nice hotels, but then the rest of the country doesn't seem to have any roads—that's what I mean by the Second World. The concept becomes very crisp, the more you travel through these different regions.

But the other main characteristic is not necessarily ideological, as it was during the Cold War, but certainly strategic. Countries that have strategic geography, an important location in key regions like Eastern Europe, Central Asia, South America, the Middle East, Southeast Asia, the places where I found that, again, America, Europe, and China are competing the most for access to these countries' resources, their wealth—these are the emerging markets that have accrued massive currency reserves or are launching sovereign wealth funds. There are all sorts of ways in which they are becoming strategically influential, but at this point we are not appreciating them. We are not thinking about how they view the world from the inside out. Therefore, our foreign policy stands on very shaky ground.

To bring the two together, to think about Second World countries not only in globalization terms, to view their inner struggle to succeed and to develop, but also their strategic struggle to balance the great powers, causes immense, deep understanding of their instability, of the uncertainty. No matter how much time I spent in various countries—whether it's Turkey or Kazakhstan or Venezuela or Libya or Indonesia; the ones that I know very well, the ones that I maybe know a bit more superficially—one thing's for sure: I can't really say with any certainty that five years from now that that country will have made it into the First World, it will have succeeded; or it will have collapsed into the Third World, that some coup will have taken place and there will have been a revolution of some kind. One never knows.

And that's one of the very striking things about traveling and spending time in the Second World. The more you know, the more you don't know, the more you are confused about, again, this complexity.

What impact is geopolitics or globalization going to have on these countries?

I talked about the world being non-American. This is one example of this.

In Second World countries, what I heard more and more was not, "We're not with America right now, because of the Bush administration, but we'll be back on your side under some Democratic government." That's what many of us would like to convince ourselves of. That's certainly what everyone in the political campaign says, without naming any names. I'm here to disappoint you. That's a really tragic myth that many people hold.

The fact is that if the world has moved on and is doing things its own way, then it doesn't really matter who our next president is. I try to make a wake-up call. My book does not blame the Bush administration as much as many people would like—as much as even I would like—because the fact is that structural changes that have to do with the rising power of China and of oil-producing countries and other Second World states has more to do with globalization and the dynamics that have been under way since the 1970s, the 1980s, and most certainly the 1990s than they have to do with the Bush administration.

What countries are doing today, and particularly Second World countries, is not aligning, not being either pro-American or anti-American. What they are doing is what I call multi-aligning. It's countries saying, "Sure, we'll take some strategic political support from the United States, but we'll definitely take aid investment from Europe and we'll buy weapons from China and take projects and cut deals with them, too." Why side with just one power when you can have three?

Hence, I use the term "geopolitical marketplace" in the book. It's a marketplace. The consumer has the power. In a monopoly, you can only choose one, America or not America. In a marketplace, you have multiple powers that you can choose to align with. That is most certainly what is happening in the world today.

The countries that I found play this game the best are oil-producing nations, particularly Muslim oil-producing nations—Libya, Saudi Arabia, nominally Kazakhstan and Malaysia. These are the countries that one finds are most strategically cutting the deals with all sides in order to benefit themselves.

That's another key lesson of The Second World. It isn't about succumbing to America or China or whoever is the superpower in any given area. It's about waking up to the possibility of globalization and this exploded-dynamic world order and saying, "We'll do what we want," without any sort of subconscious connection. The one thing I heard over and over, in country after country, was, "We're going to do things our way." The Brazilians say there is a Brazilian way. Indian diplomats say there is an Indian way. The Kazakhs have as their official policy the Kazakh way. And on and on it goes.

Many of you, successful in business, traveling to these countries, facilitating deals, providing a lot of finance—yes, it gives the impression that America has a lot of sway there. But I assure you, the minute you get on the plane and take off, the next plane arrives from China or from Europe and the same thing happens. India and the United States declared a strategic partnership. The very next week, I think [Manmohan Singh](#) flew to China and declared a partnership for a new world order with [Hu Jintao](#).

So again, everyone is playing all sides. They declare variations of what I call multi-alignment. Some call it a multivector policy. Others call it multidirectional. But one thing is for sure: Everyone wants to do things their way. You see a rejection of the [Washington Consensus](#), and even the usage of the term is considered sort of taboo in so many places. Again, that's something that I heard all across the world, but particularly in these Second World countries.

So people speak about this sort of hierarchy:

- The world is still unipolar. It's okay, America is still the most powerful. We have the most powerful military.
- Or it's "uni-multipolar." That term ought to carry us forward a few more years. We're still number one, but then there are these powers beneath us.
- Or it's just outright multipolar, which is, to some extent, what I argue.

To be honest, my actual belief is that all of these terms are more or less nonsensical. It's about the fluidity and the complexity of the environment. That is far more important than a theoretical declaration of where the world stands. Globalization really makes it difficult for any such labels to describe the world to have any lasting currency or value.

I'm a bit apologetic. I regret the fact that many people have been reading my book or *The New York Times* article and thinking that this is just about the decline of America. Anyone else could have written that book, to be honest. You could write it sitting in Washington. It's much less interesting than the story of what's happening everywhere else in the world. It's too narcissistic, in my point of view. It's a very personal statement. I'm almost trying to urge or compel you to worry less about us and worry more about understanding everyone else, because I think therein lies the secret to whatever potential solutions there are to restoring America's stature in the world, and we'll certainly get to that.

So rather than speak of just superpowers and hierarchy, I try to talk about gravity or centers of gravity. I see Europe and America and China as being those centers. In their regions, and even beyond, you see a growing attraction that they have towards the others.

To some extent, there are natural advantages, actually, that Europe and China have over the United States. They occupy two ends of Eurasia, the world's sort of strategic geopolitical landmass. Europe has expanded by one country per year, not just deepening its ties, but actually making members out of

former Soviet republics and Warsaw Pact countries—one country per year, on average, since the collapse of the Soviet Union. That's no mean feat. It gets harder and harder, the further east Europe goes, and there are natural geographic limitations to it. But it shows that there is a very different approach that Europe has towards diplomacy. And, fundamentally, this is a book about diplomacy.

We don't offer membership, absorption, becoming a state, so to speak, in our union, in any way, the way Europe does.

China also has an interesting approach towards establishing a stronger gravity in the Far East. It has certain forms of leverage that we don't really think about. We think of countries almost as sort of equals. America is a formal nation-state, and everything has to be measured against the standard of having a state. Well, Europe isn't even a state. It's a supranational organization. It's a very 21st-century kind of creation. So it doesn't play by those rules of having singular decision making. No doubt having singular decision making could help it. But rather than have one foreign policy, it has 27. That seems to us to be very chaotic and inefficient, but, in a way, just about everything that one European country does helps the collective European entity.

Just take the example of building gas pipelines from North Africa. Spain and Italy and France have the lead in that area, but that gas serves the broader European market; it is good for Europe.

So we can point a finger and laugh at them all we want and say, "Oh, you weren't together on Iraq. We split you up into New and Old Europe." We were the big losers there, not them. A few countries sent troops and then a couple of years later they all pulled them out. A Bulgarian journalist said it best. He said that ultimately, geography is destiny, in a way. They can only resist the economic strength, subsidies, European Union membership, and political pressure from Western Europe for so long.

We treat China like it's a state, a static entity on the map like America. Well, China is different also. It has different advantages. It borders some 14 countries—obviously, way more than America does. It uses that geographic access in ways that we don't tend to think about on the map when we think about countries just balancing in some static fashion. It has a 50 million-strong diaspora, much of which is centered on the Pacific Rim. Many of the elites of countries in Southeast Asia and the Pacific Rim are ethnic Chinese, who have done a great deal to contribute back to China's development in recent decades, which is actually a turnaround, in a way, from the fact that it was after the Chinese Civil War that many of the Chinese who now live in these countries were actually in exile or fleeing from the civil war. But now there's a more positive symbiotic dynamic emerging between ethnic Chinese elites around the region and the mainland.

Another vehicle that doesn't come into calculation when we say, "Oh, Taiwan is an ally, Japan is an ally, Australia is an ally, Malaysia is an ally," we are thinking just militarily. Well, we are not looking more subtly at the other ways in which influence and relationships are built.

So I travel through Eastern Europe and Central Asia, and also through Southeast Asia, and I don't focus on just these static questions of who's with us, who's against us. It's how these countries, and how China and the Europeans, are using all these different kinds of mechanisms to build influence, and what we can learn from their diplomatic strategies.

A lot of people have asked, what about Russia? What about India? What about Japan?

I don't at all neglect these countries. In strict geopolitical terms, I call them "balancers." They aren't superpowers. A superpower is that entity that has influence and affects decisions, by whatever means, all over the world. Russia doesn't do that anymore, Japan doesn't necessarily even aspire to do that, and India doesn't yet have the capability to do it. India's share of the global economy is somewhere between 1 percent and 2 percent, and Russia's economy is about the same size as Korea's or something like that.

So when you open up the newspaper and you read about [Gazprom](#) and you think, "Wow, Russia's back

flexing its muscles as a superpower again," think in terms of longer time horizons and think about underlying trends and data, and you will have a more realistic picture of what it takes to be a superpower on a sustained basis. It's more than just having oil. It is most certainly about economic size and these other dynamics, where India and Russia and Japan don't yet meet that sort of test of having the global leverage.

The book is organized by regions: Eastern Europe, Central Asia, then South America, the Middle East, and East Asia. Regions still matter. Geography still matters, particularly when one has a geopolitical hat or lens on. Even in a globalized world, I say in the book, we don't live in a matrix. There are still very important regional groupings forming. It's another sort of Second World dynamic that I observed while I was traveling.

I want to mention a little bit about how this works, because, again, our mentality is bilateral diplomatic relations. We have good relations with the Singaporeans or the Saudis or the Pakistanis or whoever. But if we think a bit more regionally and appreciate dynamics within regions, I think we will see that within each geographic area things are much more complex than that.

I mentioned earlier about the Iraq War and New European countries, which were sort of pro-American as far as the Iraq War was concerned, but pro-European in terms of their ultimate destiny.

Why is some of that happening? I'll just quickly go through each region.

In Eastern Europe, what you have is what I call a peer group emerging. Countries like Slovenia or the Visigoth countries, Poland, Hungary, the Czech Republic, used to say, "Let us into the European Union. We're European. We have a history of constitutional democracy prior to Soviet occupation. We are, in fact, Western liberal in our roots. Those unruly countries to the east—no, no, no, you don't want them in. We are the final frontier."

But what happened is, once countries became members of the European Union, they realized, "Oh, wait, we don't want to have an unstable, unruly eastern periphery. Brussels, give them more money. Let's get them in the Union, too." That is part of the reason why the European Union has been expanding so rapidly. As countries, particularly the Baltic countries—Estonia, Latvia, Lithuania—have joined the European Union, they have become the most vocal advocates of change, of having Europe led not by the sort of old-school France-Britain-Germany kind of troika, but by all of the new members and having a new center of gravity—not, obviously, economically, but most certainly politically.

So what we view as a Europe today that is sort of timid and weak could tomorrow be a Europe that is increasingly led diplomatically by the younger generation of Eastern Europeans, who do have strong, lingering memories of the Soviet Union and actually want to be very much advocates for democracy promotion, much more strongly than they presently are. So we could see a very different European dynamic. That, again, is an example of how Second World countries are actually shaping the superpowers or the empires as much as they are being shaped.

In Central Asia—although, of course, the current difficulties in Afghanistan make this a more tenuous argument—people have argued that we have become a big presence in Central Asia, the "Stans," the countries with energy resources. We have a military presence in Afghanistan; strong relations, at least as far as the "War on Terror" is concerned, with Pakistan; a military base in Kyrgyzstan, and so forth.

But the story that is often missed there is again a regional one, and that's the story of the [Shanghai Cooperation Organization](#), which is an entity that I'm not sure everyone is familiar with. It's basically China's answer to NATO. It's a long way away from being like a NATO, an actual strong alliance. But what it is, is a club of likeminded countries, including China, Russia, Kazakhstan—all the "Stans," basically. Pakistan and Afghanistan may soon become members, as well as Iran. What it has become is a very strong forum, Chinese-led—after all, it's called the Shanghai Cooperation Organization—for these countries to speak out against American global hegemony. It was an SCO declaration that helped to bring

about the American sort of ouster of our base from Uzbekistan, which was very important after 9/11, in the year 2004-2005.

It has become a forum where Russia, China, and others have said, "The U.S. seems to be screwing things up in Afghanistan. At some point we're going to have to put together a peacekeeping force and have our peacekeeping and stabilization mission there, because the West—NATO—doesn't seem to be getting it right," which was the message of their, I think, [Bishkek Declaration](#) last year.

So again, the Shanghai Cooperation Organization doesn't have a lot of currency and isn't widely recognized in American households, but it is becoming the organizing principle of the Central Asian region, which is highly strategic, both for the "War on Terror" and the future of energy resources and so forth.

But these regional groupings, which we tend to ignore, are very important—Central Asia is an example of that.

I talked at the very beginning about South America and [Chávez's](#) push to support leftist movements and the like. But we focus again only on him. Even if he were to disappear tomorrow, there is, in fact, a South American awakening that we also very much ignore. We think that [Mercosur](#) has been sort of a failed regional bloc, but they are working on another one, the [Union of South American Nations](#). They are working on lowering internal tariffs in South America, forming cross-border production agreements. Brazil and Argentina now manufacture cars together.

All of these things we see happening, which may very well continue even in a South America after Hugo Chávez. But, of course, we have entirely ignored Latin America in our foreign policy and not paid attention to these regional dynamics, which again are very important.

So, again, regions, not just countries and not just bilateral relationships.

Two more.

The Middle East: Again, we think of it as fractured, stagnant, backwards, radicalized, all of these things. We have very strong military relations with some. We have invaded and occupied others. But generally the place is a mess.

What we are missing there when we don't think regionally is what I have witnessed from across the entire Arab world, literally from Morocco to Iraq, including the Gulf countries: A new kind of Arabism, one that is cultural, linguistic, and, above all else, economic. It is the reality that much of the petrodollars in the post-9/11 oil boom have been reinvested within the region. So you have job creation, economic growth, literally from Morocco to Iraq and in the Levant, all of this funded by Saudi money and other wealthy Arab countries.

This is not something that we appreciate when we focus only on the situation in Iraq and view it as representative of the entire Middle East. But many of you have heard of Dubai. Many of you have probably been there. Dubai has become an iconic place for Arabs. I call it the capital of Arab civilization, because it has become the melting pot for Arabs. You find Arabs from every country there, very freely arriving there, finding jobs, working together, resurrecting what was a failed political Arabism of the 1950s and 1960s, which didn't get anywhere, into something much different, much more economic, cultural, generational, and actually, believe it or not, pro-democratic—again, all trends that we miss unless we look at the region from the inside out.

Speaking of inside out, the last region covered in the book is East Asia, where we view—and I talked a little about this earlier—ourselves as governing the geopolitics of the region from the outside, because that's what the Cold War Pacific geopolitics was about. It was about [ANZUS](#), the hub-and-spoke alliances that we led, Australia and New Zealand, also relations with Japan, Singapore, Thailand, and the like. But

what is gradually happening is that that outside-in order that we led is being replaced by an inside-out order. The number of acronyms has become staggering. It's almost like the European Union. You have [ASEAN](#), [ASEAN Plus Three](#), the [ASEAN Regional Forum](#), the [East Asian Community](#), and so on and so on.

There are still many rivalries in Asia, of course—China-Japan, China-India, Korea with China and with Japan, and so forth. That existed after World War II in Europe as well. But gradually the building of these institutions and the volume of trade that has expanded among them led to a certain political order and political stability that is indigenous, that is self-sustaining, that no longer requires the American protective umbrella to maintain itself and to deepen itself. It has taken on a life of its own. One sees that happening in Asia and our influence in that region diminishing as well.

So the aggregate picture, obviously, is not necessarily pretty if you believe that American primacy is the only model for world order. Instead, it's very diffuse; it's very complex. In every region it's different. In some regions Europe has more influence and power than we do; in some areas China does. Globally, militarily, no one can challenge us. But what does that really mean in the real world, in real terms, when the issue is building influence for oneself?

It doesn't have to be zero-sum. It can be positive-sum. The conclusion of the book talks about what the future of diplomacy and global governance should look like. But maybe we can come to that in the discussion. I'll just stop right there.

Questions and Answers

QUESTION: Thank you so much. It was so enlightening. I wish there was more in the public dialogue about the ideas that you are explaining.

I think for the majority of citizens, terrorism and jobs are the two issues—not so much that we are dominant, but that we are safe and there are enough jobs for the middle class. If you could talk about our place and how we could go forward intelligently in terms of those two issues, I would appreciate it.

PARAG KHANNA: Terrorism is something that we have to be concerned about. Of the many threats or risks or challenges—whether it's transnational disease or nuclear detonation or something like that—that worry us, terrorism is the one that can cross the seas and inflict harm on us. We have been, obviously, very fortunate since 9/11 that there hasn't been a second attack.

Then we are also concerned about terrorism overseas and American interests overseas and the risk to our lives—Americans who are traveling and, of course, American military personnel stationed overseas. But I wonder to what extent it should be a day-to-day issue for us, to be honest. I think that the fear of terrorism is something that actually weakens our international position. If American firms are concerned too much by it to invest or move overseas and the like, that is trouble for the American economy, because many American multinational firms generate more of their revenues now and profits from overseas than they do at home.

People may not be willing to travel or live overseas as much. Yet we already face the disadvantage of having less than 1 percent of the American population located outside of the country, while for Europe and China the numbers are far higher. So American influence, in terms of just the numbers of Americans overseas, our diplomatic personnel and the like, being able to communicate America's strength and values and partnership with America, would also diminish.

So I'm not an advocate of having the notion that terrorism exists and is literally a perpetual, perennial threat and it will never go away, being something that governs anyone's mentality or psychology.

If the question is what we do about it and stemming it, the things that we already do are so quiet that it wouldn't necessarily make you feel any better because one isn't even aware that they are going on—by which I, of course, mean our kind of intelligence and special forces cooperation with other countries

around the world. This is happening every day. Hopefully, it will succeed and prevent any second major terrorist attack in the United States.

But why would that change your day-to-day kind of behavior? I would like to see Americans actually worry less about it and get on more with their lives.

I don't know if that's terribly satisfying, but that's just how I feel.

The jobs question is obviously very interesting, and it should be, as CNN says, issue number one. It's interesting that right now we are so reliant, because of our deficits, on foreign investment and job creation that is coming from Wall Street bailouts, as well as foreign manufacturers, automobile manufactures, coming to the United States. It really shows how interdependent we are now, but how many of the crucial sectors and much of the American middle class are affected by whether or not we are able to continue to attract the amount of foreign direct investment we need.

The reason that we have that shortfall is, of course, that our spending priorities have not been right. Ever since at least the 2004 election, if not prior to that, we have had people talking about the need for transitioning towards a high-tech economy, worker retraining, and all these things. But what one finds, shockingly, is that as much of that skills transfer and knowledge building that's necessary for a broader base of Americans to be involved in the knowledge economy comes from overseas as from us. There are only anecdotal examples that could be wrong in terms of proportions. But in Ohio, you have programming skills training centers that are built by Indian IT companies to hire Americans. They do it not only because they actually want to have people here in our time zones working, but it's also very good PR for them, because it doesn't make it seem like all American jobs are going off to India.

It comes down to the issue of responsibility. We are almost abdicating responsibility for providing American jobs to foreign investors who are investing in this country.

So I worry deeply about it. I think that the only way is going to be to leverage globalization—sovereign wealth funds coming not just to bail out American banks on Wall Street, but to bring it to Main Street, so to speak. How about channeling some of that investment into municipal bonds or other forms of investment vehicles that will generate a rebuilding of America's high-tech infrastructure? This is ultimately a stable country, so it makes for a wise long-term investment.

We need that because we want countries to not pull out of the dollar, diversify their assets the way they are. One way to do that is to take some of this Asian petrodollar kind of liquidity and bring it into our economy. That could help generate jobs as well.

Yes, it is issue number one. I don't think that we harness or strategically leverage globalization nearly as well as we could, because the sort of laissez-faire model that we do have is actually very different from the way China and Europe operate, where there are controls on laying off workers, where there is a lot more investment in retraining, where there is an emphasis on skilled migration over unskilled migration. All of these things factor in.

But it isn't just this big question of jobs. I think there are very concrete things that we can address and think about to address that. I don't think we are doing it in any of the areas that we need to.

QUESTION: In today's *Financial Times*, there's an op-ed by [Richard Haass](#), the president of the Council on Foreign Relations. I don't know if you saw it. Basically, I think a lot of what Richard writes resonates with what you say. He talks about fluidity. He talks about dynamism in the global world order, as it were. I think he comes down with a non-polar-world conclusion—although he can't resist, at the end, saying, "But America still matters."

More particularly, I would like to ask you about [Joe Nye](#)'s concept of "soft power"—American soft power, and now that has sort of morphed into "smart power." Essentially, in terms of culture, mores, mass

media, entertainment, and so on, there is still very much an American leadership role in the world. I guess where he's coming down is that, yes, the world order is certainly changing—militarily, as you say, there's almost an irrelevance in terms of our supremacy—but there are more subtle and, if we are smart, more effective ways in which we can still have a benevolently hegemonic role.

Do you reject that thesis?

PARAG KHANNA: Yes.

QUESTIONER: I thought you might.

PARAG KHANNA: The term "soft power" doesn't mean much of anything, to be perfectly honest, nor does the term "smart power." There has been just way too much ink spilled on that and on public diplomacy.

I believe in those things. I believe in spreading values and using culture and so forth to increase influence. The problem is that it doesn't have nearly as much leverage as people think it does. When push comes to shove, it doesn't force people to change their decisions. Soft power doesn't change the allocation of currency holdings by Arab countries or by the Chinese. Soft power doesn't stop Russia from proliferating weapons. Soft power doesn't stop China from financing and backing countries that America labels rogue states.

You need to give me an example of where soft power has actually done much of anything. It is, it exists, but does it do anything?

It comes down to something that Samuel Huntington actually argued very, very smartly, I believe, in "The Clash of Civilizations." One of the arguments that is lost in the debate, but one that I think is unquestionably correct, is the simple statement he made that modernization does not equal Westernization.

Modernization, globalization, technology, diffusion of power—all these things have been happening for a long time. But it does not mean that countries have become more Westernized. Modernization is a tool. You take it and you can do whatever you want with it.

What I see, in the same way that I see countries saying, "We're going to do things our way," is also, "We're going to become what we want." The Chinese government will adopt Internet technology, but it will censor it where it wants to. It will manage to channel and steer technology in what we consider to be American exports, American products, to suit its own ends.

I think that that alone makes the notion of the spread of Western technologies and culture a bit weaker an argument than other people think.

But I want to say one more thing about that—this notion of exceptionalism. We believe that it is our universal culture that is being exported. But what one finds more and more is that, if that's how you want to measure things, Europe is exporting its image very much. It is helping to support regional institution building around the world. It invests a lot in building liberal institutions and more in democracy promotion than before. It funds a lot of development. It gives more development assistance to others. It sets the highest greenhouse gas emission standards and all these sorts of things. So European soft power, in that sense—its appeal and its model are actually growing.

Most certainly, China is promoting its soft power. It's building [Confucius Institutes](#) around the world. It's exporting nannies. People are learning Chinese all over the place.

Do you really want to play the soft-power game when 10, 15 years from now it doesn't look so advantageous from our point of view?

So I don't believe that it really accomplishes a whole lot.

QUESTION: What's your view of the current regional groupings that the United Nations Security Council uses to select its members? Who would you like to see in the Security Council, not today, but ten years from now?

PARAG KHANNA: It's funny. Ten years ago, we had the same proposals on the table for who should be in the Security Council today, as well as ten years from now, and none of it has happened. There have been studies since 1991-1992, ever since [George Bush, Sr.](#) proclaimed the new world order, at the United Nations about the need for Security Council reform, and it hasn't happened. To this day, you can go to the 38th floor of the United Nations and ask anyone if there is any momentum on Security Council reform, and if they are honest, they will say no. There isn't any momentum of any kind.

I don't have a specific view on who should be in. I have a very specific view on what the structure should be. The first op-ed that I very proudly got published in *The New York Times* was on this very subject, where I said, why do we have the Security Council stacked with European countries? If there's a European Union, they ought to have one seat.

Of course, I got nothing but hate mail from Germany and France and Britain for weeks afterwards.

But I believe there should be regional groupings. I think that seats should rotate within them. I think that will help to promote the kind of strong internal regional dialogue and diplomacy and consensus building that is necessary in those regions, to overcome some of the rivalries that they have.

I see zero potential of that happening anytime soon. But I also don't see any potential for China simply allowing in India and Japan, for that matter.

So I think it's going absolutely nowhere. The regional structure that you are talking about is part of the allocation of nonpermanent seats. I think that both are somewhat antiquated.

QUESTION: I was actually going to ask a very similar question, not about the Security Council, but how you see this affecting the United Nations as an institution. There are so many other efforts that the United Nations is involved with, other than the political. When you look at the [World Health Organization](#) and you look at [FAO](#) [UN Food and Agriculture Organization] and you look at all these agencies, do you see the Second World influence affecting the effectiveness of conflict prevention, conflict resolution, or transitional justice?

If I may, you introduced your speech today by saying you don't blame the Bush administration for these changes and for the loss of stature or status in the world, which indeed we have lost, and to a great extent because of the Bush administration. Do you see redemption if there is a, quote, better administration coming in? Do you see that affecting our role in the world or our relationship with the Second World?

I'm actually asking you two questions.

Thank you, by the way. I thought it was a fascinating presentation.

PARAG KHANNA: Thank you so much.

On the second question, as I was saying during the talk, the answer is, no, I don't believe it. I believe that every country is doing what it wants to do, what is in its national interest. You would need to find me one case, any case, of a country saying, "Okay, as soon as there's a new administration, we're going to"—I want to come back to the soft-power thing. It's a good example.

During the Bush administration, we lost a lot of foreign students because of visa issues and heightened security and all these things. People just couldn't get in or they came and they were kicked out. It was a very heartbreaking kind of story. Increasingly, Middle Eastern and Asian students are going to Europe—not as many as are coming here, but a lot. They have definitely gained at our expense.

Can you imagine a Chinese or Indian student deciding, "I'm not going to Yale. I'm going to go to LSE," and then [Barack Obama](#) becomes president and they say, "I'm going to cut off my studies here and go back to America"? No. Once you've lost them, you've lost them. You can't just turn that back.

The same thing goes for other kinds of deals. Once there is an [European-Gulf Cooperation Council] EU/GCC free trade area, and if oil starts to get priced in euros, it's not going to change back to the dollar just because a Democrat becomes president of the United States. China's policies towards countries that we consider rogue states aren't going to change.

What will actually change? Maybe I'm just a cynic. But if someone wants to suggest a very concrete and important security-related policy area where some other country's policy is going to shift just because we have a new government, I'm all ears.

QUESTION: How about if we reopen consulates?

PARAG KHANNA: Consulates of ours that other countries have closed?

QUESTIONER: No, no, where we have entirely cut diplomatic—

PARAG KHANNA: That's different. What we might do might change. There are a great many things that we do that will change, hopefully. But other countries changing what they do, and therefore giving back credibility to us, giving back leverage to us, legitimacy to us—the answer is no.

The United Nations, though, is a great question. It's much more helpful to disaggregate the United Nations and to treat its individual specialized agencies for what they do. The [Bretton Woods](#) Institutions, the Security Council, all these things, should, in fact, be treated quite distinctly. They operate quite distinctly.

The share of funding that the [UNDP](#) [UN Development Program] and the World Bank provide for global development is more or less minuscule today compared to what it used to be. Governments no longer necessarily even—at least those entities' multilateral channels are a fraction of what countries can raise on capital markets and the like. So those are becoming increasingly marginal players.

The [IMF](#) [International Monetary Fund], to a large extent, has been removed from much of the Asian equation and from the Latin American equation, and even, to some extent, from the Middle East as well. Countries have paid back their loans. They no longer need the IMF. They certainly don't want its conditionality clauses or anything like that. So its role is increasingly limited.

The one original UN entity that I would say is surviving all this is the [WTO](#) [World Trade Organization]. The number of countries joining the WTO is increasing. The number of cases filed in the WTO is increasing. The European Union and the United States have been taking China to court in the WTO over intellectual property and all kinds of issues. Because it has sanctioning capacity and its rulings are enforceable, it is still taken very seriously and may continue to be.

So I find that the WTO is sort of an exception to the broader pattern of the United Nations being generally undermined by the shifting power dynamics and by the regional—

QUESTION: What about the [ICC](#) [International Criminal Court]?

PARAG KHANNA: The ICC is case by case. Things have to be referred to it. You have regional criminal

courts coming up as well that are under, perhaps, ICC sponsorship, but you also have ones that might form indigenously. Europe has its own [European Court of Human Rights](#). You may find the [African Union](#) setting up its own courts and so on and so on. I think that will be case by case in terms of the ICC.

QUESTION: On the issue of sovereign funds, that seems to be of great concern to everybody, particularly in this country. I happen to think that the issue of sovereign funds here is that we are going to have to do it on our own. But on the global issue, you have the haves versus the have-nots, and sooner or later they are aware of the difference, even within their own country, of what they lack as opposed to the minority. They also have a brain drain.

Would there be pressure on these countries that have these major sovereign funds, like China, Japan, and the Middle East, to start spending it on their own people, about two-thirds of whom are in the poverty level, for transportation, education, and just bettering their lives? Could you address that issue?

PARAG KHANNA: The key countries, I think, to discuss are the ones that have large sovereign wealth funds but also have high internal inequality. You are wondering, why are they spending all of this money overseas when they have domestic needs? India is hesitating about launching a sovereign wealth fund at all. But take China and Saudi Arabia, two very good examples.

There are limits to how much domestic spending they are going to make. Both are making massive domestic investments—the Gulf countries alone have laid out \$1 trillion over the next ten years in domestic infrastructural expenditures in their budgets. That's already budgeted and is going to be spent. On top of that, they have their sovereign wealth fund.

You obviously have inflation concerns, so there are limits to how much you can actually pump in. China has spent hundreds and hundreds of billions of dollars, literally, on domestic infrastructural growth. Its strategy has been to do it in a phased process, province by province, geographically. It's not going to simply dump \$1 trillion into the domestic economy, which will obviously have all kinds of massive repercussions for inflation and stability.

So they have all the money they need to make the domestic investments that they want according to the timescale that they want, but they also have their sovereign wealth funds on top of that, which obviously go out in the world and generate revenues. So there isn't actually a dichotomy for these countries. Yes, their initial condition, so to speak, is one of huge internal inequality, but that is being diminished according to its own internal logic, political and fiscal logic, which is, in a way, a realm apart from what they are doing with the sovereign wealth funds. What this really says is that they have as much money as they need, based on their present goals and investment requirements, based on what they want to do at the speed they want to do it, and then some.

QUESTION: I'm very interested in hearing your perspective, having traveled all around the world for a couple of years, on some of the other problems that you might not have mentioned that we should be facing in the next five years. You read in the last two weeks about food riots, obviously water shortages. Are there any other things that you can just pass along, as a benefit of this wonderful travel that you had?

PARAG KHANNA: Those problems aren't bad enough?

I talk about food prices a bit in the book in countries like Ukraine and Egypt, where there actually has been a steady rise. It has been a concern among the masses of people in these countries for a while, actually. It's something that I talk about on a case-by-case basis.

This is, again, part of that Second World stability issue, not knowing, five years from now, what a country is going to be like. On the one hand, you could look at Egypt and you could say, "Look, they are building a stock market. They are investing in infrastructure. They have discovered gas in the Nile delta. Egypt is on the make." On the other hand, you could say, "They're having riots over food prices. The Nile is

heavily polluted, and they have a huge youth population that remains largely unemployed." Which way is it going to go?

One issue is definitely employment, I would say, specifically of the youth population—just like food prices, this issue could pop up in a variety of countries very soon or in the not-too-distant future. So I think job creation is an absolutely vital strategic issue. One should be evaluating countries based on to what extent they are absorbing the labor force and their youth. That is definitely a concern for stability of societies, every bit as much as food prices are.

But I think water, food, obviously terrorism, political stability, political risk questions—but there isn't one universal thing. The way I think and the way the book is broken down is that you can't just say food prices are rising, and therefore all these countries will be unstable. The challenge of governance is how well each manages the situation—countries that manage to kick in subsidies very quickly and stabilize prices versus those that are utterly inept and do no such thing and wind up falling. But you can find next to each other countries where some do it well, some others don't.

I read something fascinating just yesterday about Ukraine leasing a territory twice the size of Delaware to Libya to grow wheat. So Libya will go grow wheat in a part of Ukraine. That's part of what I call Second World access, these combinations of relationships forming that we wouldn't normally pay attention to. But it's meant to address this issue. It seems like a pretty smart idea to me.

So some have clever ways of dealing with these challenges and others get blindsided.

JOANNE MYERS: Your book may be titled *Second World*, but there was nothing second-worldly about your presentation. It was first-rate. I thank you very much for being with us.

I invite you all to continue the conversation.

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