



FOREIGN AFFAIRS



SEPTEMBER/OCTOBER 2005

China

“Peacefully Rising” to Great-Power Status

ZHENG BIJIAN

Hunting Globally for Resources

ZWEIG & JIANHAI

Searching for Stability With America

WANG JISI

Understanding Its Ambitions

KISHORE MAHBUBANI

Can Democracy Stop Terrorism? GREGORY GAUSE

The Rise of Sustainable Autocracy BUENO DE MESQUITA & DOWNS

How to Win in Iraq ANDREW KREPINEVICH

Taming American Power STEPHEN WALT

Nepal on the Precipice BRAD ADAMS

How to Rebuild Africa STEPHEN ELLIS

Inside the NSC: A Review I. M. DESTLER

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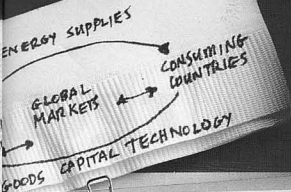
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DAVID J. O'REILLY
CHAIRMAN & CEO
CHEVRON CORPORATION



Energy will be one of the defining issues of this century. One thing is clear: the era of easy oil is over. What we all do next will determine how well we meet the energy needs of the entire world in this century and beyond.

Demand is soaring like never before. As populations grow and economies take off, millions in the developing world are enjoying the benefits of a lifestyle that requires increasing amounts of energy. In fact, some say that in 20 years the world will consume 40% more oil than it does today. At the same time, many of the world's oil and gas fields are maturing. And new energy discoveries are mainly occurring in places where resources are difficult to extract, physically, economically and even politically. When growing demand meets tighter supplies, the result is more competition for the same resources.

We can wait until a crisis forces us to do something. Or we can commit to working together, and start by asking the tough questions: How do we meet the energy needs of the developing world and those of industrialized nations? What role will renewables and alternative energies play? What is the best way to protect our environment? How do we accelerate our conservation efforts? Whatever actions we take, we must look not just to next year, but to the next 50 years.

At Chevron, we believe that innovation, collaboration and conservation are the cornerstones on which to build this new world. We cannot do this alone. Corporations, governments and every citizen of this planet must be part of the solution as surely as they are part of the problem. We call upon scientists and educators, politicians and policy-makers, environmentalists, leaders of industry and each one of you to be part of reshaping the next era of energy.

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TOP 5 NET OIL EXPORTERS



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The Time for Urgency

War, terrorism, workplace violence, sabotage, theft . . . the list of security-related worries preoccupying today's executive seems to grow each year. Who can predict what looms on the horizon? It's easy to pretend that corporations cannot shield themselves from these threats. Publicized tragedies heighten vigilance: anthrax made people think twice about opening parcels, workplace shootings led to new focus on disgruntled employees, and the September 11 attacks united the nation in a fight against terrorism. Unfortunately, complacency seems always to return with time.

Do you compromise on security when it comes to protecting your family? Experts know that *the more you do, the safer you are*. Workplace security is no different; only the stakes are much greater. A large corporation is like an extended family living in a huge neighborhood: the chance of something going wrong somewhere increases with scale and there are more lives and livelihoods at risk.

Not all organizations think about security in terms of its total cost—at their peril. Some corporate budgets measure the dollars spent on security personnel and equipment but ignore the costs of crime and terror—the human tragedy, the liability expenses, the legal fees, the public relations and crisis management costs, the increased insurance premiums, the lost revenue from business interruption, the shaken confidence of customers and shareholders, the devastation in employee morale. Consider one example: A terminated employee, heavily armed, gains unauthorized entry past a new and inexperienced security officer. A single mistake, and several minutes later, lives are lost. Just one such tragic incident can jeopardize the future survival of an entire organization.

When companies view security services as a commodity, that is what they get. Some purchasing departments often only look at the unit cost, selecting the lowest bidder. Many service providers, however, fail to include additional costs, such as health insurance, vacations and even training, in their rates—which the customer may not discover until the invoicing starts. Other companies compete by minimizing their investment in wages, training and employee screening. Transient hourly employees treat their jobs in a perfunctory way. With limited authority, security managers cannot invest in quality or innovation. And yet if a serious incident occurs, they take the blame for failing to bring in a quality provider. This vicious circle detracts from buying the necessary value and focusing on what truly counts in security—results.

Being serious about security is not just about employing more security officers or buying more technological equipment. It is about approaching security in a different, smarter way. It is about knowing the

backgrounds of one's employees and on-site contractors. It is about ensuring that the one person accountable for security also purchases security. It is about considering the realm of possible threats and developing proactive solutions. It is about forming vendor partnerships to give others a stake in ensuring that all that can be done is done. It is about a commitment to total quality.

No entity can be entirely immune from crime and terrorism. When organizations commit time and resources to an urgent focus on security, however, they can minimize risk and create tangible value. A thoughtful security infrastructure supported by dedicated, energetic employees offers a shield against attack and often surpasses the traditional call of duty: responding to an accident on the shop floor and saving an employee's life or detecting a mechanical malfunction that could lead to a plant shutdown. A strong security program also acts as a deterrent. According to reports published in a leading national newspaper, a murderous terrorist cased a sensitive public facility in California and found the Guardsmark security to be so tight that he selected different targets, shooting six people and killing one. The wounded included three children.

When we founded our company in 1963, we saw an industry that failed to focus on total quality. We sought to fill a market void by offering higher pay to employ and retain better people—offering a career, not a job. To support these professionals, we built an unmatched management team composed of former FBI and Secret Service officials, military officers, and leaders of law enforcement agencies, creating a unique think tank for a broad spectrum of security-related issues.

Whatever concerns our clients face—from routine loss prevention investigations to dealing with kidnappings and assassinations in distant lands—our men and women stand ready with the wisdom of experience, the ability to manage uncertainty, and an intricate network of valuable relationships. These crisis-resolution skills give our clients the confidence that their security provider can respond to any emergency anywhere at a moment's notice.

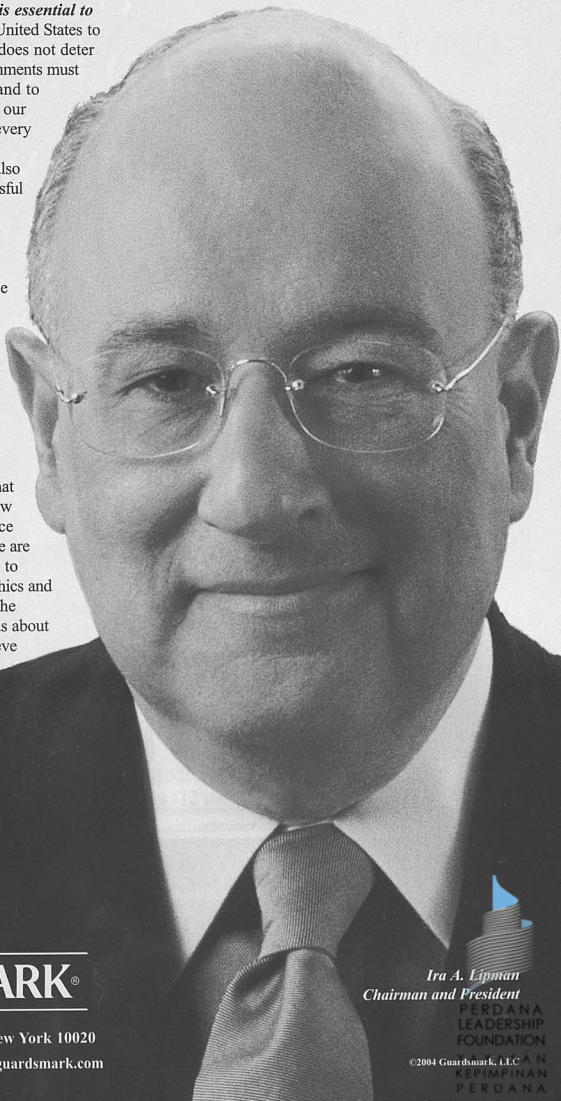
Never before has confidence in security been more critical. Homeland security has emerged as an unprecedented concern. The United States of America is engaged in a war against terrorists who want to attack Americans at home, and the nation must take immediate action to correct its greatest vulnerabilities. Unfortunately, some institutions and organizations have failed to demonstrate sufficient urgency, focus and attention to safeguarding against the heightened risk facing the entire nation. The threat is not restricted to high-profile cities such as New York and Washington, D.C. In fact, tighter security measures in those municipalities may convince the enemy to seek softer targets in less prepared areas of the country.

Urgency Is NowSM

Increasing emergency preparedness is essential to minimizing casualties. The ability of the United States to strike back with swift, devastating force does not deter agents of terror. Consequently, local governments must receive assistance to prepare for attack and to improve the technological capabilities of our emergency response agencies. Similarly, every organization must not only strengthen its defenses to prevent an attack, but it must also prepare to manage the aftermath of a successful assault by training on-site emergency responders and developing partnerships with firefighters, police and medical professionals. Securing a facility so that an attack will either fail outright or produce minimally disruptive consequences at best will significantly decrease the likelihood of a future strike.

The world has changed. Complacency has never been wise, but at this time of increasing uncertainty, it has become outright dangerous and irresponsible. At Guardsmark, we realize that each of our employees is the critical ingredient in securing some facility somewhere. Who that person is, what that person thinks and how that person reacts may make the difference between calm and calamity. That is why we are committed to excellence in management, to continuous innovation, to organizational ethics and diversity, and to an unyielding focus on the customer. It all has to do with being serious about security. That is our mission. And we believe that is the mission that you need.

The time for urgency is nowSM.



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FOREIGN AFFAIRS



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Public Opinion

Poll Positions *Daniel Yankelovich*

2

A new survey of public opinion on U.S. foreign policy shows that Americans are split in two along party and religious lines. Still, significant majorities are starting to come together based on discontent with the war in Iraq, U.S. standing in the Muslim world, and illegal immigration. Soon the grumbling may become too loud for policymakers to ignore.

Special Section

China's "Peaceful Rise" to Great-Power Status *Zheng Bijian*

18

Despite widespread fears about China's growing economic clout and political stature, Beijing remains committed to a "peaceful rise": bringing its people out of poverty by embracing economic globalization and improving relations with the rest of the world. As it emerges as a great power, China knows that its continued development depends on world peace—a peace that its development will in turn reinforce.

China's Global Hunt for Energy

David Zweig and Bi Jianhai

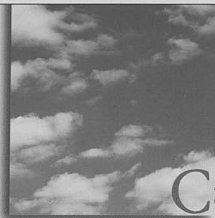
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Chinese foreign policy is now driven by China's unprecedented need for resources. In exchange for access to oil and other raw materials to fuel its booming economy, Beijing has boosted its bilateral relations with resource-rich states, sometimes striking deals with rogue governments or treading on U.S. turf. Beijing's hunger may worry some in Washington, but it also creates new grounds for cooperation.

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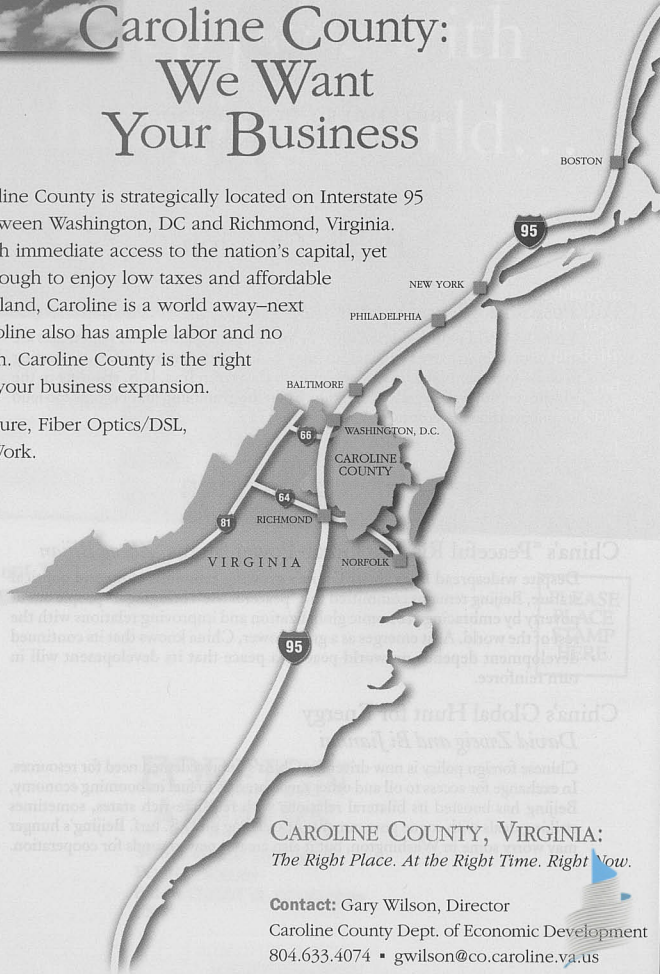
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Contents

- China's Search for Stability With America *Wang Jisi* 39
No country can affect China's fortunes more directly than the United States. Many potential flashpoints—such as Taiwan, Japan, and North Korea—remain, and true friendship between Washington and Beijing is unlikely. But their interests have grown so intertwined that cooperation is the best way to serve both countries.
- Understanding China *Kishore Mabbubani* 49
The United States has done much to enable China's recent growth, but it has also sent mixed signals that have unnerved Beijing. More consistent engagement is in order, because the course of the twenty-first century will be determined by the relationship between the world's greatest power and the world's greatest emerging power.

Essays

- Can Democracy Stop Terrorism? *F. Gregory Gause III* 62
The Bush administration contends that the push for democracy in the Muslim world will improve U.S. security. But this premise is faulty: there is no evidence that democracy reduces terrorism. Indeed, a democratic Middle East would probably result in Islamist governments unwilling to cooperate with Washington.
- Development and Democracy
Bruce Bueno de Mesquita and George W. Downs 77
Conventional wisdom has long assumed that economic liberalization undermines repressive regimes. Recent events, however, suggest that savvy autocrats have learned how to cut the cord between growth and freedom, enjoying the benefits of the former without the risks of the latter. Washington and international lenders should take note.
- How to Win in Iraq *Andrew F. Krepinevich, Jr.* 87
Because they lack a coherent strategy, U.S. forces in Iraq have failed to defeat the insurgency or improve security. Winning will require a new approach to counterinsurgency, one that focuses on providing security to Iraqis rather than hunting down insurgents. And it will take at least a decade.
- Taming American Power *Stephen M. Walt* 105
U.S. policymakers debate how to wield American power; foreigners debate how to deal with it. Some make their peace with Washington and try to manipulate it; others try to oppose and undercut U.S. interests. The challenge for the United States is how to turn its material dominance into legitimate authority.
- Nepal at the Precipice *Brad Adams* 121
In the past decade, 12,000 Nepalis have died in an increasingly brutal civil war that pits a backward-looking monarchy and an abusive military against fanatical Maoist rebels. To help solve the crisis, the rest of the world must convince both sides that there is a third way.

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