



NATAN SHARANSKY ON THE MEANING  
OF FREEDOM. — HUMAN RIGHTS

ASIA

ELIZABETH ECONOMY ON XI JINPING  
AND CHINA'S RISE.

GIULIO TERZI ON ITALY, EUROPE,  
AND CORRUPTION. — THE E.U.

CULTURE

ALEXEI RATMANSKY ON THE JOYS OF  
CLASSICAL DANCE.

PLUS

*John Baird on Canada; oil's slippery future;  
how to escape the Thucydides trap; and more.*

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# OCTAVIAN REPORT

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# A Note from the Publisher

Dear Friends,

We are thrilled to kick off the New Year with a very special issue of *The Octavian Report*. Our board member Thomas Demand, one of the most important artists of his generation, has curated all of our imagery from his *oeuvre*. Thomas's art deals with politics, money, history, and culture (like us) and how the media presents them. In a prescient and sophisticated way, Thomas has been grappling with “fake news” for decades. We are deeply honored by this collaboration.

With the rise of illiberalism continuing apace, we interviewed in depth a leading advocate for freedom. Natan Sharansky experienced with courage the trials of being a dissident. He remains a tireless fighter for human rights. We spoke to him about his days in the Soviet Gulag, what modern Russia looks like to him, and why he's cautiously optimistic about the future. Fake news is an existential threat to freedom, and award-winning chronicler of the Lost Generation Amanda Vaill argues that this problem is not new — it dates back to the Spanish Civil War and the unchecked ambitions of Ernest Hemingway.

Few leaders are more consequential today than Xi Jinping. China's 19th Party Congress showed that Xi stands at the height of his political powers. Elizabeth Economy, director of Asia studies at the Council on Foreign Relations, lays out what to expect as China's rise continues. On the question of whether the Middle Kingdom is on a collision course with the U.S. — and what Thucydides can teach us about the situation — we spoke with two scholars holding radically opposed views: Harvard's Graham Allison, author of *Destined For War: Can China and America Escape Thucydides's Trap?*, and Tom Holland, classicist and bestselling historian.

The shakeup of the world order continues in petrostates as well. Edward Morse, head of global commodities research at Citigroup, explains why a collapsed price is the new normal. From Europe, Amb. Giulio Terzi — Italy's former foreign minister — offers his thoughts on his nation's status as the E.U. fulcrum and our former ambassador to the E.U. Stuart Eizenstat assesses the Union more generally and the ongoing issue of German restitution. On the North American front, we spoke to John Baird, Canada's former foreign minister, about Trump, NATO, and the future of the Atlantic alliance. (He's worried.)

Amid all the chaos, art in all its forms can still captivate us. We interviewed one of the world's leading choreographers, Alexei Ratmanský, about why dance will always be with us and what it was like to stage the “Billionaire's Ballet” — Richard Strauss's *Whipped Cream*.

Best wishes for a happy, healthy, and prosperous new year.

Sincerely,



Richard Hurowitz  
Publisher

Thomas Demand

Kontrollraum / Control  
Room, 2011, (detail)

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# FREEDOM FIGHTER

An Interview with **NATAN SHARANSKY**

**T**he disturbing enthusiasm for authoritarian ideas among young people is not confined to the Right. The Left, too, is seeing an upsurge in political violence committed in its name, as well as a general rollback of its defense of the liberal ideas it once loved and protected. Natan Sharansky is equipped as few others are to speak about the horrors of authoritarian politics. He was a legendary human rights activist sentenced to the Gulag in the last decades of the USSR. He emerged unbroken and with the unshakable conviction that democratic values are of crucial, world-historical importance. Here he explains the failure of communal memory on the question of communism and what he sees ahead for Russia and the world.

**OCTAVIAN REPORT:** How would you respond to the argument that a human rights and freedom agenda has no real place in foreign policy?

**NATAN SHARANSKY:** It's really unfortunate and disappointing how quickly historical experience is disappearing. Maybe the fate of historical experience is that every generation must have its own historical experience, and it's only people in academia who learn from books on history.

But in practice, politicians and journalists forget it very quickly. You'd be surprised how short their memory is. Serious journalists who know, who understand, who remember the lessons not only of the Soviet Union, who remember the lessons of Arab Spring, are already disappearing. Now they come to work in Israel as a journalist from some Western newspaper two years ago — and that's when history mainly starts for them. Thirty-year-olds don't know what communism is. People older than 60 know it very well. But the really important decisions are made by people in their 40s and 50s. They are somewhere in between.

Mostly I can say that *realpolitik* today is predominant, both on the Left and on the Right. I was rather disappointed when the Obama administration didn't follow the tradition of the previous administration in having close contacts with democratic dissidents.

But I can't say that the new administration seems, as it looks now, any more interested in this issue. The fact that everybody is looking for practical solutions and is happy to see the dictators as an important part of the solution becomes something that unites Left and Right today. It's very disappointing. It seems that the power of the lessons of defeating communism are so strong, and the success of this policy of linkage between human rights and international relations was so convincing, that all our opponents now are newly-born liberals.

What's happening is that the word “liberal” is changing its meaning. The liberal is the one who wants peace at any price, and not the one who believes that peace can be achieved only through defending liberal principles.

So yes, it is disappointing, but I don't know if it is something specific about history of communism or if that's the nature of human beings — to learn only from the immediate experience.

**OR:** Can you talk about the history of the linkage between human rights and politics, and about your own experiences as a dissident activist?

**SHARANSKY:** I was an activist in two movements: the Soviet Union's Zionist movement and its human rights movement. At some moment I became more or less an official spokesman of these two movements.

First of all, a point that looks like a big contradiction today. Some argue that freedom and identity are in tension, that nationalism and religion are enemies of peace and stability, the source of war. I always felt that is absolutely wrong. It is strong beliefs and a strong feeling of your identity, of belonging to something bigger than your own life — that's what gives you strength to fight also for freedom. Your freedom and the freedom of others.

So I felt very comfortable always in being both a Jewish activist and a human rights activist.

Now, it was clear to us Jewish activists of the former Soviet Union that there could be no quiet agreement with the KGB, with the regime. We never believed that they would let more and more Jews leave quietly without having a real conflict with the Soviet Union. For the Soviet Union, for any dictatorial regime, it is so important to keep their citizens under their control that they cannot let these people decide for themselves what to read, what to say, and definitely they can't decide where to live.

So the struggle for freedom of emigration was the struggle against the basic principles of that regime, and we could not have been successful if it were not linked to the most basic interests of the Soviet Union. That's why we welcomed strongly the great Democrat Senator Henry "Scoop" Jackson and his amendment when he connected freedom of immigration with the trade benefits for the Soviet Union. That was the first major attempt in the days of the Cold War to make a direct linkage between human rights and the economic interests of the Soviet Union.

I have to say that many on the American side, including many leading businessmen and representatives of the Nixon administration, were absolutely against this linkage. The idea was that the more trade you have, the better relations you have, the more you can talk with your partner for human rights, the more chances that you will have to succeed also in convincing them to behave

better. What we all believed was absolute.

So the Jackson Amendment, which later become one of the central points of the accusations of high treason brought against me by the Soviet Union, was approved, and that became a major pressure on the Soviet Union to open the gates. And then there was Helsinki Agreement, the final act signed in Helsinki by 35 countries, which included three baskets. A basket about recognizing the borders after the Second World War. Second, economic cooperation, and third, respect for human rights.

And though it was non-binding, that connection between the first, second, and third basket, we dissidents decided to do our best to make it binding by creating our own Helsinki watch groups in the Soviet Union. This, of course, also became one of the bases of accusations against me of anti-Soviet activity, together with other members of the group.

But really what then helped the free world to connect very strongly the policy of human rights and all the other relations with the Soviet Union was the idea was that we can rely on regimes only to the extent to which this regime is trusted by its people. We cannot trust you if you cannot trust your own people to have some basic freedom.

This all helped to create very strong pressure on the Soviet Union just at the time when as a system it was in a state of bankruptcy. They needed, very much, strong cooperation with the West. The Soviet Union could not stand competition with the free world because of the non-free form of its life. This policy of linkage between human rights and international relations helped to accelerate the bankruptcy of the Soviet system, helped to make the leaders of the Soviet Union open the Iron Gate, to bring down the Iron Curtain. In fact, that's how the communist system collapsed.

I personally believe that but for the strong position

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Elections do  
not equal  
democracy.  
Free elections  
in a free  
society: that's  
democracy.”

of dissidents on one hand and the strong position of the leaders of the free world on the other — and the central figure was, later, of course President Reagan — then the world would have suffered from the threat of communist aggression for many more decades. But this policy of linkage between human rights and relations between the countries helped the free world win the Cold War without one shot. Without any violence. And that brought to freedom not only Soviet Jews, but made all the world a much more freer place.

Unfortunately, these lessons are the ones the world starts forgetting very quickly, looking again for stability in different parts of the world by ignoring the principles of human rights and by trying to find the appropriate dictators who will give us more stability.

OR: When you look at Russia today, how similar do you see it as being to the Soviet Union? What do you make of the work being done by dissidents there now?

SHARANSKY: I'm very upset. Many of my friends, especially those who continue human rights activity in Russia, all were very upset by the fact that democratic principles are in retreat, that the courts are becoming more and more politically dependent, that there is a lot of corruption all over, that dissent, newspapers, and TV programs are definitely in decline.

Having said all this, I wouldn't compare it to the Soviet Union. Simply because the Soviet Union was controlled by fear, in which 200 million people were kept. And the base for keeping people in fear was the KGB. Everybody could find himself or herself in Gulag.

A lot of criticism can be made about Russia, but people are not afraid to read what they want to read or to speak their mind. It's true when people are trying to influence politics, then unfortunately all the time obstacles are raised against them. But they can speak their mind and they can try to build broad associations between people who think likewise.

It's interesting that recently, when my close friend and colleague Lyudmila Alexeyeva — she still is chairman of the Helsinki watch group we created together — celebrated its anniversary, not only she was not under of the threat of arrest, but President Putin personally came to congratulate her. So it shows that the times are different. But no doubt, she is the first to say — and I spoke to her immediately after she spoke to President Putin — that the democratic rights of the citizens are on retreat and that we have to continue our work building civil society. It is not an easy work.

Now people don't have to sacrifice their lives for their right to make their position known and public, anymore. So I sympathize with many of my colleagues who are fighting for civil society in Russia today, and welcome them, and I help when I can, but I would not say that we are back in Stalin's Russia. It's not Stalin's Russia, it's not even Brezhnev's Russia. It's a different situation. In modern times nobody

could isolate people the way the Soviet Union tried and succeeded to isolate them, and nobody could keep hundreds of millions of people in fear as the KGB regime did.

OR: Are there real “fear” societies that exist? Do you think the trend is in that direction? Or is the trend ultimately toward more openness because of technological changes?

SHARANSKY: Technology is a double-edged sword. On the one hand, it's unbelievable what the internet does. As the spokesman, sometimes it took me months of work to collect signatures under our appeal to, let's say, the U.S. Congress, and then to find the way to send it through some journalist or some tourist, and then to wait for the response.

Today, with one press of a button, you can do both. You can collect signatures from people who will ally with you to send a letter and then send this letter to Congress. I'd be dying from envy remembering the huge operation I had to do and making so many people take risks. Tourists and others were coming to us and collecting the signatures, going to different cities. So it's great. It's great because the Internet proved a great mechanism to mobilize people for massive demonstrations.

On the other hand, it gives opportunities for some forces behind the scenes. Cyber specialists can control communication between the people. Maybe you don't need the army of informers as it was before. You need only to have good cyber intelligence forces. Some team which can follow all communications between people.

Technology by itself cannot solve the problem. But the desire of people to express their minds freely, as they try to show the case for democracy — of course, the conscience is different, the mentalities are different, the types of institutions for different cultures are very different — and to live without the fear that they can be arrested for their views is the same among all cultures in all countries.

And that's something that I believe is becoming

stronger and stronger. But it's not a smooth, one-way street. We can see definitely in the Middle East how, immediately after the Arab Spring and these revolutions — of which the main engine was the desire of people to stop living under the fear whether they were in Egypt or in other places — they were replaced by the new type of dictatorships and the new type of repressions. History is not a smooth line. There are ups and downs. But I believe that this core, deep desire of people to be free is dictating the trajectory of history.

OR: So you're fairly optimistic in the long term?

SHARANSKY: Well, I'm optimistic by nature, and when people say how problematic is what they see this year, I always remind them: let's look where we were 10 years ago, let's look where we were 30 years ago, let's look where we were 50 years ago. Do that, and you will understand that the trend is very optimistic.

But in between, there are moments of despair and suffering and persecution and repression, unfortunately.

OR: Do you have any thoughts on the rise in anti-Semitism globally, and on what can be done to stop the de-legitimization of Israel?

SHARANSKY: Anti-Semitism became almost impossible in free society after the Holocaust. Not simply politically incorrect. It's that anti-Semitism was connected with the huge, unbelievable crime of the Holocaust.

But this ideology of multiculturalism, which denied the value of nationalism, in fact undermined the value of the Jewish national state. And the Jewish national state in the beginning was the welcomed response to the Holocaust by all liberal society. But with time, some post-modern liberals started looking at it almost as the last remnant of colonialism.

Now, post-modernism also brought this idea of relativism. That all the cultures are relative,

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Maybe the fate of historical experience is that every generation must have its own historical experience, and it's only people in academia who learn from books on history.

there is no absolute value. There are some cultures which have Western principles of human rights, there are others which don't have these principles, and we should not choose. We should respect everybody. This approach of relativism, which post-modernism brought inside it with such power, in fact opened the gates for millions of new citizens of Europe who were not asked to accept the principles of Western democracy.

Everything is relative. And the only absolute value is peace. Peace now, peace immediately. When the only value is peace — a slogan that the Soviet Union in the past used very carefully as a propaganda tool — then of course the existence of a Jewish democratic state in the Middle East becomes a problem.

That was the soil. Those were the changes, the transformation of a liberal world into a post-modern liberal world, which gave renewed opportunity for most classical anti-Semites — and especially to Jew-haters from the Middle East, who hated the idea of a Jewish democratic state — to become to some extent allies of the modern, liberal (I call it post-liberal or post-modern liberal) Europe and the rest of the Western world. And so, suddenly it's not Jews, but Israel, which can be chosen for de-legitimization and for the application of a double standard.

In 2003 I proposed a critical principle: if you want to identify whether any given statement is anti-Semitism or legitimate criticism of Israel, look at the same methods that were used against Jews, de-legitimizing them and demonizing them. If they can be used also against Israel then you see simply the transformation of classical anti-Semitism into the new one.

That's what's happened the last 20 years with Israel. Now, for 50 years we have controlled the West Bank and as a result we are in control of the lives of so many Palestinians. It's not good for us. But we are caught in this situation because we are not ready to commit suicide. And when the world demands peace from us immediately, it means to give up the fight for a Jewish democratic state in the Middle East. We are not going to do it.

So what can be done? I think, of course, we have to look for any partner in the Middle East who is interested in a peaceful solution. But I personally believe that the real peace will never happen here if we remain the only democracy in the Middle East. Building civil society in the Arab countries — that is the most important issue for increasing chances for peace. The fact is that the free world is practically abandoning this issue. Whether it was the Obama administration, whether it is the Trump administration, civil society in Arab countries is not an issue which is really seriously discussed. That's a problem in terms of looking for peace.

All these attempts to find quick solutions which are brought from the top down are simply impossible. In the meantime, if you don't want that, it will give more and more food to the new anti-Semitism. We have to continue presenting the

world the case of real liberalism. People who keep continuing to think about themselves as liberals without noticing that they are partners and allies of almost every state in the world — that's something that we have to show. To keep this looking-glass in front of the free world, and insisting that while we are really fighting for principles of liberalism, the most difficult place in the world is the Middle East.

We expect our friends and allies to insist on imposing these principles of liberalism all over the world, in their own countries. But it means that everybody has to be treated with the same standards. It can be a very tough standard, but it must be one standard between America and Israel. And the moment it is done, then there will be no place for new anti-Semitism.

OR: Why did George W. Bush's implementation of the "freedom agenda" go wrong?

SHARANSKY: I had only one serious disagreement with President Bush. He was a great admirer and supporter of my book; he was by far the best book agent that I ever had in my life. And in fact I liked and admired his readiness to work with democratic dissidents all over the world. I think he personally met with more than 100 democratic dissidents, and it's something that never was repeated by any other leader.

But there was one thing on which I disagreed: elections do not equal democracy. Free elections in a free society: that's democracy. And that's why you cannot expect that simply by changing a regime and demanding to have elections that you are bringing democracy. Democracy is a long process of building civil society.

President Bush of course was a big believer in the power of democracy, and of the desire of people to be free. I think that he believed that the people of Iraq are not lovers of Saddam Hussein, and he was right. But the military operation was only the beginning of the effort.

In most of the cases it's not military operations which bring democracy, but permanent changes inside the country. The free world was absolutely blind about the Arab Spring and I can say that not only me, but many democratic dissidents in the Middle East were predicting, were writing, were warning about the coming of revolutions against Mubarak, against Assad.

I believe that the continual mistake of the free world is that each time we decide what regime is better for us, and that's what should we support, we forget that in fact the United States of America has very little influence on what regime will be next. Very little. But they can have a lot of influence if it is clear that they have a permanent policy of supporting civil rights activists. Whatever regime it is, they're supporters of those who support civil society, and it's never given to the opposite side. It's a tough policy, because sometimes it will be in conflict with your allies. Sometimes it can go against your immediate security interests and then you must have a correction. After all, Churchill and Roosevelt were allies of Stalin until 1945, and the mistake was that they didn't move immediately to confrontation after 1945.

I can understand how the President of Egypt today can be a necessary partner in the struggle against terrorists, but at the same time if he is a dictator, then he will be overthrown by his own people. So you have to remember that your final allegiance has to be to those who are fighting against dictatorships — and not those who may be, this year, your immediate allies.

That's something which is not part of the discussion among governments either as regards day-to-day policy or building long-term strategy in any country of the free world, and that's very upsetting. So I think we'll have many more surprises like the Arab Spring, but there will be almost no follow-up policy, and as a result, each time it will be a new surprise, a new jubilation, a new celebration, then a new disappointment. □

Thomas Demand

Space Simulator, 2003, (detail)

© Thomas Demand, VG Bild-  
Kunst, Bonn / ARS, New York

# LIFE OF THE PARTY

*An  
Interview  
with*

**ELIZABETH  
ECONOMY**



## XI JINPING HAS CEMENTED HIMSELF AS A LEADER AT HOME AND ABROAD, AND THE PROCEEDINGS OF CHINA'S PARTY CONGRESS IN OCTOBER TESTIFY TO THAT. WE SPOKE WITH ELIZABETH ECONOMY, THE DIRECTOR FOR ASIA STUDIES AT THE COUNCIL ON FOREIGN RELATIONS, ABOUT WHAT TO EXPECT FROM XI'S AMBITIOUS PLANS OVER THE NEXT FIVE YEARS — AND WHY THE U.S. IS NOT AS WEAK IN ASIA AS MANY THINK.

**OCTAVIAN REPORT:** What are the big takeaways from the Party Congress in China in October?

**ELIZABETH ECONOMY:** I think the biggest takeaway from the 19th Party Congress is that Xi Jinping has cemented his institutional authority. He's done this by having his thought added to the socialist canon in the constitution in a way that is only equaled by Mao Zedong. That means that his name is attached to it — “Xi Jinping thought” — and the word “thought” is used.

That's one significant element. The second is that he didn't signal who would succeed him as General Secretary in 2022. This is something that has become a party tradition for about the past two-and-a-half decades. It's an informal tradition, but the fact that he didn't signal successors suggests that he's leaving open the possibility that he would continue on for a third term.

In addition, he managed to put in place a number of his allies. Four of the seven members of the top governing body, the Politburo Standing Committee, are closely allied to Xi. Within the Politburo itself, that number is as high as 18 out of 25. It's also quite significant because that means that the overall policy direction in which he wants to take the country is likely not to face significant challenge.

I think the other thing that came through quite clearly in his three-and-a-half hour speech is that he largely believes he's on the correct path. That the country has achieved some success but there's still a long way to go. The priorities that he has targeted for the next five years are pretty much the same ones that he outlined over the past five years.

Those include still continuing to address corruption within the Party. I think that's one of the hallmarks of his administration to date. The fact that there's been absolutely no letup in the prosecution of this anti-corruption campaign. It's

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The biggest takeaway from the 19th Party Congress is that Xi Jinping has cemented his institutional authority.

unprecedented not only in terms of the scope and scale but also duration. Every year, more officials have been detained and prosecuted than the year before. I think that's significant.

I think the environment and addressing, in particular, China's air pollution problem is a second priority that's become a real issue for the legitimacy of the Chinese Communist Party. There's also rectifying economic inequality. He made a grand pledge to eliminate poverty by 2020. That's on top of his pledge to double income between 2010 and 2020.

Then the other signature element in the speech was his saying that China could serve as a model for other countries. That's the first time we've heard that since Mao Zedong. That's also I think pretty significant. What that model actually means has yet to be fully explained or understood.

**OR:** Given recent noises that the government would be possibly be taking stakes in major private enterprises, is it possible that Xi is rolling back China's informal capitalism?

**ECONOMY:** I think one of the things that has distinguished the Chinese economy under Xi Jinping has been the much greater inclusion of the Party into economic life. First, what we saw was a much stronger role for Party committees within state-owned enterprises.

Before they were kind of rubber-stamped. Xi Jinping now wants to have the Party committee actually approve, for example, investment decisions by SOEs and to have the Party committee in joint ventures play that same role — which is causing a significant concern among multinationals. In addition to that, there is, of course, this most recent discussion or move to have the Party take formal stakes in some large technology companies.

It's important to understand the Party already has informal stakes through different funds and ventures in these companies. They also have been fairly successful in pushing these companies to take mixed ownership states in Chinese state-owned enterprises.

For example, China Unicom just opened a large subsidiary to private investment and you saw Alibaba and Tencent and JD all take stakes in this. What's interesting about it is it's not the companies themselves taking stakes in this money-losing China Unicom venture — it's the founders and some of the senior managers taking stakes. That, I think, is a signal that the heads of these companies want to protect their companies from these money-losing ventures even as they recognize that in order to be seen as supportive of the Party, they need to undertake this investment.

Then there is this effort to take a one percent to two percent stake in these companies. The Party will take a formal stake and get a position on the board. That's what they really want. That, I think, serves two purposes. Number one, it helps makes it easier for the government to push these companies to do the same type of thing that I just

mentioned, which is to take stakes in state-owned enterprises and to help capitalize them and give them some greater legitimacy.

Also, it helps the Party ensure that these companies, as they go global, don't begin to develop alternative ways of doing business. One of the complaints of an Internet company like Baidu is that in order to operate globally, they would have to operate differently from the way that they operate in China.

You find that some of these companies push back against some of the more restrictive Internet regulations that the Chinese government has put in place over the past five years. While they know they have to accede to them, they push back. To go global, to be competitive globally, they really can't operate that way. That means they're going to have to develop two very different operating systems, which is quite challenging.

The Party now has a greater role in these companies to ensure that whatever they're doing at home or abroad is not running afoul of political requirements of the government. Is it the same kind of effort we saw with Putin and the oligarchs in Russia? Maybe there's some of that, but I think there's a much stronger political element in the Chinese effort than there was in Putin's effort — there's an ideological component to this in addition to a power play on the part of the Chinese government.

**OR:** What concrete actions should we be looking out for on the domestic political side for the next few years?

**ECONOMY:** For me, one of the most defining features of the Xi administration is this deeper penetration of the Party into Chinese society. At the same time, there's an effort to develop a wall of restrictions and regulations that keep foreign ideas and culture from coming in to the country. I think that is what I expect to continue above all.

That means greater controls on Chinese society whether it's through improved surveillance tech

or the social credit system. That's where they're going to be gathering all this personal data, information about people in order to then reward or punish them. If you participate in a protest that gets a big black mark. If you don't pay your debts, you can't get on a plane.

I think that increasingly there's going to be discontent among some segments of Chinese society — scholars and entrepreneurs — about the increasing intrusion into the way that they do business. These are two groups that thrive on openness of information and an ability to travel freely, to move their money freely and to engage freely with the international community. That's really the bread and butter of their work.

To the extent that Xi Jinping continues to clamp down on this, I think you'll see more pushback. Indeed, you have. Again, if you look at what's going on in the National People's Congress or the Chinese People's Political Consultative Conference, you actually see a lot of dissent and a lot of pushback against the more extreme politically repressive moves that Xi has made.

I think sometimes we tend to overestimate Xi's authority, which is why I said at the outset that he had a mass institutional authority. That doesn't mean that he commands everybody's personal loyalty.

On the environmental front, I have to give the regime credit. I think they are going further to make some of the institutional changes that are necessary to improve the environment than any previous Chinese leadership. That means revising the laws, trying to enhance enforcement, rooting out corruption in the environmental protection system.

The place obviously where it is falling short still, I would say, is in the role of nongovernmental organizations and the media. Being able to freely report and criticize and hold accountable officials. I think we'll see some progress over the next five years. Maybe I would be cautiously optimistic there.

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Xi Jinping very much wants to promote the idea that China is stepping forward even as the United States and other powers are seen to be retreating.

OR: What does China's overall foreign policy look like over that same period?

**ECONOMY:** I would say Xi Jinping has two broad objectives. The first is to promote himself and China as leaders on the global stage. You see that in his speech at Davos, his previous speech at APEC where he talked about China as a defender of globalization and open for business. Somebody that can be counted on to step up and to help address global challenges like climate change.

I think Xi Jinping very much wants to promote the idea that China is stepping forward even as, say, the United States and other powers are seen to be retreating from leadership on the global stage.

The second thing I would say in terms of broad strategic initiatives is his idea of the "community of common destiny." Which, on the face of it, sounds like one more aspirational statement of intent that doesn't really have much content behind it. What it really is at its heart, though, is an effort to undermine the U.S.-led system of alliances, because it says quite explicitly that what you want are partnerships, not alliances. Alliances are a Cold War relic. All of this is to say that the fundamental underpinnings of international relations are changing. That China is leading this transformative process and it's all about integration and interdependence and globalization. Therefore, the United States, as the world superpower, is no longer needed in that capacity.

OR: What are the big weak points that he will seize on?

**ECONOMY:** One he has already seized on, which was the TPP. That was an effort in which the U.S. was basically defining trade rules for 40 percent of the global economy. Now, the U.S. has obviously taken itself out of that. While the TPP is moving forward, it's moving forward not only without the United States, but without the environmental and labor elements of it. China has proposed its free trade area of the Asia-Pacific, which actually was a U.S. initiative many years ago.

I think that's one element of it. Another we can see in the North Korea crisis, where China basically lifted its economic boycott on South Korea and agreed to recognize THAAD in exchange for South Korea agreeing not to join a trilateral security alliance with the United States and Japan and not to accept further THAAD launchers.

That's China being preemptive. I think from the Chinese perspective, the greatest leverage that it has is its trade and the fact that it is the largest trading partner for a vast number of countries.

This is seen as a way not only to compete with the United States, but really to demonstrate that the U.S.'s security blanket may not be as necessary as countries believe. If China is a positive and forward-looking and economically beneficial partner for them, what is, really, the utility of the United States?

OR: What's your take on the thesis of the so-called "Thucydides Trap" — the idea that the U.S. and China are on an inevitable collision course?

ECONOMY: I do not subscribe necessarily to the Thucydides Trap. I don't see them on an inevitable collision course, because I don't also believe that there only two players in the world. I think one of the great mistakes that many people make is to put everything into this binary equation. If you look at the Asia-Pacific region, for example, it's not all about the United States and China. There is Japan. There is India. There is Australia. There's Vietnam.

One of the great challenges, frankly, is helping to prevent everything from being looked at through that lens. For example, people will often say, "Oh, China is beating the U.S. in clean energy. China is investing more in clean energy in United States." Or, "China has higher math scores on the PISA exam than the United States." To me, that is not a fruitful way of engaging an issue.

OR: Do you think there is the chance that a miscalculation might lead to confrontation?

ECONOMY: There's always a chance of miscalculation. If the United States were to launch a preemptive strike and North Korea retaliated and attacked South Korea, then the the United States might get into a war and China might join in on the side of North Korea. Is that possible? Yes.

It is possible that China might undertake some kind of a coercive military action with regard to Taiwan at some point in the future. Then the United States would have to decide whether it would step up and help defend Taiwan.

I think the reality of China's behavior is very different from its rhetoric. I'm always one for holding China accountable. When China says that it's the defender of globalization, I say, "You don't allow for the free flow of information or capital. How is China a leader in globalization?"

If China says its rise is peaceful, I say, "Then why are you scrambling jets in the East China Sea and developing oil and gas fields in a contested area?"

Even when people say, "Oh, China is now a leader on global climate change," I say, "How is China leading on global climate change? Its emissions continue to rise. It is the largest contributor to global climate change. It has stepped up to the plate to forge a new agreement on some other greenhouse gases, like methane. What does it mean to lead?" That's where I come out on all of this.

OR: What would lead them to do something around Taiwan?

ECONOMY: Xi Jinping has said on a couple of occasions that the reunification of Taiwan is a historic inevitability, and that it should happen sooner rather than later. I would guess that as with Hong Kong, the more that Taiwan appears to be moving away from an understanding that it is part of China's sovereign territory, at least in China's mind, the more Xi Jinping is likely to look for means of economically or politically or diplomatically trying to coerce Taiwan.

I think those would be the first steps and he's already done that. He stopped formal political discussions between Taiwan and the mainland. He reduced the tourism. At the same, he said, "Those of you on Taiwan who support a reunification will find a very happy investment environment in the mainland."

That's his general strategy at this point in time. Now, would he undertake some kind of military action? Again, I think if he feels as though that Taiwan is moving in the right direction, then no.

OR: How would you assess Xi's performance on prosecuting One Belt, One Road and the AAIB as strategic economic initiatives?

ECONOMY: A for vision and B- for execution. He's generated enormous enthusiasm throughout Asia and Europe and beyond for the idea that

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The reality of China's behavior is very different from its rhetoric. I'm always one for holding China accountable.

China is going to be additive in terms of helping to develop infrastructure within Asia and also for this idea of interconnectivity and making everything easier, faster, and better.

They're very attractive notions and pictures. I think the execution has been less dramatic than the conception. I think three of the four initial projects out of the AIIB were in conjunction with other development banks. It's not clear that AIIB is playing that significant role as of yet in the infrastructure needs of the region or in doing things in a different or better way than the World Bank or the AIDB.

The Belt and Road Initiative is a very big deal. If fully realized, I do think it has the potential to reconfigure international relations in a pretty significant way. I also think we're already beginning to see some of its limits, which is to say Pakistan and Nepal both cancelling big projects that China had outlined.

I think there is concern within China. You can find many scholars and even officials who are worried that China is going to be putting good money after bad. They don't understand how many of these projects are going to make money. Indeed, some of them are not necessarily designed to make money. They're there for strategic purposes.

Sometimes, they're in heavily conflicted areas like Pakistan. They're putting Chinese people at risk for this great vision. Again, I think much of the Belt and Road Initiative is really a very traditional Chinese way of doing business, which is to say some resources, some infrastructure, and a lot of nontransparent backdoor dealing.

I think that's another element to this when you get down to the nuts and bolts of it, i.e. China's export of overcapacity. How much of it is really very different from what we've been seeing since 1999 with Jiang Zemin and Zhu Rongji's "Go Out" strategy in search of natural resources? I think the Belt and Road Initiative has a long way to go to realize its ostensible potential, but if it does, then I think it's pretty significant.

OR: Has there has been an American withdrawal in the Pacific?

ECONOMY: Putting aside the TPP, I don't know that there has been as significant a step back as many people might think.

If anything, our military presence is only increasing. We have done more freedom of navigation operations in the South China Sea in the past several months under the Trump administration than we did during the entire Obama administration. Not only that, but the Pacific commanders announced that we are going to have a regular schedule of these freedom of navigation ops.

That's really important in terms of asserting U.S. presence. We've reinvigorated this quadrilateral strategic dialogue with Japan and Australia and India. We'll

have to wait to see what comes of it. We have this notion of a free and open Indo-Pacific. Again, that's rooted very much in traditional U.S. principles: freedom of navigation, free trade, and also political freedom.

If you put aside President Trump and his rhetoric, a lot of what's taking place on the ground is very similar. I would say the greatest surprise for me was Rex Tillerson going to Myanmar and pushing on this issue of the refugee crisis. I had thought that we had basically taken ourselves out of the game of addressing these global challenges and crises. That was an important moment I think signaling that, again, perhaps the response is not as robust as many people would like, but that the U.S. is still, at some level, committed to playing the same role in the region that it has.

**OR:** What do you make of Xi's relationship with Putin? Do you see Russia and China growing closer together?

**ECONOMY:** I think it's a complicated relationship. I think there are very strong common interests. Clearly, they've given each other space: China in terms of Russia's invasion of Crimea and Russia in terms of China's actions in the South China Sea. They don't criticize each other. I think Putin has recognized that he has claimed the larger ground globally.

China has been more responsive when it comes to North Korea than Russia has. Typically, the two of them work in concert, but generally speaking, China has been willing to ratchet up sanctions in ways that the Russians have not been as amenable to. Is there competition between the two? I think absolutely: Central Asia is still an area of competition.

I think the Russians have been disappointed by the failure of the Chinese to live up to all of the promised investment that they thought they were going to get from them. On the one hand, they don't want to be flooded with Chinese in the

Far East of Russia, but by the same token, they thought they were going to get more out of the Chinese than they have.

I think there are some places where they see things differently and some places where they compete, but overall, they place enough of an emphasis on keeping the relationship a positive one that they're willing to play down their differences in favor of their common interests and objectives.

**OR:** Does Xi's drive to consolidate power rise from China's own political atmosphere or is it part of the growing authoritarianism around the world?

**ECONOMY:** I think both are true. I think there's something happening globally in the sense that the forces of globalization have left people in many countries feeling disenfranchised. Those could be both in terms of commerce but also terrorism and other things.

I think that is true for much of the world. I think it plays out less in China than almost any other place, though, because China was less subjected to much of that when Xi emerged. I think Xi came out of something very domestically rooted, which was a sense that the inheritance of Hu Jintao and Wen Jiabao was what the Chinese call a "lost decade."

They were weak leaders who had little global presence in many respects, even though the whole idea of the "peaceful rise" started then. People believe they didn't capitalize on China's rising economic greatness. I think Xi Jinping came out of that. That sense that the Party was corrupted and if they didn't address the corruption, it would be the death of the Party and the death of the Chinese state.

I think that kind of strong leader came out of a sense of the weakness of the Chinese party and the fragmentation of China domestically. I think that's where that came from — a little bit different, maybe, from the other kinds of forces of globalization. □

# GREATEST WAR

**TOM HOLLAND  
AND GRAHAM ALLISON  
ON THUCYDIDES**

*The Greek historian Thucydides defined the form of history as it is still written today. His History of the Peloponnesian War remains a hugely influential work. We spoke with two leading admirers of Thucydides — Harvard professor Graham Allison, author of *Destined for War: Can America and China Escape Thucydides’s Trap?*, and bestselling historian and classicist Tom Holland — who give radically opposed views of what the book can illuminate in today’s strategic landscape.*

**OCTAVIAN REPORT:** Can you lay out, in thumbnail, the structure of hegemonic contests Thucydides outlines and why you see it as an apt model for U.S.-China relations?

**GRAHAM ALLISON:** What made the Peloponnesian war “inevitable,” Thucydides tells us, “was the rise of Athens and the fear that this instilled in Sparta.” In doing so he identified a primary driver at the root of some of history’s most catastrophic and puzzling wars. This is the phenomenon that I have labeled “Thucydides’s Trap”: the severe structural stress caused when a rising power threatens to upend a ruling one. In such conditions even routine, ordinary flashpoints of foreign affairs can trigger large-scale conflict, regardless of intentions. The U.S.-China relationship is filled with such stress today, and there is no shortage of possible flashpoints.



*Thomas Demand*  
*Landing, 2006, (detail)*  
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New York

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If Hollywood were making a movie pitting China against the United States on the path to war, central casting could not find two better leading actors than Xi Jinping and Donald Trump.

—GRAHAM ALLISON

OR: What makes the U.S. ripe for hegemonic disruption, and why is China — as opposed to Russia— the disruptor we should be most concerned about?

ALLISON: Russia presents a challenge to the U.S., but it is not a Thucydidean threat to America’s position as the world’s number-one power, unlike China. For Americans who grew up in a world in which “USA” meant “number one” — and that would be every citizen since roughly 1870 — the idea that China could unseat the U.S. is unthinkable. Yet the speed and scale of China’s rise is unprecedented in human history. Lee Kuan Yew put it best: “The size of China’s displacement of the world balance is such that the world must find a new balance. It is not possible to pretend that this is just another big player. This is the biggest player in the history of the world.”

OR: Are the personalities here as important as the structural forces at play, or is a U.S.-China conflict in the cards no matter who leads each state?

ALLISON: Just think of JFK’s critical leadership during the Cuban Missile Crisis: War between the U.S. and China is not inevitable. Indeed, Thucydides would agree that neither was war between Athens and Sparta. Read in context, it is clear that he meant his claim about inevitability as hyperbole: exaggeration for the purpose of emphasis. My book reviews the last 500 years and finds 16 cases in which a rising power threatened to displace a ruling power. In 12, the result was war. In four, not. So the book is not a counsel of fatalism or even pessimism. The message is rather that we need to recognize the severe problems created by an unstoppable force approaching an immovable object. Business as usual will produce history as usual. But if we take advantage of the lessons learned from the four success stories, as well as the mistakes made in the failures, there is no reason why the two societies cannot manage this relationship — even though it will be stressful, bumpy, and always at risk.

That being said, if Hollywood were making a movie pitting China against the United States on the path to war, central casting could not find two better leading actors than Xi Jinping and Donald Trump.

OR: Do you see there being an open military conflict with China in the next five years? The next 10? Or is the timescale longer than that?

ALLISON: I don’t hold Bannon’s view that “We’re going to war in the South China Sea in five to 10 years.” As I said, war is not inevitable. But China is not a problem that can be solved. The return to prominence of a 5,000-year-old civilization with 1.4 billion people is not a problem to be fixed. It is a condition — a chronic condition that will have to be managed over a generation.

OCTAVIAN REPORT: Are there any lessons modern leaders should take away from the Peloponnesian War?

TOM HOLLAND: Thucydides famously declared that his *History of the Peloponnesian War* had not been written to satisfy the tastes of his contemporaries, but to last for all time. His admirers have always been overly tempted, perhaps, to take this statement at face value: to imagine that he had unlocked timeless lessons of statecraft and *realpolitik*. It could be argued, though, that what he left out was as significant to understanding Athens' defeat in the Peloponnesian as what he left in. The dimensions of culture, of religion, of society — all of which his predecessor, Herodotus — had been fascinated by, do not intrude upon Thucydides' portrait of war. The key thing to bear in mind when studying the Peloponnesian War is to remember just how remote from us, just how alien, the combatants were. They were not mere prototypes for contemporary America or China.

OR: How did Thucydides understand the nature of the hegemonic struggle between Athens and Sparta?

HOLLAND: Thucydides traced the origins of the Peloponnesian War back to the aftermath of the Greek defeat of the Persians, in which Athens and Sparta had fought as allies. Much like the United States and the Soviet Union after the Second World War, though, the two great powers had grown suspicious of one another. Sparta, as the established power, was jealous of the emergent greatness of Athens; Athens, as the aspirant power, was resentful of the status quo, and impatient of anything that stood in her way.

OR: What qualities let the Athenians become so powerful, in his opinion? What qualities powered Spartan success?

HOLLAND: Sparta's success was founded on the matchless professionalism of its soldiers, which in turn was dependent on a society that in effect operated as a barracks. This commitment to military discipline rendered the Spartans ill-suited to recognize, let alone combat, the qualities that the Athenians most prized. "An Athenian is always innovating, quick to arrive at a resolution, and quick to put it in effect." So a Corinthian ambassador warned the Spartans. "You, on the other hand, are good at maintaining things as they are: you never innovate."

OR: Who are the most crucial personalities to the war effort, on both sides?

HOLLAND: The key figures, in Thucydides' version of the conflict, were Athenian: Pericles, the great statesman who guided Athens through the early years of the war; Cleon, the man of the people, whom Thucydides cordially detested; and Alcibiades, the mercurial, charismatic playboy who first betrayed Athens, and then betrayed Sparta. Compared to the blaze of these three personalities, the Spartan leaders appear faceless and monochrome. □

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The key thing to bear in mind when studying the Peloponnesian War is to remember just how remote from us, just how alien, the combatants were.

—TOM HOLLAND

# MEDITERRANEAN BLUES

*An Interview with*

**AMB. GIULIO TERZI**

Thomas Demand

Kinderzimmer / Nursery,  
2009, (detail)

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**I**taly's domestic politics reveal a crisis somewhat similar to that afflicting our own: the emergence of serious challenges to a class of political elites seen as self-dealing and out of touch. Amb. Giulio Terzi, Italy's former minister for foreign affairs, speaks candidly in this interview about the current ideological divide, Italy's place in Europe more broadly, and the problems confronting essential international institutions.

**OCTAVIAN REPORT:** What are the forces driving the tumultuous change that we have seen in Italian politics over the last few years?

**AMB. GIULIO TERZI:** Let's take the results of the Sicilian elections as a starting point. Nello Musumeci, the candidate of the center-Right, won. This is a significant test, at the national level, of the center-Right's strength. There is no doubt that the consensus so evident at the time of the European elections three years ago around the agenda of then-Prime Minister Renzi has not only eroded but almost vanished. It was at the time around 40 percent. Now it is around half of that.

This erosion began with the constitutional referendum in 2016. Renzi believed himself to have an easy road to change the constitutional charter. By the way, the reform that he was proposing was, to say the least, a serious reform. It was very much criticized by experts; important members of the Supreme Court were pointing the severe flaws of this new project.

So, the first big setback for Prime Minister Renzi was this referendum: it lost, nearly 60 percent against 40, while he was convinced he had the upper hand. Now Sicily — eight or nine percent of the population — would have been a loss for him in any case. Whether the center-Right won or Five Star, it was never going to be a victory for Renzi. Though it is true that in Sicily Renzi's Democratic Party has always had some problems.

This is the main trend: a big erosion for Renzi, for the Democratic Party. An erosion which does not match up exactly with the party's legislative situation. While it is true that the Democratic Party has suffered with the creation of a left wing that split from the party with Bersani, D'Alema, and others, Renzi, in Congress, has always enjoyed almost 70 percent support. He is strong inside his own party and very weak on the general spectrum.

Renzi's possible comeback, then — a possibility at the next general elections, upcoming in May — would rest on an alliance with former Prime Minister Berlusconi. And this goes for Berlusconi, too. The Sicilian test shows that he will not have after the next general election any alternative to striking an agreement with Renzi.

It's a very fluid situation. But it is evident that the forces which have been operating over the last two or three years in Italian society are coherent — at least in the sense that they are not supportive of the Democratic Party. Why is this happening?

I think it is due to a revolt in public opinion against the vast class of professional politicians. This applies to its older members as well as its younger ones, like Renzi. Remember, Renzi has been in politics for 25 years. He might be young chronologically but he is an old person politically.

This revolt among the general public in Italy — as in many other European countries — is not

only because of immigration, because of economic difficulties. The main problem is that people want a much cleaner political system. Is it 25 years after *Mani Pulite*, after Clean Hands. We have not learned how to make the political system cleaner. Indeed, the situation has further deteriorated. Therein lie the roots of the success of the Five Star Movement.

The Five Star Movement is a movement that does not offer a positive vision. They have a program, they have interesting ideas, but it is a movement of protest. Its main protest is against corruption. It has a slogan — harsh, but it has some truth to it. They want, they say, the Mafia out of the state's institutions.

I am, personally, a man of these institutions, so it is very painful to listen and to understand that there is truth in all this. The perception that the huge class of professional politicians has not understood yet the need to engage seriously in the fight against corruption and organized crime is widespread. We need to rid politics completely of people who are in a gray zone legally — or even in a black zone or a red zone, so to speak, which not only compromises with but has direct interaction with organized crime or corruption and interests that should not be part of a clean politics.

OR: Do you actually see a scenario where the Five Star Movement could come to power?

TERZI: It's very difficult to envision, especially with the present electoral law. As you know, it was passed precisely to find a common front against the Five Star Movement. Why? Because the Five Star Movement has a ceiling of the 30 or 35 percent, maximum, of the general electorate. Numbers like that pose a problem for the party. They want to avoid alliances, a common platform, because they believe they would be contaminated by other political forces should they ally themselves with the professional politicians. They want to remain by themselves. Having served in local governments in Rome and Turin (and elsewhere as well), they have suffered negative experiences over the last couple of years. They want to appear clean and honest — absolutely clean and honest. Like they're good managers, good public servants. But

the experience they are having in local governments now has more than once been negative. Yet even having had this experience, they don't want to form an alliance with others. So the possibility for them to take power at the national level does not currently exist.

It did exist under the previous law, which favored not only coalitions, but also parties backed by pluralities instead of absolute majorities. For instance, if you have 30 percent of the vote and the second contestant had only 28 or 25, the previous law allowed the winner to obtain the absolute majority of seats in Parliament. That is undone by the present law. With present law, you effectively need to have a coalition which gives at least 50+1 percent to the winner to form a government. Thus, the Five Star Movement is a party which is condemned to outsider status.

Between March and May of this year it is constitutionally required that an election take place. It will be impossible for the Five Star Movement to gain a majority in that election and to come to government. That is the situation for them. The playing field is now covered in view of the creation of a new government next year — covered by the center-Right and the center-Left. And the center-Right has the upper hand.

OR: What do you think of Paolo Gentiloni's leadership? What pressures have all the various forces you've outlined put on Italy's political relationship with the rest of the E.U.?

TERZI: Paolo Gentiloni has tried to move quietly — but with consistency — away from the direction of Renzi's leadership. At its beginning, of course, everybody saw it as the ultimate continuity government: it even had a nickname, “the Renzi government.” It was seen by many as a stratagem by which the Democratic Party could run away from its loss in popularity after the referendum but still have the government run by the previous prime minister. And there was major continuity in the Cabinet: Maria Elena Boschi stayed on, as did Marianna Madia and others. It was practically the same government. That

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The euro is the only way forward. I think this fact is entering the political understanding of even the most determined euroskeptics.

was the idea, at least. But since then a massive number of differences have appeared — the latest one being the fight over term renewal for Ignazio Visco, the governor of the Central Bank of Italy.

These differences have not only been led by the party's need for a good cop/bad cop setup (where Renzi could be more vocal on certain subjects, especially the country's relationship with the European Union). It also appears to be a question not only of style but of substance. That Gentiloni was looking for a bigger role for himself and seeking an option for continuity in a new government after the next elections. If he succeeds, Renzi perhaps will remain in position as Secretary General of the Democratic Party but in a way that has been sidelined by the government. That is the impression given by recent events, at least.

In fact, when you look at the substantive issues — especially the relationship with the European Union — Gentiloni is facing problems which Renzi also faced, and unfortunately remain largely unresolved.

The first problem is the aforementioned fight against corruption. Talking about fighting against corruption is inseparable in Italy from talking about the health the Italian banking system, which is a crucial point in our relationship with European institutions and the stability of the eurozone.

Renzi attacked the governor of the Bank of Italy, blaming him for the lack of oversight and inspection activity against seven or eight Italian banks which had been in trouble and still are, in a way, in trouble. Why? Because he wanted to blame Visco for a number of things which were also a clear responsibility of persons in his own government and to shift attention from the equally clear conflicts of interest there. Most prominent of these was the fact that Maria Elena Boschi's father served on the board of one of these banks. There were denials in Parliament that any conflict of interest existed, but it was very evident there was a problem. Other banks saw problems where the political appointees nominally overseeing them were also on the governing bodies of those banks.

Certainly we can call these the results of corruption. So how is Gentiloni disconnected from that world? And what legitimacy does he have to be tough on these issues? For the time being, he seems likely to remain linked to that environment. This is an issue, all the more so when you're talking about the difficulties that a significant number of Italian banks are having because of non-performing loans. There are over 1 trillion euro of NPL across the European Union, and one-third belong to Italian banks. So people are asking "How is it that a couple of years ago we were listening to Prime Minister Renzi saying every day and publicly that the Italian banking system is the most secure and trustworthy and reliable in the world?"

This is a question which is central to our relationship with the euro group

and European institutions more broadly, especially their financial stability mechanisms. At the last meeting in Luxembourg of eurozone financial ministers, there was quite a strong reaction from Pier Carlo Padoan, our Minister of the Economy, to proposed guidelines from the European Central Bank. These were intended to make it more costly for banks to hold bad loans in the hope that this will force lenders to write down their losses. The problem for us is that these guidelines, as they stand, may oblige our banks to post collateral against the entire unsecured part of their non-performing loans during the next few years — and so make problems for the entire bank system and lower our capacity for sustaining economic growth. Which, finally, has come to Italy. Some thanks for this is due to the Gentiloni government, but in general it is because the tide of the economy in the eurozone is higher than it was until a couple of years ago. We are not the front runner in terms of economic growth, but you can see not only from a statistical point of view but in general terms higher economic activity and a better mood among the business community.

OR: Do you see an Italian banking crisis blowing up into a wider euro crisis? Do you think the euro will survive over the next 10 years?

TERZI: The euro is the only way forward. I think this fact is entering the political understanding of even the most determined euroskeptics. Only the fringes of political life in some European countries are determined to leave the euro and the European Union. Yes, these parties may have had some successes in over the last year. But look at France. Look at the position of Marine Le Pen. She has suffered so heavily electorally because of her position on the euro and on the idea of having a referendum on the euro: really a tribute to the difficulty in proposing a viable alternative to the eurozone.

There is no alternative to the euro, as it is understood by the large majority of political parties and political forces in Europe today. The euro is here to stay. It is going to become always a more viable currency and assert itself as a global currency. There is going

to be also a continuation of policy, perhaps a useful adaptation of the German agenda to reinforce the euro. Not as much through austerity measures, which has been the usual recipe of Wolfgang Schäuble and Angela Merkel and others countries more connected to Germany on this issue. But now there is a rather different idea coming via the election of Emmanuel Macron — to focus on a European budget, on a better coordination of our fiscal systems, and to reinforce the institutions of the Union to bring a more healthy distribution not of wealth but of economic resources. For instance, in Italy, one of the main problems is the need to review the finances managed by the public sector, which are huge. In Italy, this is a major problem: the problem of allocating financial resources to the public sector or finding other solutions through the private sector. But when you do that, you have to be sure to not let corruption creep in.

OR: How do you assess NATO's strengths and weaknesses at the moment? What's your take on the Russia-NATO struggle?

TERZI: I believe that Russia has shown an extraordinary capacity. They're not only talking but doing. It is a case in history when you see that a power is anticipating and declaring strategies and lines of actions which it truly intends to do — and the other side doesn't believe it. It should surprise no-one. Putin attended the Bucharest NATO Summit in the spring of 2008, and it was clear that he didn't have any intentions of reactivating the NATO-Russia Council to show he saw NATO as a true partner. It was clear at that time — nine years ago — that his view of Western countries was very different from the view that Medvedev had, to say nothing of Yeltsin. Indeed, Putin has said that one of the biggest mistakes Russia made in recent years was considering Western countries as trustworthy.

So what was happening in 2008 and 2009? There a strategy review by the Russians, which made doubly clear that they did not see NATO and Western countries as partners but as adversaries and perhaps even as enemies. We didn't want to see that. It was too uncomfortable. We were talking — we Europeans especially — about Russia being part of the “dividend

of peace” equation. Especially we Italians. In 2003, remember, there was an E.U.-Russia summit promoted by Berlusconi. We were able to cooperate in a number of fields, not only in anti-terrorism but also peacekeeping, as well as the working control of conventional forces in Europe. We were really counting on the continuation of this partnership, which was by 2008 not there any longer.

More recently there have been other evolutions, always in the direction of seeing the Western countries as adversaries. We saw four years ago the promulgation of the “General Gerasimov doctrine.” Valery Gerasimov, the current chief of the Russian Army’s General Staff, is on the record saying that now it is not necessary to have physical contact between military forces on the field. Thanks to new technologies, Russia can operate from inside its adversaries and can compromise and destabilize them. That was four or five years ago. We know what happened afterwards.

So what should NATO be doing in the face of this? NATO, up to now, has been the most successful alliance in history. It has created a completely new environment and new perspective for the free world without having to fight a war. But I think the need currently facing NATO is a compelling need to unite again, to emphasize more the common values that are the backbone of our alliance. I’m not dwelling too much on Article V commitments, but the common values of our societies. From that comes the conviction that we are in a very critical phase of history today. There is a retreat of liberal democracies. Freedom House said, in its latest report, that 2016 was the 11th year of retreat among liberal democracies along a number of parameters — freedom of speech, the rule of law, and the like.

If we want to promote democracy, we have to organize NATO’s structure, resources, and capabilities around that. I believe there was an important decision taken at the Warsaw Summit in 2016 on cyber capacities. There is no doubt that cyber is the third dimension of defense — again, General Gerasimov was right. But we need to not only listen but look at what we can do to be credible at the same level on cyber. It is very important that NATO update its capacities; it is equally important that each individual NATO member make structural and operational decisions that promote the exchange of intelligence and strategies towards a common definition of cyber defense. This is a main priority, in my opinion, for NATO.

OR: What is your take on the E.U.-Israel relationship and the ongoing efforts of the BDS movement?

TERZI: The BDS movement comes from extreme resentment in the Palestinian world — which is very unfortunate because it is counterproductive for the very world from which it comes. It is an instrument in the hands of very politicized Islamist radicalism — largely international. It’s a tool of hatred. It should not be embraced by the scientific and economic worlds that have up to now embraced it. There was a famous phrase in Italy that liberals

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If we want to promote democracy, we have to organize NATO’s structure, resources, and capabilities around that.

used against some Communist supporters: "useful idiots." I.e., people who believe they are fighting for a good and noble cause but instead they do exactly the opposite. I believe that BDS is something that should be countered, especially at universities. But at the end of the day we don't want to overemphasize it, because it is evident that it is an instrument in the hands of radicals.

I believe that the relationship between the European Union and Israel has been excellent and has produced a lot of good. I'm referring in particular to scientific cooperation, to the Horizon Agenda of 2020. Science and advanced technologies (and historic studies, too) progress much faster when Europeans and Israelis work together. We should always remember that the founder of the state of Israel, David Ben-Gurion, was reputed to have considered his nation as part of the European project. That was actually proposed by some members of the European Parliament. One such was Marco Pannella — he passed away in 2016. But during his life he was always an advocate of this idea of Israel as part of the European family.

OR: The press here often compares Donald Trump to Silvio Berlusconi — do you think that's a fair comparison?

TERZI: There are big differences between the two. I'll mention just two or three. One is the fact that President Trump came to politics relatively late. Yes, he was always active in the political environment as a major entrepreneur. But Silvio Berlusconi has been directly involved in politics since the time of Bettino Craxi's reign as prime minister. Berlusconi is liberal in the Italian sense of the term — think Benedetto Croce and Hayek. He is a believer in free markets and international trade, in individual freedoms. A very strong opponent of everything connected to Communist or any other Marxist politics. This is an ideological characteristic that he had even in his youth. I've heard him, in public speeches and in private, mention perhaps dozens of times that one of his formative experiences — which happened when he was still a teenager — was when his father brought him to visit an American cemetery in southern Italy. His father told him these

were the men who lost their lives for the freedom they wanted to bring to us and to Europe. This was his rhetoric. But there is a truth in that. He was very close to Bettino Craxi, who was a socialist, but an anti-Communist. I'm talking about the early 1980's and late 1970's. Berlusconi has always been very much active in the political life of his country. I think this is the primary difference with President Trump, who showed a direct interest in running for the presidency but had not shown as much political inclination prior to that. It's basically a different story. □



# GETTING EUROPE RIGHT

*An Interview with*  
**AMB. STUART EIZENSTAT**

*Thomas Demand  
Vault, 2012, (detail)*

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Kunst, Bonn / ARS, New York

**A**mb. Stuart Eizenstat is the world's leading advocate for restitution to Holocaust victims. His unmatched achievements in that field and his service as our E.U. ambassador make him an expert both on the question of what Europe owes and what its political future looks like. Here, he discusses why restitutions remain so morally critical and what's ahead for the trans-Atlantic relationship.

**OCTAVIAN REPORT:** What are the most striking differences in the U.S.-E.U. relationship between now and when you served as our E.U. ambassador?

**AMB. STUART EIZENSTAT:** Well, we should look, first, at that period of 1993 to 1996 that I was an ambassador. It was shortly after the collapse of communism, the fall of the Berlin wall. It was a very heady time for democracy. As a consequence, the European Union was in an expansion mode. There were 12 countries when I came; there would be 15 during the three-year period that I served and more to come. Now, of course, there are 28.

Europe with its centuries and centuries of war-torn history was united, east and west, with no artificial barriers under a democratic, free-market umbrella. We should never forget that even with today's problems that that remains the case. When I was there, that was the prospect we were all hoping for.

On the other side of the Atlantic, we had a new young president, Bill Clinton. He was very much a globalist and very supportive of European integration and the whole E.U. experiment — of this unusual, supranational organization in which member states retained their sovereignty in certain crucial areas like budget policy but ceded their sovereignty in areas like trade and competition and entrusted policy to centralized institutions.

This seems light years from where we are today. Today, we have a European Union that is very much torn apart east and west. With Brexit, one state is actually pulling out of the

European Union, and there is pressure from other the states in Eastern Europe, particularly Poland and Hungary. We saw that, for example, with the erection of barriers by Hungary to refugees coming in rather than having a common immigration policy with the European Commission. The central executive arm of the E.U. had proposed — and there had been agreement with this — that countries accept a certain percentage of refugees based on their population. This had totally broken down, and the inability of the European Union to protect its shores from this wave of refugees — in part because the member states didn't give it the authority to do so — led to great self-doubt.

In addition, at the time I was there, the economies of Europe and the U.S. were growing rapidly. Now, there's been a stagnation of growth in the European side — E.U. countries are now starting to grow at a two-percent rate, but that's only since a year ago. Before that, there was a much slower recovery from the Great Recession.

The optimism I spoke about was emphasized by the beginning of the creation of the euro. Since then, we've seen the euro, while it is (I think) a permanent fixture of the financial world, go through a real crisis as a result of the Great Recession. Countries like Greece should never have been allowed into the euro. They, frankly, misled their fellow member states by submitting false data to show that they had met the so-called master criteria required to enter the eurozone.

The euro has come under tremendous pressure, saved by one person — Mario Draghi, the head of the European Central Bank — and by one sentence of his: "We stand firmly behind all of the currencies and we will not let the euro fail." That was critical, but it was said in response to strain that no one foresaw.

**OR:** Do you see the E.U. as being sustainable in its current form?

**EIZENSTAT:** I firmly believe the European Union

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Europe with its centuries and centuries of war-torn history was united, east and west, with no artificial barriers under a democratic, free-market umbrella.

is here to stay. Will it have to adapt? Yes. I think that there will have to be more devolution of authority to some of the member states. I think the European Commission got ahead of itself in terms of taking some authority away from the member states, but that is something that can be adjusted and it does not threaten the basic fabric of the E.U.

Its continued existence is in our national security interest for several reasons. The first is when we deal with countries like Russia or Iran or North Korea and we want to impose economic sanctions, it's absolutely clear — and I know this because I was in charge of sanctions policy during the Clinton administration — that U.S. sanctions alone are not fully effective. We need the economic power of the E.U. acting as a cohesive unit.

Wherever one thinks about the Iranian nuclear deal (I happen to support it), you have to admit that Iran would never have come to the negotiating table had the E.U. not joined in on banking sanctions and a whole raft of other major sanctions. Including not importing any of their oil, which is a great sacrifice.

Our intelligence agencies have offices in Brussels; they cooperate with the E.U. In that respect, it's very important from a security standpoint and foreign policy standpoint. It's also important economically because the E.U. is a huge marketplace. Indeed, it's our largest trade partner and its economic performance is very important to our own.

We generally also share democratic, free-market values with Europe. When we go to look for help in dealing with countries like North Korea and Iran or Russia, we can't expect to get that kind of cooperation from China. We go to Europe because that's, in effect, the birthplace of many of our democratic ideas.

OR: If the E.U. is retreating, what does that mean for Russia?

**EIZENSTAT:** One of President Putin's clear goals is to separate the U.S. from the E.U. Another is to sow division within the European Union. This is done through propaganda, through fake news, through trying to influence elections by supporting anti-EU candidates and parties. It's sophisticated; it occurs every day of the week. Seventeen U.S. intelligence agencies indicate they have done this in European Union state elections, in France, Germany, and elsewhere. That is the goal of Russia.

Our trading relationship with Russia is really quite miniscule. But Russia is a major trading partner with the E.U. and particularly with countries like Germany. It complicates having a united policy with respect to Russia when you've got major trading relationships and energy relationships. Europe gets about 40 percent of its oil from Russia and a very substantial part of its natural gas.

So it shows how much the E.U. values its relationship and partnership with the U.S. that every six months they have continued to vote for rolling over and continuing the economic sanctions against Russia for its invasion of Crimea and its intrusions

in the eastern part of Ukraine even when it is undergoing serious economic sacrifice to do so.

The same is true about its joint sanctions with Iran. We have not, of course, since the hostage crisis during the Carter administration had any trade with Iran. Some E.U. member states get natural gas from the Islamic Republic and they have had a robust trading relationship. That, again, shows how important the E.U. is to us because they have made a much greater sacrifice to forego those kinds of benefits and join us in sanctions.

OR: As Brexit lumbers along, do you see other exits from the E.U. as possible or as likely?

EIZENSTAT: No, I do not, and I think that the disruptions which will occur to the U.K. as a result of this decision will make it very clear that leaving the E.U. is a very bad idea and a costly one. I do not see any pressures anywhere else in the remaining 27 member states for an exit.

OR: Do you see more accessions in the medium term?

EIZENSTAT: I do. There are countries like Croatia which were very anxious to join, as well as Serbia and Montenegro. But remember: it's not a social club. You have to reach certain democratic criteria. The negotiations for membership are very intense. There's dozens of articles in the accession process covering a whole range of areas: an independent judiciary, setting up certain free-market economic institutions.

I think as a result of Brexit and of some of the pressures I described earlier that those accessions are going to be slowed down until the E.U. can digest what it's got and resume the growth path that now appears to be curved.

OR: Do you the idea of a trans-national Europe has lost credibility?

EIZENSTAT: I think it's not really the case. Now, mind you, even at its heyday, the European

Union is something that was never duplicated in Asia or Latin America. There have been and there continue to be informal associations, ASEAN and so forth, but no set of countries anywhere else has been willing to integrate itself to such a degree. I don't think it's fair to say it's lost its credibility because it's *sui generis*. It's not the United States of Europe, but neither is it just a collection of member states in a very loose umbrella. It is really a very unusual structure. I do not see that basic structure being eroded for the foreseeable future. Do I see perhaps more authority to the member states in certain areas? Yes, but again that will be in the same construct of the European Union that we see now.

OR: What's your take on the entry into parliament of *Die Alternative* in Germany?

EIZENSTAT: I think that with the success of more right-wing, nationalist, anti-E.U. parties in Germany, in France, and in the Netherlands there's a very troublesome situation. There is a great dissatisfaction for a lot of middle- and working-class people who have not been enjoying the benefits that people on the other side of the digital divide enjoy. The people who have been left behind are angry and upset and they take it out on anyone they can. In Brexit, it was on the European Union; in Germany, it was against Merkel.

OR: Is there something troubling, particularly in Germany, about the rise of parties like this?

EIZENSTAT: Of course. I've spent a great deal of my public career and private life providing justice for Holocaust victims. I negotiated \$80 million of recoveries for victims of the Holocaust during the Clinton administration; I've negotiated another \$2 billion in recoveries. So this is a very important part of my life.

Now, having said that, obviously, the rise of right-wing parties in Germany is something to be looked at very carefully. But I have negotiated with and spent more hours negotiating with Germans over the last decade-and-a-half than any other

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I firmly believe the European Union is here to stay. Will it have to adapt? Yes.

single person in the United States, and I have supreme confidence that Germany has historically and in unique ways not only learned but absorbed its history. They've erected their major Holocaust memorial right in the heart of downtown Berlin. They have Holocaust education. I went to the museum on the SS last year, a new museum on the SS. To see the stream of young school kids coming through that and having their teachers teach them about it is very inspirational.

It's obviously something to be watched — the rise of the alt-Right in Germany. But I think that Germany is extraordinarily healthy as a democracy and they themselves know that they have to watch this.

OR: Why are restitutions important?

EIZENSTAT: This is the first time that a defeated country in war has paid civilians who were damaged individually. It's important, as an example, of how countries should act when they commit acts of genocide. It's also important for the survivors, for the living victims of these atrocities.

There are still, today, 500,000 survivors left in the world. Studies have shown that over 80 percent of those are in poverty in the former Soviet Union and Eastern bloc countries. A recent study showed that 50 percent of the 60,000 survivors in New York City area are living below the poverty level, so they need these funds; they need the home care to avoid degradation in their old age as they suffered in their youth. It's important in their last years that they live in decency, having lived in such trauma in their earlier years.

It's not just money. We've promoted Holocaust education. I worked, when I was undersecretary of State and then deputy secretary of Treasury, with the Prime Minister of Sweden for what was then a six-country international Holocaust education taskforce — it now counts 31 countries as its members — promoting mandatory Holocaust education in the school systems. Not just to look back at the Holocaust alone but as an example of what happens when intolerance goes unchecked, when you don't have the rule of law, when you don't intervene to deal with genocidal situations.

That's a very important piece of it as well: a memorandum in 1978 when I was with President Carter led directly to the Presidential Commission on Holocaust. Their recommendations to President Carter directly led to the creation of the Holocaust Museum in Washington. That museum is the third most-visited museum in Washington. Three-quarters of the now 15 million visitors since it opened are non-Jewish; school kids come through, police force trainees come through; cadets from our military academies come through. These are lessons which are very important going forward in the kind of the troubled world we are in.

OR: You've spoken very positively just now about Germany and its relationship to its wartime past. Is there the same level of accountability in other countries?

EIZENSTAT: There is not. For example, the Japanese have never really accepted their responsibility for the war. There were other countries complicit in the Holocaust.

Lithuania, for example, and many parts of Poland were implicated in killing Jews. Now, one of the things we did during the Clinton administration is we created some 20 historical commissions to deal with these issues and Lithuania was one of them. They created a commission to look at both their Communist era and their Holocaust era and it was a very searching report about their own implication.

Switzerland is another example. Switzerland didn't kill people. But through the study we did — which is sometimes called the Eizenstat Report; it should be the Slaney Report because he was the historian at the State Department then — I coordinated 13 agencies and we showed dramatically the role that Switzerland played in helping fund the war and accepting looted gold from Germany and converting it into the hard currency that Germans used. That, in turn, led the Bergier Commission to look at Switzerland's own role. We've been able to encourage other countries in Europe to look at their roles.

OR: Do you see the euro as durable?

EIZENSTAT: In 1993, in my first year as E.U. ambassador, it was clear to me from my meetings with the E.U. officials and with member-state representatives there that a real desire to create this common currency existed.

There was a disbelief among some treasury officials — like Larry Summers, for example, a deputy secretary at that time — that you could put together disparate economies like Germany and Greece or Spain and France or Spain and some of the Scandinavian countries or Italy. You couldn't put them together in the straitjacket of a common currency and a common monetary policy when they didn't have a common fiscal policy.

I said to them: "You may think that, but the

political desire is very strong." I told them about when I went to see the French ambassador to the E.U. at the time. His name was De Bossier. He was the third cousin, or something, of De Gaulle but he thought he was De Gaulle incarnate. I said to him, "Mr. Ambassador, are the French really prepared to give up the French *franc* and all the history that that entails?" He said, "Mr. Ambassador, you don't fully understand European history." I said, "Tell me." He said, "We fought three wars with Germany in 100 years: 1870, 1914, and 1939. If we lock Germany into a common currency they can never go to war with us again because you can't go to war against your own currency."

In other words, it was heavily a political decision. Now, we saw the strains during the financial crisis of putting disparate economies into a single currency: it prevented, for example, the Greeks from devaluing, which they could have done had they had their own currency. This would have made getting out of deep recession much easier. The same with Spain; the same with Portugal.

If one were to do it again, the euro should have a much lower number of countries and countries that have much more commonality to their economy, a stronger central bank, a greater fiscal authority.

Having said that, unraveling the euro would be even worse than keeping it as it is and trying to improve it. The European Central Bank is now much more powerful. Draghi has done an incredible job: he's the real hero, in my estimation, of getting the euro and the European Union and its member states out of the Great Recession.

The ECB has regulatory authority over banks; it's gone through stress-testing of European banks. What they need is the next step: they need a common banking authority, a common deposit insurance. I think it's important now to go forward with the euro, not to try and unravel it; it's not going to be unraveled. It's one of the major currencies in the world along with the dollar, the yen, or the renminbi — and it's going to remain so. □



# TRUTH IS VERY DANGEROUS TO COME BY

**AMANDA VAILL** ON FAKE NEWS AND THE SPANISH CIVIL WAR



*Thomas Demand*

*Folders, 2017, C-Print / Diasec,  
125 x 195 cm*

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Kunst, Bonn / ARS, New York*

**T**he problem of the age — fake news — has deep roots in the 20th Century, award-winning historian Amanda Vaill argues. They lie with famed writer Ernest Hemingway and the Spanish Civil War, a groundbreaking event in the history of news coverage.

Fake news, seemingly the major theme of American political debate over the past year, has the urgent feel of a new problem. It is not — it has afflicted us for decades.

This is in no place more evident than in the first modern media war, the Spanish Civil War, which erupted in July of 1936 when a cadre of right-wing generals opposed to the policies of the left-wing government of Spain decided to take control of the country by force. The resulting war would last for three years and take hundreds of thousands of lives. It would be also something of a preview, as it were, of World War II. It was one of the most divisive and important world events of the 1930's.

The Spanish Civil War was covered by the press in new (and, as noted, not entirely good) ways. There were two primary spurs to this. The first was political: the unprecedented access granted by the Republicans to journalists. The government under the trade unionist Francisco Largo Caballero believed (incredibly quixotically, if you'll pardon the pun) that telling their story would be an important political tool for them. They allowed journalists to have access to the battlefields and to embed themselves with troops across Spain. The second was technological: for the first time, journalists had powerful, speedy, handheld cameras — battlefield ready. They had fast film. They had radio. They had the telegraph. As a result, millions of people around the world suddenly could have a experience of this local war.

The famed American writer Ernest Hemingway was one of the correspondents who came to Spain to help deliver this experience. He was between novels. He was not sure what was happening with his own life. He felt at a standstill and was looking to recharge himself. He said to a friend, "It seems to me that Spain might be the big parade happening all over again." He wanted to cover the war because he felt that it might recharge his creative batteries. He managed to wrangle a very lucrative contract with the North American Newspaper Association that sent him to Spain. Because he was covering the Spanish government's side of the fighting — and because he was temperamentally inclined that way himself — he also felt that

he should take the government's side in a political sense.

He was not only there to report stories — he had also agreed to write the screenplay for a government-sponsored documentary film called *The Spanish Earth*, which was going to tell the story of Spanish peasants whose lives were being made better by this war. This was an arguable assumption all by itself, but almost beside the point in context: the film is largely fictitious. Almost everything in it is made up.

Hemingway, while he was in Spain, did not actually manage to tell the truth in a way that he wanted to. He appeared at a gathering at Carnegie Hall in New York to promote *The Spanish Earth* and told the assembled crowd, "It's very dangerous to write the truth in war. Truth is very dangerous to come by." Yet he himself was probably the first sinner in this respect. He bent the truth in his Spanish dispatches. He would represent himself as having been at events that he was not at, as being at the center of battles that he was not at the center of. Crucially, he presented the battle for the Casa del Campo in Madrid as a turning point in the war. It was, instead, an inconclusive skirmish he witnessed from afar. He did, however, get paid a great deal for writing the dispatch recounting his "experience."

Another major fabulist in this line was the Soviet secret agent Otto Katz. Polyglot, journalist, and provocateur, Katz was also an incredible and brilliant propagandist. He was the inventor of the Agence Espagne, a combination spy ring and news service centered in Paris that was meant to act as a broker for news from the Spanish Republic. Katz teamed with the British journalist (and devout Communist) Claud Cockburn and made up — in order to influence the French premier into backing the Republicans via arms shipments — a firefight for a city in French North Africa called Tetouan.

Katz had never been to Tetouan. He had to read guide books in order to know what the streets were. Soon, "news" of the battle began to leak out through Katz's own carefully orchestrated press reports, and the French government reversed its policy and allowed munitions to be sent to Spain.

With talents like Hemingway and Katz on its side, this kind of falsehood enjoyed a great deal of success in the global media. But not every reporter observing the end of the Spanish Republic was so careless with the truth.

One such was Virginia Cowles, a reporter for the Hearst

Newspaper Syndicate. Cowles, a 23-year-old former debutante possessing no foreign reporting experience, nonetheless had an extraordinary instinct as a reporter. When she heard the story of how a city in northern Spain had been either bombed or possibly burned down by its own residents, she wanted to find out what had really happened. She traveled, with incredible difficulty and by a very circuitous route, to get to the Basque country and do just that.

What she discovered was that although the Nationalist rebels reported that this city had been burned by provocateurs acting on behalf of the Republican government, it had in fact been strafed and firebombed by the Condor Legion, a unit of Nazi German aircraft fighting alongside the Nationalists. She finally found a member of the Legion who said to her, "We bombed it and bombed it and bombed it. *Bueno*, why not? It's war, no?"

Robert Capa, the legendary photographer, came to Spain via Hungary, Germany, and Paris. Capa was an anti-fascist emigré from Hungary. He arrived in Madrid determined to report what he thought was the real story coming out of Spain: the victorious effort of the Spanish government to hold off the revolt of the fascist generals. It was a slow news month when he got there. There was really nothing to photograph in general, let alone anything that served this cause. So he staged a scene: he rounded up some locals to get in a car and wave flags. It's no shock that he also was working for Henry Luce's *The March of Time* newsreel series. The publishing magnate Luce used to say he believed in "fakery in allegiance to the truth."

During a trip to Córdoba, Capa was still looking for meaningful action to photograph. Again, he found nothing noteworthy happening there. So, as he did in Madrid, he staged a picture: he convinced a group of militiamen to fake a battle. They would run up a hill, he would take photographs of them, and he would send the photographs back to Paris. People would see what he hoped they would think was actual warfare. In the course of this staged battle, one of the soldiers was actually shot by a Nationalist sniper. Real news had invaded fake news.

The photograph changed Capa's life in more ways than one. It was the picture that made him famous worldwide. He became known as one of the foremost combat photographers of all time. It also changed him internally.

He realized that the most important thing was not what he wanted his pictures to say — not their political content. Rather, they needed to tell the truth. He exposed himself after this epiphany to incredible amounts of personal risk and danger, and took photographs such as his famous image of a dead militiaman in a tree. Capa took this picture amid an actual firefight, where he was actually risking his life. It is hard to think of a starker contrast to Hemingway watching the fighting on the Casa del Campo through binoculars.

This was all over and done with before 1940. But we still have a problem with malleable media. As long as the technology to create and distribute mass media exists — be it newsreels or Facebook pages — fakers will have the means. As long as political and military contests exist, they will have the motive and opportunity. This is not something that we invented. It's been around forever. The only way we can combat it is by finding people who will go after the story no matter what, who will pursue the truth whatever it takes. The way Capa did. The way Virginia Cowles did. Until that happens, truth really is going to be very dangerous to come by. □

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Fake news  
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# SLIPPERY SLOPE

*An Interview with* **EDWARD MORSE**

**OIL, DOWN FROM ITS STRATOSPHERIC HIGHS PRE-CRISIS, SEEMS STUCK IN A PERMANENT DOLDRUMS. EDWARD MORSE, GLOBAL HEAD OF COMMODITIES RESEARCH AT CITIGROUP, IS ONE OF THE WORLD'S PRE-EMINENT EXPERTS ON OIL (AND A NOTED SKEPTIC OF THE STABILITY OF THOSE SKY-HIGH PRICES). HE EXPLAINS THE MECHANICS KEEPING SUPPLIES HIGH AND PRICES LOW, WHY HE DOES NOT SEE THEM CHANGING IN THE MEDIUM TERM, AND WHERE OPPORTUNITY REMAINS TO BE FOUND.**

*Thomas Demand  
Heldenorgel, 2009, (detail)*

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VG Bild-Kunst, Bonn /  
ARS, New York*

When we look at oil sands and deep water, there is an infrastructure in place that doesn't have to be rebuilt from scratch. That makes what were five- and 10-year projects now two- to five-year projects. That's the background of what our outlook is for oil in this rearguard action for OPEC, Russia, and some other producers. As they rebalance the markets, they spur on production from other countries. That puts a lid on prices. You can make a judgment about what the lid is, but it's certainly there.

Our judgment is that at a price not higher than current prices — \$65 Brent — enough oil can be brought to the market within a year to undermine the efforts of producers to rebalance the market and get to a higher price. So our number really is \$65 to \$70 on the high side, with \$40 as a kind of very soft floor.

I think for the next five years, we're definitively in a basically \$40 to \$65 price environment. The higher the prices go, the lower they'll go thereafter. And the lower they go, the higher they'll go thereafter. They should be wobbling in this band. We think average prices in 2019 will be \$40 to \$45 Brent. And the reason for that is that prevailing prices are bringing enough oil into the market to satisfy all of global demand growth. Yet there are these countries (among them Saudi Arabia and Russia) that have pulled a million barrels a day out of the market. And there's not much room for them to put it back in. So prices almost inevitably have to go down as these countries take oil that has been off the market and put it back into the market.

**OR:** What drove the Saudi decision not to cut production when the price started collapsing?

**MORSE:** The most critical factor from a Saudi perspective is that in 2014, U.S., Brazilian, and

**OCTAVIAN REPORT:** What's your outlook on oil? Where do you see it going in the intermediate term?

**EDWARD MORSE:** By intermediate, I assume that means 2022 or 2023. The oil market entered a new world order in 2014 as a result of the shale revolution in the U.S., the exploitation of oil sands in Canada, and the coming-of-age of deep water oil and gas exploration. And as a result of the exploitation of these three kinds of hydrocarbons, there has been a significant erosion of the market pricing power of OPEC in general — and Saudi Arabia in particular. Markets are now prevailing in a way that they have not before.

There are two significant aspects of this new order. One is that with shale there is a very short cycle from the decision to drill a well to getting oil out of the ground. It's basically a nine-month process, not a five-year, let alone 10-year process. So the advent of short cycle oil and gas — which is now largely only in the United States, but is spreading around the world at a rapid rate — means there's a rapid response to a higher price: bringing more supply in.

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For the next five years, we're definitively in a basically \$40 to \$65 price environment.

Canadian production growth was overwhelming. These three countries added 2.3 million barrels a day of supply — a good 40 percent higher than global demand growth.

And in addition to that, the Atlantic basin had been a deficit environment for oil and natural gas. We had surplus countries — Russia, Caspian producers, and Middle East producers — and markets they could move oil into. But 2014 marks the time when, permanently for all practical purposes, the Atlantic basin became a surplus oil and gas environment. Meaning that the only place that existed for growing market share was the Pacific basin.

The Saudis, over the course of 2014, discovered a big existential problem in the oil market. They had in 2013 been able to export about 1.7 million barrels a day to the United States and 1.2 million a day to China, the two largest markets in the world. At some point in 2014, their access to the U.S. and the Chinese market fell by 50 percent due to the factors I just outlined. So they decided to put more oil into the market, sell it more liberally, and bring prices down. They triggered a price collapse in 2014 that they thought would be very short-lived. They thought that they would quickly bankrupt U.S. producers. That the bubble of U.S. shale production would evaporate. They also believed that Russian production was very high-cost, and they hoped that they would be able to stem the growth of Russian supply and even reverse it. They were predicting a million-barrel-a-day decline in Russian production by 2017 as a result of lower prices.

That was the economic side of the existential problem they were confronting. It speaks to the political side as well, because they thought that by hitting Russia hard on the oil front they would reduce the ability of Russia to intervene in various countries in the Middle East. They also, in 2014, thought that Iran would be seeing the end of sanctions. They thought it was going to be in 2015, it turned out to be 2016. But they saw it ahead. They wanted to erode the possibility of Iran getting into the China market. They wanted to increase their position in it. They also wanted to bring prices down, so that Iran would have less ability to intervene and support the Houthis in Yemen.

These two existential crises in the Kingdom caused them, at least in the beginning, to bring prices down. Then they reversed themselves when they realized that there was a drain on their rainy day bank account, and they needed to stem the losses and find a way to bring prices up.

**OR:** What do you see the impact of renewables on oil and gas being generally? How does the rise of the electric car play into prices?

**MORSE:** The rise of renewables has had a dramatic impact on the power-generating sector. Not much of an impact yet on the transportation fuels market. But if we take a snapshot of actually measurable power generation around the world over last two years, virtually all of the increment of grid-provided electricity has come out of renewables, not out of fossil fuels. At the moment, renewables are the preferred incremental source of supply. That is likely to continue.

The other issue is transportation fuel. Incrementally, oil is used more and more for transportation fuel. For the last five years all of the oil demand growth in the world has been for petrochemical feedstocks, for gasoline, and for jet fuel. All other uses of oil have gone down. The world at the end of 2016 was consuming less fuel oil and less diesel than the world was in 2011.

Oil's monopoly, so to speak, is really restricted to petrochemical feedstocks and transportation. But there are problems there as well. Increasingly, the pet-chem feedstocks have been not naphtha coming out of an oil pool in a refinery, but rather propane, butane, or pentane-plus coming out of natural gas liquids. About 30 percent of total world liquids demand actually comes from natural gas now, rather than from oil — further restricting on the increment where oil can be used.

That's where your other question comes into play. Oil is being challenged in its one remaining monopoly area: transport fuel. Natural gas is eating into that monopoly, too. If you go to Boston, most of the taxi fleet runs on propane. In cities in emerging markets, compressed natural gas and even LNG are used in the transport fleet. Increasingly in China, trucks are driven not by diesel but by LNG.

Then there's electricity, where there is a big debate. Not so much about whether there will be an erosion of transportation fuel demand from oil, but when this will happen — when the penetration of electric vehicles is likely to be such as to not just put a cap on gasoline demand but to start reversing that demand. There are people who believe it can happen as early as five years from now. There are people who think it's going to be closer to 2040. Bloomberg sees the tipping point at around 2028, plus or minus a couple of years.

**OR:** Do you see oil and gas as being a much smaller portion of energy long-term?

**MORSE:** I do. We have produced a series of reports called *Energy Darwinism*. We look at the evolution of energy alongside the evolution of man. They

point to a significant erosion of the place of fossil fuels in primary energy. Certainly sometime in this century. Before the century gets to midpoint, in all likelihood.

That doesn't mean that the cyclicity of commodities in general or the cyclicity of oil and gas in particular is coming to an end. Rather, it means that it's muted compared to where it has been recently. We don't think \$100 oil is plausible again. Nor do we think it's plausible to think about \$12-per-million-BTU natural gas again. We think the numbers cap it, but they could be volatile: low prices mean low revenue for petrostates. I would define those as states where more than 50 percent of government revenue is sourced in oil and gas as a commodity.

They are challenged by having revenue capped and challenged by the need to diversify. And this has created significant failures of petrostates that have led in the last 20 years to very radical changes in prices as a result. In 1998, four countries (which have subsequently become fragile) were looking fairly exuberant: Venezuela, Nigeria, Iran, and Iraq. They had plans to increase their collective production by 10 million barrels a day over the next 10 years.

By February 1999, *The Economist* had a front-page story: "Five-Dollar Oil Forever." And part of what was driving that notion was the explosion of supply in these countries. Already in the winter of 1998 and '99, we saw the price of oil collapse to \$10 a barrel from over \$20. That 50 percent collapse was accompanied by political upheaval. These four countries by 2003 were producing 50 percent of what they were in 1998, rather than moving towards doubling their production by 2008.

So the high prices of the last decade were really engendered by a significant failure of petrostates. So too with this decade. 2011 started in the early months with a 1.6-million-barrel-a-day supply disruption from Libya. There were failures in Nigeria, in Yemen, and Sudan. They added up to a

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Argentina is booming at the moment when it comes to shale, oil, and gas exploitation. It took a change in the government in the country to enable this.

lot — even as recently as the late spring of 2016, 4.1 million barrels a day of oil were offline. Not all of it coming from failed petrostates; a big chunk of it was Canadian wildfires closing Canadian oil sands production.

But we are in the era of the failure of the petrostate. And even though production has come back in Iran, Libya, and Nigeria recently, there still are around 2 million barrels a day of oil that could be, should be on the market, but aren't. That number, in a fiscally constrained environment for oil-producing countries, is more likely to go up than go down.

We don't know what would happen if there were to be failures to produce across multiple countries right now. But there are some big producing countries that are undergoing domestic political challenges that could see disruption to supply. Then the price would pop — and it would take longer than nine months to get short-supply oil to replace, potentially, that lost production.

**OR:** Is there a G-Zero world in oil right now? And what do you make of the recent events in Saudi Arabia?

**MORSE:** It's hard to take the G-Zero World and apply it to oil, but certainly there is something in it. The world of oil and natural gas superpowers overlaps with what we generally think of as political superpowers. The intriguing aspect of it is that whether you look at oil or gas, China is not part of the triumvirate that dominates the supply side. And yet the Chinese economy may be the one clear winner from a world where the superpowers don't have the the price-making power they once had.

More directly to your question, the Saudi government has two things happening. One of which is something that was going to happen eventually, and is happening now. The governance of the Kingdom has been based on one brother of the founder of the place passing the mantle of king from brother to brother to brother. And finally they ran out of brothers. So there had to be a consolidation of power in fewer hands than was the case before.

And the other part was that there was recognition when it came to the end of the line of brothers — recognition at the same time that change had to come. I'd say that recognition predates Vision 2030. Because even under King Salman's half-brother's governance before he died, the need to diversify the economy and change the education system from one run by clerics to one run by laypeople was recognized. So it's unfolding, and it lays the basis for more transformation than could've happened under Salman's leadership. Those are the two critical issues.

To some degree I think the commentary on what's happening in the Kingdom is misguidedly focusing too much attention on the consolidation of power, and too little attention on the creation of a basis of reform that could actually be the longer-term salvation of the country, which otherwise would slip into the problems associated with a full blossoming of the resource trap.

OR: What would an open Saudi-Iran war mean for the oil price?

MORSE: It would mean a lot for the oil markets. That doesn't mean it's highly likely. If there were a disruption of supply coming out of the Arabian or Persian Gulf, depending on which side of it you're on, it would have a fairly dramatic impact on oil prices. You want to get back to \$100 oil? That would do it, given the amount of oil in the world that flows through the Strait of Hormuz.

But I think it's highly unlikely for bunches of reasons. Not the least of which is that the memory of a devastating war with Iraq is still present in Iran's collective memory, and it's probably the last thing that the leadership of the country wants to ever have repeated in terms of a loss of people and economic growth and space in the world.

I think there is a premium in the oil price that I imagine is of the order of magnitude of \$5, at least every way we measure it. Undoubtedly part of that is coming from the Iranian missile from Yemen that nearly hit the Riyadh airport. Also the explosion on the pipeline at Buri in Bahrain is part of it — that pipeline brings hydrocarbons from Saudi Arabia to Bahrain. So there are a bunch of fuses that could trigger something, including naval battles, but I imagine they will all likely be short-lived.

OR: Where do you see short and medium-term opportunity in this space?

MORSE: The fact of the matter is that there have been these radical changes in the oil and gas world since the middle of this decade. And the trend they outline is not readily reversible. If anything, the productivity gains that have been unfolding are continuing — even if they're not continuing at the same high rate of growth of productivity. That was the case through 2016 and 2017. But where there is unconventional material, and where there is willingness to take risk, there are real opportunities.

I'll give you some examples. Argentina is booming at the moment when it comes to shale, oil, and gas exploitation. It took a change in the government in the country to enable the country to offer competitive terms to private-sector companies from abroad, but they rushed in. And it looks as though they are sustaining more than 20 percent per annum growth in hydrocarbon production. That might well accelerate.

If the Vaca Muerta, which is the main play in Argentina, is like the Permian Basin here, it could be producing five million barrels a day of oil. It's currently producing half a million barrels a day of oil. So they could have a tenfold increase in production, which spells real opportunity.

Argentina is not the only country where this is the case. Mexico has reopened for the first time in three-quarters of a century. The appetite of small and large companies is clear. Their discovery rate in 2016 was remarkable.

Deep water is also not off-limits now. The biggest example of that is the Johan Sverdrup field in the Arctic that was discovered by Statoil at the beginning of the decade and was shelved in 2014 when oil prices fell. The full-cycle breakeven for it was deemed to be around \$65 a barrel. It was taken off the shelf again in 2016 when Statoil announced that it could be developed for substantially less than a price of \$40. And when they went actually to phase two in early 2017, they said the breakeven price was \$25 a barrel.

The cost deflation is not just from productivity gains in shale, but it's in deep water as well. So there are a lot of opportunities in the world. There would be more opportunities in Russia if it were not for sanctions. I don't see them being lifted anytime soon. The North Sea is booming again. The Gulf of Mexico is booming. Offshore Brazil is booming. The Canadian companies that have consolidated control in the oil sands are also booming. □



Thomas Demand  
Embassy, 2007, (detail)  
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Kunst, Bonn / ARS, New York

# NORTHERN INSIGHTS

*An Interview with* **JOHN BAIRD**

CANADA PLAYS A KEY ROLE IN NORTH AMERICAN GEOPOLITICS — ONE ESSENTIAL TO THE STABLE FUNCTIONING OF MANY CENTRAL GLOBAL INSTITUTIONS, INCLUDING NATO. HERE, THE NATION'S FORMER FOREIGN MINISTER TALKS DONALD TRUMP, THE FIGHT OVER FREE TRADE, THE VACUUM CREATED BY U.S. WITHDRAWAL FROM A WORLD LEADERSHIP POSITION, AND THE FUTURE OF THE ATLANTIC ALLIANCE IN THE FACE OF A RESURGENT RUSSIA.

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If there is no U.S. leadership, there is no leadership.

**OCTAVIAN REPORT:** What's your take on NATO's durability and the big strategic challenges facing it?

**JOHN BAIRD:** I think NATO was in danger, after the Cold War, of becoming obsolete. Certainly, 9/11 had an impact, but I think the growing Russian aggression in Crimea, eastern Ukraine, in Moldova and Georgia, and their tough talk in the Baltic, is making NATO more relevant.

I think Trump's — and a large segment of the American people's — problems with globalization have an impact on their perception of NATO, particularly the notion of free riders: NATO members not spending their share. It's a legitimate concern. Trump has, perhaps, been undiplomatic and inelegant. But I think there's a larger issue there.

**OR:** How have the issues that raised their heads on this front during your time as foreign minister continued to play out?

**BAIRD:** In two ways. NATO's most effective when it serves as a deterrent. I was troubled when Russia — a nuclear power — annexed Crimea and invaded eastern Ukraine. Obviously, Ukraine is not a NATO country, or even a NATO candidate country. What really concerned me was that had Latvia or Estonia been invaded, I couldn't say definitively what the NATO response would be.

Of course, it should be crystal clear. With any invasion of a NATO country, Article V would be invoked immediately, and there would be a military consequence. If I couldn't be sure that that would happen, I'm sure the Russians — or any other adversary — wouldn't be sure either. That's a problem.

**OR:** How best should the organization increase its strategic communication, apart from military or policy planning?

**BAIRD:** I think it's beyond strategic communication. When I was a cabinet minister, if I were under criminal investigation I know for a fact I'd have to resign. It's black and white, it's crystal clear. That would be the consequence. I'm not sure what the discussion would be around the NATO table if Latvia's borders had been breached by a hostile party. I know what I would be saying: that this attack on one is an attack on all, and there would have to be a clear military response. The fact that I wasn't certain that the others around the table would feel the same way I find disturbing.

**OR:** What do you attribute that lack of certainty to?

**BAIRD:** Under President Obama, I think there was a sense among many countries that he wasn't a loyal friend and ally that could be counted on.

Then there was the weariness of war among the American public, not just because of Iraq and Syria, but because of the campaign against ISIS. I think a lot of Americans are becoming more inward-looking and are just weary of battle and war.

**OR:** Do you think that the vision of the U.S. as the crucial leadership player in NATO is accurate?

**BAIRD:** Absolutely. In NATO the U.S. is the leader, period. There's an old saying, but it's incredibly true. If there is no U.S. leadership there is no leadership.

Even when President Obama said they were leading from behind in Libya, there was American leadership. That's a good example where countries like the United Kingdom, France, and Canada, stepped up to the plate with some Arab colleagues and did the heavy lifting and did not count on the United States to do it all. I thought that was a good day. But I'm not sure. Like I said, during my time as foreign minister, if the border in Estonia has been breached by five or 10 kilometers, what would be the response? I think there would be a lot of debate and a lot of hesitation about a military response. I think the adversaries to freedom should fear the response. I'm not sure they do.

I'm hardcore. I would want a response. I believe in NATO, I believe in Article V. That is the whole reason it exists, and we can't have any namby-pamby diplomatic sanctions efforts on something that grave.

**OR:** Why do you think Russia is enjoying this newfound geopolitical strength and importance?

**BAIRD:** Putin is a forward-leaning leader. I'm not saying that as a compliment, but he is a strong leader who wants to make the Russian Federation relevant again. He's been very clear in saying that the dissolution of the Soviet Union was a catastrophe of great consequence. I think he wants respect, and I think the regime change in Libya deeply offended Russian sensibilities. Look at their vote in the Security Council. There's been a real consequence to that in the day-to-day conduct of foreign policy. They want to be relevant. There were the allegations of interference in the American election. There is the Catalonia issue in Spain. There's been some suggestions about the Brexit referendum. They want to be relevant again in a way that perhaps they weren't after the fall of the USSR.

George H. W. Bush's leadership — bringing them into the G8, et cetera — was good as an initial step, but there really wasn't enough tending to that relationship.

**OR:** Do you see Trump as able to counter this?

**BAIRD:** I suspect the trajectory has not changed. The trajectory was going a certain way under Obama, and I think it certainly is continuing under Trump.

**OR:** What's your take on the standoff around NAFTA?

**BAIRD:** I think this is one of the few core things that Donald Trump cares about, and I think there's a growing concern about globalization in many parts of the United States where people think it hasn't worked for them, or believe that it hasn't worked for them, and this is on the Left and the Right. I think Bernie Sanders spoke to it on the Left on issues like economic inequality, and Trump to the Right on things like national security and the changing face of America. They look at the trade deficits with countries like Mexico or China, and the whole architecture of trade internationally just doesn't work for Trump and his people. I'm not just talking about the mass public. Look at his people, whether it's Peter Navarro, Robert Lighthizer, or Wilbur Ross. They don't believe the whole trade architecture works for the United States and the American people.

Obviously, for the United States, given its size, leadership, and economic power, it will always be better to go bilaterally than to go multilaterally. For Canada, we don't have a huge debate. The United States has a \$42 billion trade deficit on goods. And we have a \$44 billion trade deficit on services. With Mexico, it's \$56 billion and with China it's over \$300 billion, and his sole goal is to reduce those deficits.

When it comes to Mexico, obviously there are lower regulatory barriers there, lower wages there, and if people want to buy a good or product

it can be made cheaper in Mexico than it can in the United States where labor laws are stricter and wage rates and regulatory standards are higher.

I think in the current discussions, of the five big issues that the United States is pushing three are complete non-starters for Canada or Mexico. The difference is, in Canada there's growing support for NAFTA. The official opposition has, by and large, been backing the government and the re-negotiations. I think the Canadian government has handled it about as effectively as they could.

I think the real challenge is in Mexico. Trump is toxic in Mexico, whether it's because of the wall, immigration, or trade. I don't think Peña Nieto is capable of giving any ground in these negotiations, particularly so close to the presidential election, where his party remains quite competitive. Lopez Obrador nipping on the heels of the PRI makes it a lot tougher.

OR: What's your take on TPP and the U.S. withdrawal?

BAIRD: What we shouldn't forget is both the Republican and Democratic candidates were not supportive of TTP. I know Hilary Clinton, I like her, I admire her. She made a pretty clear commitment. I think she would've honored it, so I think the TPP was going to be walked out of regardless.

I think it's a bit ridiculous. The U.S. led the development of the TPP. We joined because of that leadership in order to pursue it. They're a sovereign country, it's their sovereign right. Obviously there was a real concern about it with a large part of the American electorate, but they could hardly have some sort of a veto from Canada wanting to participate. For us, it's free trade with Japan, the world's third-largest economy. Free trade with a growing powerhouse, Vietnam. But also it would be to begin a free trade deal with Mexico if article 2205 of NAFTA were to be invoked with a six-month notice. It would at least give us a back door into the Mexican market.

OR: In general, is there a stronger consensus about free trade in Canada than in the U.S.?

BAIRD: Absolutely. In 1988, we had a general election, and the entire election was a referendum on the Canada-U.S. trade agreement. So we had a big national debate about this in the late 1980's under Brian Mulroney. Canadians see globalization positively; they see trade as crucial to our future economic prosperity.

The United States never really had any debate about the Canada-U.S. free trade deal. They had a little bit of one on NAFTA, but I think the United States has two problems. One, no one's out defending free trade. Two, they haven't had some labor transitional measures. A lot of this is automation and technological innovation. I understand Nike is building a shoe plant in the United States right now, one of their largest shoe plants in the world — and it's only going to hire around 120 people because you just don't take many people with automation.

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I think the real challenge is in Mexico. Trump is toxic in Mexico, whether it's because of the wall, immigration, or trade.

I'm on the board of the second-largest lumber company in the world, Canfor. We have mills all over the United States and Canada. These mills, 50 or 60 years ago, would've employed 700 to 1000 people. Today they employ 150. And it's because everything's automated.

**OR:** Canada and a number of our other close allies joined the Asian Infrastructure Investment bank over U.S. objections. Do you see Canada and Australia, and some of our other core allies, moving more towards China in the face of U.S. pullback in the Pacific?

**BAIRD:** Well, President Obama led the effort in the West to stop countries from joining the Development Bank. The United Kingdom, one of America's two closest friends, under David Cameron joined anyway. Australia joined anyway. President Obama, I'm told, personally reached out to try to stop them. I think, increasingly, people are going their own way.

**OR:** Do you think that's part and parcel of a more general American retreat?

**BAIRD:** It was President Obama, like a loyal friend and ally. In Canada, we had the Keystone XL Pipeline. We couldn't get an answer on it for seven years of Obama's presidency. You don't treat friends like that. We understood that he had to get over his 2012 re-election bid, and they had to use him to raise money for the 2014 midterm, and then for his presidential library. In Canada, we knew that. Still, what do you expect?

**OR:** What is your take on the question of Israel and its friends and enemies in the West?

**BAIRD:** Well, that's one issue where I give the President huge kudos, not just for his support for Israel but for his returning to the traditional American policy of being close to the Sunni Arab world, in and outside of the Gulf. So I think, if anything, American leadership in the Middle East is demonstrably stronger than it was one year ago — and demonstrably more positive.

People are astounded when I tell them that whether it's Israel or Egypt or Saudi Arabia or the United Arab Emirates — indeed, throughout the entire Middle East — there's just a much greater appreciation of the direction of the American administration.

**OR:** How big of a threat do you see the de-legitimization campaign and BDS?

**BAIRD:** It's a huge problem with the Left in western countries. It's a huge problem in large swathes of Europe where you see the re-emergence of anti-Semitism. Instead of demonizing the individual Jew, they're demonizing the collective Jew. Popular opinion, whether it's in France or the Netherlands — two close allies of Canada — is deeply disturbing. I think we've got to take BDS incredibly seriously. In the 1950's and 60's, the problem might've been on the Right, but I think the problem now is on the Left: the politically correct crowd, university campuses, even (briefly) in some trade unions. Bernie Sanders got 40 percent of those votes, and he was somewhat hostile to Israel.

**OR:** What is the current temperature of that in Canada? What's the current view of the War on Terror?

**BAIRD:** I think, politically, Israel enjoys broad support among the Conservative party and large segments of the Liberal party. Obviously, the Left is not as supportive, and that's a problem. We do see political correctness and anti-Israel sentiment popping up here and there. It is a concern. With respect to the War on Terror, I think there's huge fatigue on it, and people have got to recognize that. My grandfather fought in the Second World War, and then stayed in the Canadian armed forces for 25 years. The great struggles of his generation were fascism and then communism. Now, fascism was defeated in six years but communism took a generation. The fight against terrorism has been the great struggle of our generation. It's not going to be ended on a single battlefield. It's going to be a constant struggle. □



# ON YOUR TOES

*An Interview with* **ALEXEI RATMANSKY**



Thomas Demand

Werkstatt / Workshop,  
2017, (detail)

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Bild-Kunst, Bonn / ARS,  
New York

*Alexei Ratmansky is a MacArthur Fellow, artist in residence at the American Ballet Theatre, and one of the most innovative choreographers working today. We spoke with him about the history of modern ballet, why dance will always be part of human life, and what it was like to stage the so-called “Billionaire’s Ballet” — Whipped Cream by Richard Strauss.*

**OCTAVIAN REPORT:** How did you get interested in the ballet? How did you become a choreographer?

**ALEXEI RATMANSKY:** I guess my story is very similar to others’. I started just dancing around to the radio. Friends of our family suggested bringing me to the ballet school. I would always perform for friends.

**OR:** Were you from a ballet family?

**RATMANSKY:** Nothing of the kind. My mother is a doctor, and my father is an engineer. The ballet in Russia at that time — the 1970’s — provided a secure future. Ballet companies went on tour, and you could buy things abroad. My parents didn’t think of that, however. They just wanted me to find the right thing to do. A respectable career. A job in art.

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I didn't  
know much  
about  
ballet. I just  
wanted to  
dance.”

OR: Were they supportive of ballet?

RATMANSKY: Ballet was on TV every week. I remember playing outside in the streets and my mother calling, "Come home, there is ballet on TV." And I thought: Why do I need to see ballet? I didn't know much about it. I just wanted to dance.

OR: What do you think the future of ballet is in the U.S.?

RATMANSKY: I think it's hard for ballet to compete with media, with new developments. But it's going to always occupy an important place, as dancing is such an organic thing for humans to do. And ballet is a sophisticated system. Now we have the results of a couple of centuries of development, and it's a very complex and beautiful system.

It's hard for me to make a prognosis. I know that girls will always be willing to wear a tutu and be *en pointe*. For the boys, it's a bit more difficult, I think. But if we put a bit more effort into advertising and saying ballet can be perfectly accepting of dancers from any race or background or class, I think that's going to help.

OR: Why do you think there are so few contemporary composers working in a more traditional classical format?

RATMANSKY: That's a huge question. I don't think I have enough vocabulary to answer about music. But ballet, like classical music or classical painting, is a classical art which is not necessarily connected to our everyday life. It talks about ideals.

OR: Visual records now exist of ballet, but is there a way to know what its performance looked like before the era of photography and video?

RATMANSKY: Dance started being notated in the late Renaissance. Baroque dances are written down, and we can follow the floor plans and we can do the steps. We sort of know the steps, how they are described. But again, the movements of the human body and ballet especially are so complex, it's so difficult to write them down in two dimensions. So a lot of things are missing. We need to take into consideration, when reconstructing an old dance, the fashions and the style of everything. It's a complex issue.

The earliest ballets on film are from the late 1890's. But the thing is that we watch with different eyes now, and it looks funny. Of course it wasn't funny at the time. It was considered beautiful or attractive. So it's hard for us to imagine what it was. If we try to reconstruct what we see in the early films, it looks like a caricature. So something essential is missing. Nevertheless the basic principles of ballet — like turning out, pointing the foot, stretching the knee — the geometry stays the same, regardless of changes in life.

OR: What drew you to Richard Strauss and *Whipped Cream*?

RATMANSKY: I always loved Strauss's music. It's extremely difficult to get the rights to stage a ballet to Strauss music unless that music was written for the ballet. There are famous stories about this — in Hamburg, John Neumeier staged a certain piece of Strauss and didn't get

permission, so the ballet was performed without the music. One of Balanchine's ballets to Strauss — Vienna Waltzes, if I'm not mistaken — was not allowed to be performed in Paris. Crazy stuff. Back in Kiev, I choreographed a couple of pieces secretly without even trying to get permission. We didn't know anything about authors' rights in the 90's.

What drew me to *Whipped Cream* is its title, which is crazy good. Some people at ABT were trying to convince me it's not a good title, that I should change it to something else. But I was very firm. I think the title was part of its success.

And then there was the struggle to find the right designer. I visited and met with and looked at dozens of different people until I randomly looked at my shelf and saw a book of Mark Ryden's work that I bought back in Japan 10 years ago — and that was it.

When we contacted him, his agent said, "Mark has no interest in designing for ballet." Luckily, when we were able to contact him directly, he said, "Of course, I would love to do that."

This connection with Strauss and Mark seemed so right from the beginning that I had no doubt that something good going to come out of it.

OR: How long was the process of choreography?

RATMANSKY: A year and a half, two years. Mark is very organized, and he went into the tiniest details of staging. It was his first time in the theater. ABT provided him with assistance to help him translate his images into set designs. He was accommodating in asking questions and never insisting on something that ABT people would say was impossible to achieve. Working with Mark was a pleasure from the first day. He is a crazy creative guy.

OR: What's different about the choreography from the original?

RATMANSKY: I had no idea about the original

choreography. I'd been informed by one of the ballet critics that there are notations of the original but — as with my work on *The Cossacks*, *Sleeping Beauty*, and *Swan Lake* — I didn't think these notations were going to help me at all. I knew I was going to do new stuff.

OR: When you do something like *Sleeping Beauty*, do you feel an obligation to hew close to the original?

RATMANSKY: I do feel an obligation to Marius Petipa, who originally choreographed *Sleeping Beauty* and who worked closely with Tchaikovsky — as these two were geniuses in their art. I have no desire to compete with that. Just to ensure that their original intentions come through would be good enough.

OR: Who are your favorite choreographers?

RATMANSKY: I have many favorites, but my gods are Balanchine and Petipa.

OR: What do you think makes a great ballet? What needs to come together?

RATMANSKY: If only I knew the secret! The recipes for that were established by the great ballets. They often consist of two acts — two very contrasting acts. Like *The Cossacks*. The first happens inside, in an interior; the second is outside in forests. The first act happens during the day; the second act during the night. The first act is reality; the second act is a dream — or nightmare. If you can find this contrast within one work, it really helps. Or *Swan Lake*, where the main female character comprises two mirror images of one person: the White Swan is a symbol of purity and good and the Black Swan a symbol of the opposite. The lead male character needs to make a choice between them. That is an amazingly well-constructed setup.

I doubt ballet can really deal with complex psychological or philosophical ideas — we can't show the past and we can't show the future.

We can only show what's happening right now. Without the words. We can use gestures, we can use something that people recognize. The simplest example of that would be a hug, a touch of the hand, a gaze into each other's eyes. Simple things like that do not need explanation to tell the story. But we can touch very difficult matters — sophisticated matters that can't be put in words. That's possible. Because we can create images that would force the audience member to develop his own story from them.

Our subjects are limited. That's why fairy tales and myths go well with ballet. That's why today's topics are so difficult for classical ballet to touch. That's why people think it's not relevant, it's dated. But it is not, because it can talk about universal and timeless subjects.

OR: What do you think of the *Ballets Russes*?

RATMANSKY: I think the main thing is that they established the ballet as a modern art. To do that they went further and further away from the classical ballet, the classical image.

It's interesting that we think of them as a collection of superstars of incredible theatrical power. The company was quite weak in terms of classical technique. For its first few seasons when they had dancers from the Bolshoi, they were really strong. Later it was just a group of amateur dancers and a couple of superstars. They wouldn't be able to dance technically difficult stuff. But involving the most important designers and composers of the time — that of course brought ballet to the center of artistic life.

OR: Ballet is obviously quite collaborative — what are the challenges inherent in that? Which element is most important: the music, the production design, the dancing itself, or all of it?

RATMANSKY: We know about great ballets that don't have great music. There are great ballets with no story at all. Can a performance have success without great dancers? I guess so, if the concept is really strong, if the images that are presented are really strong and stay in the memory. Without great choreography — yes. If the production has a performer of genius and everybody comes to see his or her interpretation. A mediocre choreographer's work could look like something special when danced by a great performer.

Ideally we have great design, great choreography, great dancers and great music. But only a couple of titles that would fit into that category.

OR: What's your next project?

RATMANSKY: A reconstruction of a 1900 ballet by Petipa, one of his last. Two acts. *Harlequinade*. It's from the Imperial Era, it's based on *Commedia dell'arte* characters. It has very pretty score by Drigo. It premieres in the spring season at ABT. I'll be also mounting an old production of mine at the Bolshoi in November.

OR: Why the *Harlequinade*?

RATMANSKY: The classical repertory is very narrow. It comes from opera or drama. It's

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Suddenly it's just dancing for joy. That is itself a joy to see.

about a dozen titles, so every new ballet that can be reconstructed is a big thing for ballet professionals. And this ballet exists in two versions nowadays. One is Balanchine's version, but that's a completely new piece, it has nothing to do with Petipa's steps even though he follows the story and uses the same music. And in Russia there is a one-act version of it. There are notations for it. I collected all the materials and I feel like it could do well. It could be another title in the classical canon. I think it's a very important work.

OR: Why do you think so many modern artists were drawn to the *Commedia dell'arte*?

RATMANSKY: There are so many great artists who stand in this territory. While these are archetypal characters, they certainly give an amazing freedom to the performers. Being in this very set structure of characters they can still bring their own understanding of it. Archetypal characters: the eternal lovers; Pierrot, the sufferer who never succeeds in what he wants; Colombine, who is down to earth and plays with men and always wins at the end. And her father. We could go on and on. These characters are important.

OR: Was there a tension, in the early days of ballet, between this more casual style and the very formal Paris opera style?

RATMANSKY: I think definitely. *Commedia dell'arte* characters struggled in court scenes because it was street art. It was so popular. Eventually it made its way to the court performances and was popular since then. The performers developed their technique on the street; it then made its way to the stage. It was a way to refresh and push forward the technique of dancers.

OR: Do you like doing modern choreography?

RATMANSKY: You know, when I started to choreograph it was end of 1980's, the beginning of the 1990's. The fall of the Iron Curtain, in other

words, when we started to receive information, films, tapes. The company I worked with started to tour and it was an eye-opening experience. So I wanted to copy all of what I had seen. I was trying to be edgy and interesting — trying hard. At some point, I realized: *classical steps, that's what I am. This is my school and I'm good at it.* When I try to do modern, it's an imitation. When I do classical, that's who I am.

I started to feel comfortable with that. I admire brave modern stuff and I always try to see what's new. But I feel comfortable with the way I am.

OR: What was the impact, in your opinion, of the Russian Revolution on Russian ballet?

RATMANSKY: The majority of ballet professionals left. The little group that remained were working hard trying to save dance. We all are so devoted to our art, those that really take it seriously. So they were trying to save it. And then they found on the other side of the ramp that there was a completely new audience — simple people who didn't care for sophistication or a grace or an aristocratic canon of beauty. It didn't mean anything to them. They wanted energy, athleticism. I think, consciously or not, the style of performing changed. And then there were clever and inspired people practicing the other arts in Russia. Painting and theater — especially theater! — and literature. These people were so inspired by the new possibilities. Fyodor Lopukhov, the brother of Lidia Lopukhova (the wife of John Maynard Keynes), started to build a new technique based on the old Russian school, which was in its own right an inheritor of the French, Italian, and Danish schools.

That's how the Soviet style of dancing evolved. By the end of 1930's, it had become something completely different from what existed before the Revolution. From what White Russian emigrés were trying to preserve in Europe and America. This was a very positive result — for technique, it opened new doors. All the virtuoso multiple turns in the air, all the acrobatic

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partnering — they all come from the that. The records of athleticism that you associate with, for example, the Bolshoi style of dancing and dancers like Vladimir Vasiliyev, Maya Plisetskaya, or Leonid Lavrovsky.

But it was good for the rest of the world, too. Think of all the Russian emigrés who created masterworks in America. Like Balanchine. Balanchine greatly admired Kasyan Goleizovsky, but Goleizovsky never made it out of Russia. He was a genius, in my opinion, but he didn't produce anything lasting — almost nothing of his has survived. He is not known. If Balanchine had stayed in Russia, who knows what would have become of him?

OR: Which choreographers are doing interesting work now?

RATMANSKY: There are many I admire. I always look to what Christopher Wheeldon or Justin Peck or Benjamin Millepied or Crystal Pite are doing. I admire Mark Morris. I love Paul Taylor and Twyla Tharp. John Neumeier. William Forsythe would be another idol. And Pierre Lacotte, the classicist in France.

OR: Where do you see ABT going?

RATMANSKY: A couple of years ago the focus of ABT — and of Kevin McKenzie the artistic director — switched from aiming to present guest stars from all over the world to growing the local talent within the company. Now we see a very strong group of young dancers coming up and proving themselves in the big world. Some of them are not ready yet; some of them have made amazing breakthroughs. But it's a challenging process: ABT was always famous for major world stars — and for drawing thousands of people to see them who didn't care much about what was going on around the stars.

Now it's more about the growth from within. I think it's very healthy but at the same time it's not easily accepted by all the ABT fans or audiences.

OR: Outside of ballet what inspires you?

RATMANSKY: Working so intensely on my own projects unfortunately leaves me so little time to read or look around. I feel really bad about that. But doing reconstructions and new works really needs much more concentration. I feel that my previous phase in development as an artist was really trying to observe everything and now I am meditating on what I have already seen. I'm very interested in Russian choreography and always try to see what comes out. I like to see how the classical arts progress today. In dance, my interest is ballet; in ballet I look for dancing choreography. I like to see real dancing. We started the conversation with that: that it's a very organic, natural thing for humans to do. It's very ancient. It's one of the most of ancient arts. The impulse for dance is very simple. It's either joy or some symbolic rituals to connect with the spirits or the universe.

So when choreographers or those who create dance performances forget about this original impulse for dance, I think it starts to look like something inorganic. Something forced. And when suddenly it's just dancing for joy, that is itself a joy to see. I love that and I look for that quality. □

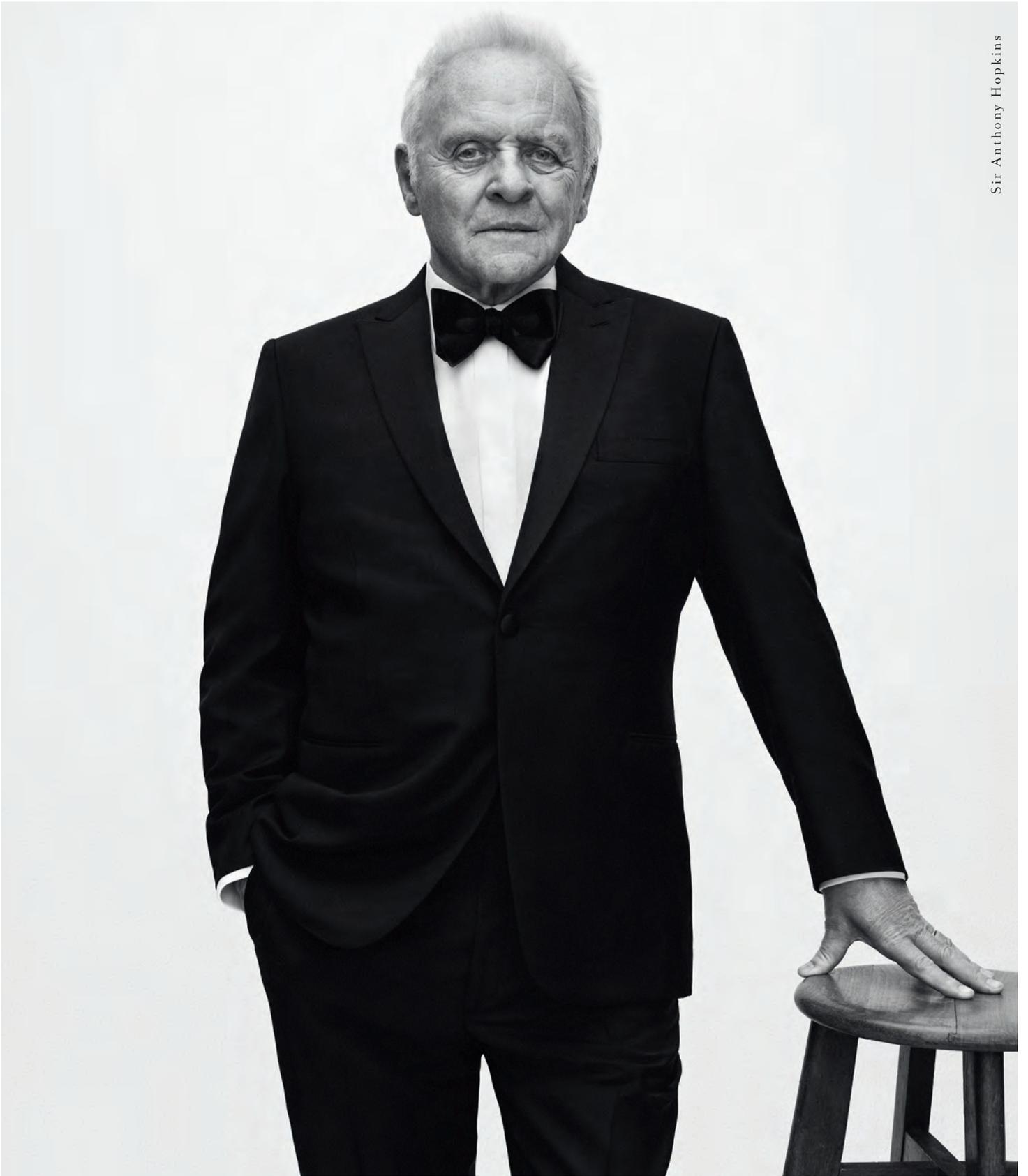
Thomas Demand

Cuttings, 2015, (detail)

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Sir Anthony Hopkins



TAILORING LEGENDS SINCE 1945

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