

# Perspectives on U.S. Election and Global Trade Implications

**The Honorable William S. Cohen**  
Chairman and CEO  
The Cohen Group, USA



**Gregory Kenny, ICF President:**

Next I like to introduce the Honorable William S. Cohen, who is our next speaker. Secretary Cohen is the chairman and CEO of the Cohen Group, a strategic business consulting firm based in Washington, DC, which assists multinational clients from all sectors of the economy to develop and implement strategic plans, identify and pursue business opportunities, identify and manage risks, and overcome problems in quickly changing markets around the world. Secretary Cohen currently serves on the corporate board of CBS, and on the advisory board of Barrick Gold International. Secretary Cohen is a senior counselor at the Center for Strategic and International Studies. Mr. Cohen is also a weekly World Affairs Contributor for CNN's Situation Room hosted by Wolf Blitzer.

Appointed by President Clinton William Cohen served as the 20th U.S. Secretary of Defense, from January 1997 to January 2001. His term as Secretary of Defense marked the first time in modern U.S. history that a President had chosen an elected official from the other party as a member of the cabinet.

Known as a moderate independently-minded Republican he was a three-term United States Senator from 1979 to 1997 and a recognized expert on defense and international issues, health care, and government procurement. He also served in the U.S. House of Representatives for three terms, and as mayor of Bangor, Maine from 1971 to 1972.

He was born in Bangor, Maine and was educated at Bowdoin College and Boston University Law School. He has written or co-authored eleven books. His most recent book was co-authored with his wife Janet Langhart and titled *Love in Black and White: A Memoir of Race Religion and Romance*.

Secretary Cohen the stage is all yours.

**William Cohen:**

Ladies and Gentlemen,

I was thinking how I might begin to talk to you, and I remembered being a member of the Senate when Václav Havel, the President of the Czech Republic, came to the United States to speak to a joint session of Congress. He began by saying: 'Things are happening so rapidly we have little time to be astonished.' Think about how fast things are happening. I know we have some members here from South Korea and I had an occasion some years ago to visit President Kim Dae-jung at his summer residence. I had a conversation asking him: 'How was it he was able to survive his years of imprisonment?' He said: he was a deeply religious man, but he also was reading *Future Shock*, Alvin Toffler's work.' I thought, we have a connection here. Because I think I read everything what Alvin and Heidi Toffler had ever written, from *Future Shock* to *Third Wave*, to *Power Shift*, to *War and Anti-War*. Basically what Toffler was talking about, in the late sixties, that we are going to see an age of future shock in which time was speeded up by events; that we are going to see customs and traditions shaken in a hurricane wind of change. He was writing this back in the late sixties. Of course, we are still witnessing this age of future shock.

So, the world is spinning faster and faster. Technology is actually miniaturizing the globe and it is getting smaller and smaller. Therefore we need leaders who are able to make sound judgments based on this period of accelerated thrust of change. Of course, this brings me to what is going on in the United States. We are here to talk a little bit about the economy. Many of you may be familiar with the story that has been circulating about Boris Yeltsin. I had an occasion to meet President Yeltsin when he came to Washington to visit the U.S. He was asked by a journalist: 'Mr. President, if you had to sum up the state of the Russian economy in one word, what would it be?'

And Yeltsin pondered for a moment and said: 'Good.' Then the journalist asked: 'If I would asked you to summarize the state of the economy in two words, what would you say?' Yeltsin responded after a moment: 'Not good.' That is about where we are today. It's not good in the United States and it's not very good throughout much of the world. The question is: How did we get there and how do we get out of there?

I think it is quite clear what has happened in terms of the United States and its role. Our image has been damaged in the last 8 years. We certainly enjoyed a certain high level of respect previously. This respect was coming from promoting free enterprise and capitalistic endeavors, unleashing the forces of freedom, so the people can make choices. That image has been impacted by three things.

Number one, 9/11. Our response to 9/11, in particular in going into Iraq. not only going into Iraq, but not being able to conclude our involvement in Iraq in a reasonably short period of time. So we have seen our image diminished in terms of that military capability.

The second issue would be Katrina. When the world saw what happened when the floodwaters came in and washed away much of New Orleans and parts of Mississippi. The world stood back and asked: 'Wait a minute. This is the superpower and you are unable to cope with something like this in a more efficient and rapid fashion?' So we had some negative reactions that the United States was not as capable as we thought it was.

Of course, the third most important thing has been this economic meltdown or crisis that we are currently experiencing.

So, those three things have impacted in a very negative way. And yet much of the world still understands that the U.S. has a key role to play and remains a stabilizing force through much of the world. From a military perspective, the strategy of the U.S. has been, always to be forward deployed. That has been key to our prosperity and our success. We can't walk away from the world, although some in the U.S. would like to see us retrench. So isn't it time for us to come home? We can't come home and tuck ourselves into a sort of continental cocoon and watch the world unfold on CNN. We can't walk away from the world, because the world is not going to walk away from us. We are all in this together. The question then becomes, how do we start to structure ourselves, how do we conduct ourselves in a way that will be beneficial to us and to the world. John F. Kennedy said many things during his brief period of life in the public eye. He gave an inaugural address, in which he said: 'We hold in our hands the power to abolish all forms of human poverty or all forms of human life and the choice is ours to make.' And that power still remains, and that is true for all of us, the power of information, the power of technology.

We have always assumed in the U.S. and we like to pound on our chest and say: 'We are number one.' You will see from every athletic event we are always number one in terms of every team feeling that way. We in the U.S. like to feel that we are the number one superpower. The question is: What does that mean to be a superpower? What are the benefits of being a superpower? What are the burdens?

If you think about being a superpower, Kennedy said: 'We pay any price, bear any burden, defend any friend, oppose any foe in order to insure the success and survival of liberty.' Pretty inspiring words! What does that mean in today's world? Are we willing to bear any burden? We spent \$700 billion in Iraq, it is probably closer to \$1 trillion. There are some estimates that it may take another trillion before we are finally out, if we can really say we are out. That is a pretty heavy burden to bear.

So, what is going in the U.S. politically? If you have followed the exchanges between Senator John McCain and Senator Barack Obama, there is a debate taking place inside the U.S. in terms of: What is our role? Who are we? Some of you may recall some years ago Ross Perot, who ran as an independent candidate for the Presidency back in 1992. He had a running mate by the name of Admiral Jim Stockdale and Stockdale walked out onto a podium, his first public appearance. He asked two questions: 'Who am I and why am I here?' There was a ripple of laughter in the audience, as it was a pretty unusual way of beginning your opening campaign statement asking questions like that. But many people had no idea who Stockdale was. He was a war hero, spending years in prison. He was one of the most admired men in military history, but the general public didn't know who he was. I think those are the kind of questions that really have to be asked by us in the U.S. Who are we? Why are we in the Middle East? Why are we in the Asia-Pacific region? And it comes back to my basic premise, that we are forward deployed virtually everywhere. And we think it is in our best interest to be forward deployed and that we have the capacity to shape public events and people's attitudes towards us in ways that are favorable. That is basically what we are trying to do by being forward deployed. We try to maintain stability. And you know as businessmen and women if there is stability capital will flow into this region.

UAE is seen as a very stable country, therefore capital has been flowing into this region. If there is instability, then capital will take flight. We like to say: 'Capital is a coward.' It leaves, the moment there is instability. So, we believe that we have been a very stabilizing force in many parts of the world, the Asia-Pacific in particular. China could not be the China it is today without the U.S. having the presence throughout the Asia-Pacific region. Because if we would not be there as the stabilizing force who would fill the vacuum? Would it be Japan or China or India? We have been a stabilizing force until recently in the Gulf region and in Europe following WWII.

Now the question becomes for the U.S.: What is our role going to be? You have seen writings from people like Fareed Zacharia. He writes for Newsweek, he appears on CNN, he has a program called GPS. Basically Fareed is saying, it is not so much that the U.S. is being diminished, we see the rise of the rest. We are seeing countries who have been ignored, who have their resources really developed. Suddenly because of the energy crisis the rest of the world is starting to rise up. Now that is all well and good, because it means more countries are enjoying prosperity. But the issue then becomes, what is the organizing force? How do you reach a consensus when you have all of these new powers that are starting to rise up? We used to think that perhaps the United Nations would be a source for reaching decisions. NATO as an organization has been a unifying force, where you had 16 NATO countries, then you had 19, now you have 26. And there are more who want to get in. But NATO has its own limitations. So we have the EU. But you have to have some sort of international organizing mechanism, otherwise what you have is more and more countries having more and more power but no consensus being achieved. You have a more chaotic ad hoc type of approach to trade issues and other issues of international magnitude. So, the U.S. is going through this self-examination and that is what you see being played out at our political process.

Senator McCain is a friend of mine. I know him very well. I was the best man at his wedding. Therefore I have somewhat of a bias towards him. But I am also very close to Senator Biden. We went to Congress together back in 1972 and I know him very well. I also have a somewhat complicated interest, I have a mixed marriage, as you can see. I am a Republican, my wife is a Democrat. We have our little discussions and debates in the household and try to come to some sort of reconciliation. I usually lose during those debates. But we are trying to find ways in which the U.S. can come to a reconciliation on key issues. It seems to me that we have four major issues to contend with. Economy, energy, environment and education.

In terms of the economy we have lost our way as an economic power as such, because we have not practiced what we always preached, and that is: We believe in a free market mechanism. We believe that a free market is self-regulating and yet we found it hasn't been self-regulating. We as Republicans have believed that government should have a hands-off approach to the economy and found that this can't be the case either. The Republicans have an anti-government attitude. I am a more moderate or liberal Republican. My answer has been: Government is the enemy until you need a friend. In other words: When a crisis happens, e.g. a plane goes down, we say where was the FAA? Some kind of drug may come in from China or elsewhere that is tainted, we ask where was the FDA?

So we always like to see the government as the enemy until we need some sort of regulatory mechanism. What we have found with this economic breakdown is that we have not had the oversight that is required on the part of the government and certainly not on the part of the private sector as well. We all are paying a price for that right now. It is going to take some time before it will be sorted out. I think the good news coming out of this is, we recognize that we have gotten away from the basics that have made our country strong: To believe in a free market but also to believe in self-discipline, to understand that you shouldn't borrow more than you can repay, that you shouldn't buy more than you need, that you need to have some sort of fiscal prudence in order to save for the rainy days, and that deficits do matter.

I was disappointed many times when the Vice President of the U.S., Dick Cheney, would say: 'Deficits don't really matter.' Well, they do matter. And as a Republican from the state of Maine we always believed in balanced budgets. You can't have a balanced budget all the time on the national level, but we need to have some kind of balance between our spending habits and our borrowing habits, and in our taxing policies. So the debate is playing out.

Senator McCain believes lower taxes, less regulations, to simplify it. Senator Obama believes we have to have higher taxes on the upper income levels, anybody above \$250,000. Senator Biden has said: 'It is a patriotic thing to do.' This, of course, has produced some ridicule on the part of the Republicans challenging that. Basically, you are going to see that if Barack Obama is elected President there will be a tax level imposed on the higher levels of income. Senator McCain believes in open and free trade, Senator Obama less so. He in fact has taking a position that perhaps we should start reevaluating some of the free trade agreements we had with NAFTA. Now, you have to separate out what is said from what is actually believed.

I am a bit cynical about politics in terms of how it is practiced. I would say: 'Look, anybody who is running for the presidency, there are two rules: First rule, don't make any promises; second rule, if you make the promises be sure you break them.' Because the reality is such that during the course of a campaign candidates will say things to appeal to their base, the core constituency, that wants a much more rigid ideological position. It doesn't matter on the left or the right, they both take these positions. Senator Obama, for example, who was quoted as saying at one point, he wanted to reexamine NAFTA. Canada's response was: Well, if you want to reopen NAFTA, perhaps we should reopen the preferences we give to the U.S. on our oil and gas deliveries. Next day we had a message sent to the Canadians: Hey, don't worry, we will not open NAFTA.

I'll give you another quick example. President Carter, when he was campaigning for the presidency back in the late 70s, made a pledge if he were elected President, one of the first things he would do would be to withdraw 5000 troops from South Korea. I went on a visit to China and then to South Korea and met with President Park at that time. We (there were four of us) came back and said to President Carter: 'This is a big mistake. If you pull 5000 troops out, you may send a signal, that the U.S. commitment to the South Korean people is diminishing. That could trigger an attack from the North at that point.' President Carter listened and he reversed himself, saying: we are not going to do it.' So again, sometimes you have to separate out what candidates say during the course of the campaign and then what they do when they have the responsibility. Whether it is John McCain or Barrack Obama becoming President I think you see a pretty close conversion of opinions.

It looks right now like Barack Obama may win; in the morning news he had a 10% lead, and he is going to need that in order to win, because we have something called "race". Racial politics is very much alive in the U.S. Most people would discount it between 5 and 6 points off any lead you have. Taking into account the race factor you need to have 8% to 10% in order to win. If he holds that 8% to 10% lead he may win. If it gets lower, like 4% to 5%, then it's anyone's ballgame and chances are that you can have Senator McCain win at the last moment. Because people don't like to tell you openly that they will vote against a candidate because of his race. They may feel that way but they don't like to say it openly. Well, more people have said it openly. We had surveys in which 3 out of 10 people surveyed said that they could never vote for a person who was black. Well, if 3 out of 10 openly say it, I assume that 5 of 10 believe it. But given the mood right now, the economic crisis we face, that in likelihood you will see Senator Obama become President.

What does that mean in terms of his policy? His policy will be, just like Senator McCain's, one of engagement, that we have to understand that we have to be engaged in world affairs, that we have to act multilaterally. That is something the first Bush administration did not believe. I can tell you this from my own experience. In the Clinton administration we had a mantra. We said: Multilateral whenever we can, unilateral whenever we must. That was our rule of operation - always try to engage other countries on a multilateral basis. If you have to act unilaterally and you always reserve that power to do so, it should be your last resort. I think that was changed in the first four years of the Bush administration. The second four years – change of attitude. There are limits to U.S. power and how much we can achieve acting alone. We have to have other countries to persuade them that it is in their and our interest to act in a mutually beneficial way. No country can act unilaterally very long on any issue. That is true for Senator McCain who believes in multilateral engagements as well as Senator Obama. You will see a convergence, whoever gets elected. I think it is good.

We have to do a lot of listening. We have to become less narcissistic, if I can use that word. We are so self-centered, that we basically don't know or care what is going on in the rest of the world. The other countries are simply out there, we are consumed with our own well being. So we have to become more worldly in understanding other countries, other cultures and other histories and try to engage countries and listen to what their life's experiences have been, to understand how they see the world. We have to do much more of that if we hope to have a restoration, which I hope we can have. A restoration, number one, of American credibility and, number two, of American leadership.

Let me conclude with a poet, John Ciardi, who wrote a poem called "The Birds of Pompeii". In that poem he asked: 'How do you tell a real emerald from a synthetic? The two are very difficult to distinguish.' He said: 'You heat them to a certain temperature and then you tap. The real one will break. I don't have emeralds, but a woman who did told me so. But I have held in my hand the bright breakage of a truth told too late and I know the principle.' And this is something that we also know the principle. We know that we can't hold a truth too late.

So we know the principle, we have to get back to the fundamentals that made us strong. We know we have to be internationalists, we know we have to engage the rest of the world and we know we have to get back to practicing what we preach, otherwise we continue to see the kind of economic turmoil, the kind of disruptions we see in our international affairs. Thank you very much!