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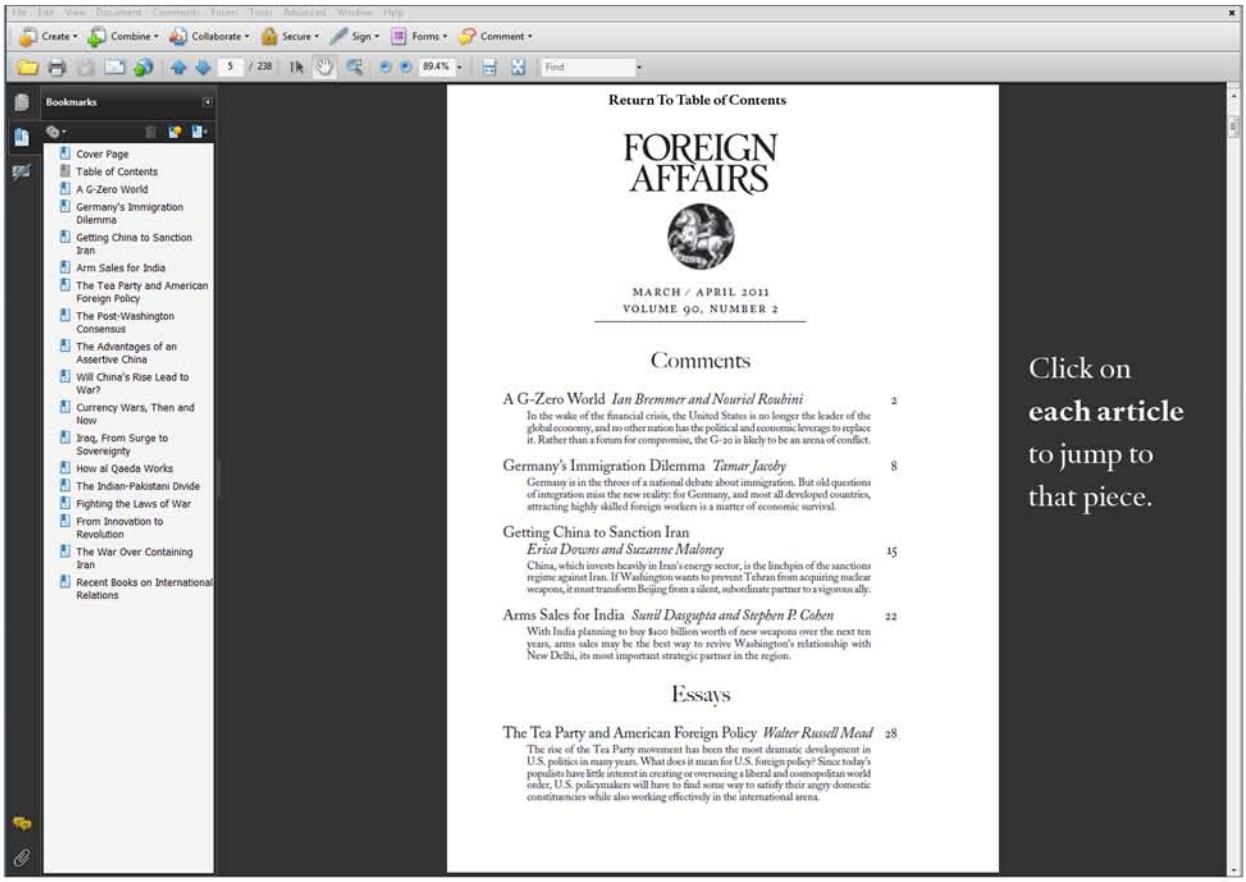

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Comments

ANDREW WINNING/REUTERS

A rebel in a destroyed tank of pro-Qaddafi forces, Ajdabiyah, Libya, April 7, 2011

At the current pace of cuts in defense spending, it is hard to see how Europe will be able to sustain operations similar to NATO's mission in Libya.

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NATO After Libya

The Atlantic Alliance in Austere Times

Anders Fogh Rasmussen

NATO's sea and air mission in Libya is the first major military engagement undertaken since the global financial crisis. With European NATO allies drastically reducing their defense spending, there were legitimate fears as to whether they could still afford to respond to such complex crises. Reports early on that the operation lacked sufficient strike capabilities reinforced these fears. But the unprecedented speed, scale, and sustained pace of execution of Operation Unified Protector tell a different story. As of early May, the pace of air sorties had remained high since the beginning of the operation, and strikes had accounted for just under half of those sorties. When requirements changed as Muammar al-Qaddafi's forces altered their tactics, NATO allies provided more of the high-precision strike capabilities that the commanders needed. Meanwhile, more than a dozen ships have been patrolling the Mediterranean Sea and enforcing the UN arms embargo.

The mission in Libya has revealed three important truths about military intervention today. First, to those who claimed that Afghanistan was to be NATO's last out-of-area mission, it has shown that unpredictability is the very essence of security. Second, it has proved that in addition to frontline capabilities, such as fighter-bombers and warships, so-called enablers, such as surveillance and refueling aircraft, as well as drones, are critical parts of any modern operation. And third, it has revealed that NATO allies do not lack military capabilities. Any shortfalls have been primarily due to political, rather than military, constraints. In other words, Libya is a reminder of how important it is for NATO to be ready, capable, and willing to act.

Although defense is and must remain the prerogative of sovereign nations, an alliance that brings Europe and North America together requires an equitable sharing of the burden in order to be efficient. Downward trends in European defense budgets raise some legitimate concerns. At the current pace of cuts, it is hard to see how Europe could maintain enough military capabilities to sustain similar operations in the future. And this

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Anders Fogh Rasmussen is Secretary-General of NATO.

touches on a fundamental challenge facing Europe and the alliance as a whole: how to avoid having the economic crisis degenerate into a security crisis. The way Europe responds to this challenge could determine its place in the global order and the future of security.

NATO allies should concentrate on taking fresh steps on three fronts: strengthening European defense, enhancing the transatlantic relationship, and engaging with emerging powers on common challenges. But before turning to prescriptions, it is important to look at the facts: what happened in Libya and whether the financial crisis has affected the global distribution of military power.

THE SPENDING GAP

Operation Unified Protector has shown that European countries, even though they spend less on their militaries than the United States or Asian powers, can still play a central role in a complex military operation. Indeed, after the United States, Europe still holds the world's most advanced military capabilities. The question, however, is whether Europe will be able to maintain this edge in five or ten years.

This is particularly worrying when one considers the ongoing redistribution of global military power, a shift embodied in the relative decline of European defense spending compared to that of emerging powers or the United States. As European countries have become richer, they have spent less on defense. Since the end of the Cold War, defense spending by the European NATO countries has fallen by almost 20 percent. Over the same period, their combined GDP grew by around 55 percent. The picture is somewhat different in Asia. According to the Stockholm International Peace Research Institute, between 2000 and 2009, India's defense spending grew by 59 percent, and China's tripled. This led to a double leap forward: a transformation of these countries' armed forces and their acquisition of new weapons systems.

If one compares Europe's defense spending with that of the United States, the contrast is also large. By the end of the Cold War, in 1991, defense expenditures in European countries represented almost 34 percent of NATO's total, with the United States and Canada covering the remaining 66 percent. Since then, the share of NATO's security burden shouldered by European countries has fallen to 21 percent.

Many observers, including some in government circles on both sides of the Atlantic, argue that the biggest security challenge facing the West is rising debt levels in Europe and the United States. They have a fair point; after all, there can be no military might without money. Others even argue that there is little need to worry if European nations invest less in defense, since this reflects a Europe that is whole, free, and at peace. But these arguments fail to consider three important facts.

First, military might still matters in twenty-first-century geopolitics. The security challenges facing Europe include conflicts in its neighborhood, such as in Libya; terrorism from failed states further away; and emerging threats such as the proliferation of weapons of mass destruction and cyberwarfare. What defines these threats is both their diversity and their unpredictability. Investing in homeland security and retrenching will not be enough to counter them.

Nor will it be enough to rely only on soft power. Nobody is advocating a return

to nineteenth-century gunboat diplomacy, but in an unpredictable environment, hard power can enable peace. Just as the presence of a police officer may deter a burglar, the projection of military power can help prevent and, in extreme cases, diminish threats, as well as ultimately open the way for political solutions. Events in Libya have underlined that although a military approach cannot solve a conflict on its own, it is a necessary tool in a wider political effort. Europe needs to build a strong continuum of hard and soft power so that it can respond to the full spectrum of crises and threats.

Second, new economic and military powers, such as Brazil, China, and India, are entering the field. It would be wrong to see their presence simply as a challenge to the West or to assume that they pose a military threat to NATO. After all, lifting hundreds of millions of people out of poverty benefits everyone. Those countries have little interest in overthrowing the global system on which their prosperity was built. Instead, Europe should welcome what these nations can offer to international security in terms of military capabilities.

If Europe is creating a security gap, then these powers could, in theory, reduce this gap. Yet this is unlikely to happen because the interests of these powers and the interests of Western ones may not coincide, and it is not certain that emerging powers have the same approach to addressing security challenges. In the case of Libya, for instance, although Brazil, China, India, and Russia consciously stepped aside to allow the UN Security Council to act, they did not put their military might at the disposal of the coalition that emerged. (China did dispatch a military vessel and planes to the region, but only to help evacuate its citizens.) The episode serves as a reminder that emerging powers' interests will not necessarily coincide with Europe's. The paradox, then, is that the global order enjoys more stakeholders than ever before and yet it has very few guarantors. Europe is still one of them, but for how long?

Third, the transatlantic partnership remains the main engine of global security. The partnership has been successful in sharing common goals and values, while boasting interoperable and rapidly deployable forces. But the United States is facing its own budgetary challenges, and as Libya has shown, Washington will not always take the lead when it comes to power projection. The United States will demand with an even stronger voice that Europeans assume their responsibilities in preserving order, especially in Europe's periphery. But if European defense spending cuts continue, Europe's ability to be a stabilizing force even in its neighborhood will rapidly disappear. This, in turn, risks turning the United States away from Europe.

SMARTER DEFENSE

The obvious solution to all these problems would be for Europe to spend more on defense. In light of the unfolding events in the Middle East, a debate on whether to reverse the decline in defense spending has begun in several European capitals. But given the economic environment in Europe, it is highly unlikely that governments there will make any significant changes. Thus, the way forward lies not in spending more but in spending better—by pursuing multinational approaches, making the transatlantic compact more strategically oriented, and working with emerging powers to manage the effects of the globalization of security.

THIERRY ROGE/REUTERS

Anders Fogh Rasmussen in Brussels, May 4, 2011

First of all, Europe should pursue a "smart defense" approach. Smart defense is about building security for less money by working together and being more flexible. This requires identifying those areas in which NATO allies need to keep investing. The operation in Libya has underlined the unpredictability of threats and the need to maintain a wide spectrum of military capabilities, both frontline and enabling ones. Keeping a deployable army, a powerful navy, and a strong air force costs money, however, and not all European countries can afford to have a bit of everything. So they should set their priorities on the basis of threats, cost-effectiveness, and performance—not budgetary considerations or prestige alone.

Smart defense also means encouraging multinational cooperation. As the price of military equipment continues to rise, European states acting alone may struggle to afford high-tech weapons systems such as the ones used in Libya. European nations should work in small clusters to combine their resources and build capabilities that can benefit the alliance as a whole. Here, NATO can act as a matchmaker, bringing nations together to identify what they can do jointly at a lower cost, more efficiently, and with less risk.

Second, European countries can help bridge the gap with the United States by increasing their contribution of two ingredients, deployable and sustainable capabilities, as well as mustering the political resolve to use them. To pair both ingredients, Europe and North America should strengthen their connections through an open and truly strategic

dialogue, with both sides sitting around the same table to discuss issues of common concern. Promoting this dialogue has been one of my main priorities within NATO since the adoption of the alliance's "strategic concept" at the Lisbon summit last November. But there is room for improvement. Particular efforts must be made to ensure that the two major Euro-Atlantic security providers, NATO and the EU, cooperate more closely. This will be essential, as both will have a role in helping states transitioning to more democratic systems. For instance, in the Middle East, both NATO and the EU could assist in reforming the security sectors of nascent and fragile democracies.

Third, Europe and the United States should work more closely with emerging powers. This is not going to be easy, so building confidence will be essential. The process can begin by fostering a mutually assured dialogue with these countries, which would help defuse crises, overcome disagreements, and clear up misperceptions. Working together could eventually lead to a common understanding of how to build twenty-first-century global security, which entails a sense of shared responsibility. This way, what too often seems like a zero-sum scenario can be turned into a win-win one.

NATO can make a major contribution to this new global security understanding. The alliance can build on the already extensive partnership network it has established and consult key emerging powers. It can continue to address common security challenges that transcend national borders. Of course, the UN Security Council must remain the overall source of legitimacy for international peace and stability. A more inclusive dialogue among the main security stakeholders, however, would help it prevent and manage crises.

The economic challenges that European nations face are immense, but that must not prevent them from seeing the wider strategic picture. Uncoordinated defense cuts could jeopardize the continent's future security. Libya can act as a wake-up call, but this mission needs to be followed by deeds. Making European defense more coherent, strengthening transatlantic ties, and enhancing NATO's connections with other global actors is the way to prevent the economic crisis from becoming a security crisis.

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The Secrets of Germany's Success

What Europe's Manufacturing Powerhouse Can Teach America

Steven Rattner

As Americans fret about persistent economic challenges, particularly high unemployment, a nearly opposite mood pervades Germany. Neither the economic crises in the rest of the eurozone nor the instability in the Middle East has dampened a deep-seated conviction among German business leaders and economists that two decades after the costly reintegration of East Germany the country has reestablished its position as an economic juggernaut.

Germany's optimism appears warranted: whereas unemployment in the United States rose during the recent economic recession, from 4.6 percent in 2007 to 9.0 percent in 2011 (seasonally adjusted), in Germany, it fell, from 8.5 percent to 7.1 percent. For the first time since 1992, fewer than three million Germans are unemployed. By the time U.S. President Barack Obama was telling Americans in his January 2011 State of the Union address that the United States needed to double its exports, Germany had quietly become the world's second-largest exporter (after China). Indeed, Germany's exports have contributed two-thirds of the country's economic growth over the past decade and have driven its GDP per capita to increase faster than that of any other major industrialized country.

When it comes to boosting exports, of course, the need to maintain or even increase the size of the manufacturing sector, in particular, has been an article of faith in major developed countries for decades. Politicians and voters alike believe that having companies that "make something" is a key element of economic success, in part because manufacturing jobs have historically paid above average wages. For its part, Germany embraced manufacturing, and much of its economic success is thanks to that decision.

THE MITTELSTAND MIRACLE

Germans credit both their public and their private sectors for their country's success. Germany's government, particularly under

Steven Rattner is former Counselor to the Secretary of the U.S. Treasury and former Lead Auto Adviser in the Obama administration.

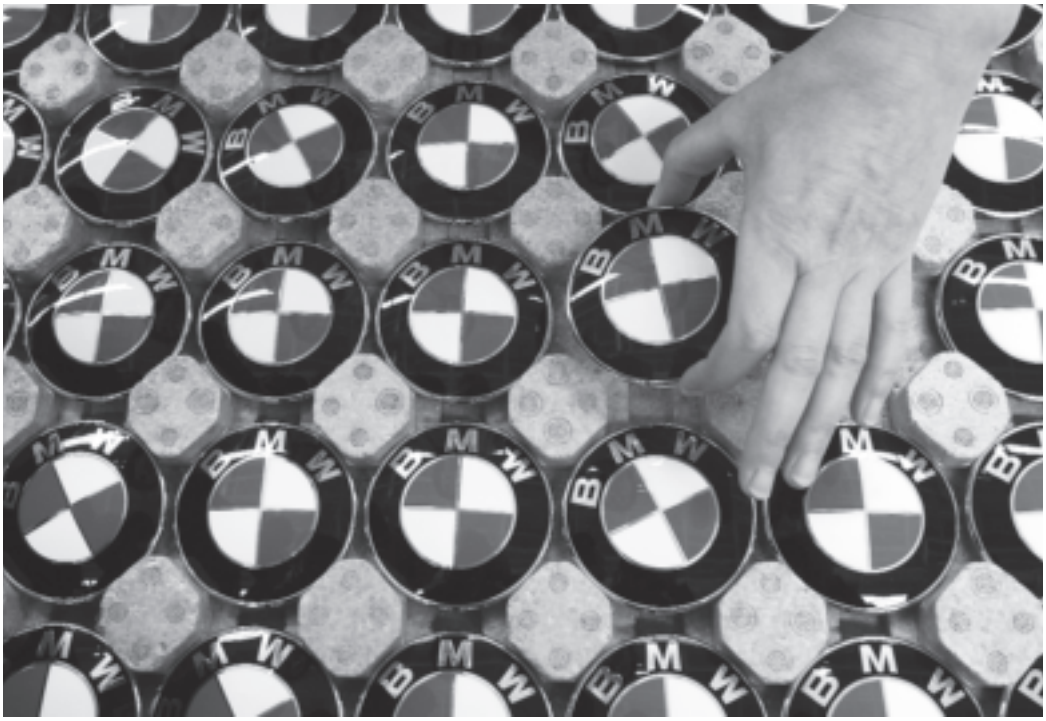
Gerhard Schröder, who was chancellor from 1998 to 2005, played an important role in the country's economic growth. In early 2005, Schröder pushed through parliament a massive reform program called Agenda 2010. Doing so was politically costly for the chancellor. His party suffered a major loss in that spring's regional election, and when Schröder called for an early general election in the fall that year, he was defeated. But Agenda 2010 survived and successfully rolled back the German welfare state by, among other things, paring unemployment benefits to encourage work, relaxing stultifying regulatory practices, and forging a grand bargain with labor unions whereby the unions agreed to hold down wages and the government assured job security for workers.

This greater job security was afforded in large measure through a "short work" scheme: workers' total number of hours were reduced to avoid layoffs, and the government covered part of their lost salaries. Approximately 1.5 million Germans were enrolled in the program at its peak, in May 2009, at a cost to the government of 4.6 billion euros that year alone. According to a 2009 report by the Organization for Economic Cooperation and Development, the program saved approximately 500,000 jobs during the recent economic recession.

Of at least equal importance was the role of the private sector, especially the innumerable small and medium-sized manufacturing firms known as the *Mittelstand*. These companies combine the advantages of stable family ownership with a focus on producing sophisticated goods that emerging markets cannot easily replicate. As Germans like to say, "We make the thing that goes inside the thing that goes inside the thing." Although family-owned businesses can be a mixed blessing, of course—they are subject to familial strife and succession problems—the overall success of these companies is widely acknowledged. The *Mittelstand* now employ millions of people and seem to put a higher priority on employing Germans than do publicly traded multinational giants. Many Germans believe that since the *Mittelstand* are privately owned, they focus more on long-term growth than short-term profits.

A significant portion of Germany's industrial success can be traced to two manufacturing sectors. The first, heavily dominated by the *Mittelstand*, includes companies that build the sophisticated machine tools that emerging markets need as they develop their own manufacturing capabilities. This might sound like selling arms to one's adversary, but it has worked well for Germany. The second sector includes Germany's marquee auto brands—BMW, Daimler, Porsche, Audi, and the like. Automakers are, of course, central to the German economy, composing about 20 percent of GDP. In particular, high-end cars have become hot commodities for affluent consumers in booming new markets, such as China, which alone accounts for 25 percent of BMW's global profits.

Some have warned that Germany's economy is overly export-dependent and vulnerable to the vicissitudes of the global economy, but the country's success as an exporter has created a virtuous circle that has instead strengthened the German economy. More exports have generated more profits and created more jobs, and these in turn have fueled domestic demand for consumer products. Germany's exports in February 2011 were



FABRIZIO BENSCH/REUTERS

At a BMW factory in Leipzig, Germany

21 percent higher than a year earlier, and its imports were 27 percent higher.

BAD FOR EU, GOOD FOR ME

Although Germany's public and private sectors deserve enormous credit for their accomplishments, the reasons for the country's economic triumph are more complicated. Not all of Germany's economic policies—especially its decision to hold down wages—have had positive effects. According to a December 2010 International Labor Organization report, real earnings in the country dropped by 4.5 percent over the past decade. In other words, even as Germany was selling more and finding innovative ways to keep more of its citizens employed, it was failing to provide most Germans with an improved standard of living. And inevitably, wages can be held down only for so long in an otherwise healthy economy. Accordingly, real wages have begun to rise—by 1.5 percent in 2010—marginally eroding German competitiveness.

At the same time, the short-work program adversely affected productivity: between 2007 and 2009, GDP per employee fell by five percent in Germany while rising by two percent in the United States. The tension between maximizing productivity, or competitiveness, and maximizing employment is something almost all developed countries face. In some ways, Germany and the United States are on opposite ends of this spectrum. Germany maximized employment, and its GDP suffered; the flexible U.S. economy tends to maximize productivity, and it has a higher unemployment rate as a result.

Meanwhile, the introduction of the euro in 1999 quietly brought Germany another advantage: it fused the country

to others whose competitiveness, as measured by the cost of each unit of labor, had stagnated, particularly Greece, Ireland, Italy, Portugal, and Spain, but also France. Meanwhile, since 1999, Germany's competitiveness has increased by nearly 20 percent. Germany wins more business worldwide when it competes against other eurozone countries to sell its exports, and it even outperforms them in their home markets. About 80 percent of Germany's trade surplus comes from its trade with the rest of the European Union.

The eurozone's weak economic performance and the simmering sovereign debt crises in several peripheral eurozone countries have kept the value of the euro well below what the deutsche mark would be worth today if it still existed. (According to some estimates, if Germany abandoned the euro, its currency would immediately appreciate by 30 to 40 percent.) This gives Germany an enormous competitive trade advantage over countries with their own, more expensive currencies, such as the United Kingdom and the United States. The economic stimulus from the undervaluation of the euro has been so powerful that the biggest economic worry in Germany today is that the economy will overheat and trigger inflation.

LEARNING GERMANY'S LESSONS

Whatever its flaws, the German model shows that a developed country can remain competitive even in a world where new economic giants, such as China, India, and others, are emerging. To accomplish this requires determined political leadership—of the kind that Schröder displayed in 2005—as well as figuring out the right ways to exploit a country's comparative advantages. Germany has succeeded in large part through its focus on specialized manufacturing and marquee brands. Given the vastly lower labor costs and quickly rising productivity in the developing world, emphasizing the top of the value-added chain is the surest way forward for advanced economies. In 2009, General Motors' labor costs were $55 per hour in the United States, $7 in Mexico, $4.50 in China, and $1 in India for the same types of work. Although productivity in Mexico, China, and India was lower than in the United States, the difference in wages more than compensated.

As the German example has shown, superior products, and at least some with significant brand recognition, can buoy an entire economy. Even though locally produced Buicks are a huge success in China, the United States may not have auto brands with enough marquee value to compete widely for China's high-end consumers. But it does have an enviable global edge in several high-growth sectors, including social media (Google and Facebook), entertainment, technology, and finance.

The United States will also have to be realistic, however. Given the high rates of investment in the developing countries and the fact that these countries' workers are becoming increasingly skilled, even the smartest government policies cannot keep the U.S. economy's share of global manufacturing exports from declining. This will mean more human dislocation, which Washington should work to ameliorate. Creative approaches along the lines of Germany's Agenda 2010 would help. Although the short-work program has had its disadvantages, by spreading available

work across a broader pool of laborers, it prevented some of the wrenching social costs, such as high unemployment, that the United States has recently experienced. And just as Germany has profited from its focus on producing highly trained engineers, the United States would benefit from better technical training programs.

The United States may also find inspiration in Germany's growing focus on encouraging new industries, such as the alternative energy sector. In typical German fashion, its green-energy companies manufacture mainly niche products, such as components for solar panels and machine tools for building parts for solar devices. Thanks to new laws encouraging investment in green energy, last year Germany's green-energy industry received $41 billion in new investment, compared with $34 billion in the United States. Such government interventions can, of course, create a slippery slope, with all the attendant risks of poor execution and management. But at least some of these risks can be mitigated if the government insists that its capital be used to leverage private investment.

Germany has lived off exporting to other markets for a long time. The United States would benefit from nurturing such an orientation in its own economy. In Germany, even the *Mittelstand* business owners are international. Many have lived and worked outside of Germany and speak excellent English—the global language of business. Obama's rhetoric about doubling exports represents at least a first step toward achieving greater U.S. focus on world markets.

The challenges of globalization for developed countries—and particularly for these countries' workers—are real. Germany's success as an exporter of niche manufactured goods has not been unambiguous, but on balance, the German example shows that a combination of good private-sector performance and a sensible policy approach can encourage real growth, even in the West. Absent a more thoughtful approach, U.S. industry is likely to find itself under unrelenting pressure as globalization inexorably grows.

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Washington's Phantom War

The Effects of the U.S. Drone Program in Pakistan

Peter Bergen and Katherine Tiedemann

One hot summer evening in 2009, in a small village in the remote Pakistani tribal agency of South Waziristan, a pair of Hellfire missiles fired from an unmanned Predator drone slammed into a house, killing the chief of the Pakistani Taliban, Baitullah Mehsud, along with his wife. About a year later, in May 2010, down a dirt road from Miran Shah, the main town in North Waziristan, a missile from another Predator killed Mustafa Abu al-Yazid (known as Saeed al-Masri), a founding member of al Qaeda, along with his wife and several of their children.

These drone strikes were successful in killing high-level leaders of the Taliban and al Qaeda. But few are. On average, only one out of every seven U.S. drone attacks in Pakistan kills a militant leader. The majority of those killed in such strikes are not important insurgent commanders but rather low-level fighters, together with a small number of civilians. In total, according to our analysis, less than two percent of those killed by U.S. drone strikes in Pakistan have been described in reliable press accounts as leaders of al Qaeda or allied groups. Not a single drone strike had targeted Osama bin Laden before he was killed by U.S. Navy SEALs on May 2. Meanwhile, al Qaeda's second-in-command, Ayman al-Zawahiri, has not been targeted by a drone since 2006.

The U.S. drone program has its roots in the late 1990s, when unmanned—and unarmed—aircraft tracked and spied on al Qaeda in Afghanistan. After 9/11, then U.S. President George W. Bush ordered U.S. drones, at that point equipped with missiles, to kill leaders of al Qaeda, first in Afghanistan and later in Yemen and Pakistan. From June 2004, when the strikes in Pakistan began, to January 2009, the Bush administration authorized 44 strikes in the rugged northwestern region of Pakistan. Since assuming office, Barack Obama

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PETER BERGEN is Director of the National Security Studies Program at the New America Foundation and the author of *The Longest War: The Enduring Conflict Between America and Al-Qaeda*. KATHERINE TIEDEMANN is a Research Fellow at the National Security Studies Program at the New America Foundation and a doctoral student in political science at George Washington University.

has greatly accelerated the program, likely as a result of better on-the-ground intelligence in Pakistan. In just two years, the Obama administration authorized nearly four times as many drone strikes as did the Bush administration throughout its entire time in office—or an average of one strike every four days, compared with one every 40 days under Bush. (The drones are launched from air bases in Afghanistan and Pakistan but are controlled by pilots in the United States.)

As the pace of the drone strikes has increased, so, too, has their accuracy. During the first two years of the Obama administration, around 85 percent of those reported killed by drone strikes were militants; under the Bush administration, it was closer to 60 percent. The number of civilians killed by the drone strikes is controversial. On the high end, some Pakistani official sources estimate that 700 civilians were killed in 2009 alone. The U.S. government, meanwhile, has claimed that the drone program was responsible for fewer than 30 civilian deaths between May 2008 and May 2010.

Civilian and military leaders in Washington describe the drone program as a success in U.S. counterterrorism efforts. In remarks that are indicative of the enthusiasm among U.S. officials for the strikes, in late 2008 then CIA Director Michael Hayden said that al Qaeda and its allies in Pakistan's Federally Administered Tribal Areas (FATA) had suffered "significant" losses and were feeling "less secure today" than they had just a few months earlier.

TRIBAL VIOLENCE

In order to investigate the real civilian fatality rate and the impact of the drone strikes on al Qaeda and its allies, we developed an open-source database of every U.S. drone strike reported in Pakistan since 2004. (The database is available at www.newamerica.net/drones.) Such a project is not without difficulties—reporting in the tribal areas is challenging—but our research is based on reliable accounts from Western and Pakistani media outlets with deep reporting capabilities in the region.

One of the primary challenges in producing an accurate count of fatalities from drone strikes is the divergent incentives for U.S. officials and for militants: Washington claims that almost all those killed in the drone strikes are militants, whereas militants and locals often claim that the victims are civilians. Even determining who is a militant and who is a civilian is often impossible given the environment of the tribal areas, a place where insurgents live among the civilian population and do not wear uniforms.

According to our data, as of early April 2011, U.S. drones had struck targets in northwestern Pakistan 233 times. Most of these strikes took place in the preceding year and a half. From June 2004 to April 7, 2011, drone strikes killed somewhere between 1,435 and 2,283 people, of whom between 1,145 and 1,822 were described as militants in reliable press accounts. This suggests that over the life of the program, the percentage of fatalities who were militants has been around 80 percent; in 2010, that figure rose to 95 percent. This increase in accuracy is likely the result of better coordination between Pakistani and U.S. intelligence agencies, the smaller missiles now fired by the drones, and the drones' increasing ability to linger many hours over a target, which better allows their U.S. pilots to distinguish militants from civilians.

Tallying the number of militants killed is of limited use, however, unless one can answer the more salient question: What impact has the drone program had on the insurgency in Pakistan and, by extension, that in Afghanistan? After all, much of the violence in both countries emanates from the tribal regions, which are overwhelmingly targeted by the strikes. Here, the evidence is equivocal. Although the strikes have killed more than 1,000 militants, including 33 insurgent leaders, violence in Pakistan has gone up dramatically since the program began, from only 150 terrorist incidents in 2004 to a peak of 1,916 in 2009 (according to the U.S. National Counterterrorism Center), although the increase first ticked up in 2007, a year before the frequency of the drone strikes began to pick up. In Afghanistan, the number of suicide attacks tripled in the first half of 2010 compared to the same period in 2009. Although a number of factors could have contributed to these increases—militant retaliation for Pakistani military operations, for example, or for the increased raids by U.S. and NATO forces in Afghanistan—it appears that the drone strikes are not damaging the insurgencies in Pakistan and Afghanistan as much as Washington would like.

What is clear is that the drone strikes have not deterred Western would-be terrorists from traveling to Pakistan's tribal regions for training in militant camps. In 2009, as many as 150 such American and European recruits went to the tribal areas for training, and last year, both British and German citizens were reportedly killed in drone strikes. Najibullah Zazi, an Afghan American coffee-cart vendor who plotted to attack Manhattan subways in the fall of 2009, and Faisal Shahzad, the Pakistani American who tried to detonate a car bomb in Times Square the following spring, both had received training in Pakistan's tribal regions, even as the drone campaign was gathering steam. Militants trained in Waziristan—believed to be mostly German citizens affiliated with the Islamic Movement of Uzbekistan, a group with ties to al Qaeda—plotted a Mumbai-style attack that sparked a terror alert across Europe in the fall of 2010, according to senior U.S. counterterrorism officials.

Some Pakistani politicians, such as Imran Khan, a former cricket player and founder of the political party Pakistan Tehreek-e-Insaf, and some Western counterinsurgency analysts, such as David Kilcullen, a former Australian military officer who was a top adviser to General David Petraeus, have argued that the drone strikes are counterproductive because they stoke anger against the United States among the Pakistani public, potentially adding to the pool of militant recruits. The program is indeed unpopular in Pakistan: according to a 2009 Gallup poll, only nine percent of Pakistanis support the strikes. A similar survey conducted last year by the New America Foundation in North Waziristan, where the vast majority of the drone strikes have been reported, found that only ten percent of the population favors them.

Such skepticism may stem from the perception of many Pakistanis that the drone program is inaccurate: more than half the respondents to the New America Foundation survey said that they thought the strikes kill mostly civilians. Such a belief, in turn, could also explain why nearly two-thirds of those polled in Pakistan's tribal areas said that suicide attacks against U.S. military targets are justified. This is an especially significant finding, as the United

REUTERS

Pakistanis protesting U.S. drone attacks in Hyderabad, February 4, 2009

Nations has reported that as many as 80 percent of those who carry out suicide attacks in Afghanistan come from these regions.

Another problem with the drone strikes is that since they eliminate militants before they can be apprehended and questioned, the program precludes the possibility of gaining any useful intelligence from those killed. Dead militants, of course, can offer no insights into planned operations. (For the Obama administration, this may present an incidental advantage: those killed do not enter the clogged legal morass of Guantánamo.)

SWATTING AT WASPS

Despite the drone program's shortcomings, it is likely to continue—put simply, Washington has no better military options for combating the anti-Western militants who have made their home in Pakistan's tribal areas. Pakistan's army has proved itself unwilling or unable to clear out the Taliban and other insurgent groups from North Waziristan, where around 90 percent of last year's drone strikes took place. Although the Pakistani armed forces have in recent years undertaken operations in the six other agencies of FATA, the military's high command remains resistant to attacking North Waziristan, a base of the Haqqani network, al Qaeda and other foreign fighters, and local Taliban militants, some of whom Pakistan views as a hedge against Indian influence in the region. Pakistan's ambassador to United States, Husain Haqqani, has argued that Pakistan is not in a position to begin an offensive in North Waziristan because its military is already stretched thin by its work on reconstruction efforts necessitated by the country's devastating floods in the

summer of 2010. And Pakistan's powerful army chief, General Ashfaq Parvez Kayani, has resisted the efforts of countless U.S. officials to convince him to attack the insurgents based in North Waziristan. Kayani, it seems, is concerned not only with overcommitting his already overstretched forces but also with retaining the loyalty of the Haqqani network, which has long been an asset of Pakistani military intelligence, according to U.S. officials.

The military alternatives to drone strikes in the tribal areas—U.S. Special Forces operations using ground troops, for example, or conventional NATO-led air strikes—are not supported by Pakistani officials and would be met with strong resistance. In September 2008, U.S. commandos carried out a raid against alleged al Qaeda and Taliban militants just over the border from Afghanistan in South Waziristan, angering Kayani, who said that Pakistan's sovereignty would be defended "at all cost." Two years later, when NATO helicopters flew into Pakistani airspace in the Kurram Agency, Pakistan's reaction was even harsher—officials closed the Torkham border crossing, a key link in NATO's supply lines to Afghanistan. Last December, when a report in *The New York Times* suggested that Washington might be interested in expanding U.S. special operations raids into Pakistani territory, Ambassador Haqqani immediately registered his disapproval and noted that no foreign forces would be allowed to operate inside Pakistan. And the operation that killed bin Laden was met with outcries from Pakistani officials concerned about violations of the country's sovereignty.

Behind the scenes, many Pakistani officials—including President Asif Ali Zardari and Prime Minister Yousaf Raza Gilani—have supported the drone strikes, despite their occasional public protests. In a State Department cable from August 2008, just when Washington was ramping up the drone program, Gilani said, "I don't care if they [the Americans] do it as long as they get the right people. We'll protest in the National Assembly and then ignore it." A few months later, Zardari gave his blessing to the program with the brusque comment, "Kill the seniors. Collateral damage worries you Americans. It does not worry me." And of course, the greatest proof of Islamabad's cooperation is the fact that the program has continued; for the strikes to be even minimally successful, they require some coordination with Pakistan's military and intelligence services. As one U.S. official commented, "You need guys on the ground to tell you who they [militant targets] are, and that isn't coming from some white guy running around the FATA."

Although Pakistani officials have recently resumed their public criticism of the strikes, Islamabad has some strong reasons to cooperate. The strikes routinely kill enemies of the Pakistani state, such as Mehsud, who targeted police officers, soldiers, and civilians across the country with suicide bombings.

Anecdotal evidence suggests that the strikes are also having an effect on the insurgents' morale and operational practices. Low-level militants have grown to fear the drones, which some have dubbed *machay*, or "wasps," for the buzzing sound they make as they hover for hours before or after attacks. David Rohde, the *New York Times* reporter who was held by the Haqqani network for over seven months in North and South Waziristan in 2008 and

2009, wrote later that "the drones [were] a terrifying presence that . . . unnerved and angered the guards." Today, Haqqani fighters set up camp in groups no larger than ten men to avoid attracting the attention of the Predators and Reapers patrolling the skies above them. Some militants in North Waziristan have reportedly gone so far as to take up living in underground tunnels.

Finally, it is important to remember that Pakistan's tribal areas are a major source of human and material support for attacks against U.S. and NATO forces in Afghanistan, according to the United Nations. Washington is therefore loath to abandon, or even slow down, a program that may have any kind of positive effects in taming this troublesome region. Lacking other military alternatives and facing a persistent threat from the tribal areas, the U.S. program of drone strikes is not likely to end in the near future. As Leon Panetta, the outgoing CIA director, once said, the drone program is "the only game in town."

ISLAMABAD'S RESPONSIBILITY

Given the CIA's embrace of drones, the strikes will surely continue—although Washington should think carefully about how to manage them more effectively. So far, the United States has paid too little attention to how the strikes are seen in Pakistan—especially given the country's centrality to U.S. counterterrorism efforts and the increasingly large role played by the drone program in those efforts.

There are a number of steps Washington could take to make the drone strikes more palatable to Pakistanis concerned about civilian casualties and violations of their country's sovereignty. To begin with, the United States should make the program more of an operational partnership with Pakistan, recognizing Pakistan's desire for a reduced number of strikes while continuing to pursue the countries' shared interest in eliminating the remaining leaders of al Qaeda and the leaders of other extremist groups in the tribal areas. Additionally, U.S. and Pakistani officials should be more forthcoming about the program's existence. Every drone strike in northwestern Pakistan is covered by the media, which report casualties, locations, and targets. Given such reporting, the two governments' refusal to discuss the program openly only fuels rumors and paranoia among the general public.

Making the drone program more transparent, perhaps by releasing some of the CIA's videotaped footage of the strikes, would have several benefits: For one thing, researchers would be able to evaluate U.S. claims that few civilians are being killed. More openness would also reveal to the Pakistani public their government's support for and involvement in the program. In March, the Pakistani military took an important step in this direction by offering its own statistics about the drone strikes conducted between 2007 and 2010 in North Waziristan. Major General Mehmood Ghayur, the top commander in the area, told reporters that "a majority of those eliminated are terrorists, including foreign terrorist elements," adding that drone strikes in the agency had killed nearly 1,000 militants in four years. His comments were the first official Pakistani acknowledgment that the drone program is killing large numbers of insurgent fighters.

In fact, the war against the militants is Pakistan's more than it is the United States'—some 4,000 Pakistanis have been killed by insurgents since mid-2007—

and a more open accounting of Pakistan's involvement in the drone war would underscore this reality. It would also likely bolster public support for the program: polling in the tribal areas suggests that if the Pakistani military were seen to be more involved, opposition to the drone strikes would subside dramatically. Indeed, Zardari said in April that he would like the Obama administration to share drone technology with his country so that future strikes could happen under a "Pakistani flag." The United States has taken some small steps in this direction, offering to send a dozen Shadow and 85 Raven drones to Pakistan for surveillance purposes.

Washington should transfer responsibility for the drones flying over Pakistan from the CIA to the U.S. military. The CIA's control of the program in Pakistan is more a legacy of its longtime dominance of operations targeting al Qaeda than a reflection of any special expertise in drone warfare. Military control would have several advantages. In Afghanistan, Iraq, and now Libya, where U.S. drone programs are already controlled by the Pentagon, U.S. military lawyers ensure that the strikes conform to the laws of war, whereas in Pakistan, whatever vetting processes the CIA observes remain opaque. In Afghanistan and Iraq, the U.S. military also tends to pay compensation for accidental civilian deaths, whereas Pakistani civilians in the tribal areas can seek little legal or material recourse from the United States when their relatives are slain. Military control of the drone program in Pakistan would also place the strikes more clearly in the chain of command and link U.S. actions in eastern Afghanistan more directly with those in Pakistan's tribal regions. Coordinated Afghan-U.S. military operations now give the Afghan government more ownership over security conditions in Afghanistan. A similar arrangement should be struck in Pakistan.

A more transparent drone-strike program, with greater overt cooperation from Pakistan, would increase accountability, in particular regarding civilian casualties. It would also help lessen the fervent anti-Americanism in Pakistan by demonstrating that the war against militants in the tribal regions is in the interests of both Pakistan and the United States. Washington may have started the war in Pakistan's skies, but it cannot be finished without Islamabad.

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Are U.S. Borders Secure?

Why We Don't Know, and How to Find Out

Edward Alden and Bryan Roberts

In response to record numbers of illegal border crossings and the security fears triggered by the 9/11 attacks, over the past two decades the United States has steadily increased its efforts to secure its borders against illegal immigration. The number of U.S. Border Patrol agents has risen from fewer than 3,000 to more than 20,700; nearly 700 miles of fencing have been built along the southern border with Mexico; and surveillance systems, including pilotless drones, now monitor much of the rest of the border. In a speech in El Paso, Texas, in May, U.S. President Barack Obama claimed that the United States had "strengthened border security beyond what many believed was possible." Yet according to a Fox News poll taken last year, nearly three-quarters of Americans think the border is no more, or even less, secure than it was five years ago. Some administration critics claim that the United States' frontiers have never been more porous.

This contradiction stems in part from the fact that the Department of Homeland Security (DHS) has never clearly defined what border control means in practice. A secure border cannot mean one with no illegal crossings—that would be unrealistic for almost any country, especially one as big and as open as the United States. On the other hand, the borders cannot be considered secure if many of those attempting to enter illegally succeed. Defining a sensible middle ground, where border enforcement and other programs discourage many illegal crossings and most of those who try to cross illegally are apprehended, is the challenge.

Unfortunately, the U.S. government has failed to develop good measures for fixing goals and determining progress toward them. Since 2005, the DHS has reported how many miles of the country's land borders are under its "operational control," but it has done so without having clearly defined what that standard means and without providing hard data to back it up. The lack of sound measurement has left the administration touting its efforts

Edward Alden is Bernard L. Schwartz Senior Fellow at the Council on Foreign Relations. Bryan Roberts is Senior Economist at Nathan Associates and was Assistant Director of Borders and Immigration in the Office of Program Analysis and Evaluation at the U.S. Department of Homeland Security in 2010.

rather than their results: during a press conference in 2010, Obama noted, "We have more of everything: ICE [Immigration and Customs Enforcement], Border Patrol, surveillance, you name it. So we take border security seriously."

It is no wonder, then, that many critics dispute the president's claims. In Congress, the result has been a stalemate over border policy that has stymied progress on every other aspect of immigration reform. Obama's opponents, led by longtime supporters of immigration reform, including Republican Senators John McCain, Lindsey Graham, and Jon Kyl, have demanded that the borders be secured before any other aspect of immigration reform is addressed. Last year, for example, Congress approved almost unanimously an additional $600 million for border enforcement, on top of the $17 billion annual budget. But every other immigration proposal—including the DREAM Act, a bill that would grant residency to the children of illegal immigrants who attend a U.S. college for two years or join the military; new programs for temporary agricultural workers; and increased quotas for high-skilled immigrants—has been held up because of congressional demands that the border be secured first.

To move the debate on border security beyond politically driven speculation to a more serious consideration of how much enforcement is needed, and at what cost, the Obama administration must develop effective ways to measure progress on border security and then inform Congress and the public regularly about it.

HEAD COUNTS

For most of its history, the United States has known little about the people who attempt to cross its borders illegally. Beyond its yearly count of apprehensions, most of which occur along the U.S.-Mexican border, the Border Patrol reports very little data to the public. In 1986, the agency recorded the largest annual number of arrests—1,693,000—as immigrants flooded to the border hoping to take advantage of a new immigration bill that offered legal residency to many who were already illegally in the United States. In 2000, the number of arrests was almost as high, driven by the strong U.S. economy and rising numbers of young workers looking for higher wages in the United States. Arrests have dropped sharply since then. Only 463,000 were made in 2010, the lowest number since 1972.

On its own, the number of apprehensions gives only a hazy picture of the number of immigrants actually trying to sneak across the border, since a given individual may be caught multiple times or may enter without ever being caught. Moreover, arrest figures can highlight patterns of illegal immigration but cannot explain why they change. In the early 1990s, for example, Border Patrol arrests near the Californian-Mexican border averaged nearly 600,000 annually. After the government strengthened enforcement there in the mid-1990s, apprehensions fell by half in California but soared in Arizona, indicating that the illegal traffic had merely shifted east. (Today, Arizona remains the largest illegal-entry corridor into the United States. This helps explain the political backlash against immigration that led to the state's 2010 adoption of the controversial law known as SB 1070, which increases the state police's powers to arrest suspected illegal immigrants.)

Without data to supplement annual arrest figures, it is hard to say whether the

past decade's falling apprehension numbers are a victory for enforcement or simply the result of a weaker U.S. economy that is no longer a magnet for immigrant workers. For its part, the DHS claims that effective enforcement explains the recent drop in the number of apprehensions. Yet a decade ago, the DHS' predecessor agency, the Immigration and Naturalization Service, claimed that better enforcement accounted for the peak in the arrest numbers. A measure that indicates success whether it rises or falls is not very useful without further information.

PATROLLING FOR DATA

On its Web site, the Border Patrol states that "although the Border Patrol has changed dramatically since its inception over 80 years ago, its overall mission remains unchanged: to detect and prevent illegal entry of aliens into the United States." Currently, the DHS claims that nearly 900 out of the 1,969 miles of the U.S.-Mexican border are under the Border Patrol's control, but it has not presented hard data to support that claim.

A good place to start is estimating apprehension rates, that is, the number of arrests compared to total illegal crossings. With all the manpower, fencing, and surveillance that have been deployed along the U.S.-Mexican border, one would expect the U.S. government to be catching a higher percentage of illegal immigrants today than ever before. But the government currently does not report that rate.

Reasonable estimates can certainly be compiled. Since 1997, the Border Patrol has made internal calculations of "known illegal entries." The numbers come from close observation conducted by individual agents, who collect information about footprints and other physical evidence of human traffic across the U.S.-Mexican border, and from images from surveillance cameras. However, these Border Patrol estimates are rarely cited publicly, and when they are, they are used in a highly selective fashion. For example, a recent Government Accountability Office report stated that 90 percent of known illegal entrants in one sector, in Yuma, Arizona, were either apprehended or deterred from entering in 2009. But Yuma has seen a huge enforcement buildup in recent years, so very few immigrants attempt to cross there.

To be sure, this measure is almost certainly higher than the true apprehension rate, since known illegal entrants do not include those who successfully cross unnoticed. In contrast, another component of the DHS, the U.S. Coast Guard, has been calculating and reporting an apprehension rate based on known illegal entries at sea since the mid-1990s. It estimates that the apprehension rate at sea is about 60 percent.

Academic studies have also offered estimates of the apprehension rate. In 1994, Thomas Espenshade of Princeton's Office of Population Research developed a model that uses fingerprint data to identify individuals that the Border Patrol has caught trying to sneak across the border more than once. According to his research, evidence from those caught multiple times can be used to estimate with some accuracy the likelihood that an immigrant will be arrested on any given trip to the United States. He concluded that between 1977 and 1988, when there were only one-sixth as many Border Patrol agents as there are today, the apprehension rate was about 30 percent. This finding echoes studies by Princeton University's Mexican Migration Project, which since the 1980s has surveyed households in Mexican towns that have high emigration rates. They, too, suggest that the apprehension rate of those trying to cross illegally into the United States was around 30 percent between 1965 and 2005. Recent data from surveys of immigrants suggest that the rate may have risen in recent years.

If the estimates based on known illegal entries are too high, these are almost certainly too low, because they do not take into account immigrants who give up trying to cross after being caught. Taking deterrence into account, the true apprehension

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rate today for the entire southwestern border is likely between 40 and 50 percent, and it may have risen in recent years due to increased enforcement resources. The DHS is reluctant to publish a figure, however, probably because it varies greatly among different border sectors and because the data are better for some sectors than others. Although a high apprehension rate is a positive indicator, it is still insufficient as a measure of success. As with all law enforcement, the real aim of border enforcement is to deter illegal acts. Effective enforcement is impossible if lawbreaking is the norm. Even a very high apprehension rate would be less than desirable if many people kept trying.

KEEPING ILLEGAL IMMIGRANTS AT HOME

There are two types of deterrence relevant to border security: behind-the-border deterrence, in which enforcement discourages would-be immigrants from ever trying to cross illegally, and at-the-border deterrence, in which those who have been caught crossing the border at least once are deterred from trying to do so again. In an ideal system, the first kind of deterrence would work well enough to obviate the need for the second kind. Assessing behind-the-border deterrence is difficult, however, since it requires information about both people who decided to immigrate illegally and those who decided not to for fear of being caught.

The long-standing consensus of most academic research on illegal immigration, from such respected scholars as Douglas Massey of Princeton University and Wayne Cornelius of the University of California, San Diego, is that enforcement has little behind-the-border deterrent effect. Instead, this research argues that attempted entries are largely driven by economics; when the U.S. economy is strong, especially in sectors that employ many illegal immigrants, such as construction, the numbers rise. This has certainly been the historical pattern: total apprehension figures dropped during the recessions of 1981–82, 1990–91, and 2001–2.

Yet there is some evidence that deterrence is growing. The latest decline in apprehensions began well before the 2008 recession and has yet to be reversed, even as the U.S. economy is recovering. But without clearer models of illegal immigration, the administration cannot isolate the role of enforcement. The number of illegal crossings will likely rise again as the U.S. economy continues to recover, but since the current metrics are so poor, it will be impossible to tell whether that increase should be attributed to better economic conditions in the United States or to deficiencies in border security.

At the moment, the only available measure of at-the-border deterrence—from surveys of Mexican immigrants—is discouraging. It suggests that in the last decade, 90–98 percent of the Mexican nationals who tried to enter the United States illegally were ultimately successful. The odds of apprehension on any given journey have likely increased, but persistence continues to pay off. This appears to be due to the involvement of professional smugglers. Evidence suggests that half of all illegal crossers hired smugglers in the 1970s and that this proportion has risen significantly since. Data on the average fee paid to smugglers, which are collected by the immigrant surveys, show that, adjusted for inflation, the fee doubled between the early 1990s and 2005. In part,

these increasing fees may explain both the apparent increase in behind-the-border deterrence and the minimal effectiveness of at-the-border deterrence: some immigrants cannot afford smugglers, so they stay at home, and those who decide to pay a smuggler are determined to try until they succeed. (Immigrants typically pay smugglers half the fee in advance and half on their successful entry, so smugglers will guide the immigrants on multiple attempts.) Smuggling plays a critical role in facilitating illegal entry into the United States, and the DHS needs to collect, analyze, and report data on smuggling operations more systematically.

The Border Patrol has long recognized the importance of deterrence at the border. But for decades, it simply returned most of the Mexican immigrants it apprehended to just over the border, only to see them try to cross again and again. It has recently begun imposing penalties, such as jail time or a flight to the interior of Mexico. There is not yet good data, however, on whether these new methods are increasing deterrence.

If the goal of border enforcement is to prevent successful illegal entry into the United States, the government will need to devise better ways to track those who overstay their visas or are smuggled in through legal ports of entry. Ultimately, the U.S. government needs to generate reasonably accurate measures of the total inflow of illegal immigrants in order to develop the most effective policy responses. Measuring illegal immigration may seem inherently difficult, but in 2000 and 2001, the government explicitly set the twin goals of reducing both illegal immigrant inflows and the total number of unauthorized immigrants in the United States.

And those numbers are routinely estimated by experts both inside and outside the government. After the DHS was formed in 2002, the regular measuring of progress toward these goals stopped, but it is clear that taking such measurements is possible if the political will exists.

WHY METRICS MATTER

Systematically reported apprehension rates and deterrence data would give Congress better information to decide whether the money spent on border security is wisely allocated. Border security budgets have ballooned over the past decade, but the results are unclear. Right now, questions about whether current spending is adequate to control the border and, if not, how much would be are largely unanswerable.

With better measures, the government could experiment with new programs. For example, increased numbers of legal work opportunities would likely reduce incentives to cross illegally. But unless Congress had some confidence that this could be measured and verified, it would be reluctant to authorize the program. If the government could better track illegal crossings, it could test pilot programs of new initiatives as an intermediate step.

Similarly, improved measurement could help determine the relative effectiveness of various enforcement tools. The DHS has no real understanding of how much border control improves when the number of Border Patrol agents, sensors, or miles of fencing increases. It also has no understanding of the relative effectiveness of border enforcement as compared to efforts to prevent employers from hiring illegal workers.

Signs that the DHS and Congress are finally starting to seek more reliable border security metrics are mixed. At a February 2011 hearing before the House Homeland Security Subcommittee on Border and Maritime Security, Michael Fisher, the Border Patrol chief, noted that "operational control is not in and of itself an assessment of border security." The Border Patrol has said that the agency is working on a new set of performance metrics that will improve the assessment of border security. However, at a hearing in May, DHS Secretary Janet Napolitano instead promised new measures of success focused on "overall security and quality of life along the entire border region." Such assessments would miss the point: it would be as if local police forces measured property values rather than crime rates. Better border enforcement will certainly improve the quality of life along the border, but that is a consequence of a job well done, not the job itself. The DHS needs to develop and report measures that directly address its mission, and the government will need to establish clear targets and genuine metrics for progress. Without them, the policy debate will remain mired in unfounded claims and immeasurable goals.

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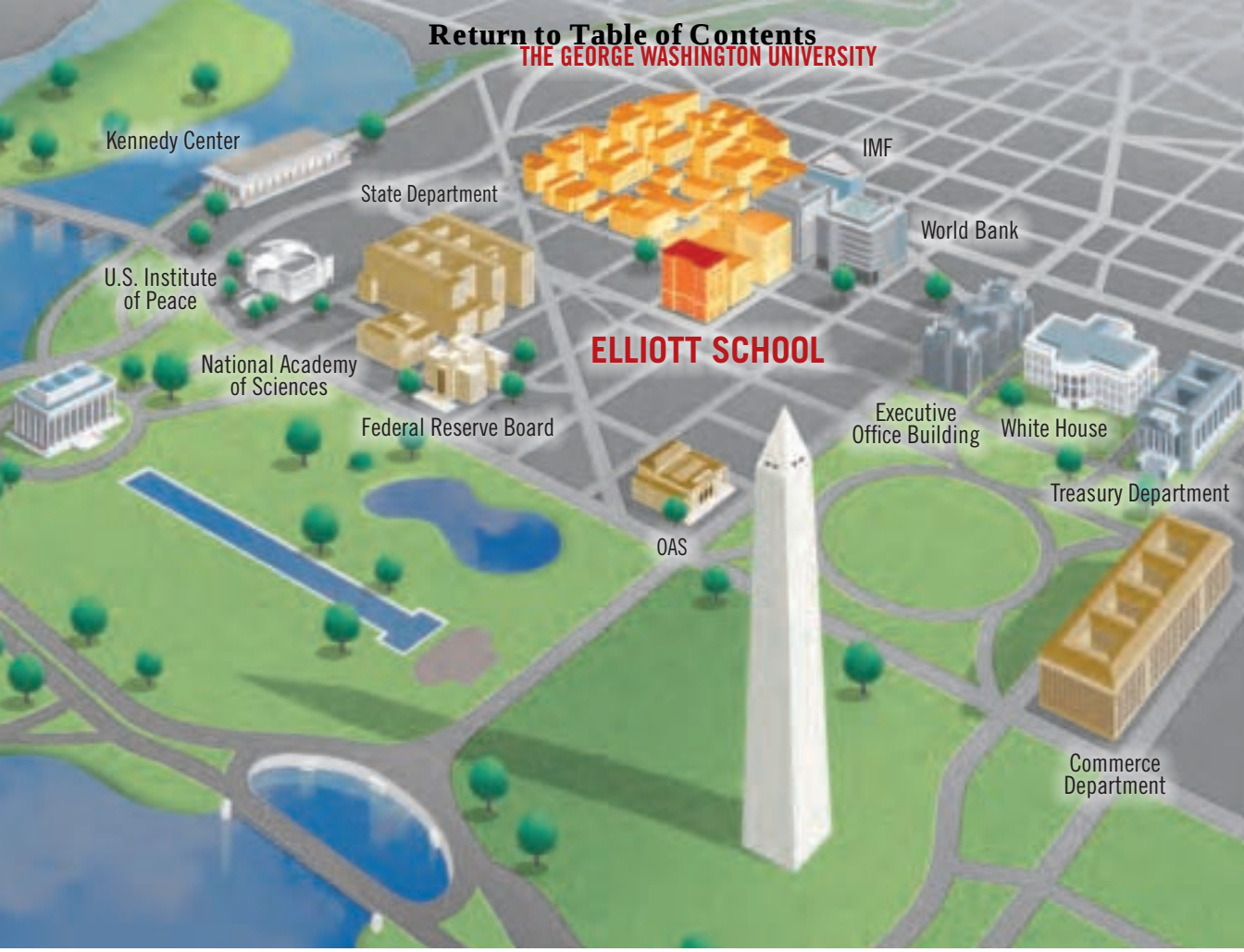

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The Impact of Globalization on Income and Employment

The Downside of Integrating Markets

Michael Spence

Globalization is the process by which markets integrate worldwide. Over the past 60 years, it has accelerated steadily as new technologies and management expertise have reduced transportation and transaction costs and as tariffs and other man-made barriers to international trade have been lowered. The impact has been stunning. More and more developing countries have been experiencing sustained growth rates of 7–10 percent; 13 countries, including China, have grown by more than 7 percent per year for 25 years or more. Although this was unclear at the outset, the world now finds itself just past the midpoint in a century-long process in which income levels in developing countries have been converging toward those in developed countries. Now, the emerging economies' impact on the global economy and the advanced economies is rising rapidly.

Until about a decade ago, the effects of globalization on the distribution of wealth and jobs were largely benign. On average, advanced economies were growing at a respectable rate of 2.5 percent, and in most of them, the breadth and variety of employment opportunities at various levels of education seemed to be increasing. With external help, even

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Michael Spence is Distinguished Visiting Fellow at the Council on Foreign Relations and the author of *The Next Convergence: The Future of Economic Growth in a Multispeed World*. He received the Nobel Prize in Economics in 2001.

the countries ravaged by World War II recovered. Imported goods became cheaper as emerging markets engaged with the global economy, benefiting consumers in both developed and developing countries.

But as the developing countries became larger and richer, their economic structures changed in response to the forces of comparative advantage: they moved up the value-added chain. Now, developing countries increasingly produce the kind of high-value-added components that 30 years ago were the exclusive purview of advanced economies. This climb is a permanent, irreversible change. With China and India—which together account for almost 40 percent of the world's population—resolutely moving up this ladder, structural economic changes in emerging countries will only have more impact on the rest of the world in the future.

By relocating some parts of international supply chains, globalization has been affecting the price of goods, job patterns, and wages almost everywhere. It is changing the structure of individual economies in ways that affect different groups within those countries differently. In the advanced economies, it is redistributing employment opportunities and incomes.

For most of the postwar period, U.S. policymakers assumed that growth and employment went hand in hand, and the U.S. economy's performance largely confirmed that assumption. But the structural evolution of the global economy today and its effects on the U.S. economy mean that, for the first time, growth and employment in the United States are starting to diverge. The major emerging economies are becoming more competitive in areas in which the U.S. economy has historically been dominant, such as the design and manufacture of semiconductors, pharmaceuticals, and information technology services.

At the same time, many job opportunities in the United States are shifting away from the sectors that are experiencing the most growth and to those that are experiencing less. The result is growing disparities in income and employment across the U.S. economy, with highly educated workers enjoying more opportunities and workers with less education facing declining employment prospects and stagnant incomes. The U.S. government must urgently develop a long-term policy to address these distributional effects and their structural underpinnings and restore competitiveness and growth to the U.S. economy.

JOBLESS IN THE U.S.

BETWEEN 1990 and 2008, the number of employed workers in the United States grew from about 122 million to about 149 million. Of the roughly 27 million jobs created during that period, 98 percent were in the so-called nontradable sector of the economy, the sector that produces goods and services that must be consumed domestically. The largest employers in the U.S. nontradable sector were the government (with 22 million jobs in 2008) and the health-care industry (with 16 million jobs in 2008). Together, the two industries created ten million new jobs between 1990 and 2008, or just under 40 percent of total additions. (The retail, construction, and hotel and restaurant industries also contributed significantly to job growth.) Meanwhile, employment barely grew in the tradable sector of the U.S. economy, the sector that produces goods and services that can be consumed anywhere, such as manufactured products, engineering, and consulting services. That sector, which accounted for more than 34 million jobs in 1990, grew by a negligible 600,000 jobs between 1990 and 2008.

Dramatic, new labor-saving technologies in information services eliminated some jobs across the whole U.S. economy. But employment in the United States has been affected even more by the fact that many manufacturing activities, principally their lower-value-added components, have been moving to emerging economies. This trend is causing employment to fall in virtually all of the U.S. manufacturing sector, except at the high end of the value-added chain. Employment is growing, however, in other parts of the tradable sector—most prominently, finance, computer design and engineering, and top management at multinational enterprises. Like the top end of the manufacturing chain, these expanding industries and positions generally employ highly educated people, and they are the areas in which the U.S. economy continues to have a comparative advantage and can successfully compete in the global economy.

In other words, the employment structure of the U.S. economy has been shifting away from the tradable sector, except for the upper end of the value-added chain, and toward the nontradable sector. This is a problem, because the nontradable sector is likely to generate fewer jobs than is expected of it in the future. Moreover, the range of

employment opportunities available in the tradable sector is declining, which is limiting choices for U.S. workers in the middle-income bracket. It would be unwise to assume that under present circumstances, employment in the government and health care in the United States will continue to grow as much as it had been growing before the recent economic crisis. If anything, it is remarkable that the U.S. economy did not have much of an employment problem until the recent economic crisis. If the nontradable sector continues to lose its capacity to absorb labor, as it has in recent years, and the tradable sector does not become an employment engine, the United States should brace itself for a long period of high unemployment.

FOR WHAT IT'S WORTH

ONE WAY to measure the size of a company, industry, or economy is to determine its output. But a better way is to determine its added value—namely, the difference between the value of its outputs, that is, the goods and services it produces, and the costs of its inputs, such as the raw materials and energy it consumes. (Value added comes from the capital and labor that turn the inputs into outputs.) Goods and services themselves are often purchased as intermediate inputs by other companies or industries, legal services purchased by a corporation being one example. The value added produced by all the industries in all the sectors of an economy adds up to that country's GDP.

Unlike employment, value added in the tradable and nontradable parts of the U.S. economy has increased at a similar rate since 1990. In the nontradable sector, which experienced rapid employment growth, this means that value added grew slightly faster than employment: value added per employee increased modestly, by an annual average of 0.7 percent since 1990. On the tradable side of the U.S. economy, where employment levels barely increased, both value added overall and value added per employee rose very swiftly as the U.S. tradable sector moved up the value-added chain and grew in sync with the global economy. Whereas in the nontradable sector, value added per employee grew from $72,000 to over $80,000 between 1990 and 2008, in the tradable sector it grew from $79,000 to $120,000—in other words, it grew by just about 12 percent in the nontradable

sector but by close to 52 percent in the tradable sector.

Most striking are the trends within the tradable sector. Value added rose across that sector, including in finance, where employment increased, and in manufacturing industries, where employment mostly declined. In fact, at the upper end of the manufacturing chain, value added increased so much that it outweighed the losses at the lower end caused by the movement of economic activity from the United States to other countries.

Value added represents income for someone. For employed people, it means personal income; for shareholders and other owners of capital, profit or returns on investment; for the government, tax revenues. Generally, the incomes of workers are closely correlated with value added per employee (this is not the case in the mining industry and utilities, however, where value added per employee is much higher than wages because these activities are very capital intensive and most value added is a return on capital). Since value added in the nontradable part of the U.S. economy did not rise much, neither did average incomes in that sector. In the tradable sector, on the other hand, incomes rose rapidly along with value added per employee thanks both to rising productivity gains in some industries and the movement of lower-income jobs to other countries. And since most new jobs were created in the nontradable part of the economy, in which wages grew little, the distribution of income in the U.S. economy became more uneven.

The overall picture is clear: employment opportunities and incomes are high, and rising, for the highly educated people at the upper end of the tradable sector of the U.S. economy, but they are diminishing at the lower end. And there is every reason to believe that these trends

will continue. As emerging economies continue to move up the value-added chain—and they must in order to keep growing—the tradable sectors of advanced economies will require less labor and the more labor-intensive tasks will shift to emerging economies.

Highly educated U.S. workers are already gravitating toward the high-value-added parts of the U.S. economy, particularly in the tradable sector. As labor economists have noted, the return on education is rising. The highly educated, and only them, are enjoying more job opportunities and higher incomes. Competition for highly educated workers in the tradable sector spills over to the nontradable sector, raising incomes in the high-value-added part of that sector as well. But with

fewer jobs in the lower-value-added part of the tradable sector, competition for similar jobs in the nontradable sector is increasing. This, in turn, further depresses income growth in the lower-value-added part of the nontradable sector.

Thus, the evolving structure of the global economy has diverse effects on different groups of people in the United States. Opportunities are expanding for the highly educated throughout the economy: they are expanding in the tradable sector because the global economy is growing and in the nontradable sector because that job market must remain competitive with the tradable sector. But opportunities are shrinking for the less well educated.

Faced with an undesirable economic outcome, economists tend to assume that its cause is a market failure. Market failures come in many forms, from inefficiencies caused by information gaps to the unpriced impacts of externalities such as the environment. But the effects on the U.S. economy of the global economy's structural evolution is not a market failure: it is not an economically inefficient outcome. (If anything, the global economy is generally becoming more efficient.) But it is nonetheless a cause for concern in that it is creating a distributional problem in the advanced economies. Not everyone is gaining in those countries, and some may be losing.

Although everyone does benefit from lower-priced goods and services, people also care greatly about the chance to be productively employed and the quality of their work. Declining employment opportunities feel real and immediate; the rise in real incomes brought by lower prices does not. For example, according to recent surveys, a substantial number of Americans believe that their children will have fewer opportunities than they have had. The slow recovery from the recent economic crisis may be affecting these perceptions, which means that they might dissipate as the situation improves and growth returns. But the long-term structural evolution of the U.S. and global economies suggests that distributional issues will remain. These must be taken seriously.

MAKING IT WORK

Analysts have been quick to point out that not all the structural changes under way in the U.S. economy should be attributed to greater

openness in the global economy. Some important changes in employment patterns and income distribution are the result of labor-saving information technology and the automation of transactions. Automation has undoubtedly cut jobs in the information- and transaction-intensive parts of value-added chains throughout the U.S. economy, in both the tradable and the nontradable sectors. But if that were the only trend, why would employment decline so much more in manufacturing than in other industries?

One answer might be that information processing and automation occupy a more significant fraction of the value-added chain in manufacturing. But this is not true. Information-processing technology, for example, has eliminated jobs throughout the U.S. economy, including in finance, retail, and the government—all areas in which employment has grown. The structural trends affecting the U.S. economy cannot be explained by changes in technology alone. To think otherwise tends to yield the misleading conclusions that technology, not the global economy, is the principal cause of the United States' employment challenge and that the most important forces operating on the structure of the U.S. economy are internal, not external. In fact, all these factors are relevant, with some more significant in some sectors of the economy than in others.

Changes in the global economy are creating growing disparities in income and employment across the U.S. economy.

If giving technology as the preferred explanation for the U.S. economy's distributional problems is a way to ignore the structural changes of the global economy, invoking multinational companies (MNCs) as the preferred explanation is a way to overstate their impact. MNCs are said to underpay and otherwise exploit poor people in developing countries, exporting jobs that should have stayed in the United States.

MNCs do, indeed, play a central role in managing the evolution of the global economy. They are the principal architects of global supply chains, and they move the production of goods and services around the world in response to supply-chain and market opportunities that are constantly changing. MNCs have generated growth and jobs in

developing countries, and by moving to those countries some lower-value-added parts of their supply chains, they have increased growth and competitiveness in advanced economies such as the United States. A June 2010 report by the McKinsey Global Institute estimated that U.S.-based MNCs accounted for 31 percent of GDP growth in the United States since 1990.

With ample labor available in various skill and educational categories throughout the tradable sector globally, companies have little incentive to invest in technologies that save on labor or otherwise increase the competitiveness of the labor-intensive value-added activities in advanced economies. In short, companies' private interest (profit) and the public's interest (employment) do not align perfectly. These conditions might not last: if growth continues to be high in emerging economies, in two or three decades there will be less cheap labor available there. But two or three decades is a long time.

In the meantime, even though public and private interests are not perfectly aligned today, they are not perfectly opposed either. Relatively modest shifts at the margin could bring them back in sync. Given the enormous size of the global labor force, the dial would not need to be moved very much to restore employment growth in the tradable sector of the U.S. economy. Specifically, the right combination of productivity-enhancing technology and competitive wage levels could keep some manufacturing industries, or at least some value-added pieces of their production chains, in the United States and other advanced countries. But accomplishing this will require more than a decision from the market; it must also involve labor, business, and governments. Germany, for one, has managed to retain its advanced manufacturing activities in industrial machinery by removing rigidities in the labor market and making a conscious effort to privilege employment over rapid rises in incomes. Wages may have increased only modestly in Germany over the past decade, but income inequality is markedly flatter there than in the United States, where it is higher than in most other industrial countries and rising steadily.

The U.S. government will have to make tradeoffs between promoting employment and reducing income disparities.

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Conditioning access to the domestic market on domestic production is a form of protectionism and a way to try to limit the movement out of the country of jobs and of value-added components in the supply chain. This is more common than might be supposed. It exists in the aerospace industry; and in the 1970s and 1980s, in the car industry, quotas on Japanese imports to the United States led to an expansion of the manufacture of Japanese cars in the United States. However, if the large economies—such as China, the European Union, Japan, or the United States—pursue protectionist measures on a broad front, the global economy will be undermined. Yet that may be exactly what happens if employment challenges such as the ones affecting the United States are not tackled differently. With pressure on government budgets at all levels, rapidly rising health-care costs, a fragile housing market, the postcrisis effort to curb excess consumption and boost savings, and the risk of a second economic downturn, it is highly unlikely that net employment in the nontradable sector of the U.S. economy will continue to grow as rapidly as it has been.

The drop in domestic consumption in the United States has left the country with a shortage of aggregate demand. More public-sector investment would help, but the fiscal consolidation currently under way may make expanding government investment difficult. Meanwhile, because private-sector investment responds to demand and currently there is a shortfall in demand caused by the economic crisis and increased savings by households, such investment will not return until domestic consumption or exports increase. Therefore, the United States will need to focus on increasing job growth in the tradable sector. Some growth will naturally come from the high-value-added part of that sector. The question is whether there will be enough growth and whether the educational attainment of U.S. workers will keep pace with rising job requirements at that level. There are reasons to be skeptical.

THE BIG TRADEOFF

It is a common view that the market will solve the disparities in employment and incomes once the economic crisis recedes and growth is restored. Warren Buffet and other very smart, experienced, and

influential opinion-makers say so clearly. But as this analysis suggests, they may not be right. And as long as their view dominates U.S. public policy and opinion, it will be difficult to address the issues related to structural change and employment in the United States in a systematic way.

What is needed instead of benign neglect is, first, an agreement that restoring rewarding employment opportunities for a full spectrum of Americans should be a fundamental goal. With that objective as a starting point, it will then be necessary to develop ways to increase both the competitiveness and the inclusiveness of the U.S. economy. This is largely uncharted territory: distributional issues are difficult to solve because they require correcting outcomes on the global market without doing too much damage to its efficiency and openness. But admitting that not all the answers are known is a good place to begin.

With considerable uncertainty about the efficacy of various policy options, a multistakeholder, multipronged approach to addressing these distributional problems is best. The relevant knowledge about promising new technologies and market opportunities is dispersed among business, the government, labor, and universities, and it needs to be assembled and turned into initiatives. President Barack Obama has already appointed a commission, led by Jeffrey Immelt, the CEO of General Electric, to focus on competitiveness and employment issues in the U.S. economy. This is an important step forward. But it will be hugely difficult to invest in human capital, technology, and infrastructure as much as is necessary at a time of fiscal distress and declining government employment. And yet restoring opportunities for future generations requires making sacrifices in the present.

Given the structural changes under way in the U.S. economy—especially the growing premium on highly educated workers at the top end of the value-added chain—education should be boosted. As many people as possible should be able to compete in that part of the economy. But if this goal is clear, the ways to achieve it are less so. Improving the performance of the educational system has been a priority for some years, yet the results are in doubt. For example, the Organization for Economic Cooperation and Development administers a set of standardized tests, the Program for International Student Assessment, across more than 60 countries, advanced and

developing, to measure the cognitive skills of teenage students. The United States ranks close to the average in reading and science and well behind most countries in math.

The problems in the quality and effectiveness of parts of the U.S. educational system have been recognized for some time. Numerous attempts to improve matters, including administering national standardized tests and providing merit-based compensation, have thus far yielded inconclusive results. And the problem extends beyond the school system. A lack of commitment to education in families and in communities makes the entire field of education seem unattractive, demoralizing dedicated teachers and turning off talented students from teaching. That, in turn, reduces the incentives of communities to value the primacy of education. To break this pattern, it will be necessary to shift communities'—and the country's—values about education through moral leadership, at both the community and the national levels. Creating attractive employment opportunities conditional on educational success is another important incentive. One comes full circle, in other words: increased educational effectiveness is needed for the United States to be competitive, and the promise of rewarding employment is a necessary incentive for committing to improving education.

As important as education is, it cannot be the whole solution; the United States will not educate its way out of its problems. Both the federal and state governments must pursue complementary lines of attack. They should invest in infrastructure, which would create jobs in the short term and raise the return on private-sector investment in the medium to longer term. They should also invest in technologies that could expand employment opportunities in the tradable sector of the U.S. economy at income levels other than the very top. The private sector will have to help guide these investments because it has much of the relevant knowledge about where these opportunities might lie. But this effort will also require the participation of the public sector. The U.S. government already invests heavily in science and technology but not with job creation as its primary focus; that has generally been viewed only as a beneficial side effect. It is time to devote public funding to developing infrastructure and the technological base of the U.S. economy with the specific goal of restoring competitiveness and expanding employment in the tradable sector.

The tax structure also needs to be reformed. It should be simplified and reconfigured to promote competitiveness, investment, and employment. And both loopholes and distorting incentives should be eliminated. For example, corporate tax rates and tax rates on investment returns should be lowered in order to make the United States more attractive for business and investment. MNCs with earnings outside the United States currently have a strong incentive to keep their earnings abroad and reinvest them abroad because earnings are taxed both where they are earned and also in the United States if they are repatriated. Lower tax rates would mean a loss in revenue for the U.S. government, but that could be replaced by taxes on consumption, which would have the added benefit of helping shift the composition of demand from domestic to foreign—a necessary move if the United States wants to avoid high unemployment and an unsustainable current account deficit.

But even these measures may not be sufficient. Globalization has redefined the competition for employment and incomes in the United States. Tradeoffs will have to be made between the two. Germany clearly chose to protect employment in the industries of its tradable sector that came under competitive threat. Now, U.S. policymakers must choose, too.

Some will argue that global market forces should simply be allowed to operate without interference. Tampering with market outcomes, the argument goes, risks distorting incentives and reducing efficiency and innovation. But this is not the only approach, nor is it the best one. The distribution of income across many advanced economies (and major emerging economies) differs markedly. For example, the ratio of the average income of the top 20 percent of the population to the average income of the bottom 20 percent is four to one in Germany and eight to one in the United States. Many other advanced countries have flatter income distributions than the United States, suggesting that tradeoffs between market forces and equity are possible. The U.S. government needs to face up to them.

EXPERIMENTING THE WAY FORWARD

THE MASSIVE changes in the global economy since World War II have had overwhelmingly positive effects. Hundreds of millions of

people in the developing world have escaped poverty, and more will in the future. The global economy will continue to grow—probably at least threefold over the next 30 years. One person's gain is not necessarily another's loss; global growth is not even close to a zero-sum game. But globalization hurts some subgroups within some countries, including the advanced economies.

The late American economist Paul Samuelson once said, "Every good cause is worth some inefficiency." Surely, equity and social cohesion are among them. The challenge for the U.S. economy will be to find a place in the rapidly evolving global economy that retains its dynamism and openness while providing all Americans with rewarding employment opportunities and a reasonable degree of equity. This is not a problem to which there are easy answers. As the issue becomes more pressing, ideology and orthodoxy must be set aside, and creativity, flexibility, and pragmatism must be encouraged. The United States will not be able to deduce its way toward the solutions; it will have to experiment its way forward.

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How Health Care Can Save or Sink America

The Case for Reform and Fiscal Sustainability

Peter R. Orszag

Rising health-care costs are at the core of the United States' long-term fiscal imbalance. The Congressional Budget Office (CBO) projects that between now and 2050, Medicare, Medicaid, and other federal spending on health care will rise from 5.5 percent of GDP to more than 12 percent. (Social Security costs, by comparison, are projected to increase from five percent of GDP to six percent over the same period.) It is no exaggeration to say that the United States' standing in the world depends on its success in constraining this health-care cost explosion; unless it does, the country will eventually face a severe fiscal crisis or a crippling inability to invest in other areas.

The problem is not limited to the federal government. Over the past 25 years, cost increases in the national Medicare and Medicaid programs have roughly paralleled (and actually been slightly below) cost increases in the rest of the health-care system. These trends drive a wide range of problems. State governments have had to divert funds from education to health care, which is partly why salaries for professors at public universities are now often 15 to 20 percent lower than those

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Peter R. Orszag is Vice Chair of Global Banking at Citigroup, an Adjunct Senior Fellow at the Council on Foreign Relations, and a columnist for Bloomberg. He was Director of the White House's Office of Management and Budget in 2009–10 and Director of the Congressional Budget Office in 2007–8.

at comparable private universities. Meanwhile, the rising cost of employer-sponsored health insurance has squeezed take-home pay for most U.S. workers at the same time as median wages have stagnated and income inequality has increased.

Another dimension of the problem involves the variation of health-care costs across the United States. A recent analysis by the Medicare Payment Advisory Commission found that spending in higher-cost areas of the United States (that is, those in the 90th percentile ranked by cost), even after controlling for various factors, was 30 percent higher than in lower-cost areas (those in the 10th percentile). This substantial variation is undesirable both because the high-cost areas unnecessarily drive up total costs and because the results are often haphazard for patients. Indeed, higher costs typically do not equal better care—and sometimes they mean the opposite.

In March 2010, the United States attempted to address these problems by passing a historic health reform act. The new law set up health exchanges through which individuals can purchase insurance, required those without health insurance to buy it, and created subsidies to offset part of the cost of insurance, especially for moderate-income households. The bill also reduced payments from Medicare and Medicaid to providers, imposed a new tax on high-cost insurance plans, and created a set of new institutions intended to bolster quality and reduce costs throughout the system.

Even before it passed, the health act became mired in political controversy, and its future remains at risk. Opponents have filed legal challenges to the law, the House of Representatives has voted to repeal it, and the funding necessary to administer it is in jeopardy. To be fair, the new law has many shortcomings—including its failure to seriously reform the medical malpractice system. It does, however, create new infrastructure that can improve the quality of treatment and cut costs. For this infrastructure to succeed, though, the tools created by the health act must be applied forcefully, rather than undermined or abandoned. Even then, more drastic measures may ultimately be needed. The United States must make a fundamental change to its health-care system, transforming it into one that emphasizes evidence and quality, one in which providers have better tools and much stronger incentives to deliver value.

STRATEGIES FOR SAVING

HEALTH-CARE COSTS rise for a variety of reasons, and there are essentially four conceptual approaches to constraining them. The first approach is to simply reduce payments to providers—hospitals, doctors, and pharmaceutical companies. This blunt strategy can work, often quite well, in the short run. It is inherently limited over the medium and long term, however, unless accompanied by other measures to reduce the underlying quantity of services provided. If only Medicare and Medicaid payments were reduced, for example, providers would shift the costs to other patients and also accept fewer Medicare and Medicaid patients. This would make the approach politically nonviable.

The second approach is direct rationing, whereby the government decides which services will be offered and which will not. This approach is not remotely politically viable in the United States, where people have grown accustomed to access to new technologies and procedures and where antigovernment sentiment is strong.

The third approach—consumer-directed health care—could be a useful component of a cost-reduction strategy, but its benefits are often exaggerated. This approach emphasizes giving consumers more information and control over their health care and stronger financial incentives to reduce their own spending. The goal is to ensure that patients have a greater stake in keeping costs down through increased copayments and other forms of cost sharing.

If most health-care spending were driven by discretionary decisions among relatively healthy people, this approach could cut costs dramatically. But health-care costs are instead heavily concentrated among a small number of relatively sick patients. The top five percent of Medicare beneficiaries ranked by cost, for example, account for more than 40 percent of total Medicare spending, and the top 25 percent account for more than 85 percent of total costs. Financial incentives can have some effect on these people's decisions, but under virtually all consumer-directed proposals, these patients would still be covered by generous third-party insurance for their high-cost procedures—which is, after all, the whole point of insurance.

Consumer-directed measures would have a substantial impact only if they lowered the cost of the care delivered in the most expensive

cases. Yet some research suggests that consumer-directed health approaches could make high-cost cases even more expensive, because chronically ill patients facing copayments for their medicines would skip some doses, requiring even more expensive treatment later on. (Ironically, those who advocate consumer-directed reforms often oppose advance directives that spell out individuals' care instructions for late in life—tools that might be more effective than any other consumer-directed change.) Since the share of total costs most affected by consumer-directed health-care incentives is relatively modest, no one should expect this approach to dramatically reduce overall health-care spending.

Nonetheless, the consumer-directed approach is at the heart of a reform of Medicare put forward in April by Representative Paul Ryan (R-Wis.), chair of the House Budget Committee. Under Ryan's approach, Medicare would be transformed into a "premium support" plan, whereby the government would pay the premiums for private health insurance plans chosen by beneficiaries. Ryan's plan appears to save substantial sums for the federal government, but it is far less clear that it would substantially reduce overall health-care costs because it may not do enough to affect high-cost cases. Indeed, a preliminary analysis of the Ryan plan by the CBO found that total costs would actually increase—by an astonishing 40–67 percent by 2030—because the benefit of having more consumer "skin in the game" is limited and because private plans would have higher administrative costs and less negotiating leverage with providers than Medicare. The goal should not be to simply move costs around; it must be to reduce them overall.

> The potential for a better combination of cost and quality is not theoretical.

The fourth approach, the provider-value approach, is more promising. Instead of reducing costs indirectly by having patients put pressure on doctors, the provider-value approach focuses on giving doctors more information and making changes so that payment is based on the quality of the services they provide—not the quantity. The goal is to boost the use of evidence-based medicine and narrow the variation in treatment methods across the United States, improving outcomes and lowering costs by reducing the number of expensive

but unnecessary procedures. Data from the Dartmouth Atlas of Health Care suggest that the variation in treatment is greatest when there is little consensus about the appropriate treatment for a given condition, such as whether a patient with lower back pain requires surgery. The variation is much smaller when evidence-based guidelines exist, such as the recommendation that a hospital administer aspirin to a person suffering a heart attack. The underlying premise behind the provider-value approach is that in high-cost and chronic cases, which account for the bulk of overall costs, the patient typically agrees to the care recommended by the provider—so that the provider's recommendation is most often the care that winds up being delivered. In the end, therefore, fundamentally reducing health-care costs requires that providers alter their recommendations. (Emphasizing prevention and wellness may also help reduce the incidence and severity of high-cost cases, but the evidence to date suggests limited success in reducing costs from such measures. Besides, a shift toward prevention and wellness requires many of the changes in information and incentives embodied in the provider-value approach.)

The potential for a better combination of cost and quality is not theoretical. The United States already has examples of institutions, such as the Mayo Clinic, that deliver high-quality health care at substantially lower costs than do other institutions. Such exemplary institutions tend to use information technology intensely, examine best practices rigorously, pay attention to doctors' financial incentives, and focus on the nitty-gritty of management and the use of procedures such as checklists to minimize mistakes. All of which is easy to say and hard to do.

CONTAINING COSTS

THE HEALTH-CARE legislation aimed to address various gaps in insurance coverage, especially for those who were uninsured. And it aimed to do so without increasing (and, ideally, along with reducing) the budget deficit under conventional accounting methods—while putting in place the infrastructure to reduce long-term growth in health-care costs through the provider-value approach. The legislation includes three basic categories of measures aimed at containing costs. The

first category involves blunt reductions in Medicare reimbursements. The legislation reduces the growth rate in provider reimbursement rates (by $196 billion over ten years), reduces payments to private insurance companies through the Medicare Advantage program (by $136 billion), and reduces payments made to hospitals for treating uninsured low-income patients (by $36 billion). These changes save money for the federal government, but they do not represent the type of structural cost containment necessary for the long term.

The second category of cost-containment measures involves private insurance. For example, the legislation made changes aimed at reducing unnecessary paperwork and moving toward uniform electronic standards to be used by all insurers (so that coding and other tasks are easier), which should yield an estimated savings of tens of billions of dollars a year. More important, the health bill includes an excise tax on "Cadillac" insurance plans—plans that will cost more than $27,500 for families or $10,200 for individuals in 2018, when the tax comes into effect. Plans exceeding these thresholds will face a 40 percent tax on the excess cost, creating a strong incentive to redesign them to be more efficient and come in under the threshold. Since the tax rate is effectively punitive, the vast majority of the tax's projected revenue will not come from the insurance companies (who are ostensibly responsible for paying the tax). Instead, it will accrue as companies shift their compensation packages away from tax-advantaged health plans and toward taxable wages, which then generate income and payroll taxes. And since the threshold is indexed to increase with the consumer price index, which tends to rise more slowly than health-care costs, the tax will exert strong pressure on private insurance companies to keep their costs down so their premiums stay below the threshold.

The legislation's third and arguably most important category of cost containment involves a variety of structural measures to prod Medicare to lead the way toward the provider-value model of health care. Some private insurance firms would like to move in this direction to save money, but the private market remains too fragmented for any individual firm to engineer a wholesale change in provider incentives. Given Medicare's prominent role in the health system, it is necessary to put the program at the center of the effort to control costs. The act does so through both specific measures (such as imposing penalties

through Medicare on hospitals with high rates of infection) and institutional changes (such as the creation of new bodies with the power to reduce cost growth over time without the need for new legislation).

THE MISTAKES

The legislation was an impressive, perhaps even improbable, achievement, passed in an era of intense political polarization. It lays the basis for future structural cost containment while expanding coverage to tens of millions of Americans. But it is not perfect. The act's shortcomings fall into two categories: those that have to do with appearance and those that have to do with substance.

The first mistake of messaging was made during the summer of 2009. At the time, the only bill in the public domain was the House legislation, which, although it expanded coverage substantially, did very little to contain structural costs. (It had plenty of reductions in reimbursements to providers, but again, that approach is ultimately not sustainable.) The administration nonetheless applauded the bill. The final legislation improved on the House bill's efforts to contain structural costs, but by the time the act was passed the next year, it was too late. The damage had been done, and it proved difficult to shift the prevailing public and elite opinion that the measure failed to reduce spending.

The second such mistake involved the CBO, which is the official body charged with assessing the budgetary and economic impact of legislation. Given the complexity of reducing health costs, the CBO has been understandably reluctant to conclude that any individual measure would be hugely effective in doing so. As a result, there is essentially no policy that the CBO will score as exerting powerful downward pressure on aggregate health-care costs. (It is willing to score some policies as reducing federal health spending substantially, but mostly because they shift costs to other parts of the health-care system.) Barack Obama's presidential campaign had promised massive cost savings from reform, including $2,500 a year per family. But such savings were never going to be confirmed by the CBO under any scenario. And since the House bill was relatively weak on cost containment anyway but was the first version to receive a public CBO analysis, the

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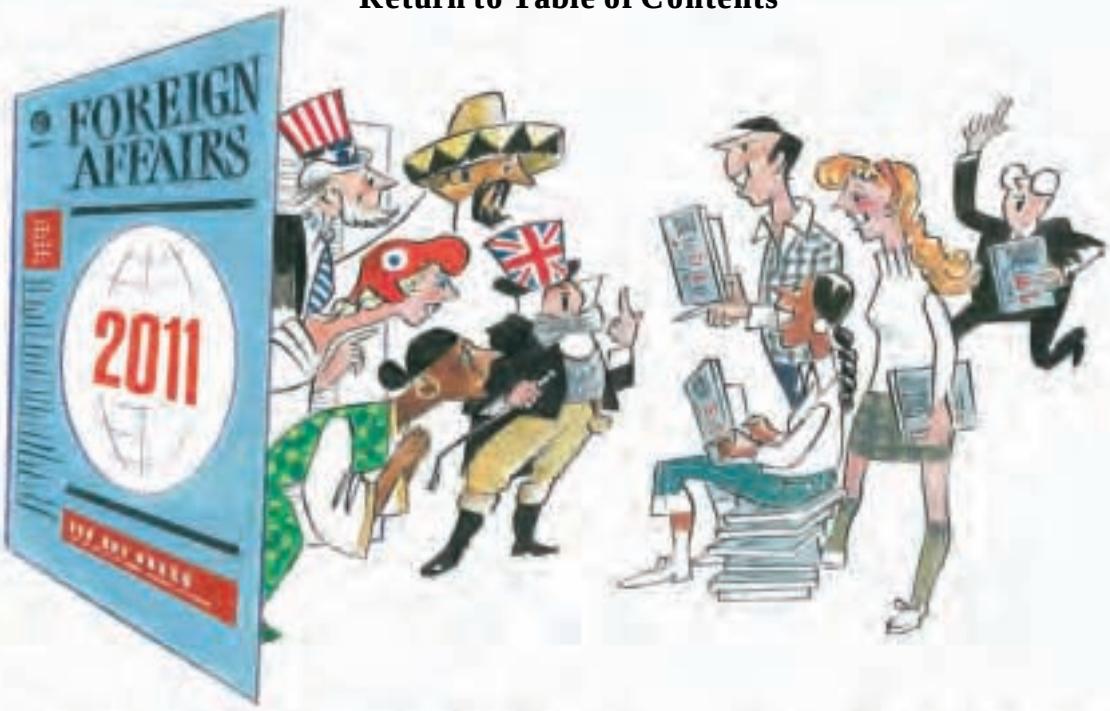


contrast between Obama's campaign promises and the CBO's forecast proved something of a shock to the public. These two mistakes of image may have been an inevitable part of the process of enacting the legislation; after all, getting the act passed was extraordinarily difficult. But they nonetheless fed the widespread impression that the act will do little to reduce cost growth.

The biggest substantive shortcoming of the legislation involves tort reform. The academic literature generally concludes that medical liability laws do little to raise costs, although some recent studies suggest modestly larger effects. The literature also suggests that variation in the medical malpractice laws across the United States explains very little of the variation in health-care costs. What this literature largely misses, however, is the fundamental problem with the laws' standard of "customary practice"—the norm that protects doctors if they can be found to have treated their patients the way most other doctors in the area do. This basis for malpractice creates a strong contagion effect among doctors, because a doctor's legal liability is minimized by doing what the doctor down the hallway is doing.

The traditional approach to tort reform involves imposing some limit on damages. The problem with such an approach, however, is that it does nothing about the customary-practice problem. A far better strategy would be to provide a safe harbor for doctors who follow evidence-based guidelines. Under this approach, a doctor would not be held liable if he or she followed the recommended course for treating a specific illness or condition under guidelines put forward by professional associations such as the American Medical Association or the Institute of Medicine. By failing to move forcefully in this direction, the health reform act missed a major opportunity.

CRITICISMS AND CONCERNS

MUCH OF the criticism that the health legislation has attracted, however, has been misplaced. For example, one prominent critic, former CBO Director Douglas Holtz-Eakin, complained in a *New York Times* op-ed, "Gimmick No. 1 is the way the bill front-loads revenues and backloads spending. That is, the taxes and fees it calls for are set to begin immediately, but its new subsidies would be deferred

so that the first 10 years of revenue would be used to pay for only 6 years of spending." But the only reason one should be concerned about such an imbalance is if it created a fiscal hole in the tenth year and thereafter. That is not what the legislation does: it reduces the deficit not only over one decade but also in the tenth year alone. A more legitimate concern is that the legislated savings may be undone by a future Congress.

Another concern is that employers will drop coverage for certain employees and force them into the health insurance exchanges created by the act, thereby raising costs for the government, since coverage subsidies are available in the exchanges but not through employer-sponsored plans. The CBO has predicted that this will rarely happen: it estimated that by 2019, the legislation will reduce the number of people with employer-provided coverage by only three million. But critics have charged that the penalty the law imposes on firms that do not offer coverage ($2,000 to $3,000 per worker per year) is too small to act as a real disincentive.

Two factors suggest that this concern may be exaggerated: first, most firms consider coverage to be an important part of their compensation packages, meant to attract good workers, and second, the simple analysis ignores the effect of the tax subsidy for employer-sponsored insurance. In effect, if firms drop their coverage, they lose the tax preference on that component of their compensation packages, and that is often large enough to overcome the other incentives to drop coverage. Indeed, Massachusetts, which adopted a similar approach in order to expand coverage, saw a net increase in employer coverage. Nonetheless, how social norms develop among employers will be important. A July 2010 survey by Fidelity Investments found that two-thirds of large employers were not seriously considering eliminating their health plans because of the new law. But 36 percent of those firms said they would consider eliminating coverage if other firms did.

Although employers may not eliminate health-care plans en masse, they could start dropping high-risk workers by designing health plans that encourage these employees to purchase insurance on the exchanges. This is a legitimate concern. If employers altered their plans, this could create a spiral effect, in which those employees buying

insurance on the exchanges would be disproportionately high-risk patients, raising premiums and defeating the purpose of risk sharing. The cost to the federal government of subsidizing coverage in the exchanges, in turn, could become unsustainable.

Another substantial concern involves the effect of the legislation on local hospital markets. Over the past two decades, these markets have become increasingly concentrated, raising prices as competition among providers has been reduced. The health legislation, if anything, will exacerbate this trend by inducing a new round of mergers among clinics, hospitals, and practices. According to Thomas Greaney of Saint Louis University School of Law, this process has already begun. "The risk that dominant providers and dominant insurers may exercise their market power, individually or jointly, has never been greater," Greaney warns. Hospitals and other providers are already engaged in significant lobbying to relax a variety of older rules limiting health-care monopolies, especially in conjunction with the so-called accountable care organizations (ACOs) encouraged by the act. ACOs are meant to band doctors and hospitals together to provide comprehensive treatment for patients. In the words of Jon Leibowitz, chair of the Federal Trade Commission, "If accountable care organizations end up stifling rather than unleashing competition, we will have let one of the great opportunities for health care reform slip away." The Justice Department and the Federal Trade Commission are trying to minimize this risk by instituting a mandatory review process to evaluate the largest proposed ACOs.

The health-care system of the future needs to be dominated by fee-for-value payment.

A final concern involves the CLASS Act, a voluntary national long-term-care insurance program created by the bill. There is a serious risk that healthy people may be reluctant to join the program, whereas those who most need long-term care will be eager to do so, jeopardizing the idea of a broad and stable risk pool. The only solutions may be to make the purchase of such insurance mandatory or to require employers to provide it by default unless employees opt out—a strategy that has worked well in boosting participation rates in 401(k) plans.

MOVING TO QUALITY

The health-care system of the future must be much more quality-oriented than today's is. As the economist Victor Fuchs has underscored, accomplishing that requires changes in three areas: information, infrastructure, and incentives. When it comes to information, the U.S. health-care system is on the cusp of a dramatic development that could substantially expand evidence-based care. Over the next decade, hospitals and doctors will begin to adopt more information technology than ever before—a breakthrough that has been promised for many years and whose time is finally coming. Although many doctors still find it awkward to make the leap to electronic medical records, today's systems based on tablets are less disruptive to their work than laptop-based ones. At the same time, the stimulus bill contains subsidies for the meaningful use of new information technology in medicine, which will be followed by penalties after four years for a failure to adopt such technologies. Systems like these give doctors more accurate and timely data on patients, protect against adverse drug interactions, and reduce paperwork.

The data produced by that technology could also expand medical knowledge about which treatments do and do not work. A new marketplace of data should develop. Promising steps toward this future have already been taken, including efforts such as the Health Data Initiative, a partnership between the Institute of Medicine (a part of the National Academies) and the U.S. Department of Health and Human Services that aims to boost the use of health data across public and private providers. In 2014, Medicare will begin releasing de-identified claims and data about doctors that will help patients more effectively select physicians and hospitals.

If the true potential of these data is to be realized, appropriate privacy protections must be put in place and the research itself must be funded. To lead the effort, the legislation created the Patient-Centered Outcomes Research Institute, a nonprofit organization that will help prioritize and fund new research into the comparative effectiveness of various treatments. It will disseminate the results of these studies to help doctors and patients make better-informed health-care decisions. Ideally, professional medical societies will increasingly

rely on this research to issue more evidence-based protocols. The data gathered and the protocols based on them could then flow back into the health system through software that helps doctors make clinical decisions. Such a setup would be substantially more potent if it were combined with the type of evidence-based safe harbor under the tort laws discussed earlier: if the software could tell doctors not only what the best practices were but also that a malpractice safe harbor existed for those following such guidelines, the practice of evidence-based medicine would become much more common.

The second way to move the health-care system forward involves infrastructural reform. The most pressing need is to encourage providers to increase the coordination of care, and the leading idea for driving such coordination is ACOs. ACOs are designed to tie doctors and hospitals together financially and give them incentives to deliver better care to their patients on a coordinated basis. Many questions remain about how exactly ACOs will work, but the draft regulations governing ACOs issued by the administration in the spring of 2011 have begun to provide some of the answers.

The legislation should reduce the long-term fiscal gap facing the United States by roughly 2–3 percent of GDP.

The Premier Hospital Quality Incentive Demonstration project, a federal study of evidence-driven improvements in hospital performance, has highlighted the promise of information and incentives. By emphasizing evidence-based medicine and coordination across providers, the project has succeeded in narrowing the variation in practice norms, improving quality, and reducing costs.

The final prong involves incentives. The health-care system today is dominated by fee-for-service payment; the health-care system of the future needs to be dominated by fee-for-value payment. The difference is crucial: one payment system drives up quantity; the other, quality. The health bill takes some steps, albeit modest ones, toward creating a system based on paying for quality. For example, it creates penalties for hospitals with high rates of hospital-acquired infections and other avoidable conditions by reducing Medicare payments for hospitals in the top 25 percent of the distribution for such problems. It includes a variety of pilot programs involving bundled payments,

which provide incentives to coordinate care for patients with chronic illnesses by paying a fixed sum for treating a specific condition rather than paying for each individual treatment. The legislation also imposes a penalty on hospitals with high rates of readmission; roughly 20 percent of Medicare patients are readmitted within 30 days after a hospital discharge. The lack of coordination in handoffs such as hospital discharges drives up costs (by increasing readmissions) and reduces quality (patients rarely prefer an unnecessary stint in the hospital).

All these measures will never be enough to substantially constrain the growth of health-care costs on their own. It would be shocking if they were, since the provider-value approach necessarily involves an ongoing, evolutionary process of continuous adjustment. That process is even more challenging in the United States' polarized political environment, which makes it harder for legislation to respond nimbly to new developments and information. The success or failure of the health legislation in constraining costs will therefore hinge on how well a number of new institutions created by the law will work, that is, whether they can respond flexibly but forcefully to changes in the health-care system over time—and without requiring new legislation to do so.

One of those institutions is the Patient-Centered Outcomes Research Institute, which was designed to analyze drugs, medical tests, and other treatments and provide updated information on them for physicians and patients. The bill also created an organization called the Center for Medicare and Medicaid Innovation, which will develop and evaluate approaches to making Medicare and Medicaid beneficiaries' care higher quality and less expensive. The act gives the U.S. secretary of health and human services the authority to scale to the national level pilot projects conducted by the center that prove successful, without the need for new legislation.

The new institution with the most potential by far, however, is the Independent Payment Advisory Board. President Obama fought hard for IPAB, over strong opposition from Congress, which saw the board as usurping its power. When IPAB starts up in 2014, it will comprise an independent panel of medical experts charged with devising changes to Medicare's payment system. In each year that Medicare's per capita costs exceed a certain threshold, IPAB will be responsible

for making proposals to reduce this projected cost growth to the specified threshold. The policies will then take effect automatically unless Congress specifically passes legislation blocking them and the president signs that legislation. In other words, the default is that policies to constrain cost growth and improve quality will take effect.

These three new institutions—the Patient-Centered Outcomes Research Institute, the Center for Medicare and Medicaid Innovation, and IPAB—represent a powerful constellation in theory, especially in conjunction with ACOs. The question is whether they will prove to be so in practice—a question with critical implications for the fiscal future of the United States.

A FISCALLY RESPONSIBLE FUTURE

DESPITE POPULAR impressions to the contrary, the new health legislation would significantly bend the curve of Medicare spending over the next several decades—assuming it is implemented in full. Medicare is only part of federal health spending, however. What about overall federal health expenditures, including the new subsidies to offset the cost of coverage for moderate- and middle-income families? Projections from the CBO suggest that the added cost of covering millions more Americans will initially exceed the cost reductions included in the legislation but that eventually the pattern will be reversed. The CBO projects that the transitional year will be 2028, after which the legislation will begin to modestly reduce overall health spending by the federal government.

And what about the budget deficit, including both spending and revenue? The bill includes a variety of measures that increase revenue, such as the excise tax on high-cost insurance plans. Altogether, if fully implemented, the legislation is projected to reduce the long-term fiscal gap facing the United States by roughly two to three percent of GDP, or about one-quarter to one-third of the underlying fiscal imbalance. Much of this effect will be driven by the excise tax on high-cost insurance plans and the impact of IPAB, measures that were excluded from the initial House bill. As the International Monetary Fund recently concluded, "The effects on the fiscal gap of the final healthcare legislation depend on the IPAB's success at controlling ex-

cess growth in health spending going forward. If the IPAB is successful, the fiscal gap could be about 2 percent [of GDP] smaller. . . . However, if the IPAB fails to contain excess growth, the recent health reform will on net worsen slightly the fiscal gap, according to our estimates."

In other words, if the legislation is implemented effectively—and especially if IPAB and the excise tax on high-cost insurance plans live up to their promise—it could significantly reduce the nation's long-term fiscal imbalance. A big gap would remain, but the gap would be even larger without the health bill.

Major challenges remain for the health bill. The Supreme Court might find the individual mandate unconstitutional, Congress might underfund the implementation of the bill, and entities such as IPAB might have difficulty finding individuals willing to go through the Senate's confirmation process. If implemented aggressively, however, the health bill holds the promise of moving the United States toward a better health-care system—one that not only leaves many fewer people uninsured but also, through the provider-value approach, improves quality and constrains costs. There are still many obstacles, and even stronger medicine may ultimately be necessary to limit future cost growth. And there is still room for much-needed improvements to the health bill, especially on tort reform. But much of the debate in the United States is still about the core approach adopted in the bill, not how to improve it.

The only prominent alternative that has been proposed is the consumer-directed one, and there is no doubt that this approach could supplement the provider-value one. Many opponents of the health legislation, however, are either implicitly or explicitly banking on a consumer-directed approach's ability to fix health care by itself. That is not a plausible path forward, since such an approach would likely do little to address high-cost cases and therefore do little to contain overall costs.

In the end, there is no credible path to reducing the long-term fiscal imbalance in the United States other than directly addressing high-cost cases in health care. The best bet, then, is to implement and improve the provider-value provisions in the health legislation, not abandon them.

Education in a New Era

By Minister Yoshiaki Takaki

First, I would like to express my heartfelt thanks to everyone around the world who graciously sent us their sympathies and aid following the Tohoku–Pacific Ocean earthquake that struck Japan on March 11. The event devastated the Tohoku region.

Nevertheless, at the Ministry of Education, Culture, Sports, Science and Technology (MEXT), we intend to secure the safety of children, students and researchers, and dedicate our efforts to preventing secondary disasters while mobilizing all our resources to realize reconstruction, recovery, and the creation of new horizons.

We hope that foreign researchers and students give due consideration to accurate information on current circumstances and return to their activities in Japan, as educational and research activities are now operating as normal at Tohoku University and other higher-education institutions in disaster-stricken areas.

Yoshiaki Takaki, minister of education, culture, sports, science and technology

In this second decade of the 21st century, economic and societal globalization has continued its unfettered acceleration. Amid this milieu, Prime Minister Naoto Kan unveiled his government's new program, *Heisei no Kaikoku* (sometimes translated as "The Heisei-era's Second Opening"), which features several innovative solutions to various issues, unprecedented changes, and new values faced by the world community.

Aside from addressing globalization, the program prioritizes the development of a new generation of pioneers and a highly-connected network of information-based societies. I believe the Japanese people must develop a refined sense of cosmopolitanism, with powers of expression that they can utilize on the world stage confidently, articulating their principles and beliefs clearly.

MEXT intends to achieve this objective by enhancing foreign language education.

In April, it introduced foreign language education in elementary schools, to cultivate communication ability throughout the elementary, junior high and high school education process.

Also, MEXT supports the project to send young Japanese English-language teachers to the United States, as well as high-school students who aspire to study abroad.

Additionally, it is important for Japanese universities and graduate schools to attract overseas students if we are to cultivate globally minded people in an environment rich with internationally orientated human interaction. To this end, we will promote high-quality international student exchange programs, backed by quality assurances from each university.

Furthermore, MEXT shall promote, in conjunction with American universities, cooperative and collaborative education, joint degrees, two-way student exchanges, strategic dispatch of young researchers overseas, and the active recruitment of foreign researchers.

The ministry plans to institute new measures to further develop outstanding personnel, from the primary and secondary levels to the higher-education level.

We are currently reorganizing the education system to have as a social safety net, so that all students who show initiative and talent, regardless of financial ability, are guaranteed opportunities for education.

I believe that Japan possesses tremendous potential as we head further into the 21st century. No other country of similar scale has achieved a ranking on par with Japan on the OECD's Program for International Student Assessment or PISA survey.

The high standard of research conducted in Japan has been evident in recent years given the numerous Japanese Nobel Prize awardees, making the country an attractive destination for foreign researchers.

The objective of education to cultivate "humanity and wisdom" endows Japan with the means to resolve the numerous problems that it currently faces, and will ultimately lead to meaningful contributions to the whole international community.

Japan is an attractive country that embodies friendship, faith, and trust. I hope that foreign students and researchers will enjoy these aspects to the full during their stay in the country.

JAPAN

Japanese schools raise their international premium

Over the past decade, the education sector has assumed a greater significance in the economic programs of governments. The imperative to build a knowledge-based society amid unbridled globalization and tough competition among countries has enlisted schools in the task of economic development.

So, governments set up road shows and educational fairs to recruit foreign applicants. Aside from becoming a vital part of a trade policy, education has also become an important manifestation of a country's soft power.

Lately, Japanese universities, some backed by government incentives, and others under their own initiative, have gone increasingly bilingual as part of an effort to make the country's educational sector less exclusionary and more globally competitive.

Among the schools that have intensified efforts to attract more overseas students is J.F. Oberlin University, a private institution in Tokyo. According to Toyoshi Satow, president and chairman of the board of trustees, J. F. Oberlin has had a long history of fostering collaborations.

"Our school's mission has always been to train internationally active people through the Christian ideals. We would like to create a bridge between China, Japan, and the United States," said Satow. Today, it has tie-ups with 90 different schools in 21 countries and regions.

As of last year, it had 430 students studying abroad and 600 overseas students, some of whom took part in its one-year Reconnaissance Japan (RJ) Program, which focuses on language instruction and training courses.

"The assumption is that people who want to come to Japan want to take courses on Japan. So we've set up a variety of courses that concentrate on Japanese studies. That's not to say that the university will only reach out to that specific student. We will continue to grow this program, and are looking at options outside of Japanese studies currently," said Dr. Bruce Batten, J. F. Oberlin's vice president for international affairs.

"We also want to get students who might not normally come to Japan. So we don't have a Japanese language requirement for exchange students. We can teach them at the beginning through advanced level," he added.

To get more international students, J. F. Oberlin also set up a new American affiliate in San Mateo, California.

Traditionally known for its core liberal arts education, International Christian University (ICU) has been popular among foreign students and Japanese students who grew up abroad. For university president Norihiko Suzuki, ICU's appeal to applicants lies in its uniqueness.

"ICU is one of few universities in Japan that allows students to come to college without declaring their major. We give the opportunity to individual students to decide their own major, to decide the direction of their future career, and to essentially live their own lives," he said.

As a testament to ICU's commitment to the individual student, nationwide student satisfaction surveys have ranked the university at the top continuously since 1997.

The openness has attracted not only international students and globally minded Japanese students, but also American universities looking for partners for their study-abroad programs and professor exchanges.

"We have a long history of a strong relationship with the University of California system and have started cooperating closely with Middlebury College," said Suzuki.

Another trend is the growth of more overseas partnerships.

For Tokyo's Chuo University, founded in 1885, the push to strengthen foreign partnerships includes participation in the United Nations Academic Impact Initiative and a unique new program focusing on ecosystems in East Asia.

"We are currently developing a Water Environment Program that deals with water management related issues It is endorsed by the Japanese government and involves partners in China and Korea. This 'triangle' of universities and research institutes will train and license professionals capable of managing water-related environmental challenges," said President and Chancellor Kazuyuki Nagai.

Over the past few years, several Japanese universities, such as ICU pictured above, have stepped up their efforts to attract more overseas students.

Known for its long relationship with London's Middle Temple Court and as tne alma mater to three Japanese Supreme Court justices, Chuo University has used the strong reputation of its Law Faculty and Law School to promote more international exchange.

"Last year, we launched an international summer program in English offering an introduction to Japanese law," said Nagai. In cooperation with Boston University Law School, it also offers a summer program that introduces the U.S. legal system to Japanese students.

From its two campuses, in Tokyo and in Yokohama, Meiji Gakuin University, currently led by President Dr. Haruki Onishi, has reaffirmed its global outlook through its academic programs.

While Meiji Gakuin offers undergraduate programs in letters, economics, sociology and social work, law, international studies, and psychology, earlier this year, the university launched its program in global and transcultural studies.

"English is going to be used in every class throughout the whole curriculum. We hope about a third of the students in this program could use English fluently as native speakers. In this new program, students will be taking courses in international studies, sociology, and economics. Its emphasis will be on internships." Onishi said.

With that goal in mind, Onishi emphasized that the university is actively seeking corporate partners all over the world that will accept Meiji Gakuin's students from the Global and Transcultural Studies department. "One of the main aims of this new department is to seek overseas internship opportunities," he explained.

Complementing that outlook, the school also runs student exchange programs and study abroad programs with around 20 institutions around the world, including the University of California in the United States and Maastricht University in the Netherlands.

"We are also adding a double degree program with San Francisco State University. I think it is important to deepen mutual understanding by whatever language and it seems to be a global trend to communicate in English. With this program and our new department, we can gladly accept new U.S. students by our polished English," he said.

Meanwhile, the government is making the country's educational system more accommodating to foreign students through the "Global 30 Project," which will expand degree courses that can be obtained through English-only courses.

Yoshiaki Takaki, minister of education, culture, sports, science and technology, said "the government has established a goal of accepting 300,000 foreign students of quality and is aiming to realize a goal of 300,000 Japanese students studying abroad by 2020."

In 2009, the ministry named 13 universities that will spearhead the program and among them are Nagoya University, Tohoku University, and Kyushu University.

Deep in the heart of Sendai, recently hit by the Great East Japan Earthquake, Tohoku University shows no intent of slowing down *(See related article)*. The university opened its doors for classes only a month after the earthquake and tsunami. The university, traditionally strong in material science, physics, and chemistry, still hopes to attract more international students.

"We are further strengthening the structure so we can increase the number of English courses," said Dr. Akihisa Inoue, Tohoku's president. "We currently have 1,700 foreign students, and within 10 years we hope to double this to 3,000."

For Nagoya University, the Global 30 Project will start by focusing on the strengths of the Greater Nagoya Area, regarded as the heart of Japanese industry and the base of automotive giants like Toyota. "The key word here is sustainability," explained Dr. Michinari Hamaguchi, Nagoya University president.

Automotive engineering is one of five new undergraduate programs offered by Nagoya University as part of the Global 30 Project.

"For the past three years, we

have been offering a unique six-week intensive program for international students called the Latest Advanced Technology and Tasks in Automobile Engineering," said Hamaguchi.

The course, which offers an opportunity to meet Dr. Shoichiro Toyoda, honorary chairman of Toyota Motor Corporation, has grown so popular with international students that Nagoya University introduced a full-time program in English.

Because the university also set up the new "Green Mobility Research Center" with Toyota and other automobile industries, students will have many opportunities to study and work with the world's leading automotive engineers.

In the past decade, Nagoya University has produced four Nobel laureates - two each in physics and in chemistry.

According to Kyushu University president Setsuo Arikawa, the school will focus on its Global 30 activities this academic year.

"At the undergraduate level, we will be offering close to 180 courses in English. This is only in the engineering and agricultural science departments, which are strengths of Kyushu. This will evolve into an international school of arts and sciences with interdepartmental staffing, and joint Japanese/non-Japanese enrollments. At the graduate level, all 17 schools will have English-based courses with 51 programs altogether," Arikawa said.

As part of the program, Kyushu University will also increase the number of international academic staff to teach English and develop curricula and learning materials, and it will send some of its Japanese faculty abroad for research and training in teaching methods.

Among other initiatives, Kyushu University also founded the International Institute for Carbon-Neutral Energy Research (I²CNER), which will focus on developing hydrogen energy and carbon dioxide sequestration technologies.

"The institute has a close collaboration with the University of Illinois at Urbana-Champaign, and through it with the U.S. government and other U.S. universities and research institutes. With this new institute established, we expect the level of faculty mobility from and to the U.S. to increase further," said Arikawa.

Such tie-ups are integral to Japan's push to become more appealing to students and researchers.

"The United States is one of the more important countries in terms of exchange for Japan. Therefore I hope exchanges with the U.S. will become even more enlivened through various measures," said the education minister.

Tohoku University stays open and ahead

Since its establishment in 1907, Japan's Tohoku University has not wavered from its "Research First" principle and "Open Door" policy in line with its original mission to provide first-rate education and support groundbreaking studies that solve many of the problems facing the globe and help build a just and peaceful world.

Tohoku University acquired a sterling reputation because of the efforts and accomplishments of all those who have passed through the halls of its campuses and facilities for more than a century. It has distinguished itself from other universities because of its alumni, faculty, staff, and the local community.

Today, the world faces a variety of difficult challenges that need to be addressed on a global level. By applying the knowledge accumulated over the past century and overseeing more achievements in the fields of research and education, the school remains determined to play a leading role as a world-class university that helps humanity overcome those challenges.

Consistently at the top

From January 1999 to December 2009, in a ranking of universities around the world compiled by Thomson Scientific, Tohoku University placed third worldwide and first in Japan in terms of materials science, tenth worldwide and second in Japan in physics, and 18th worldwide and fifth in Japan in chemistry.

And according to a survey by the *Asahi Shimbun* newspaper, Japanese high schools named Tohoku University the country's best university in the "overall assessment" and "academic and personal development" categories.

Akihisa Inoue, president of Tohoku University

Opening its doors to foreigners and women

The great Chinese writer Lu Xun, also known as Zhou Shuren (1881–1936), is regarded by some to be a spiritual pillar of modern China. Through his works, Lu initiated the modernist movement in Chinese literature.

Lu Xun was the first foreign student to enter Sendai Medical College (the predecessor of Tohoku University), which he did in 1904. Although he originally wanted to become a physician, Lu Xun later devoted himself to writing, deeply inspired by the intelligence and compassion of his anatomy teacher, Professor Genkuro Fujino, who was later immortalized in fictionalized accounts of his life in school.

To commemorate the 100th anniversary of Lu Xun's enrollment, Tohoku University established in 2004 the Lu Xun Award (renamed the Professor Fujino Award) and the Lu Xun Incentive Award (renamed the Professor Fujino Incentive Award), which respectively recognize researchers who have made notable contributions to the university and to outstanding Chinese students.

In 1913, despite resistance from the government, Tohoku University (then an Imperial institution) became the first learning institution in Japan to accept women, with the enrollment of Chika Kuroda, Ume Tange and Raku Makita.

Under its "open door" policy, Tohoku University's first president, Masataro Sawayanagi, accepted graduates of higher normal schools and

Tohoku University consistently ranks among the best Japanese universities every year.

colleges, as well as licensed middle school teachers.

Chika Kuroda would later become a teacher at her alma mater, Tokyo Women's Higher Normal School (later renamed Ochanomizu University) and study at the University of Oxford and other institutions abroad. Upon returning to Japan, she studied under Riko Majima at the Institute of Physics and Chemistry and was responsible for much pioneering research. In 1929, she became Japan's second female Doctor of Science.

Practice-oriented research and education

Among Tohoku University's prominent former faculty members is Shigeru Oda, who has served Japan as a delegate to the United Nations, UNESCO, IAEA, and several other international organizations. While completing his doctorate in law at Yale University, Oda carried out pioneering research on the Law of the Sea and wrote his dissertation on the subject, which made him one of the world's leading experts in international law.

He returned to Japan in 1953 and became associate professor at Tohoku University, teaching international law.

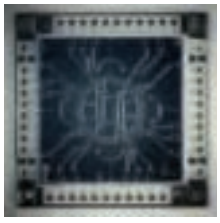
Oda also served at the International Court of Justice at The Hague for an unprecedented three terms for a total of 27 years. He was also elected as a member of the Japan Academy and is a member of Tohoku University's Management Committee.

Shigeru Oda, professor emeritus and former judge of the International Court of Justice

In another field, Tohoku alumni Masayoshi Esashi is director of the Micro System Integration Center (μSIC).

Value-added devices, which are key system components, are being developed through his research on "micro systems." These devices are fabricated using on-chip integration of heterogeneous components (for circuits, sensors, and moving structures).

Micro systems have been commercialized by prototyping them in his laboratory or by training dispatched industrial researchers. The electrostatically levitated rotational gyroscope shown here is an example of a commercialized micro system.



Electrostatically levitated rotational gyroscope

The gyroscope is used to measure two axes of rotation and three axes of acceleration simultaneously with high precision for navigation.

According to an industry-by-industry evaluation in *Nikei-Sangyo* newspaper, Esashi's laboratory was ranked highest.

Future Global Leadership Program

In 2009, the Ministry of Education, Culture Sports, Science, and Technology (MEXT) chose Tohoku University as one of the 13 universities to take part in the government's "Global 30 (G30) Project," which aims to attract 300,000 overseas students by 2020 in line with efforts to internationalize the country's educational system.

As a participant in the program, Tohoku University launched its Future Global Leadership (FGL) Program, which will increase the number of courses taught in English and thus allow both international and Japanese students to earn their degrees via courses taught exclusively in English.

Rebuilding after a crisis

Following the natural disaster that hit northeastern Japan in March 2011, Tohoku University President Akihisa Inoue has affirmed the school's commitment to rise from the devastation:

Newly accepted students gather at Tohoku University's opening ceremony this year.

"I would like to offer my deepest thanks to all of you who have supported and encouraged us following the Great East Japan earthquake of March 11, 2011. Although we were hit by the historically unprecedented earthquake, Tohoku University will exert our collective efforts to contribute to the regional society by bringing together our wisdom for the restoration and revitalization of the region.

At the same time, we will strategically and systematically address research that will lead Japan into a new era and disseminate and apply our research findings.

While we are closely monitoring the Fukushima Daiichi Nuclear Power Station in regards to the radiation leak incident, radiation monitoring conducted by our university shows normal levels.

Due to the earthquake, some of our university's facilities and equipment were damaged. We are, however, committed to immediate and complete restoration of our research and educational infrastructure. We will move forward in order to realize even greater strides in our educational and research capabilities, and in our ability to contribute to society."

Tohoku University:
http://www.tohoku.ac.jp/english/

Global 30 Project (G30):
http://www.fgl.tohoku.ac.jp/

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J. F. Oberlin University

http://www.obirin.ac.jp/

桜美林大学 (Obirin Daigaku)

東京都町田市 Tokyo, Japan

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- Beijing Office (China)
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www.cfr.org|pakistanguide

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A multimedia resource tracing the roots of Pakistan's problems and exploring its future.

- Six chapters including interactive maps, timelines, and video.
- Insights from more than twenty-five leading analysts, government officials, and journalists from Pakistan, India, and the United States.

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Does Obama Have a Grand Strategy?

Why We Need Doctrines in Uncertain Times

Daniel W. Drezner

As the U.S. military intervenes in Libya, a fierce debate has erupted over the possible existence of an Obama doctrine, with a chorus of foreign policy observers bemoaning the United States' supposed strategic incompetence. Last fall, the columnist Jackson Diehl wrote in *The Washington Post*, "This administration is notable for its lack of grand strategy—or strategists." In *The National Interest* this January, the political scientist John Mearsheimer concluded, "The root cause of America's troubles is that it adopted a flawed grand strategy after the Cold War." The economic historian Niall Ferguson took to *Newsweek* to argue that alleged U.S. setbacks in the Middle East were "the predictable consequence of the Obama administration's lack of any kind of a coherent grand strategy, a deficit about which more than a few veterans of U.S. foreign policymaking have long worried." Even the administration's defenders have damned it with faint praise. The *National Journal*'s Michael Hirsh argued that "the real Obama doctrine is to have no doctrine at all. And that's the way it's likely to remain." Hirsh, at least, meant it as a compliment.

But is it true that President Barack Obama has no grand strategy? And even if it were, would that be such a disaster? The George W. Bush

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Daniel W. Drezner is Professor of International Politics at the Fletcher School of Law and Diplomacy at Tufts University and the editor of *Avoiding Trivia: The Role of Strategic Planning in American Foreign Policy*.

administration, after all, developed a clear, coherent, and well-defined grand strategy after 9/11. But those attributes did not make it a good one, and its implementation led to more harm than benefit.

Grand strategies are not nearly as important as grand strategists like to think, because countries tend to be judged by their actions, not their words. What really matters for great powers is power—national economic and military strength—and that speaks loudly and clearly by itself. Still, in times of deep uncertainty, a strategy can be important as a signaling device. In these moments, such as the present, a clearly articulated strategy matched by consistent actions is useful because it can drive home messages about a country's intentions to domestic and foreign audiences.

Despite what its critics say, the Obama administration has actually had not just one grand strategy so far but two. The first strategy, multilateral retrenchment, was designed to curtail the United States' overseas commitments, restore its standing in the world, and shift burdens onto global partners. This strategy was clearly articulated, but it delivered underwhelming policy results.

The second, emergent grand strategy is focused on counterpunching. More recently, the Obama administration has been willing to assert its influence and ideals across the globe when challenged by other countries, reassuring allies and signaling resolve to rivals. This strategy has performed better but has been poorly articulated. It is this vacuum of interpretation that the administration's critics have rushed to fill. Unless and until the president and his advisers define explicitly the strategy that has been implicit for the past year, the president's foreign policy critics will be eager to define it—badly—for him.

SOUND AND VISION

A GRAND STRATEGY consists of a clear articulation of national interests married to a set of operational plans for advancing them. Sometimes, such strategies are set out in advance, with actions following in sequence. Other times, strategic narratives are offered as coherent explanations connecting past policies with future ones. Either way, a well-articulated grand strategy can offer an interpretative framework that tells everybody, including foreign policy officials themselves, how to understand the administration's behavior.

All this sounds terrifically important, but most of the time it is not. For grand strategies to matter, they have to indicate a change in policy. And trying to alter a state's foreign policy trajectory is like trying to make an aircraft carrier do a U-turn: it happens slowly at best. The tyranny of the status quo often renders grand strategy a constant rather than a variable, despite each administration's determined efforts at intellectual differentiation and rebranding.

Power is the true reserve currency in international affairs, and most countries simply lack the power to make others care about their intentions. The rest of the world is not waiting up nights to learn about Belgium's grand strategy (although a government would be nice). The same applies to nonstate actors. After 9/11, a cottage industry of analysts emerged to deconstruct every statement issued by al Qaeda's leadership. As the group's operational tempo, capabilities, and ideological appeal eroded, however, its statements garnered less and less interest. Unless Osama bin Laden's successors demonstrate their continued ability to wreak havoc, only a narrow slice of specialists will care about their ideology or strategy. This is why the debate over U.S. grand strategy is less important than the debate over how to rejuvenate the U.S. economy.

> Whenever a foreign policy commentator articulates a new grand strategy, an angel gets its wings.

Even for powerful actors, moreover, actions speak louder than words. George Kennan may have articulated the doctrine of containment, but in his formulation, the strategy did not require protecting South Korea. "Containment" gained the meaning it did because a series of presidents fleshed out Kennan's concept in their own distinct ways. As the historian Melvyn Leffler has documented, the core elements of George W. Bush's National Security Strategy—preventive war and democracy promotion—were not new, having appeared in the official discourse of prior administrations. What was different about Bush was that unlike his predecessors, who treated the concepts as boilerplate rhetoric, he acted.

Critics and analysts stress the importance of choosing the right grand strategy and the catastrophic implications of selecting the wrong one. History suggests, however, that grand strategies do not alter the

trajectory of great-power politics all that much. Consider the United States. Even radically imperfect strategies have not fundamentally affected its rise and fall. The United States should have taken a more active role in world affairs after World War I but instead retreated into isolationism. Successive presidents bought into the domino theory of communism and expanded U.S. involvement in the Vietnam War beyond what any other strategic logic would have dictated. The Bush administration launched a war of choice against Iraq that was designed to inject a stable democracy into the region while bolstering nuclear nonproliferation. The actual result was a $1 trillion-plus diversionary war and a global wave of anti-Americanism.

All three of these strategic mistakes were rooted in coherent strategic narratives popular with both policymakers and the public. What is striking, however, is that none of these missteps altered the trajectory of U.S. power. The United States eventually assumed the responsibilities of primacy after World War II. The country's overstretch in Vietnam did not change the outcome of the Cold War. Operation Iraqi Freedom was costly, but public opinion data demonstrate that the harm done to the United States' standing quickly faded. In all three cases, the institutional strengths of the United States forced appropriate corrections to the grand strategy. New leaders in the White House, Congress, and the Pentagon made the country adopt a leadership role in the postwar era, refrain from post-Vietnam interventions, and reform its counterinsurgency doctrine in the face of setbacks in Iraq. These course corrections prevented strategic miscues from becoming permanent reversals.

WHEN IDEAS MATTER

If grand strategies are so overrated, why the furious debate? For two reasons, one petty and one substantive. The petty reason is that everyone in the U.S. foreign policy community secretly hopes to be the next Kennan. When a commentator bewails the failings of the United States' grand strategy, it is usually because he has scribbled down his own set of musings on the topic. Indeed, complaints about grand strategy have plagued every U.S. administration since the end of World War II for precisely this reason. Grand strategies are easy

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to devise—they are forward-looking, operate in generalities, and make for great book tours. Whenever a foreign policy commentator articulates a new grand strategy, an angel gets its wings.

The more substantive reason is that there are moments when grand strategies really do count: during times of radical uncertainty in international affairs. Ideas matter most when actors are operating in uncharted waters. They can function as cognitive beacons, guiding countries to safety. During normal times, decision-makers will extrapolate from current capabilities or past actions to predict the behavior of others. In novel times, however, grand strategies can signal to outsiders the future intentions of a country's policymakers, reassuring or repulsing important audiences.

Two kinds of events can trigger the kind of radical uncertainty necessary for a grand strategy to matter. One is a massive global disruption—a war, a revolution, or a depression—that rejiggers countries' interests across the globe. In this situation, when everybody is unsure about what comes next, grand strategies can provide a functioning road map for how to interpret current events and the appropriate policy responses. The other is a power transition, which can also lead to profound uncertainty. When a fading hegemonic power is confronted by a rising challenger, countries want to know how each of the two governments views its role in the world. States in relative decline can respond in a myriad of ways, from graceful retrenchment to preemptive conflict. Rising powers, for their part, can be revisionist states, like Germany in the 1930s, or status quo powers, like Japan in the 1980s. Other actors will assess the statements and actions of rising powers carefully to parse out their intentions.

Obama erred in believing that improved international standing would give the United States greater policy leverage.

The current era, interestingly, is marked by both sets of uncertainties. The Great Recession has rocked the global economy, and commodity prices have gyrated wildly. The international system has had to cope with a welter of natural disasters, technological changes, and incidents of diplomatic turmoil. Revolution has spread across the Middle East with dizzying speed and with an uncertain effect on the global system.

At the same time, China's relative power has increased and the United States' has shrunk. The International Monetary Fund currently estimates that, based on purchasing power parity, China's economy will surpass the United States' in five years. This shift has led to genuine confusion as to the relative power of both countries right now. In April 2010, a Pew Global Attitudes survey asked global respondents to name "the world's leading economic power." In many developing countries, including Brazil and India, majorities picked the United States. The results looked dramatically different in the developed world. In five of the original G-7 countries, including Germany, Japan, and the United States, strong pluralities named China as the world's leading economic power. In other words, the developing world still largely believes that the United States has retained its hegemony, whereas the developed world thinks that primacy has shifted to China. Something is clearly going on, but people disagree about what it is. It is precisely in such a world of radical uncertainty that intentions matter, and this is where grand strategy comes in.

When operating in unfamiliar terrain, officials in charge of making and executing national policy can infer what to do from their government's strategy documents. Actors abroad can also develop expectations about the future from them. In these circumstances, foreign governments will care about how much a country's proposed response to uncertainty seeks to revise or reinforce the status quo. Countries prefer the devils they know. Even during uncertain times, grand strategies that advocate wholesale revisions of the international order will make other countries nervous. The Bush doctrine of preemptive intervention had this effect, as did China's more recent statement that the South China Sea represents a "core national interest."

One other aspect of grand strategy will pique everyone's interest: whether a country's strategic vision appears to promote public or private goods. All great powers have their own ideas about how to buttress a stable world order: strict recognition of Westphalian sovereignty, nuclear nonproliferation, counterterrorism, more multilateralism, greater global development, democracy promotion, and so forth. Some of these ideas advance goods that clearly benefit the rest of the world as well as the great power itself; in other cases, the benefits to others seem less clear. When a great power puts forward a grand strategy that

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appears to focus on its own interests, it will trigger a backlash from other countries. For example, the Bush administration believed that democracy promotion was in the greater good, but other countries viewed that goal in combination with preemptive intervention as a license for the United States to bypass multilateral institutions. Not

surprisingly, this grand strategy resulted in significant short-term costs for the United States.

Much of the handwringing about U.S. grand strategy has been overblown—but the Obama administration has inherited a world of great uncertainty. Does it have a grand strategy to respond? Actually, it has had two.

STRATEGY SWITCH

Obama came into office with three firm strategic convictions. First, domestic rejuvenation was crucial for any long-term grand strategy, a point he has stressed in all his foreign policy speeches. "[We have] failed to appreciate the connection between our national security and our economy," Obama said in his December 2009 address on Afghanistan. "Our prosperity provides a foundation for our power. It pays for our military. It underwrites our diplomacy." Second, the United States was overextended in all the wrong places, fighting two counterinsurgencies and a war on terrorism in the Middle East while neglecting other parts of the globe. Third, the Bush administration's mistakes had pushed the United States' standing in the world to an all-time low. Ben Rhodes, Obama's deputy national security adviser for strategic communications, recently explained the administration's strategic vision to *The New Yorker*: "If you were to boil it all down to a bumper sticker, it's 'Wind down these two wars, reëstablish American standing and leadership in the world, and focus on a broader set of priorities, from Asia and the global economy to a nuclear-nonproliferation regime.'"

Obama's first grand strategy, as explained in various speeches and administration initiatives in his first year, was to make lemons out of lemonade. As Secretary of State Hillary Clinton put it, a multipolar world was actually a "multipartner" world, in which the United States would call on other countries—rivals as well as allies—to assist it in preserving global order. The Obama administration attempted to "reset" relations with Russia. With China, there was talk of the U.S.-China Strategic and Economic Dialogue becoming a "G-2" that would echo the summitry of the Cold War. The administration embraced the G-20 to supplant the G-8 as the premier international eco-

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nomic forum, in the belief that more partners would mean more effective partnerships. Rather than aggressively push for democracy, a more reserved United States would lead by example.

This mixture of words and actions represented a clear strategic concept, but the results fell short of the administration's expectations. China reacted to Obama's outstretched hand with bellicose rhetoric and grander regional aspirations. Russia continued to be truculent in its dealings with the United States. Traditional allies resisted making greater contributions in Afghanistan and elsewhere. The G-20's achievements have not matched its aspirations. Meanwhile, isolationist sentiment inside the United States reached a 40-year high.

What went wrong? The administration, and many others, erred in believing that improved standing would give the United States greater policy leverage. The United States' standing among foreign publics and elites did rebound. But this shift did not translate into an appreciable increase in the United States' soft power. Bargaining in the G-20 and the UN Security Council did not get any easier. Soft power, it turns out, cannot accomplish much in the absence of a willingness to use hard power.

The other problem was that China, Russia, and other aspiring great powers did not view themselves as partners of the United States. Even allies saw the Obama administration's supposed modesty as a cover for shifting the burden of providing global public goods from the United States to the rest of the world. The administration's grand strategy was therefore perceived as promoting narrow U.S. interests rather than global public goods.

The biggest problem with Obama's new grand strategy is its troublesome domestic politics.

In response, the administration reset its policies after its first 18 months in office, pivoting toward a second, more assertive grand strategy. One remaining constant is that the administration is still focused on restoring American strength at home, but it has been increasingly comfortable using the specter of rising foreign powers as a motivational tool. This is why Obama called for a "Sputnik moment" in this year's State of the Union speech and why he has tried to boost public investment in education, science, and clean energy.

At the same time, the administration switched from a strategy of retrenchment to one of counterpunching. In response to international provocations, the United States has signaled that it can still rally allies and counter rising threats. For example, the United States tightened its economic and security relationships with most of China's neighbors in the Asia-Pacific region, forcing Beijing to rethink its strategy. In demonstrating a willingness to balance against rising threats, the United States has reassured its allies that it will not be retreating into isolationism anytime soon. Similarly, reacting to the unrest in the Middle East, the United States used its leverage over the Egyptian military to assist in bringing about a mostly peaceful regime change in Egypt.

Finally, and contrary to the claims of many Republican operatives, Obama linked U.S. foreign policy to American exceptionalism. Clinton has become much more vocal in criticizing China's human rights abuses, and in responding to the revolutions in the Arab world, Obama has evinced an appreciation for promoting U.S. values as well as U.S. interests. When explaining his decision to intervene in Libya, he said, "To brush aside America's responsibility as a leader and—more profoundly—our responsibilities to our fellow human beings under such circumstances would have been a betrayal of who we are. . . . Born, as we are, out of a revolution by those who longed to be free, we welcome the fact that history is on the move in the Middle East and North Africa, and that young people are leading the way. Because wherever people long to be free, they will find a friend in the United States." These are not the words of a man who believes only in realpolitik.

TROUBLE AT HOME

As a set of ideas, Obama's new grand strategy holds together in most parts of the globe. The United States' key allies in Europe and the Pacific Rim appear to have been reassured. Its rivals now understand that the administration cannot be pushed around. But the administration's embrace of democratic ideals has not gone down as well in Saudi Arabia or Israel; those countries prefer the devils they know, and the United States again seems like a revisionist power in the region. The administration's reticence to intervene in Bahrain or Syria should ameliorate their concerns.

But whereas the new counterpunching doctrine is sustainable internationally, the same is not true on the domestic front. The most significant challenge to Obama's grand strategy is likely to emerge at home rather than abroad. Viable grand strategies need to rest on a wellspring of domestic support. The biggest problem with Obama's new grand strategy is its troublesome domestic politics.

One issue is the mismatch between the complexity of the global system and the simplicity of U.S. foreign policy rhetoric. Politicians do a fine job talking about "friends" and "enemies," but have great difficulty discussing "rivals," a more nuanced category. It is difficult for the administration to use rising powers as a threat to goad the United States into further action without it leading to excessive demagoguery about China. Official rhetoric is at least partly to blame for inflated public fears about Chinese power.

A more serious problem is that by focusing on renewing the United States' domestic strength, the Obama administration has introduced more partisan politics into the equation. There is still some truth to the aphorism that politics stops at the water's edge. But if the administration argues that the key to U.S. foreign policy is the domestic economy, then it increases the likelihood of domestic discord. Based on the tenor of the debates about the rising levels of U.S. debt, the possibility that the president can hammer out a grand bargain over fiscal and tax policies is looking increasingly remote. These difficulties reinforce the argument, made by the political scientists Charles Kupchan and Peter Trubowitz, that demographic and political shifts within the United States (including the right's rejection of multilateralism and the left's rejection of power projection) are making it harder and harder to build support for a grand strategy based on liberal internationalist principles.

But none of this explains why Obama has done such a bad job explaining his grand strategy to the American people. To be fair, the long economic downturn has soured Americans on engaging with the rest of the world, making any activist foreign policy a tough sell. That said, the administration has done itself few favors in this area. Indeed, the most well-known phrase that articulates current U.S. grand strategy is "leading from behind," which is a politically disastrous wording.

Why has the Obama administration not been more up-front about its grand strategic redesign? First, changing course implies an admission

that the previous course was incorrect, and no administration likes to do that. Second, the administration takes pride in its foreign policy pragmatism, but that makes it difficult to promote a new grand strategic vision. Finally, military actions tend to crowd out attention to other dimensions of a foreign policy. And although the Libyan intervention might be justified on its own terms, it does not fit perfectly with Obama's new grand strategy. Libya, by the administration's own admission, is not a core national interest. This has left Obama in the awkward position of trying to explain his foreign policy while de-emphasizing the use of blood and treasure to prosecute the first war he started. Simply labeling it a "kinetic military action" has not helped.

All this is a problem because politics abhors a rhetorical vacuum. If the president is not clear about his grand strategy, foreign policy critics and political opponents will be happy to define it for him, using less than flattering language. Until the Obama administration does a better job of explaining its grand strategy to the American people, it will encounter significant domestic resistance to its policies.

After some initial wrong turns, the Obama administration seems to have found a useful strategic map, but it still needs to persuade the other passengers in the car. Clear communication is rarely a cure-all. In the wake of bin Laden's death, however, the administration has a golden opportunity to explain its revised grand strategy. In taking the risk of sending U.S. Special Forces into Pakistan to eliminate bin Laden, Obama earned a significant bump in public support for his foreign policy. If he articulates his counterpunching strategy soon, he will be doing it from a position of domestic strength rather than weakness. By better explaining his grand strategy to Americans, Obama can show them—and the rest of the world—that he knows where to go and how to get there.

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On Humanitarianism

Is Helping Others Charity, or Duty, or Both?

Michael Walzer

Humanitarianism is probably the most important "ism" in the world today, given the collapse of communism, the discrediting of neoliberalism, and the general distrust of large-scale political ideologies. Its activists often claim to escape or transcend partisan politics. We think of humanitarian aid, for example, first of all as a form of philanthropy—a response to an earthquake in Haiti or a tsunami in Asia, which is obviously a good thing, an effort to relieve human suffering and save lives, an act of international benevolence. But there is a puzzle here, for helping people in desperate need is something that we ought to do; it would be wrong not to do it—in which case it is more like justice than benevolence. Words such as "charity" and "philanthropy" describe a voluntary act, a matter of kindness rather than duty. But international humanitarianism seems more like duty than kindness, or maybe it is a combination: two in one, a gift that we have to give.

Individuals send contributions to charitable organizations when there is a humanitarian crisis, and then these organizations rush trained aid workers into the zone of danger and desperate need. But governments also send help, spending tax money that is coercively collected rather than freely given. Are individual citizens free not to give? Are governments free not to act? Does it matter whether the money is a gift or a tax?

The dilemma is even clearer in the case of humanitarian intervention. Governments may use force to stop a massacre—as France, the United

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Michael Walzer is Professor Emeritus of Social Science at the Institute for Advanced Study and co-Editor of *Dissent*.

Kingdom, and the United States are claiming to do in Libya and as someone should have done in Rwanda. We can think of this as a gift to the people being rescued, and what is given is substantial, since it may include the lives of some of the interveners. But is the state that intervenes acting charitably? Isn't stopping a massacre morally necessary? And think of the diplomatic preparations for the intervention, the strategic arguments about how to do it, the necessary calculations of proportionality, the marshaling of military resources, the actual use of force, the problems of reconstruction afterward—none of that feels like a philanthropic enterprise. This is more like political work, governed by the rules of justice and prudence, not kindness. And yet, we call it "humanitarian" because we want to believe that what underlies and motivates the intervention, at the deepest level, is human sympathy, freely flowing fellow feeling. It is two in one again: a spontaneous act and a necessary one.

But what if the combination doesn't work—what if the fellow feeling doesn't flow freely?

OBLIGATORY CHARITY

I HAVE BEEN puzzling over these kinds of questions in the course of helping edit a volume in the series *The Jewish Political Tradition*, one dealing with, among other things, charity and taxation—giving and taking. It should be easy to distinguish the two, shouldn't it? Individuals give, freely and spontaneously; the state takes, with threats and penalties. Yet it turns out that the distinction is not so easy to make. The difficulty is signaled by the Hebrew word *tzedakah*, which is commonly translated as "charity" but which comes from the same root as the word for "justice." This suggests that charity is not only good but also right. The same message is conveyed by the Hebrew word *mitzvah*, which in the Bible means "commandment" but has come colloquially to mean "a good deed" or "an act of human kindness"—although still something that you have to do.

One can see how these versions of the two-in-one argument might develop among a stateless people. With little or no coercive power, the Jewish communities in the Diaspora had to rely heavily on the charitable contributions of their members. The contributions

were indeed necessary, for without them there would be no way, for example, to ransom Jewish captives (a major concern of the Diaspora communities throughout the Middle Ages), help the poor and the sick, provide for orphans, or fund synagogues and schools.

And so the medieval philosopher Maimonides argued, following Talmudic precedents, that insofar as Jewish communities in the Diaspora had coercive power, they could legitimately force their members to give *tzedakah*. The *kahal*, the autonomous or semiautonomous Diaspora community, could compel people to give what they were supposed to give freely, and it still counted as a charitable gift. It was distinct (although often hard to distinguish) from the taxes imposed, usually by the gentile overlord, which were levied on individuals by the Jewish rulers of the *kahal*, the *tovei ha-ir* (the good men of the city).

In the Jewish tradition, this view of *tzedakah* as an expression of justice was sometimes described in theological language. The idea is that God has heard and responded to the cries of the poor and, in principle at least, has given them what they need. You may possess some part of what they need, but you possess it only as an agent of God, and if you do not pass it on to the poor, if you do not contribute, say, to the communal charity fund, you are robbing the poor of what in fact already belongs to them. The negative act of not contributing is a positive theft. And since theft is unjust, you are acting not only uncharitably but also unjustly by not giving—which is why coerced *tzedakah* is legitimate. I called this a theological argument, but it is possible even for nonbelievers to accept that, in some sense, it is true and right. Or nonbelievers can translate the argument into secular language: some part of everyone's wealth belongs to the political community, which makes economic activity and peaceful accumulation possible—and it can and should be used to promote the well-being of all the members of the community.

Fundraising in the contemporary Diaspora still partakes of this two-in-one character. I celebrated my bar mitzvah in 1948 in Johnstown, Pennsylvania. That year, my parents brought me with them, as a new member of the community, to the annual banquet of the United Jewish Appeal (UJA), the main fundraising event on the Johnstown Jewish calendar. The year 1948 was a critical one, and every Jew in town was there; no one really had a choice about whether or not to come.

There was a speaker from New York who talked with great emotion about the founding of Israel, the war that was then going on, and the desperate needs of the refugees waiting in Europe. Pledge cards were distributed, filled out at the table, and then put in an envelope and passed to the head of the table. There sat the owner of one of the biggest stores in town—let's call him Sam Shapiro. Sam knew everybody else's business: who was doing well and who was not, who was paying college tuition for their children, who had a sick mother, who had recently made a loan to a bankrupt brother, who had money to spare. He opened each envelope, looked at the pledge, and if he thought that it was not enough, he tore the card in half and passed it back down the table. That is how the Jews of Johnstown raised money, without a Jewish state, without—or supposedly without—coercive power. Was that charity, or was it the functional equivalent of taxation? Was it giving, or was it taking? *Tzedakah* signals something of both.

In international society, the condition of the Jews for 2,000 years is everyone's condition.

What moral or philosophical principle was Sam enforcing? He probably could not have answered that question, but the answer seems obvious: "from each according to his abilities, to each according to his needs." That line is from Karl Marx's *Critique of the Gotha Program*. Sam was not a Marxist, not by a long shot, but he adjusted the demands he made on each of us to his knowledge of our ability to pay. And we all believed that the UJA would distribute the money to those most in need. "From each, to each" is another example of two in one, for it describes equally well charitable giving and justified taking. This is the principle that Marx believed would apply after the withering away of the state—that is, in a condition of statelessness.

The idea of obligatory charitable giving is not peculiar to the Jews; there are many non-Jewish charities whose staffs would happily collect money the way the Johnstown UJA did, if they could, and would believe themselves to be acting justly. The two-in-one argument comes in Christian and Muslim versions; tithing, for example, is also understood as an act of justice and charity together. But the centuries of statelessness give the Jewish version a special force. Recall the powerful line in the book of Isaiah denouncing those who "grind the faces

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of the poor." I think of UJA fundraising as grinding the faces of the rich, and although that may or may not be nice, it certainly seems right.

But what should be done with the money collected? What does it mean to address the needs of the poor? This, too, is a question not only of charity but also of justice. Maimonides has a famous discussion of the eight levels of *tzedakah*, but only two need concern us here. The highest form of charitable giving, he wrote, is to set up a poor man in business or in work of some sort, to make him independent. This is the height of *tzedakah* because it recognizes and respects the dignity of the person who is being helped—which is also, obviously, a requirement of justice. When charity perpetuates dependency and subordination, it is unjust. Maimonides also insists that *tzedakah* in its highest form should be anonymous, for if the poor do not know the names of their benefactors, they cannot defer to them. The encounter of helplessness, on one side, and condescending benevolence, on the other, is humiliating for the needy, and so it should be avoided. Here, charitable giving among a stateless people takes on the most important feature of a decent welfare state, where the people receiving benefits are not obligated to any particular benefactor. They are helped as citizens by their fellow citizens, acting collectively.

Tzedakah in actual Jewish communities has often not taken the forms that Maimonides recommended. In many cases, it has been the product of noblesse oblige (which is not the same thing as moral obligation), and there have certainly been many poor people humiliated by gifts for which they had to beg. But the ideal, the collective sense of what *tzedakah* should be, was shaped by the belief that charity had to be governed by the demands of justice. And this two-in-one conception arises from the experience of statelessness.

IDEAL GIVING

Jewish statelessness can help us understand what charity more generally is or should be. It can also provide us with the crucial categories for thinking about humanitarianism in international society. When you do not have a state, charity and justice come two in one. Individuals decide which good deeds, out of many possible ones, they will undertake, which needs they will recognize and how much of their time, energy,

and money they will give. But decisions of this sort cannot be made appropriately without understanding what justice requires.

There will be disagreement about what justice requires, of course, and in the absence of a state, there will not be any established procedures for resolving the disagreement—hence, no democratic debates and no democratically chosen policies. And in that situation, the richest and most powerful members of the community will have inordinate influence. Any community that relies heavily on the charitable contributions of its members will be oligarchic in character. It will be ruled by people such as Sam Shapiro, who will sometimes be righteous and kind, as Sam was, and sometimes not.

This is the most important leftist criticism of charity—that it concedes the power of the powerful and forces the poor into the position of beggars. Jewish beggars were known to be unusually demanding, insisting on their entitlements, as if they were expounding the deep meaning of the word *tzedakah*. But they were beggars still. Even when there is a state, but not a fully just state, one that fails to provide generously for education and welfare, the rich and powerful will play a dominant role—as they do, these days, in the United States. Think of the significant role played by the Bill and Melinda Gates Foundation, for example, in shaping the current debate about educational policy, and perhaps determining its outcome, in the United States' inadequately funded public school system.

But if there were a strong and effective welfare state relying on a just system of taxation and taking care of basic needs, then charitable giving would achieve a kind of independence. Now, the giver would be free to follow the impulse of his or her heart, helping other people or improving the common life in any number of ways: volunteering to work in a daycare center, hospital, or nursing home; visiting the sick; supporting charitable projects of a church or synagogue or mosque; giving money to organizations defending civil liberties or human rights; teaching in a local prison or school; contributing to cultural societies, museums, symphonies, and theatrical groups; helping underfunded political magazines.

These choices will have an impact on the quality of life in the larger society, and the accumulation of benevolent acts will shape its overall goodness. But since in our hypothetical good state, the most important

decisions about social policy will be made democratically, no individual's choices will have a determining effect. There will be limits on the influence of the rich and powerful. Only in this context would charity mean what we have always taken it to mean: freely chosen acts of kindness, acts that reflect a generosity of spirit, free from the imperatives of justice, free from the urgency of other people's desperate need.

THE POLITICS OF HUMANITARIANISM

In international society, however, there is no global state. Here, the condition of the Jews for 2,000 years is everyone's condition, although it is felt most acutely by those for whom statelessness is doubled, at both the global and the national level—people without a state, or living in failed states, or in states torn by civil wars. There is no higher authority to which such people can appeal for help. The United Nations sometimes claims to be such an authority, but its repeated failure to rescue those in need of rescuing gives the lie to that claim. The un Security Council rarely acts effectively in crises, not only because of the veto power of its leading members but also because its members do not have a strong sense of responsibility for global security, for the survival of minority peoples, for public health and environmental safety, or for general well-being. They pursue their own national interests while the world burns.

This is the context in which we have to think about humanitarianism, which cannot in the circumstances of statelessness be a freely chosen gift, which has to respond to urgency and need. It is like *tzedakah*: if it does not connect with justice, it will not be what it should be. Religious men and women can reasonably think that God has already determined what we owe to the global poor, and the sick, and the hungry, and that our task is just to figure it out. And secular men and women can acknowledge that whether or not God exists, this is not a bad way of thinking about these things.

But even when driven by religious motives, humanitarianism is a political project. And because it is, it carries risks with it that are not usually associated with charitable work. Indeed, recent literature on humanitarian aid suggests that the work can go very badly when its organizers are not politically informed, committed to justice, and ready

to make prudential calculations. You can, for example, deliver aid in ways that bring in new predators to feed on the provisions and resources intended for the poor, or you can insist on the military or police forces necessary to keep the predators out. You can act through governments that are often corrupt, or you can send your own people into the zones of need and danger and work directly with local individuals and groups. These are choices that primarily involve calculations of effectiveness.

But there are also choices of a different kind. You can help desperately needy people in ways that disempower them and turn them into permanent clients, or you can help them in ways that promote their independence and enable them to help themselves. You can attempt to maintain your political neutrality, or you can take sides in civil wars and ethnic or party conflicts. You can act nonviolently, or you can decide to use or support the use of force. You can aim at relief, or you can aim at repair, sustaining the status quo or trying to transform it. No doubt, different cases require different choices, but in all the cases, these are going to be political choices, and they are likely to be made badly if they are governed chiefly by philanthropic considerations. There is not much room here for post-partisanship. Instead, it is necessary to think about the two-in-one character of humanitarian aid and to ask what justice requires. Similarly, when we judge the value of particular humanitarian projects, we cannot consider only the goodness, the warm-heartedness, the self-sacrifice of the aid workers; we must also ask whether they are acting justly and respectfully toward the people they are trying to help.

Who should make the critical decisions? Who are the agents of international humanitarianism, of charity and justice together? Just as rich and powerful individuals have disproportionate influence in determining the character and direction of domestic philanthropy, we have to worry that the richest and most powerful states and organizations will have a disproportionate influence in determining how aid is delivered and to whom. The big aid organizations are not accountable to the people they claim to help. Won't they often act in their own institutional interests? Don't states always defend their national interests even when they are engaged in humanitarian work?

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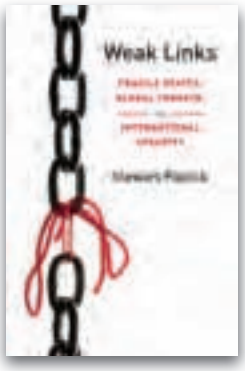

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ASSIGNING RESPONSIBILITY

This seems especially worrisome in the case of humanitarian intervention, which involves the use of force in someone else's country. And indeed, there is a lot of suspicion, especially on the left (but not only there), of any use of force for humanitarian purposes. There are people who claim that all military interventions will inevitably be the work of rich and powerful states acting imperially and will all end in domination. This claim is right—sometimes, which means that it is not inevitably right. Suspicion in these cases invites suspicion in turn, for the original suspicion sometimes follows from a refusal to recognize the extent of the crisis that calls for intervention.

Opposition to all interventions is a mistake, although opposition to some is sure to be morally necessary. Libya may provide a useful example, since the decision to intervene, at the moment it was made, probably did not meet the proportionality test, which is a requirement of justice. And at this moment, as I am writing, the intervention seems to have prolonged, rather than stopped, the killing, which is neither charitable nor just. I doubt that the United States and NATO intend to dominate Libya (for the sake of its oil, say, which was readily available before the intervention). Their motives were and are humanitarian, but not sufficiently shaped by considerations of prudence and justice.

Still, military interventions will sometimes deserve our support, without regard to who the interveners are, so long as they meet the two-in-one criteria. Although we do not want powerful states to dominate international society, we do want access to their resources, precisely to their wealth and power—in the same way that we want access to the resources of wealthy individuals in domestic society, which is why it is right to grind the face of the rich. Charity and justice together require that rich and powerful states contribute disproportionately to the common good or, better, that they contribute in proportion to their disproportionate wealth—"from each, to each." It is more often the case that powerful states don't do enough, or don't do anything at all, in response to desperate need than that they respond in imperialist ways. Humanitarian crises are more often ignored than seized on as an excuse for domination. There cannot be many countries eager to dominate Haiti

or Rwanda. So we need to look for ways of pressing rich and powerful states to do what they ought to do.

In fact, there are actually many states in international society that are capable of acting as humanitarian agents. In contrast to ordinary individuals in domestic society, ordinary states, even those far from being great powers, can act effectively in crises because of their ability to collect taxes and recruit aid workers and soldiers. So it is possible to imagine a division of humanitarian labor. Consider the role of the Vietnamese in shutting down the killing fields of the Khmer Rouge in Cambodia, or the Indian role in ending state terrorism in East Pakistan (now Bangladesh), or the role of the Tanzanians in overthrowing the murderous regime of Idi Amin in Uganda. Military intervention in these countries did not require the wealth and power of the United States; it was entirely within the reach of states with much smaller budgets and armies. The case is the same with regard to nonmilitary humanitarian aid, for which many states and many organizations have had a hand in shaping the international efforts—and for which disproportionate influence probably comes more from dedication than from wealth, as the achievements of the Scandinavian states and their aid workers around the world suggest.

Again, this dedication is not merely philanthropic. It arises also from a commitment to justice; like *tzedakah*, it is two in one. And a commitment to justice is not voluntary; it is a commitment that we are all bound to make, as individuals and as citizens, and that all states are bound to make. We are not in a position where we can let generosity and warm-heartedness determine what states do in international society. In the absence of a global welfare state, there are many things that individual states have to do. But here is the agency question again: Which states have to do what?

RELIEF AND REPAIR

International humanitarianism is an imperfect duty. In any crisis situation, different states are capable of acting, but no single state is the designated actor. There is no established procedure that will tell us the proper name of the agent. Aid organizations often respond to a crisis in very large numbers, but without anyone assigned

to take charge. The work should be coordinated, for the sake of its effectiveness—and justice requires effectiveness—but there is no named coordinator. We might look for UN designations of responsibility, both when military intervention is called for and when massive aid is called for. But we are likely to look in vain for timely or consistent assignments. In these circumstances, decisions about intervention and aid will often have to be made unilaterally—as by Vietnam, India, and Tanzania in the cases mentioned above. The governing principle is, Whoever can, should.

That is not a principle that can be legally enforced, but there is a political process of enforcement—not very effective, to be sure, but worth considering. It works through public criticism, shaming, moral appeal, and sometimes popular mobilization. The NATO intervention in Kosovo probably had a lot to do with shame over not preventing the Srebrenica massacre; U.S. President Bill Clinton's apology to the people of Rwanda for the United States' failure to prevent the 1994 massacre there was a response of sorts to fierce criticism of the U.S. posture at the UN that year. The unsuccessful campaign for intervention in Darfur involved tens of thousands of activists and sympathizers in a number of countries. This, too, is political work, and what drives it is not only humanitarian benevolence but also a strong sense of what justice requires.

> The governing principle of humanitarian intervention is, Whoever can, should.

The same combination, two in one, should determine the character and purpose of aid and intervention. It is, of course, immediately necessary to feed the hungry, to stop the killing. Relief comes before repair, but repair, despite the risks it brings with it, should always be the long-term goal—so that crises do not become recurrent and routine. As with *tzedakah* according to Maimonides, aid workers and soldiers should do what they can, the best that they can, to promote the independence of individuals and states. In international society, this means building states that can defend the lives of their citizens and helping them help themselves. What must be avoided is enduring economic or political dependency—the creation of pauper populations or of satellite states and puppet governments. Although we are often

told that the state system must be transcended, sovereignty is in fact humanitarianism's morally necessary end: a decent state, capable of providing security, welfare, economic management, and education for all its citizens. Then, the aid workers and the intervening armies can go home. If they have created the conditions for self-determination, we know that they have acted both charitably and justly.

So state building can be a form of humanitarian work, even though we don't know anywhere near enough about how to do it. Regime change, however, is something different. When the Red Army tried to bring communism to Poland in 1919 and when the U.S. Army tried to bring democracy to Iraq in 2003 (and to Libya in 2011?), these were ideological, not humanitarian, projects. They aimed at repair but not at relief, whereas humanitarianism aims at repair only after, and in order to sustain, relief. It is the critical need for relief that generates the two-in-one response that we call humanitarian.

Relief and repair can take a long time, and there will be hard choices to make along the way, without any international procedure for making them. There is also no legal way to conscript people or states to do the necessary work or to regulate the work they do. That is, again, what global statelessness means. And so we must search for more informal ways of pressing people into humanitarian service and evaluating and criticizing what they do (and don't do). Since there are few effective laws in international society, we need principles of charity and justice that will shape our own contributions and also our judgments of what other people contribute.

Humanitarianism has to be an ongoing argument: What ought to be done right now? The answer to that question will change depending on the existing needs, the political circumstances, the resources that benevolence can provide, and the requirements of justice. But once we have figured out an answer, we can think of humanitarianism as the two-in-one enterprise that I have been describing. As individual men and women, as members of or contributors to nongovernmental organizations, as citizens of powerful states, it invites us to choose to do what we are absolutely bound to do.

Small Island Nation Attracts Big Global Partners

Where is the biggest population of Cape Verdeans? Cape Verde, right? Wrong. In fact, there are as many Cape Verdeans—around 500,000—in New England as there are on all nine inhabited islands, which lie 300 miles west of Senegal, not to mention sizeable groups in Portugal, Angola, Brazil, and the European Union (EU).

Despite its remote Atlantic location, small population, and limited resources, with more citizens and descendants abroad than at home, Cape Verde punches above its weight globally, not just in relations with Portuguese-speaking nations and the Economic Community of West African States (ECOWAS), but also in partnerships with the United States and EU.

It has transformed challenges into advantages: its location makes it a staging point between Africa, America, and Europe; GDP per capita, at $3,064, is almost three times the African average; and it has harnessed what it does have—varied geography, vibrant culture, and a benign climate—to attract visitors and foreign investment.

Cape Verdeans overseas represent more than just a presence. They also help maintain national finances, contributing 9 percent of GDP in remittances. Prime Minister José Maria Neves now aims to ensure that all its people are better aware of the nation's potential, get involved in its development and become advocates for what it has to offer.

"We have defined the idea of a global nation, which includes the islands and the diaspora," Neves explains, "and want greater interaction between the community here and those overseas. We are an emerging nation, with investment opportunities in every area: health, education, transportation, tourism, fisheries and agriculture. Every area is open to investment and offers scope for business."

José Maria Neves- Prime Minister

Since 2001, when Neves took office, his African Party for the Independence of Cape Verde (PAICV) has put in place a market-oriented economy and overseen rapid growth. It is on track to meet most of its Millennium Development Goals (MDGs), especially regarding poverty, health and education, all of which helped win him a third term in February 2011.

The economy expanded by 6.6 percent annually from 2004 to 2009. Although growth slowed to 4.1 percent in 2009, it rebounded to 5 percent in 2010 and is forecast to be at 5.5 percent in 2011, according to World Bank data. July 2011 will mark three years since Cape Verde joined the World Trade Organization (WTO), and two years since it graduated to the United Nations' Middle Income Country (MIC) status. This July, it celebrates 36 years of independence.

After lobbying by the Neves government and Portugal, Cape Verde signed a special partnership with the EU in 2007, in recognition of its historic ties, stable democratic government and strategic location for trade. Fostering cooperation on migration, security, and social agendas, the deal included $75 million in European Development Fund backing over five years.

> *"We are an emerging nation, with opportunities in every area: health, education, transportation, tourism, fisheries, agriculture. Every area is open to investment and offers scope for business."*
>
> *José Maria Neves*

Three years before, Cape Verde was only the second African nation to sign a compact with the U.S. Millennium Challenge Corporation (MCC), which committed $110 million over five years to bolster economic growth and reduce poverty. At the end of the initial compact last October, Cape Verde became the first country eligible for a second agreement. In May 2011, Cristina Duarte, the minister for finance and planning, announced a study phase for new projects.

Prime Minister Neves presented plans for the next five years to parliament in April, including intentions to promote private enterprise and make the energy sector more efficient. They were passed at the month's end, with various economic and social initiatives implemented immediately.

In addition to attracting more domestic and foreign investment to areas including tourism, finance, and the "sea and sky clusters," Neves insists his government intends to "work with the private sector to internationalize our economy, enabling our companies to benefit from opportunities in other countries."

Clusters Attract Private-Sector Interest

"We want to be a gateway to Africa and from Africa," declares Minister of Finance and Planning Cristina Duarte, making no secret of her and the Neves administration's ambitions to ensure this tiny Atlantic archipelago stands out on the world map. "It is a vision, not a dream. We have been working on transforming Cape Verde into a credible and useful country internationally since independence. In the past ten years, it became clear that we could play this role."

How the minister sees this happening sounds simple: the government has identified four clusters—sea, sky, ITC, and financial—and has invested millions to put in place all the pieces needed to develop them.

"Our responsibility is to create infrastructure, so these four clusters can emerge," Duarte points out. "But they can only be built by domestic and international private investment. This is why we have been making our business environment positive and competitive in such an aggressive way. Two years ago, we decreased our taxes and are now creating the conditions to cut them again in three years' time."

Appointed in September 2006, Duarte formerly led the World Bank's privatization program for Cape Verde. Educated in the United States, she has worked for Citibank in a number of African nations and for leading institutions, including the African Development Bank and the United Nations, on private-sector development. That combination of corporate, international, and state-sector experience helps the government focus on what it does best.

Over $740 million has been spent on modernizing ports, with the goal of making Cape Verde a transhipment platform. The deepwater port at Mindelo, on São Vicente Island, has the optimum natural conditions making that possible. Construction work there is due to commence as soon as the nationwide rehabilitation program currently under way is completed.

In the sky cluster, the vision is to become a major passenger and cargo hub, and, to that end, the company looking after all national airports and air safety (ASA) recently opened a fourth international airport designed to serve growing tourism and freight traffic. And, in the ITC sector, Cape Verde will soon be connected to a second telecommunications cable, OTICO, the minister reveals, and is investing in what she calls "e-readiness."

Cristina Duarte- Minister of Finance

> *"We are a country that, together with Europe, together with the United States, together with emerging nations, can contribute to a better economic and social international order."*
>
> *Cristina Duarte*

"We believe ITC is instrumental," Duarte insists. "We need it to develop the other clusters. But we are also starting to be in a position to export knowledge, for example, in e-governance. We have a strong technological platform. We've already started exporting to other countries, like Mozambique and Angola."

Finally, in terms of the financial cluster, the minister explains that the vision is to transform the country into a regional financial center, but with one important caveat: "We don't want Cape Verde to be a fiscal paradise or to be perceived as an offshore banking center," she clarifies. "We want to be a credible financial sector, according to international compliance rules."

Two factors are vital to competitiveness, Duarte notes: fiscal standards and technological expertise. In West Africa, according to the minister, only Accra, Lagos, Abidjan and Dakar have strong and sizeable financial centers, due to the underlying strength of their national economies. But she believes they need a stable and secure place to handle backup services for their banking systems, and Cape Verde is in a good position to offer such services.

Investing in human capital, via education and training, will be critical to success. Sustainable employment opportunities only arise when there is a professional and well-prepared workforce in place, and the government is committed to working with the private sector to ensure jobs are there for those ready to take them. At the same time, the minister notes, long-term employment is the most effective way of reducing poverty, which remains a challenge for Cape Verde, despite the successes of recent years in lifting large numbers of the population above the poverty line.

For Duarte, Cape Verde has gone a long way towards showing how useful it can be to the rest of the world: "We have proven that we have adopted, and will keep adopting, international standards," she notes, "and we are a country that, together with Europe, together with the United States, together with emerging nations, can contribute to a better economic and social international order."

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Leveraging Language Ties with Lusophone Countries

Angola, Brazil, Cape Verde, East Timor, Guinea-Bissau, Mozambique, Portugal, and São Tomé and Principe compose the Community of Portuguese Language Countries (CPLC), with Equatorial Guinea, Mauritius, and Senegal also present as associated observers. Together, they represent over 240 million people, a massive market with significant potential for development as Cape Verdean businesses begin to explore possibilities beyond the nation's borders.

Plenty of other people worldwide speak Portuguese, too—in the Chinese Special Administrative Region of Macau, Goa in India, and Melaka in Malaysia, for instance—with many Lusophones, as speakers of Portuguese are known, elsewhere, including Cape Verde's own diaspora.

"My company is undergoing internationalization now," says Loide Monteiro, CEO of Loid Engenharia, an engineering consultancy. "In the last ten years, Cape Verde has gained a lot of prestige, and that's good for me, because when they have a good image of [us], they open up opportunities for our companies."

Major markets include Portugal, Angola, Brazil, and even Macau. Despite the recent European Union (EU) bailout, Portugal remains an important recipient of Cape Verdean goods and is the leading provider of imports. Some 200 Portuguese companies are present in the islands, with 2,700 exporting to Cape Verde.

Moreover, Portugal is Cape Verde's biggest trading partner, accounting for 45 percent of imports and over 22 percent of exports in 2009, and its support was vital in the EU reaching a special agreement with Cape Verde in 2007. In April, Prime Minister José Maria Neves insisted that credit lines provided by Portugal, worth almost $900 million, remain in place.

On the African continent, Cape Verde maintains close ties with Angola, the world's fastest-growing economy. Building on the success of their urban development planning in Cape Verde, Loid Engenharia, which has devised plans for 60 percent of the archipelago's local governments, has now turned its attention to Angola.

"We signed contracts for two municipalities [and] have started work," Monteiro reveals. "At the moment, those two contracts are [our] biggest. That's a new challenge."

> *"In the last ten years, we have gained a lot of prestige, and that's good, because when people have a good image of Cape Verde, they open up opportunities for our companies."*
>
> *Loide Monteiro*

Cape Verde has also been a member of the Economic Community of West African States (ECOWAS) since 1977, giving it the perfect launchpad into some of the region's leading economies. ECOWAS is a grouping of 15 countries, including those along Africa's west coast from Senegal to Nigeria and three landlocked states—Burkina Faso, Mali, and Niger—although Côte d'Ivoire's membership was suspended after disputed elections in 2010.

"Regional integration is one of our objectives," says Jorge Borges, Cape Verde's minister of foreign affairs. "Cape Verde is quite active in the ECOWAS structure. Since 2008, we cooled one aspect, as we don't have the same conditions as a continental country for regional integration. So what we are doing now is trying to say what that means. Probably what we can start thinking about is a 'differentiated integration.'"

Loid Engenharia is involved in ECOWAS too, Monteiro notes, as she is part of the community's Federation of Businesswomen. She considers it "a great market, because it's very close and they believe Cape Verde can bring positive ideas to help them develop, so it's something we should take advantage of."

Across the Atlantic, Brazil is yet another Lusophone market with which Cape Verde is creating new relationships, sometimes with Angolan partners. In February 2011, Cabo Verde Investimentos (CI) and Emerald Sociedade de Investimento de Angola signed a preagreement to develop a hydrated ethanol plant on São Vicente with an investment of over $50 million.

Despite, or perhaps because of, its location, Cape Verde is closer to some of the most promising global markets than a glance at the map might suggest. According to the minister of foreign affairs: "Cape Verde is not isolated. We are showing that we have a voice and can do something positive."

Opening New Airports to Open up Islands

As a country made up of ten islands and eight islets occupying just 1,557 square miles of land (about the size of Rhode Island), separated from one another by miles of Atlantic Ocean and from the African coast by hundreds more, it's little wonder that air travel is the preferred form of transportation for most people to get around, as well as to and from, Cape Verde.

But with a local population numbering little more than half a million and just 380,000 overseas visitors in 2010, it might come as a surprise to learn the nation has no fewer than four international airports, giving it one of the highest facility-to-user ratios in the world. The architect of the islands' enviable infrastructure is ASA (Empresa Nacional de Aeroportos e Segurança Aérea S.A.), Cape Verde's national airports and air safety company.

> *"We have to become a service provider that guarantees the security of air operations and contributes to the development of the corridor between South America and Europe."*
>
> *Mário Paixão Lopes*

Cape Verde's "sky cluster" is one of four cornerstones of Prime Minister Neves' national development plans, and, according to ASA's chairman, Mário Paixão Lopes, the company has a vital role to play in achieving the administration's ambitious goals.

"Transforming Cape Verde into a provider of air services for the region, serving as a bridge between continents," is how Lopes describes ASA's mission. "With our strategic location in the mid-Atlantic, we have to modernize our air-traffic control to become a service provider that guarantees the security of air operations and contributes to the development of the corridor between South America, Africa, and Europe."

Mário Paixão Lopes
Chairman of ASA

Cape Verde's original airport and air traffic company was set up in 1984 and took on responsibility for developing and operating all the nation's airports and airfields, as well as overseeing the safety of the aircraft that cross the archipelago's skies. In 2001, new legislation transformed it into a publicly owned but commercially operated limited company, and, in June 2011, ASA will notch up ten years in business.

Thanks to greater autonomy, it has capitalized on income earned from airlines using Cape Verde's airspace to invest in a network of international airports and improve air-traffic control and safety systems. Cape Verde has managed the Sal Oceanic Flight Information Region (FIR) since 1980, and its FIR lies along most of the major transatlantic routes, meaning constant traffic and growing revenue.

"In 2001, we had one international airport. In 2011, we have four," points out Lopes. "We are creating the conditions to diversify vacation centers on every island, boosting tourism activity on all the islands with point-to-point connections and improved logistics and providing quality service to our clients. There's still a lot to do, and we have to keep working to make that quality apparent and strive for excellence."

Cape Verde's only international airport for 60 years, Amilcar Cabral International, on Sal Island, is still the busiest, handling a quarter of a million passengers in the first six months of 2010 alone, more than 154,000 of who were from overseas. Just behind is Praia International Airport, on Santiago, which opened in 2005, serves the capital and welcomed almost 220,000 passengers in the first semester last year.

ASA's two newest facilities, Rabil on Boa Vista Island and São Pedro on São Vicente Island, which operated its maiden overseas flight to Brazil in December 2009, are great examples of how opening an international airport also opens up a previously underdeveloped island to foreign investment and visitors.

"At Boa Vista, the airport was inaugurated in 2007 and had excellent traffic volumes," Lopes notes. "When it started, there was just one Italian hotel, Beta Club, other small hotels, and two charter flights. Two years later, we now have 25 charter flights and the airport acts as an incentive for the hospitality industry, as you can see with Spain's Riu hotel chain."

From 2009 through 2013, ASA plans to invest almost $60 million in further improvements, focusing on Sal and Boa Vista, which are experiencing the fastest growth in international tourism, according to Lopes. At Amilcar Cabral, the entire lighting system is being replaced, and a new backup power station is already completed, while at Rabil, fire trucks, ambulances, and safety equipment are being updated as part of a $12 million deal with Spain's Iturri for all Cape Verde's airports.

Lopes notes, however, that one resource above all has helped ASA achieve its goals: its people. The company has developed an integrated human resource project, its chairman explains, to enhance its employees' skills, ensure they align with company strategy, and "stimulate them to simply be better," he says. "We would never have had success in our modernization goals if we had not worked with our people first."

Building a Regional Transhipment Hub

Home to Cape Verde's biggest carnival, Mindelo is also the location of the archipelago's largest and longest-serving port: Porto Grande. The stopover for explorers, whalers, coal ships, container vessels, and, today, cruise liners, the capital of São Vicente remains the islands' busiest facility.

Porto Grande

Aptly named, Porto Grande has calm and clear waters, ample quay length for almost any vessel, depths between 11 and 30 meters, and a location in a well-protected, two-kilometer-wide bay. As a result, it was the perfect candidate for development into an international transhipment hub by Enapor, the national ports company, and a new $25 million project is planned for São Vicente, to include a cruise tourism project.

By next year, Enapor expects to have invested $400 million in upgrading and expanding the nine ports it manages, according to its chairman, Franklim Spencer. To date, close to $300 million has been committed to its modernization program, with the first phase slated for completion this year. Work began at Sal-Rei on Boa Vista and is under way at Porto Novo on Santo Antão and Vale Cavaleiros on Fogo.

"With all the projects that have been developed in the sector, security and communications systems, equipment already in place, fishing and maritime research, we are on the same level as Europe and the world," Spencer says. "We have created activities, like naval repairs, in which the government is looking for partners and investors."

Fisheries and cruise ships are among the segments that provide the greatest growth potential for Enapor, and the company is readying its ports to handle what it hopes will be increased demand from cruise operators: "We have the chance to offer four or five ports," Spencer points out. "We have come up with a purely African tourism product, as Americans already know the Caribbean and want other alternatives. Brazilian tourists are also showing interest."

After a decade of discussion, Enapor is now being prepared for privatization—"necessary for the country and for the sector," Spencer insists. The goal is to harness private-sector know-how and experience and ensure that future investment in the nation's ports is carried out by public-private partnerships. This represents a major opportunity for private-sector players to get involved in a major cluster for Cape Verde's development.

Things are Heating up for Tourism in the Islands

With ten islands and eight islets to explore, 350 days of sunshine per year, a charming carnival, and some of the most varied landscapes—from salt flats to volcanic slopes to beautiful, and empty, beaches—you're likely to find in such a small space, the amazing thing about Cape Verde is that it's not more popular.

But it won't stay that way for long, as more people come to the archipelago every year, thanks to frequent flights from major European vacation markets to its four international airports and the cruise trade, which together brought over 380,000 visitors to Cape Verde in 2010.

According to Cruise Industry News, Cape Verde will welcome 26,500 cruise visitors on 38 ships in 2011. Most dock at Porto Grande, close to Mindelo and its celebrated carnival, for those in the mood to party. The port can handle three vessels concurrently, although expansion plans, including a new cruise terminal, should accommodate megaships in the future.

Tourism in Cape Verde is not limited to leisure travel, and the capital, Praia, on Santiago, allows visitors to shed their suits and soak up the sun. The four-star Pestana Trópico offers 51 rooms and suites, all with sea views. Managed by Jorge Xavier, it is part of Portugal's Pestana Hotels and Resorts chain, one of 80 establishments on three continents.

Once here, sample the stunning sands on Sal, Boa Vista, and Maio Islands, climb the volcano on Fogo, or simply spend time enjoying "morabeza," the traditionally warm welcome every visitor receives.

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Why Middle East Studies Missed the Arab Spring

The Myth of Authoritarian Stability

F. Gregory Gause III

The vast majority of academic specialists on the Arab world were as surprised as everyone else by the upheavals that toppled two Arab leaders last winter and that now threaten several others. It was clear that Arab regimes were deeply unpopular and faced serious demographic, economic, and political problems. Yet many academics focused on explaining what they saw as the most interesting and anomalous aspect of Arab politics: the persistence of undemocratic rulers.

Until this year, the Arab world boasted a long list of such leaders. Muammar al-Qaddafi took charge of Libya in 1969; the Assad family has ruled Syria since 1970; Ali Abdullah Saleh became president of North Yemen (later united with South Yemen) in 1978; Hosni Mubarak took charge of Egypt in 1981; and Zine el-Abidine Ben Ali ascended to Tunisia's presidency in 1987. The monarchies enjoyed even longer pedigrees, with the Hashemites running Jordan since its creation in 1920, the al-Saud family ruling a unified Saudi Arabia since 1932, and the Alaouite dynasty in Morocco first coming to power in the seventeenth century.

These regimes survived over a period of decades in which democratic waves rolled through East Asia, eastern Europe, Latin America, and sub-Saharan Africa. Even the Arab countries' neighbors in the Muslim

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F. Gregory Gause III is Professor of Political Science at the University of Vermont.

Middle East (Iran and Turkey) experienced enormous political change in that period, with a revolution and three subsequent decades of political struggle in Iran and a quasi-Islamist party building a more open and democratic system in secular Turkey.

For many Middle East specialists, this remarkable record of regime stability in the face of numerous challenges demanded their attention and an explanation. I am one of those specialists. In the pages of this magazine in 2005 ("Can Democracy Stop Terrorism?" September/October 2005), I argued that the United States should not encourage democracy in the Arab world because Washington's authoritarian Arab allies represented stable bets for the future. On that count, I was spectacularly wrong. I also predicted that democratic Arab governments would prove much less likely to cooperate with U.S. foreign policy goals in the region. This remains an open question. Although most of my colleagues expressed more support for U.S. efforts to encourage Arab political reform, I was hardly alone in my skepticism about the prospect of full-fledged democratic change in the face of these seemingly unshakable authoritarian regimes.

Understanding what we missed and what we overestimated in our explanations of the stability of Arab authoritarianism—and understanding why we did so—is of more than just academic significance. Regional analysts must determine what changed in the forces that underpinned four decades of Arab regime stability and what new elements emerged to spark the current revolts. Doing so will allow U.S. policymakers to approach the Arab revolts more effectively by providing them insight into the factors that will drive postrevolutionary politics in the Arab world.

ARAB STATES AND THEIR MILITARIES

THE FIRST task is to establish what academia knew and did not know. To begin with, it is important to recognize that few, if any, political scientists working on the Middle East explained the peculiar stability of Arab regimes in cultural terms—a sign of progress over the scholarship of earlier eras. The literature on how Arab dictators endured did not include old saws about how Islam is inimical to democracy or how Arab culture remains too patriarchal and traditional

to support democratic change. We recognized how popular the concept of democracy was in the Arab world and that when given real electoral choices, Arabs turned out to vote in large numbers. We also understood that Arabs did not passively accept authoritarian rule. From Algeria to Saudi Arabia, Arab autocrats were able to stay in power over the past 40 years only by brutally suppressing popular attempts to unseat them, whether motivated by political repression or food prices. Arab citizens certainly demonstrated the desire and ability to mobilize against their governments. But those governments, before 2011, were extremely successful in co-opting and containing them.

As a result, academics directed their attention toward explaining the mechanisms that Arab states had developed to weather popular dissent. Although different scholars focused on different aspects of this question, from domestic institutions to government strategies, most attributed the stability of Arab dictatorships to two common factors: the military-security complex and state control over the economy. In each of these areas, we in the academic community made assumptions that, as valid as they might have been in the past, turned out to be wrong in 2011.

Most scholars assumed that no daylight existed between the ruling regimes and their military and security services. That assumption was not unreasonable. Many Arab presidents served in uniform before they took office, including Ben Ali and Mubarak. In the wake of the Arab military coups of the 1950s and 1960s, Arab leaders created institutions to exercise political control over their armies and, in some cases, established rival military forces to balance the army's weight. Arab armies helped ruling regimes win their civil wars and put down uprisings. As a result, most Middle East experts came to assume that Arab armies and security services would never break with their rulers.

This assumption obviously proved incorrect. Scholars did not predict or appreciate the variable ways in which Arab armies would react to the massive, peaceful protests this year. This oversight occurred because, as a group, Middle East experts had largely lost interest in studying the role of the military in Arab politics. Although this topic once represented a central feature of U.S. scholarship on the Middle East—when the Arab military coups of the 1950s and 1960s occupied the academics of that era—the remarkable stability of the Arab regimes

since then led us to assume that the issue was no longer important. Yet a preliminary review of the unfolding revolts suggests that two factors drive how Arab militaries react to public unrest: the social composition of both the regime and its military and the level of institutionalization and professionalism in the army itself.

The countries in which the military, as an institution, sided with the protesters, Egypt and Tunisia, are two of the most homogeneous societies in the Arab world. Both are overwhelmingly Sunni. (The Coptic Christian minority in Egypt plays an important social role there but has little political clout.) Both the Egyptian and the Tunisian armies are relatively professional, with neither serving as the personal instrument of the ruler. Army leaders in both nations realized that their institutions could play an important role under new regimes and thus were willing to risk ushering out the old guard.

For Wael Ghonim and many others, political freedom outweighed economic opportunity.

In Arab countries featuring less institutionalized forces, where the security services are led by and serve as the personal instruments of the ruler and his family, those forces have split or dissolved in the face of popular protests. In both Libya and Yemen, units led by the rulers' families have supported the regimes, while other units have defected to the opposition, stayed on the sidelines, or just gone home.

In divided societies, where the regime represents an ethnic, sectarian, or regional minority and has built an officer corps dominated by that overrepresented minority, the armies have thus far backed their regimes. The Sunni-led security forces in Bahrain, a Shiite-majority country, stood their ground against demonstrators to preserve the Sunni monarchy. The Jordanian army remains loyal to the monarchy despite unrest among the country's Palestinian majority. Saudi Arabia's National Guard, heavily recruited from central and western Arabian tribes, is standing by the central Arabian al-Saud dynasty. In each country, the logic is simple: if the regime falls and the majority takes over, the army leadership will likely be replaced as well.

The Syrian army's reaction to the crisis facing the Assad regime will offer an important test of this hypothesis. Members of the Assad family command important army units, and Alawites and members

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of other minority groups staff a good portion of the officer corps in the Sunni-majority country. If minority solidarity with the regime endures, Assad is likely to retain power. Yet if disaffected officers begin to see the army as an instrument of the Assad family itself, they could bring down the regime. Either way, once the dust settles, Middle East scholars will need to reexamine their assumptions about the relationship between Arab states and their militaries—perhaps the key element in determining regime survival in a crisis.

THE REFORM FACTOR

State control over the economy in the Middle East was another pillar of regime stability identified by academics. Scholars posited that Arab states with oil reserves and revenues deployed this wealth to control the economy, building patronage networks, providing social services, and directing the development of dependent private sectors. Through these funds, Arab rulers connected the interests of important constituencies to their survival and placated the rest of their citizens with handouts in times of crisis. Indeed, since the current uprisings began, only Libya among the major oil exporters (Algeria, Iraq, Kuwait, Libya, Qatar, Saudi Arabia, and the United Arab Emirates) has faced a serious challenge. Buoyed by high oil prices, the other oil exporters have been able to head off potential opposition by distributing resources through increased state salaries, higher subsidies for consumer goods, new state jobs, and direct handouts to citizens. Qaddafi's example establishes that oil money must be allocated properly, rather than wasted on pet projects and harebrained schemes, for it to protect a regime. The recent Arab revolts, then, would seem to validate this part of the academic paradigm on regime stability.

Yet this year's revolts have called the economic foundations of the regime stability argument into question when it comes to non-oil-producing states. Although Arab petrostates have relied on their oil revenues to avoid economic reform, changes in the world economy and the liberalizing requirements of foreign aid donors have over the past two decades forced non-oil-producing states to modernize their economies. A number of Arab regimes, including in Egypt, Jordan, Morocco, and Tunisia, have privatized state enterprises,

encouraged foreign investment, created incentives to kick-start the private sector, and cut subsidies and state expenditures that previously consumed government budgets. Such Washington consensus–style economic reforms exacerbated inequalities and made life more difficult for the poor, but they also opened up new opportunities for local entrepreneurs and allowed the upper classes to enjoy greater consumer choice through liberalized trade regimes. Some Middle East specialists thought that economic liberalization could establish new bases of support for Arab authoritarians and encourage the economic growth necessary to grapple with the challenges of growing populations (as economic reforms in Turkey have led to greater support for the ruling Justice and Development Party there). Meanwhile, Western governments pushed the idea that economic reform represented a step toward political reform.

But these economic reforms backfired on those governments that embraced them most fully: Cairo and Tunis. Although both Egypt and Tunisia had achieved decent economic growth rates and received praise from the International Monetary Fund as recently as 2010, politically driven privatizations did not enhance the stability of their regimes. Instead, they created a new class of superwealthy entrepreneurs, including members of the presidents' families in both countries, which became the targets of popular ire. And the academics' assumption that these beneficiaries of economic reform would support the authoritarian regimes proved chimerical. The state-bred tycoons either fled or were unable to stop events and landed in postrevolutionary prison. The upper-middle class did not demonstrate in favor of Ben Ali or Mubarak. In fact, some members became revolutionary leaders themselves.

It is supremely ironic that the face of the Egyptian revolt was Wael Ghonim, the Egyptian Google executive. He is exactly the kind of person who was poised to succeed in the Egypt of Mubarak—bilingual, educated at the American University of Cairo, and at home in the global business world. Yet he risked his future and life to organize the "We are all Khaled Said" Facebook page, in memory of a man beaten to death by Egyptian police, which helped mobilize Egyptians against the regime. For him and many others in similar economic circumstances, political freedom outweighed monetary opportunity.

Seeing what happened in Cairo and Tunis, other Arab leaders rushed to placate their citizens by raising state salaries, canceling planned subsidy cuts, and increasing the number of state jobs. In Saudi Arabia, for example, in February and March, King Abdullah announced new spending plans of more than $100 billion. The Saudis have the oil money to fulfill such pledges. In non-oil-producing states, such as Jordan, which halted its march down the road of economic reform once the trouble began, governments may not have the money to maintain the old social contract, whereby the state provided basic economic security in exchange for loyalty. Newly liberated Egypt and Tunisia are also confronting their inherited economic woes. Empowered electorates will demand a redistribution of wealth that the governments do not have and a renegotiation of the old social contract that the governments cannot fund.

Many Middle East scholars recognized that the neoliberal economic programs were causing political problems for Arab governments, but few foresaw their regime-shaking consequences. Academics overestimated both the ameliorating effect of the economic growth introduced by the reforms and the political clout of those who were benefiting from such policies. As a result, they underestimated the popular revulsion to the corruption and crony privatization that accompanied the reforms.

Oil wealth remains a fairly reliable tool for ensuring regime stability, at least when oil prices are high. Yet focused on how Arab regimes achieved stability through oil riches, Middle East scholars missed the destabilizing effects of poorly implemented liberal economic policies in the Arab world.

A NEW KIND OF PAN-ARABISM

Another factor missed by Middle East specialists had less to do with state policies and institutions than with cross-border Arab identity. It is not a coincidence that major political upheavals arose across the Arab world simultaneously. Arab activists and intellectuals carefully followed the protests of Iran's 2009 Green Movement, but no Arabs took to the streets in emulation of their Iranian neighbors. Yet in 2011, a month after a fruit vendor in Tunisia set himself on

fire, the Arab world was engulfed in revolts. If any doubts remain that Arabs retain a sense of common political identity despite living in 20 different states, the events of this year should put them to rest.

Such strong pan-Arab sentiments should not have surprised the academic community. Much of the work on Arab politics in previous generations had focused on Arab nationalism and pan-Arabism, the ability of Arab leaders to mobilize political support across state borders based on the idea that all Arabs share a common political identity and fate. Yet many of us assumed that the cross-border appeal of Arab identity had waned in recent years, especially following the Arab defeat in the 1967 war with Israel. Egypt and Jordan had signed treaties with Israel, and the Palestinians and Syria had engaged in direct negotiations with Israel, breaking a cardinal taboo of pan-Arabism. U.S.-led wars against Iraq in 1990–91 and beginning in 2003 excited opposition in the Arab world but did not destabilize the governments that cooperated with the U.S. military plans—a sign of waning pan-Arabism as much as government immunity to popular sentiment. It seemed that Arab states had become strong enough (with some exceptions, such as Lebanon and post–Saddam Hussein Iraq) to fend off ideological pressures from across their borders. Most Middle East scholars believed that pan-Arabism had gone dormant.

Academic specialists on Arab politics, such as myself, have quite a bit of rethinking to do.

They thus missed the communal wave of 2011. Although the events of this year demonstrate the continued importance of Arab identity, pan-Arabism has taken a very different form than it did a half century ago under the leadership of Egyptian President Gamal Abdel Nasser. Then, Nasser, a charismatic leader with a powerful government, promoted popular ideas and drove events in other countries, using the new technology of his day, the transistor radio, to call on Arabs to oppose their own governments and follow him. Now, the very leaderless quality of the popular mobilizations in Egypt and Tunisia seems to have made them sources of inspiration across the Arab world.

In recent decades, Arab leaders, most notably Saddam during the Gulf War, have attempted to embrace Nasser's mantle and spark popular Arab movements. Even the Iranian leader Ayatollah Ruhollah Khomeini—a Persian, not an Arab—appealed to Islam to mobilize Arabs behind his banner. All these attempts failed. When the people of Tunisia and then Egypt overthrew their corrupt dictators, however, other Arabs found they could identify with them. The fact that these revolts succeeded gave hope (in some cases, such as in Bahrain, false hope) to other Arabs that they could do the same. The common enemy of the 2011 Arab revolts is not colonialism, U.S. power, or Israel, but Arabs' own rulers.

Academics will need to assess the restored importance of Arab identity to understand the future of Middle East politics. Unlike its predecessor, the new pan-Arabism does not appear to challenge the regional map. Arabs are not demonstrating to dissolve their states into one Arab entity; their agendas are almost exclusively domestic. But the Arab revolts have shown that what happens in one Arab state can affect others in unanticipated and powerful ways. As a result, scholars and policymakers can no longer approach countries on a case-by-case basis. The United States will have a hard time supporting democracy in one Arab country, such as Egypt, while standing by as other allies, such as Bahrain, crush peaceful democratic protests.

In addition, the new pan-Arabism will eventually bring the issue of Arab-Israeli peace back to the fore. Although none of the 2011 Arab revolts occurred in the name of the Palestinians, democratic Arab regimes will have to reflect popular opinion on Israel, which remains extremely low. Arab public opinion on the United States is influenced by Arabs' views on the Israeli-Palestinian conflict as much as by U.S. actions in other Arab countries. As a result, the United States will need to reactivate Israeli-Palestinian peace talks to anticipate the demands of Arab publics across the Middle East.

BACK TO THE DRAWING BOARD

Academic specialists on Arab politics, such as myself, have quite a bit of rethinking to do. That is both intellectually exciting

and frightening. Explaining the stability of Arab authoritarians was an important analytic task, but it led some of us to underestimate the forces for change that were bubbling below, and at times above, the surface of Arab politics. It is impossible for social scientists to make precise predictions about the Arab world, and this should not be a goal. But academics must reexamine their assumptions on a number of issues, including the military's role in Arab politics, the effects of economic change on political stability, and the salience of a cross-border Arab identity, to get a sense of how Arab politics will now unfold.

As paradigms fall and theories are shredded by events on the ground, it is useful to recall that the Arab revolts resulted not from policy decisions taken in Washington or any other foreign capital but from indigenous economic, political, and social factors whose dynamics were extremely hard to forecast. In the wake of such unexpected upheavals, both academics and policymakers should approach the Arab world with humility about their ability to shape its future. That is best left to Arabs themselves.

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The Financial Rebalancing Act

Stop Worrying About the Global Flow of Capital

Alan M. Taylor

The global financial crisis that began in 2007 has only just begun to recede, but economists and policymakers are already considering its future implications. Has the Great Recession introduced a new economic era? Or was it a temporary shock that will eventually correct itself? The answers to these questions will affect a number of vital economic issues, including the relationship between emerging and developed economies, the direction of international trade and capital flows, and the potential for currency wars or other economic conflicts.

Both the recent crisis and the policies that ended it were unprecedented. Compared to other periods of economic turmoil, this crisis was not only unparalleled in scale but also unique in its causes—among them, many argue, global financial imbalances. Basic economic theory presumes that capital will flow "downhill" from capital-rich developed economies to capital-scarce emerging ones, as investors in the first seek profits in the second. Yet over the past 15 years, capital has, on net, flowed "uphill" from emerging economies to developed ones. Although private capital did travel downhill, as conventional wisdom predicts, it was offset by vast government reserves from emerging countries, chiefly from central banks and sovereign wealth funds, heading uphill. When

Alan M. Taylor is a Senior Adviser at Morgan Stanley and is joining the economics faculty at the University of Virginia as Souder Family Professor of Arts and Sciences.

the recession struck, this unprecedented flow of capital and accumulated reserves suddenly seemed less of a mystery, as emerging markets facing problems began to use the reserves they had accumulated to ride out the economic storm. With that insurance on hand, they defended their currencies, averted capital flight, buffered their financial systems, maintained access to capital markets, and pursued fiscal stimulus programs more successfully than they had during previous episodes of economic turmoil and with greater confidence than some of the developed economies.

Yet although these global imbalances may have helped emerging economies during the financial crisis, many have argued that they also contributed to fueling the financial crisis among developed markets in the first place. The International Monetary Fund (IMF) and the G-20, along with many central banks, finance ministers, and economists, have argued that this "savings glut," in the words of U.S. Federal Reserve Chair Ben Bernanke, was a key factor in directing capital toward rich countries, lowering real interest rates, and encouraging excessive risk taking by households and investors. Leaders throughout the world have devoted a great deal of energy to ending these global imbalances in the hope of preventing another crisis. U.S. Treasury Secretary Timothy Geithner, for example, proposed a cap last year that would limit capital flows. And the G-20 later attempted to devise a warning system of macroeconomic indicators to identify excessive imbalances.

Yet a closer look at both economic history and current trends suggests that even without government intervention, these global imbalances are likely to stop increasing at the same pace and may even decrease. And so, by doggedly emphasizing the importance of these imbalances, economists and policymakers risk fighting the last battle even as a new postcrisis economy emerges with its own set of challenges.

CRISES, THEN AND NOW

To UNDERSTAND the capital imbalances that occurred during the Great Recession, it is helpful to compare the period that led up to the crisis to earlier cycles of globalization. In the first era of globalization (from approximately 1870 to 1914) both trade and financial

flows expanded dramatically. Capital came mainly from Europe, especially from the United Kingdom, which largely channeled its investments into its colonies. British investors directed their money to rich settler countries, such as Australia and Canada, where it was used to develop natural resources. Many of the poorer emerging markets of the day were part of some European state's empire, meaning that they presented few sovereign risks and investors could expect to find virtually identical legal and institutional support there as what they knew from home. Although in the one region where investment was risky, the independent states of Latin America, investors often experienced recurrent defaults, banking crises, and currency crashes, capital basically flowed from the rich core to the poor periphery in the lead-up to World War I.

But then, the first era of globalization fell victim to all-out war, the Great Depression, and war again. By 1945, most countries had retreated behind trade barriers and capital controls. The 1944 Bretton Woods conference, convened to rebuild the international economic system, established a global financial order that led to the creation of the IMF and, eventually, the World Bank. Under the Bretton Woods system, a sense of calm settled on global markets, with no financial crises occurring throughout the 1950s and 1960s. Although the cause of this tranquility is still debated, two features of the Bretton Woods regime undoubtedly contributed. Under the Bretton Woods fixed-exchange-rate system, governments could tightly control external flows of capital to prevent the flight of money and avert speculative attacks on their currencies. And strict, even draconian, restrictions on domestic financial systems kept banks constrained, forbidding them from taking large risks and moderating their ability to leverage.

Yet the Bretton Woods system withered away in the 1970s and 1980s, undercut by financial innovations designed to evade capital controls, a lack of commitment to fixed exchange rates, and a willingness of governments, especially in the developed economies, to tolerate greater financial freedom at home and abroad. As a result, a more freewheeling system of finance arose, similar to that of the first era of globalization. This occurred first, in the 1980s, among developed markets and then, in the 1990s, among emerging markets as they opened up their economies and began to embrace financial globalization.

Financial crises then began reemerging. They did not immediately impact the seemingly resilient developed economies. Various crises in developed countries, from the widespread U.S. savings and loan failure in the 1980s to the collapse of Scandinavian banks in the early 1990s, were costly but not crippling. But the arrival in the emerging world of financial globalization, with its demands of political and institutional stability, financial supervision, and monetary and fiscal probity, proved far more damaging.

Emerging countries often experienced a double or triple crisis. A currency crash would weigh down banks and the government by magnifying the value of foreign hard-currency debts in local-currency terms, raising the risk of government default and banking crises. Or a bank collapse would injure the economy, triggering fiscal strains and capital flight and raising the risk of government default or currency crises. Additionally, a sovereign default would devastate banks' balance sheets and elevate the country's risk premium, raising the pressure for banking and currency crises. Any one of these types of crises was apt to trigger another.

In the years that followed the Asian financial crisis, emerging economies took steps to avoid dependence on foreign assistance.

Many emerging countries found themselves caught in this vicious cycle. The largest and most alarming wave came during the 1997–98 Asian financial crisis. Caused by a still-disputed combination of weakening macroeconomic conditions and self-fulfilling investor pessimism, the crisis shut down access to capital markets and led to widespread devaluations of currencies and credit crunches across South and East Asia, causing, in turn, stock-market declines and sharp recessions.

An agreement that Indonesia and the IMF struck in early 1998 was a defining moment of the crisis. Indonesian President Suharto was forced to accept a bailout from the IMF to avoid a default. In exchange, he had to comply with the IMF's demands for drastic economic reforms meant to prevent another crisis and achieve a sustainable outcome: reducing Indonesia's deficit, permitting the failure of insolvent firms and banks, and raising interest rates. The photograph of the signing of

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the agreement, showing Suharto hunched over papers with the IMF's managing director, Michel Camdessus, standing over his shoulder like a watchful schoolmaster, captured the humiliation of Indonesia and other states that had been struck by the crisis and were now forced to rely on Western aid and bow to stiff conditions. In the years that followed, emerging economies would take steps to avoid such dependence on foreign assistance. Outside help was to give way to self-help.

THE $12 TRILLION-STEP PROGRAM

AROUND 1990, global central-bank reserves totaled approximately $200 billion. By 2009, that number had climbed to about $8 trillion, and sovereign wealth funds accounted for as much as another $4 trillion. In other words, a remarkable $12 trillion was being hoarded for a hypothetical disaster. The emergence of these massive war chests is arguably the most important story of the global economy over the last two decades. And it is almost entirely the making of emerging-market economies, among them, Brazil, Chile, China, Russia, and Singapore, which increased their reserves from four percent of their GDPs in 1997 to 27 percent in 2007. Emerging markets had learned to save up wealth for rainy-day funds, creating for themselves a means of financial adjustment that they could control in times of stress—unlike the strategy of relying on the IMF or other foreign powers.

Yet this self-insurance did not come cheap. Critics in emerging economies and abroad worried that such plans to save for later rather than spend now would result in unjustified opportunity costs, such as lost investment opportunities, lower consumption and social spending, and low interest rates on U.S. Treasury securities. These concerns magnified as the reserves grew from hundreds of billions of dollars to trillions from the 1990s to the early years of this century.

Costly or not, however, the emerging markets' insurance strategy has wildly exceeded expectations. These economies hardly suffered during the recent crisis, as they were able to use their vast reserves to bulwark currencies, prevent capital flight, and pay for fiscal stimulus programs. Chile, under the guidance of then Finance Minister Andrés Velasco, typified this resilience. Criticized during the boom years for setting aside revenues from sales of copper, Velasco was later cheered

when he drew on those reserves to stimulate spending and cut taxes, thereby stabilizing the economy. His approval ratings surged from around 30 percent before the crisis to around 70 percent afterward, demonstrating that voters understood and appreciated the insurance strategy as much as economists and policymakers.

TOO MUCH OF A GOOD THING?

THE SUCCESS of emerging markets in withstanding the brunt of the financial crisis counts as an enormous victory for the reserve-accumulation strategy. But is this strategy good for all countries, and how far should it be taken? If reserves are to continue insulating economies against financial risk, their levels may need to keep pace with GDP growth.

Yet by doing so well during the recent financial crisis, many emerging economies have demonstrated that they have, or are close to having, sufficient levels of reserve funds to guard against potential disruptions. To be sure, these reserves may not permanently protect them, and so governments must remain vigilant. But they have unquestionably made emerging markets much safer than they were ten or 20 years ago, when they had far fewer reserves, especially given the low costs involved in accruing such reserves compared to suffering a financial crisis. Now that they have built safer levels of external wealth, emerging markets may feel less pressure to keep piling up reserves. This may mean that the world economy will soon enter a new and unprecedented phase of rebalancing, as adjustments to the patterns of investment, saving, and capital flows take effect.

As in past eras of structural transformation, the emerging economies are growing faster than the developed ones, powered by their desire to achieve parity with developed countries in technology, industry, and living standards. The emerging countries' share of world output in goods and services is already nearing 50 percent, and since before the onset of the recent economic crisis, the gap between their growth rates and those of developed markets has become wider than ever (between five percent and seven percent per year since 2006). This shift will inexorably raise global investment demand since emerging markets traditionally engage in high levels of investment.

In addition, the supply of global savings will likely decline. Aging demographics in developed countries will likely depress savings, even though governments may flirt with fiscal austerity and households may try to reduce their debt. In the emerging world, the accumulation of reserves will likely taper off, allowing resources to be diverted toward other needs, such as spending on investment, boosting consumption, and building social safety nets. Reserve holdings may not fall in absolute terms, but the pace of hoarding may slow. For capital markets to reach equilibrium given these shifts, global real interest rates will have to rise worldwide; otherwise, investment will exceed the supply of savings. The era of a so-called savings glut will thus end, and the impetus for capital to move downhill from developed countries to emerging ones will strengthen.

Finally, adjustments among emerging countries will require the surpluses of emerging markets to fall or even reverse on net. But as history shows, such shifts from surpluses to deficits are accompanied by stronger currencies in real terms. To run current account surpluses, emerging markets have had weaker currencies for years. As these imbalances correct themselves, emerging economies' currencies will tend to strengthen in real terms one way or another, either as local prices rise or as currencies appreciate relative to developed markets. A new era with less capital flowing uphill and stronger emerging currencies is therefore within the realm of possibility. But when and how can it happen?

There are signs that this process of correction is already under way. Emerging-market currencies began strengthening against the U.S. dollar around 2004–5, approximately when China loosened its currency's peg to the U.S. dollar, and the trend was only briefly interrupted by the subsequent financial crisis. Now, this trend is continuing and perhaps even accelerating. As they emerge from the financial crisis, emerging countries face a stark policy choice in terms of how to approach real appreciation: raise interests rates and let their currencies appreciate or else continue to fix their currencies and risk importing inflation. Short-term pressures—reflationary cyclical rebounds; larger-than-average differentials in productivity growth; and idiosyncratic commodity price shocks affecting oil, food, and key imports—are pushing policymakers from emerging countries to consider allowing their currencies to appreciate.

Yet this transition to global rebalancing cannot be taken for granted, and a supportive policy environment in both the developed and the emerging worlds will greatly influence its course. In particular, the shift toward currency appreciation will prove easier if it is led by China. Although China, a key potential leader in this process, is gradually allowing the yuan to appreciate, Chinese Vice Premier Wang Qishan admitted in May that the "biggest challenge" for Beijing was to reach internal consensus on rebalancing China's economy, a process that will slow appreciation. In those countries where appreciation has advanced, such as Brazil, the discomfort felt at having moved first as other countries retain the trade advantage of a weak currency has stoked anxieties about currency wars.

Even if it appears to be doing so too cautiously and too reluctantly for some of its critics, however, China seems to be moving toward aiding a global rebalancing. Its new five-year plan, which it announced earlier this year, calls for the country to bolster welfare programs, develop domestic demand in order to drive growth, and raise internal consumption and investment. Perhaps the strongest sign of change came from the governor of the People's Bank of China, Zhou Xiaochuan, who announced in April that China's reserves "exceed [the country's] reasonable requirements." That same month, Chinese Premier Wen Jiabao declared that he would "strengthen the flexibility" of the yuan's exchange rate to control inflation. Should Beijing pursue this path, other, smaller emerging-market nations might more easily follow the same route: they could allow their currencies to strengthen without the fear of damaging their competitiveness with China since China has already made the first move in the rebalancing game.

THE IMBALANCE DISTRACTION

Beyond the Great Recession and the recovery, long-term trends support the idea that a rebalancing is under way. A broad range of economic figures suggest that emerging markets are catching up to developed markets. As the Great Recession fades, this trend is likely to continue. The emerging-market history of low growth and high volatility is fading, while developed markets are experiencing more instability and financial impairments. Emerging markets have decreased their

debt-to-GDP ratios, even as developed markets, including the United States and some in Europe, are letting theirs rise. In a sign of convergence between emerging and developed markets, health and schooling levels in emerging-market countries are now comparable to those seen in developed markets around 1975, with the gap continuing to narrow. And average levels of political and economic freedom in emerging markets have also dramatically improved in the last two decades. Although emerging markets have not yet achieved parity with developed markets—income inequality has deepened in emerging markets even more rapidly than in developed ones in recent years, and emerging markets must still improve their political and economic freedoms—they now appear more stable and better positioned to enjoy sustained growth than they did a generation ago.

If policymakers can reinforce these trends, enhancing the emerging world's growth prospects, they will round out the decade or two of adjustments set in motion by the once-in-history opening of emerging markets to economic and financial globalization. The imbalances of the recent era of globalization represented a specific response to a peculiar set of historical circumstances, as emerging markets learned to navigate a fragile financial landscape. These imbalances have begun and will continue to even out through patience and gradual shifts in market mechanisms and policy.

Even as the threat of global imbalances fades, the next phase of globalization will present new risks and opportunities that policymakers will need to confront. Developed markets could remain lethargic or suffer further slumps, increasing the risk of a global downturn. Financial stabilization policies may not be implemented effectively and evenly enough to avert the risk of another global financial crisis. Net capital flows could reverse and drain investment away from developed countries, potentially triggering protectionism. Inequality trends could persist or even widen. As the Doha Round limps along, the open trading environment built over the last 65 years could face rising pressure. Political and economic reforms across the world may stall, halting or reversing recent progress.

By devoting time, energy, and political capital to correcting today's perceived imbalance problem rather than tackling the challenges on the horizon, world leaders risk fighting the last war. It may be not just the global economy that needs some rebalancing but also policymaking itself.

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A Crude Predicament

The Era of Volatile Oil Prices

Robert McNally and Michael Levi

For most Americans, from the late 1970s until just a few years ago, following the price of gasoline was like riding the Disney World attraction It's a Small World: a shifting but gentle, basically unremarkable experience. But over the past few years, it has felt more like Space Mountain—unpredictable, scary, and gut-wrenchingly uneven. Between January 2007 and July 2008, the price of a barrel of oil rose from $50 to more than $140; by the end of 2008, it had crashed to just over $30; less than a year later, it had breached $80 again. In early 2011, on the back of strong global demand and the political turmoil in the Middle East, oil sold for over $120 a barrel. Today, as prices continue to swing wildly, most Americans are wondering how they got on this ride and how to get off.

Over recent years, Americans have grown accustomed to considerably higher oil prices than those of the 1980s and 1990s. But they have not yet come to terms with sustained swings in global crude oil prices. High prices are easy enough to explain. Voracious demand in emerging economies is colliding with constraints on production. Old oil fields are producing less, and new fields are more expensive

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Robert McNally, President of the Rapidan Group, served as Special Assistant to the President at the U.S. National Economic Council and Senior Director for International Energy at the U.S. National Security Council under President George W. Bush. Michael Levi is David M. Rubenstein Senior Fellow for Energy and the Environment at the Council on Foreign Relations.

to develop. Governments with access to cheaper resources have restricted investment in new supplies, for various reasons. Faced with popular discontent, petrostates in the Middle East and North Africa, for example, are spending their oil revenues on trying to placate their burgeoning populations with subsidized food, gasoline, and other necessities.

The volatility of oil prices requires a different explanation. Textbook economics says that prices rise and fall in order to balance supply and demand. In the oil market, however, supply and demand are extremely slow to respond to price shifts, which means that prices can undergo big swings before a balance is restored. Oil is a must-have commodity with no exact substitutes; when prices rise, most consumers have little choice in the near term but to pay more rather than buy less. It takes years to develop new resources, and it is difficult to turn production on or off on short notice. When new supplies (usually years in the making) threaten to flood the market or a sudden drop in demand (for example, due to a recession) leaves sellers without ready buyers, prices can plunge before producers start shutting the taps. Oil prices naturally tend toward extremes.

Yet these extremes have long been kept in check. From the inception of the modern oil market in 1859 until recently, producers have employed a variety of tools to stabilize prices, including vertical integration and market-share agreements. Since the mid-1980s, spare production capacity has been the only tool available. If demand jumped unexpectedly or if supplies were suddenly disrupted, OPEC producers with spare capacity, especially Saudi Arabia, would release more oil, obviating the need for prices to swing in order to balance supply and demand.

Now, much of OPEC's influence is gone. Saudi Arabia and its partners no longer consistently hold the large volumes of spare capacity they once did. And there are no ready replacements waiting in the wings. The oil market is in for a rocky ride, with major economic and geopolitical consequences: underinvestment in the development of energy, greater economic sensitivity to geopolitical unrest in oil-producing regions and shipping lanes, and a higher risk of recessions. The United States will find it impossible to eliminate price swings in the coming years, and so it will need to learn to live with them as best it can.

GOOD TILL THE LAST DROP

Traditionally, oil producers were able to find new oil faster than demand for oil grew. As a result, price busts would wipe out profits and investments—followed by rises in demand and then booms. Producers thus sought to put a floor on prices by holding oil off the market. In addition, in order to limit competition and ensure healthy demand, they also sought to cap prices, adding extra oil to the market in tighter times. In the early 1930s, Washington, other Western governments, and international oil companies took control of supplies—and prices. Blessed with massive low-cost resources, Texas played a pivotal role by holding as much as 25 percent of its production capacity in reserve. (Conventional wisdom has it that about five percent of global supplies provides a robust buffer against surprise developments in the market.) During the June 1967 Arab-Israeli war, for example, the Railroad Commission of Texas, which regulates the Texan oil industry, helped blunt the effects of an Arab oil embargo by drawing on its spare capacity. But in 1972, faced with surging demand in the United States, the chair of the commission was forced to order full production throughout the state. Thus, when the 1973 Arab-Israeli war triggered another Arab embargo, Texas, which was already operating at full tilt, was unable to produce more oil on short notice. Prices soared.

Then, opec took the reins, and influence over oil prices shifted to the Middle East. For the next three decades (except briefly during the Gulf War), opec held the requisite spare capacity or more. Whenever surprisingly strong demand threatened to outstrip supply and send prices shooting up, opec released extra supplies to give the market some breathing room. For example, after demand surged in 2000 on the back of Asia's recovery from the 1997–98 financial crisis and the dot-com boom, opec drew on its spare capacity to increase production. In 2003, following a general strike in Venezuela, civil unrest in Nigeria, and the U.S.-led invasion of Iraq, opec, led by Saudi Arabia, increased production by 2.5 million barrels per day, about ten percent of its usual output.

Saudi Arabia had been able to maintain substantial spare capacity during the last quarter of the twentieth century because global

demand growth was moderate and supply was growing in most major producers outside OPEC. The Saudi government allowed its competitors to expand their market shares, content to keep some of its supplies in ready reserve and act as the central banker of oil—and thereby make itself an indispensable partner of the United States in the Middle East.

But a decade ago, its grip began to falter. In early 2003, when the invasion of Iraq took about a million barrels of oil off the market, Saudi Arabia had to fill the gap. But then, despite major investments in supplies, it was unable to replenish its spare capacity to prewar levels because of voracious demand from the developing world and a lack of supply growth outside OPEC. It, as well as other producers, had to choose between meeting burgeoning demand and taking oil off the market to hold in spare capacity. It chose the former, hoping to stave off a spike and then a crash in prices. Ultimately, however, its production increases were insufficient.

With producers nearly tapped out amid strong demand, it took a brutal spike in prices in 2008—prices rose by 67 percent within six months—along with a global economic recession, to finally bring demand in line with supply. Demand dropped by three million barrels a day, or about four percent, between the first quarter of 2008 and the first quarter of 2009. This enabled OPEC to cut production and restore some meaningful spare capacity to the system, albeit temporarily. As the global economy recovers, and supply growth starts to become sluggish again, spare capacity will dwindle once more.

A repeat of the boom-bust pattern is now more likely than not. The International Energy Agency, the U.S. Department of Energy, and many experts estimate that Saudi Arabia and its OPEC partners are not investing enough in production capacity today to meet both increasing demand and the five percent threshold for reserves. This is largely because Saudi Arabia, historically the main holder of OPEC's spare capacity, is both less able and less willing to play the part. Saudi officials say they plan to keep as spare capacity only 1.5–2.0 million barrels of oil a day, or less than two percent of global demand.

As they regularly note, holding extra capacity is expensive. For example, the Manifa oil field, Saudi Arabia's next big project to shore up production capacity and prevent its spare capacity from dropping

even further, will cost about $16 billion just to build and will add only 0.9 million barrels per day of capacity. Despite such efforts to expand production, Saudi Arabia remains worried about oversupplying the market and thus depressing prices, and so it is likely to aim low in its planning for spare capacity. It worries that if demand grows more slowly than anticipated—demand growth in Asia is much tougher to predict than it used to be—or other countries' supplies turn out to be larger than expected, it will be saddled with low prices or massive amounts of unused investment.

Just as Saudi Arabia's ability to hold spare capacity is declining, its incentives to do so are waning, too. With U.S.-Saudi ties having frayed over the last decade, Riyadh's motivation to continue contributing to its security partnership with the United States by maintaining spare crude capacity has diminished. In the past, Saudi Arabia held spare capacity partly as a way of disciplining OPEC: spare capacity allowed it to threaten to punish cartel members by flooding the market if they cheated on their quotas. It also allowed Saudi Arabia to align itself with the United States by countering calls for higher oil prices by price hawks such as Iran and Venezuela. But today, Riyadh is less certain about the strength of its alliance with Washington and may thus be less willing to incur the costs and risks involved in contributing to the U.S.-Saudi partnership in these ways.

> With insufficient spare capacity left in OPEC, the oil market is in for a rocky ride.

To be sure, Saudi Arabia and OPEC will maintain some influence over oil prices in the future. They can prop them up in the short term by capping production and in the long term by limiting investment in new supplies. But they will not be able to consistently put a lid on prices. U.S. officials have forecast low spare capacity through 2012 (their projections do not extend any further), and the International Energy Agency anticipates that between 2013 and 2016, OPEC's spare capacity will be below the five percent threshold. Some developments could ease the pressure on supplies: a slowdown of economic growth in Asia; improved security in Iraq, leading to increased production there; political change in Iran or Venezuela that allowed international capital and technology to flow into those countries' oil sectors. Yet

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any of these changes would take many years to translate into large increases in supplies. The development of alternative technologies for transportation, the faster adoption of fuel-efficient vehicles, and the greater use of natural gas in the transportation sector could also change the picture. But such transitions would also take many years, if not decades.

There are no other producers capable of stepping into Saudi Arabia's shoes. Only Russia and the United States produce volumes comparable to Saudi Arabia's. (According to the International Energy Agency, in 2010, Russia produced about 10.4 million barrels per day; Saudi Arabia, about 8.1 million barrels per day; and the United States, 7.8 million barrels per day. Iran, the world's fourth-largest producer, accounted for only 3.7 million barrels per day.) But Russian oil, which is more expensive than Saudi low-cost oil, is ill suited to serve as spare capacity, and Russia has also shown little interest in cooperating with other producers to help stabilize prices. Nor is there any prospect that the United States will step back into the swing-producer role it played half a century ago, when it held huge low-cost reserves and was not massively dependent on imported oil.

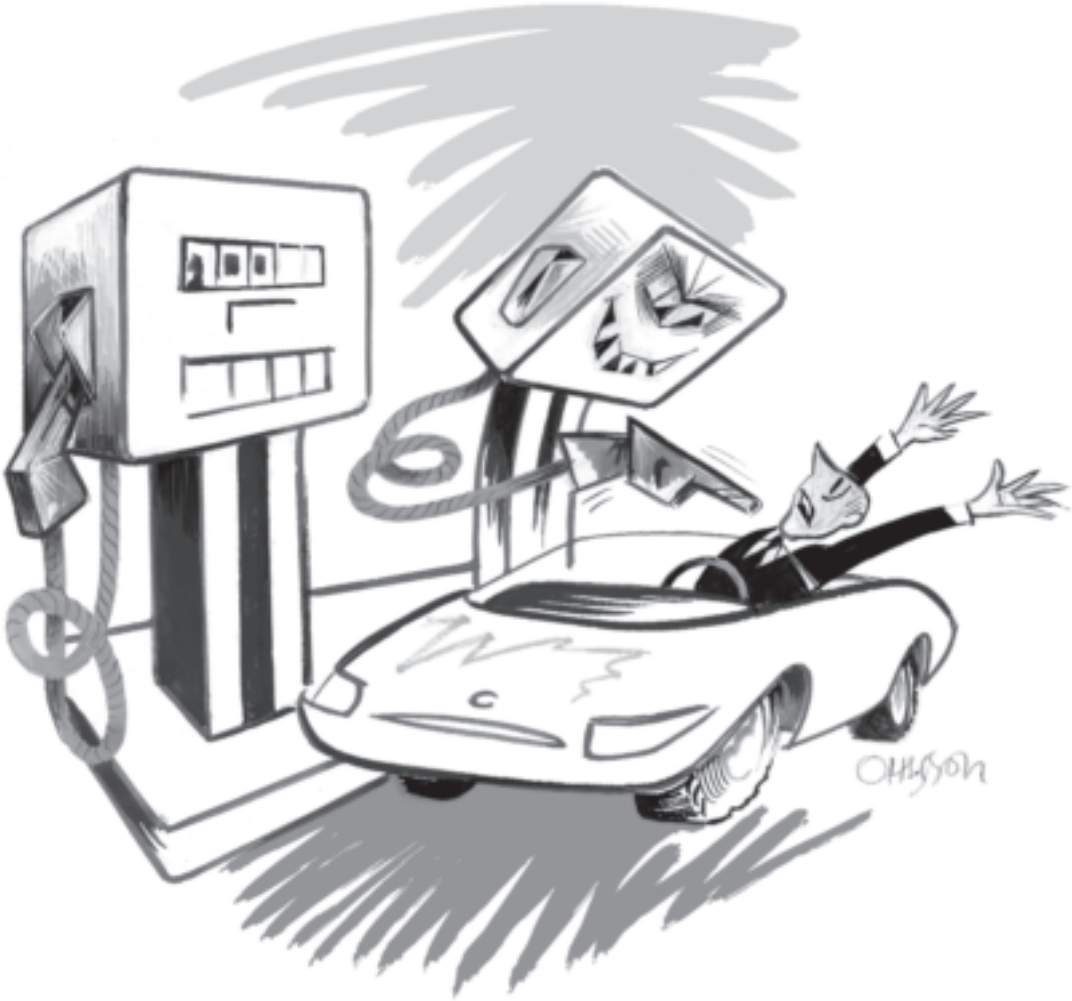
A MORE DANGEROUS WORLD

THE WORLD will be stuck with wild price swings for the foreseeable future. Already, the consequences for economics and geopolitics are stark. Big shifts in oil prices complicate economic decisions. Companies in many sectors avoid investing in new facilities and equipment that may be profitable at low oil prices but are all but useless if prices soar. Individual consumers are buffeted as their disposable incomes drop when their gasoline and home heating bills rise. Basic decisions become more difficult: it is not so easy to choose whether to buy a gas-guzzling SUV or a hybrid Prius if you do not know whether gasoline will cost $3 a gallon or $5 in a few years. Airlines, petrochemical producers, and other oil-intensive industries also face much greater uncertainty about costs and profits. Companies that make investments on the basis of low oil prices and are later forced to pay more wind up cutting back on spending elsewhere, depressing the entire economy.

Greater oil price volatility will also bedevil macroeconomic policy officials and central bankers. Policymakers may have to compensate for depressed demand by lowering interest rates or pursuing fiscal stimulus. On the other hand, rapidly rising oil prices could fuel inflation, prompting monetary policy officials to raise interest rates, which could further hamper economic growth. The precise causal links between oil prices and the well-being of national economies are murky and much debated, but as the economist James Hamilton has noted, all but one of the 11 recessions the United States has experienced since World War II were associated with a rapid increase in the price of oil. U.S. policymakers will inevitably worry that greater swings in oil prices will translate into greater macroeconomic volatility and respond accordingly.

Developing economies, many of which are particularly dependent on oil, will also be hurt. And their attempts to insulate themselves from price volatility will have global reverberations. These states have historically subsidized gasoline and diesel prices at home in order to shield their citizens and domestic companies from international volatility. But these subsidies have had pernicious effects on prices worldwide. With prices kept artificially low in the parts of the world with subsidies, the burden of adjusting to the mismatch between global demand and global supply has fallen on the smaller subset of consuming countries that do not have subsidies. There have been some tentative moves away from gasoline and diesel subsidies in the last few years, most notably in China and India, because these incentives have placed unsustainable strains on government treasuries. The G-20 has also launched an effort requiring its members to develop plans to phase out inefficient subsidies in the medium term. But further reforms may stall in the face of renewed price swings and popular demand for protection; in the worst cases, recent improvements might even be reversed.

Low levels of spare capacity will also complicate U.S. foreign policy. The smaller the spare capacity, the bigger the threat of a price spike from any political disruption. These higher stakes will put pressure on the United States—still the indispensable nation when it comes to providing global stability—to intervene in conflicts that threaten even relatively small volumes of oil, whether in West Africa, the Middle



East, or Central Asia. Similarly, as U.S. policymakers ratchet up pressure on Tehran over Iran's nuclear program, they are considering crimping Iran's crude oil exports. But with OPEC's spare capacity now barely larger than Iran's exports, that strategy could send oil prices spiraling upward—even if Iran did not threaten the Strait of Hormuz and even if the United States and its allies released oil from their strategic reserves.

LEARNING TO SWING

GREAT OIL price swings are here to stay, and there will be little refuge from their pernicious consequences. Nonetheless, there is much that the U.S. government can do to avoid the worst. No one

measure can transform the situation, but by pressing for change on many fronts at once, the United States can limit its vulnerability to volatile prices.

A sensible and prudent approach would start by ensuring that the market has as much information about supply and demand as possible. More reliable data would dampen short-term volatility by reducing uncertainty and facilitate timely investments in production capacity, limiting the amplitude of price extremes over the long term. Industrialized countries should start by getting their own houses in order, improving the quality, timeliness, and frequency of their oil market data. (The United States and Japan are the only major countries whose governments collect and publish reasonably timely, accurate, and broad data on their own oil supplies and demand.) They should then push for more comprehensive and timely data on spare capacity and production trends from the OPEC states, which have historically been tightlipped, by arguing that a change in approach would benefit OPEC itself. The oil market is increasingly distrustful of the numbers published by OPEC members, and if that trend continues, these states will lose more of whatever leverage over prices they still have. More information sharing may be their only chance of preserving their influence.

Because of rapidly increasing consumption in Asia, the U.S. government should also seek to draw Asian governments into international efforts to share data on consumption, stockpiles, and production, by allowing these states to join the International Energy Agency (which provides such services for members of the Organization for Economic Cooperation and Development) or another institution. The secretive Chinese government has been particularly reluctant to participate in such arrangements so far. But as its oil consumption balloons, China increasingly stands to gain from tamping down volatility, too.

Yet price swings will persist. In order to help consumers and companies deal with unpredictable oil prices, the United States should encourage more hedging through the financial markets. This idea may trouble those who blame speculators for price swings, but careful studies by the U.S. Energy Information Administration and the U.S. Commodity Futures Trading Commission have found

that medium-term and long-term price shifts are primarily a function of changes in global supply and demand. Policymakers should help facilitate more hedging by encouraging the development of well-regulated financial markets: the point is to relieve those who are exposed to price risks today—from motorists to airlines and other oil-intensive industries—and transfer those risks to speculators, who are more willing and better able to bear them. The Dodd-Frank financial reform legislation of 2010 took some helpful steps in this direction, such as requiring that most transactions be conducted on regulated exchanges and that the Commodity Futures Trading Commission collect and publish better data on a wider range of transactions.

Demand-side policies, such as taxing gasoline and diesel, must be at the core of any serious strategy for coping with volatile oil prices.

U.S. officials, both in Congress and in the executive branch, should take care not go too far, however, and prescribe overly harsh limits on speculative bets on energy futures or set other costly barriers for firms that need to hedge. A blanket crackdown on speculation would only increase the exposure of firms and consumers to volatility by shrinking financial markets and chasing hedging to less transparent and less regulated venues.

As it becomes clearer that OPEC has lost control, people will clamor for the United States to use its strategic reserves to moderate prices. But it would be unwise for Washington to use these supplies for purposes other than responding to substantial supply disruptions, such as those caused by turmoil in a major oil-producing country or a critical shipping lane. Officials are unlikely to know when and how much oil to add to or subtract from the global market in order to keep prices stable, and they could exhaust the country's strategic reserves before they managed to flatten prices. (Unlike a central bank, which can always print more money, the U.S. Strategic Petroleum Reserve can quickly bring online only a finite amount of extra oil.) The use of strategic reserves would also introduce new uncertainty—as well as greater economic vulnerability—into the market by giving both companies and consumers less reason to limit their own exposure and by deterring

the buildup of private stocks. At the same time, Washington should reinvigorate efforts to draw the new major oil-consuming states, such as China, into coordinating their policies on strategic reserves. Now that China is finally building strategic reserves, it should share the burden of responding to disruptions with the United States and others. A coordinated policy would make the world better able to respond to supply disruptions and thus limit unnecessary price swings.

The United States will also need to redouble its efforts to discourage subsidies to consumers. The G-20 initiative to reduce subsidies has been a third-tier priority for U.S. economic policymakers, partly because they see it as an element of climate policy. But curbing subsidies would help blunt volatility, and thus improve economic performance; therefore, even policymakers who care more about economic growth than greenhouse-gas abatement should embrace it. Progress will be difficult, however, because subsidies are fundamentally rooted in the domestic politics of the countries that pursue them and fall outside the United States' leverage.

Policies that aim to increase global oil supplies, and thus reintroduce a modicum of spare capacity to the market, will be equally challenging. Efforts to promote security in Iraq, address Tehran's nuclear program, and encourage positive political evolution in Iran and Venezuela could not only remove regional security threats but also significantly increase global oil supplies. (The logic behind each of these efforts is not primarily determined by energy policy, but their potential payoffs in terms of energy policy should inform U.S. strategy.) The U.S. government should also encourage countries with large, low-cost oil reserves to invest in more production capacity. (Although Saudi Arabia's recent decision to speed up investment in the Manifa offshore project is encouraging, it will not fundamentally change the situation.) But persuading producers to spend more on new supplies will be an uphill battle both because increased volatility has made them more cautious investors and because they may face limits on how much their production can expand. Although all these initiatives are tall orders, given the potential benefits, they are well worth a try.

The United States has much more leverage at home. With the risk of price spikes high, it should help insulate its economy by encouraging more domestic oil production. Smart U.S. policy could

help promote domestic production: regulations that are cost-effective, clear, and consistent, and that ensure environmental protection, are essential. Similarly enlightened policy on natural gas could also pay dividends in the long term, especially if it helped transform the transportation sector.

Ultimately, however, demand-side policies must be at the core of any serious strategy for coping with volatile oil prices. The goal should be to help consumers protect themselves from fluctuating oil prices while accelerating investment in fuels and technologies that can scale up and eventually displace oil. The transition away from oil in the transportation sector will take decades, but it is inevitable and it can be hastened. The U.S. government should reallocate funds currently spent on mature energy technologies toward research and development for alternative technologies at the early stages of development. In the context of serious fiscal reform, it should also gradually raise taxes on gasoline and diesel (while compensating for those hikes by lowering payroll taxes). This shift would not only discourage consumption (while rewarding work); it would also shield consumers from price volatility: if taxes accounted for a larger fraction of the pump price of gasoline and diesel, swings in the underlying price of crude would be less consequential. Such taxes have been politically toxic in the past, but they may be more palatable than many of the other options that would be considered in any serious budget debate.

Wild fluctuations in global oil prices are here to stay. The economic and national security implications are stark, and the United States has little choice but to adjust and absorb some of the blows. Policymakers can neither banish big oil price swings nor reasonably hope to wean the United States off oil in the foreseeable future. But the right policies can improve the country's economic resilience and minimize the geopolitical complications of this new and challenging time.

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The Crisis in Clean Energy

Stark Realities of the Renewables Craze

David G. Victor and Kassia Yanosek

After years of staggering growth, the clean-energy industry is headed for a crisis. In most of the Western countries leading the industry, the public subsidies that have propelled it to 25 percent annual growth rates in recent years have now become politically unsustainable. Temporary government stimulus programs—which in 2010 supplied one-fifth of the record investment in clean energy worldwide—have merely delayed the bad news. Last year, after 20 years of growth, the number of new wind turbine installations dropped for the first time; in the United States, the figure fell by as much as half. The market value of leading clean-energy equipment manufacturing companies has plummeted and is poised to decline further as government support for the industry erodes.

The coming crisis could make some of the toughest foreign policy challenges facing the United States—from energy insecurity to the trade deficit to global warming—even more difficult to resolve. The revolution in clean energy was supposed to help fix these problems while also creating green jobs that would power the economic recovery. Some niches in clean energy will still be profitable, such as residential rooftop solar installations and biofuel made from Brazilian sugar cane,

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David G. Victor is a Professor at the School of International Relations and Pacific Studies at the University of California, San Diego, and Director of the school's Laboratory on International Law and Regulation. Kassia Yanosek, Founding Principal of Tana Energy Capital LLC, has worked in private equity and at Bechtel and BP.

which is already competitive with oil. But overall, the picture is grim. This is true not only for the United States but also for the rest of the world, because the market for clean-energy technologies is global.

Whether this shakeout will strengthen or weaken the clean-energy industry will depend on how policymakers, notably in the United States, prepare for it. The root cause of today's troubles is a boom-and-bust cycle of policies that have encouraged investors to flock to clean-energy projects that are quick and easy to build rather than invest in more innovative technologies that could stand a better chance of competing with conventional energy sources over the long haul. Indeed, nearly seven-eighths of all clean-energy investment worldwide now goes to deploying existing technologies, most of which are not competitive without the help of government subsidies. Only a tiny share of the investment focuses on innovation.

Solutions must start with more consistent long-term policies that depend less on subsidies and thus are less vulnerable to cutbacks in these times of fiscal restraint. Rather than rely on such "push" incentives, a new strategy must favor policies that "pull" new clean-energy technologies into the market, such as rules requiring that more energy gradually be produced from clean sources. It should shift scarce public funds to the development and testing of more radical innovations in biofuels and electric power, including innovations in the energy storage that is essential to deal with the intermittence of solar and wind power. It should also do more to encourage innovation in and greater access to markets in emerging countries, such as China, where energy demand is growing. An open and competitive global clean-energy market, underpinned by an innovation-driven clean-energy strategy, could yield a true energy revolution.

ANATOMY OF A CRISIS

The clean-energy business, like many infant industries, depends on government support. Governments have many ways of affecting innovation, but in the energy industry, the most important ones focus on overcoming two obstacles. The first obstacle is the technology gap, or the short supply of commercially plausible technologies. The U.S. government and some private companies have helped fill this gap

by funding basic research and by backing some of its most promising projects, such as the invention of organisms that can create biofuels. The second obstacle is the commercialization gap. New technologies often require massive investments in commercial-scale testing before the private sector can fully fund them on its own.

Plugging the commercialization gap is far trickier than plugging the technology gap because the costs are greater and the best policies require government agencies to work alongside private actors without undermining market competition—a delicate balancing act. And it is in this area that the clean-energy industry is most in trouble today. Many innovative ideas bubble up in laboratories and even attract early stage venture capital funding. But these ideas often die because when it comes to testing and deployment, governments throughout the world overwhelmingly support the least risky concepts, which often are the least innovative. Examples include biofuels derived from food crops and onshore wind farms—technologies that absorb the bulk of clean-energy subsidies, steering investors toward existing technologies rather than innovative ones. This pattern has unwittingly created an industry that is unable to scale up and compete with existing energy sources without government help. In the United States, tax credits and depreciation benefits account for more than half the after-tax returns of conventional wind farms, for instance. Investors in solar energy projects depend on U.S. government subsidies for at least two-thirds of their returns. And the U.S. government lavishes on producers of corn-derived ethanol between $1 and $1.50 per gallon of ethanol produced—just about the costs of production—despite the fact that almost no one considers corn-derived ethanol to be an economically viable fuel that can protect the environment or reduce dependence on oil.

In the United States, most clean-energy subsidies come from the federal government, which makes them especially volatile. Every few years, key federal subsidies for most sources of clean energy expire. Investment freezes until, usually in the final hours of budget negotiations, Congress finds the money to renew the incentives—and investors rush in again. As a result, most investors favor low-risk conventional clean-energy technologies that can be built quickly, before the next bust. Historically, most incentives have come as tax

credits. During the recent financial crisis, when investors (mainly large banks) lost much of their taxable earnings, investment plummeted and sent the clean-energy market into a tailspin. An emergency scheme called Section 1603, adopted as part of the government's fiscal stimulus plan in early 2009, offered one-year direct cash grants. These were structured to cover a percentage of the costs of shovel-ready projects, which gave beneficiaries few incentives to cut costs so as to make these technologies more competitive for the long haul. Section 1603 pumped over $2.7 billion into the U.S. wind, geothermal, and solar markets in 2010 alone. With hard cash proving more attractive than tax credits, the industry successfully lobbied to extend the scheme through the end of 2011.

In parallel with these federal incentives, many U.S. states offer subsidies to clean-energy producers and impose mandates that force electric companies to buy from them. Twenty-nine U.S. states and the District of Columbia have adopted binding renewables portfolio standards, which require that a minimum fraction of the electricity they produce come from renewable sources. (The exact fraction varies by state, as do the rules for what qualifies as "renewable.") Because the states and the federal government rarely work in tandem, the clean-energy market in the United States suffers from a patchwork of varied and volatile policies. This system has unwittingly given investors good reasons to spend largely on conventional renewable-energy technologies that can be developed quickly rather than on innovations that could, once developed at scale, compete with traditional energy sources.

A boom-and-bust cycle of policies has encouraged investors to fund quick and easy clean-energy projects rather than more innovative and more competitive ones.

The opportunities for clean energy in the United States depend on the global market, where there is more bad news. Notably, in Europe, long a reliable backer of clean energy, a similar crisis is unfolding. Barely a month passes without a new European country, seized by fiscal austerity, announcing cutbacks in subsidies. The German government cut solar subsidies in 2010 and is expected to do so again in 2011; Italy, one of Europe's biggest clean-energy markets, has just

capped subsidies for solar energy; and the Czech Republic and Spain are retroactively cutting back on the prices they had said they would pay for solar energy. These cutbacks mainly reflect an increasing aversion to subsidies, but they also reflect the fact that as these technologies decline in cost, they no longer require subsidies as large as before. Erratic government support is one major reason why total global investment in renewable energy plunged by one-third between the last quarter of 2010 and the first quarter of this year.

In China, government support has been much steadier, which is why China is now the world's largest spender on clean energy and led the world in deploying conventional wind technologies last year. But there, the infrastructure needed to make clean energy useful has not yet caught up to investment. More than half of China's wind farms go unused because they are not connected to the grid. Many of China's renewable-energy projects reflect the desire of local and provincial governments to create jobs rather than produce commercially viable sources of energy.

The global renewable-energy industry is already feeling the effects of waning support. The WilderHill New Energy Global Innovation Index, which tracks the performance of 100 clean-energy stocks worldwide, fell by 14 percent in 2010, underperforming the S&P 500 by more than 20 percent. Equipment manufacturers, such as solar cell producers and turbine manufacturers, have taken the biggest hit so far. Last year, the shares of companies plummeted due to soft demand in Western markets and increased competition from Chinese companies. (One silver lining is that over-supply will lower prices for consumers, a trend already evident in the market for solar cells worldwide.) With clean energy suffering from long time horizons, high capital intensity, and a heavy dependence on fickle public policies, some Silicon Valley venture firms are scaling back or even canceling their "clean tech" investment arms.

To be sure, some pockets of robust growth remain, especially where governments have not wavered in their support and found more palatable ways of hiding the full cost of subsidies—for example, by passing the costs directly on to consumers through taxes in electric power bills. These pockets include offshore wind in northern Europe, onshore wind in China, and residential rooftop solar energy in the

United States (a darling of policymakers in California, Florida, and sunny New Jersey). But a true clean-energy revolution cannot be built on just these niches.

TALKING ABOUT A REVOLUTION

The growing crisis in the clean-energy industry offers an opportunity for the U.S. government to reconsider its strategy. Few of the clean-energy technologies being widely deployed today are economically viable without significant government support. (One exception is biofuel made from Brazilian sugar cane—which helps explain why the U.S. corn-based biofuel industry has mobilized against Brazilian biofuel imports to the United States.) None is likely to be commercialized to the extent needed to make a dent in energy insecurity or global warming.

Making real progress will require three shifts in approach, all designed to increase innovation and competition in the clean-energy market and thus to lower the costs of new supplies. First, the U.S. government should adopt more "pull" policies, instead of expensive subsidies that "push" technologies into the market. The best approach would be to impose a cap or tax on global-warming pollution, but for now, those efforts are dead in Congress. Second best would be to set a federal clean-energy standard. Making such a standard work will require rethinking what counts as clean energy. Most policy wrongly focuses on a narrow range of popular technologies, especially renewables such as wind and solar energy. Competition could be increased by allowing into the mix other clean sources of energy, such as safe nuclear power and newfangled low-pollution coal plants, while also encouraging energy efficiency. In the wake of the earthquake and the Fukushima nuclear plant crisis in Japan early this year, the case for nuclear power will require special attention. But the fundamental fact is that nuclear power remains one of the only large-scale sources of electricity that do not cause global warming.

A federal standard should also be designed to encourage a shift away from mature renewable-energy technologies and toward the next generation of more innovative technologies that could ultimately scale up without the help of subsidies. Broadening the definition of clean

energy and forcing technologies to compete on performance would make for a more competitive industry overall. These measures would also put the industry on firmer political footing by emancipating it from subsidies that are prone to disappear when they get too big to escape the notice of budget hawks. And they would broaden political support for moving away from more polluting and less secure conventional forms of energy, raising the odds that a clean-energy revolution might eventually succeed.

Second, the U.S. government must focus the scarce fiscal resources it devotes to clean energy on smarter subsidies that can close the funding gaps in technology and commercialization. (Pull strategies cannot do all the work alone; the push effect of subsidies must be shifted from mature technologies to a wider array of earlier-stage technologies that need government funding.) Washington can address the technology gap by backing more fundamental research in universities and government labs across a wide array of topics. More than half of all research-and-development money in clean energy comes from the government—proof that private investors are unlikely to fill this gap on their own. (Keeping political support for this funding is particularly important in this era of tight government budgets.) It can also support early stage technologies that private investors will not adequately fund, expanding mechanisms such as the U.S. Department of Energy's new Advanced Research Project Agency–Energy (ARPA-E). Such programs have been controversial with analysts who fear that the government might back the wrong horse. ARPA-E reduces this danger by funding a variety of competing technologies while leaving the private sector to pick the winners. Indeed, ARPA-E was modeled on effective schemes at the Pentagon that back risky, novel technologies. Secret budgets at the Department of Defense have made it possible for bureaucrats there to take risks that are harder to sustain in, say, the Department of Energy, where budgets are more transparent and less secure. Adding a layer of insulation between the Department of Energy's main budget and ARPA-E would give the agency freer rein to invest in only the most innovative technologies that private investors are less willing to support. Improving ARPA-E will require steady funds—its budget has been on the chopping block—and allowing

it to forge long-term partnerships with private firms, which are important for pilot testing and deployments.

To help close the commercialization gap, the U.S. government should help lower the financial risks of developing new technologies. It can do so in a variety of ways, including by improving and expanding loan guarantee programs for innovative technologies and working with state regulators to allow electric utilities to recover more reliably the money they spend on clean-energy innovation through customers' bills. For example, loan guarantees have already proved essential to promising large-scale solar power projects and to firms that test new technologies designed to burn coal much more cleanly. The existing programs have been fraught with administrative difficulties, however, partly because they formally sit within the Department of Energy and must comply with budget rules that discourage the risk taking that is essential to innovation. Making these programs more effective will require putting them at arm's length from the bureaucracy. A proposal for a new independent federal financing entity, the Clean Energy Deployment Administration, would do just this by providing loan guarantees and other financial tools. But CEDA has not been approved or funded. The one-time $10 billion capitalization needed for this program has made budget hawks balk, even though extending Section 1603 through 2011 will cost at least as much. Creating CEDA, which is long overdue, would be one way of allowing the government to provide more nimble support for testing and deploying technologies, such as enhanced geothermal energy and next-generation nuclear energy, that the private sector cannot, or will not, invest in on its own.

Third, the U.S. government must do more to engage with emerging markets, which is where most of the growth in energy consumption and investment in infrastructure will occur in the future. Doing so will require, among other things, launching cross-border partnerships that include both governments and firms and creating larger markets for clean energy. The U.S. government should encourage U.S. firms to spend funds from government-sponsored clean-energy research on joint projects with foreign companies. A handful of private and government U.S.-Chinese innovation initiatives have already been set up with the goal of funding joint research and the testing of clean-

energy technologies. But these partnerships remain small, and they are prone to focus on topics, such as intellectual property rights, that arouse passions but are not the main obstacles to innovation today. China will be a particularly important partner because advanced nuclear energy, clean-coal projects, and other pivotal innovations in clean energy are likely to be much cheaper to build and easier to test there than elsewhere. To encourage Beijing's cooperation, the U.S. government should also ensure that the market for clean energy stays open and is competitive. Although the Doha Round of trade talks has limped along for nearly a decade without any viable final agreement in sight, a few clean-energy powerhouses—Brazil, China, the European Union, India, Japan, and the United States—could strike a special deal focused on energy, an area (unlike agriculture) in which a bargain should be relatively easy to design. Ultimately, open global markets are the best platform for U.S. innovation to create jobs and solve global problems, such as climate change and energy insecurity.

CRISIS AND OPPORTUNITY

BIG CHANGES in the energy industry do not happen overnight. The bold goals of energy independence and of radically shifting to renewable energy may be attractive to politicians who prize what is popular over what actually works in the long run. Short-term motivations have created boom-bust patterns that have hurt the clean-energy industry; they have produced business models that depend too much on subsidies and on technologies that cannot compete at scale with conventional energy.

The crisis in the clean-energy sector is here. It presents an opportunity for the U.S. government to devise smarter, more sustainable policies—policies that put a higher priority on innovating today with an eye toward tomorrow. Such a strategy will be politically difficult to carry out in these times of shrinking government budgets. But these are also the times for making tough choices.

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South Africa's Land Reform Crisis

Eliminating the Legacy of Apartheid

Bernadette Atuahene

Under colonialism and apartheid, the ruling white minority stole vast amounts of land from black Africans in Zimbabwe and South Africa. Reclaiming this land became an important rallying cry for liberation movements in both countries; but in the years after white minority rule ended, it was extremely difficult for the new regimes to redistribute the land fairly and efficiently. In recent years, as the unaddressed land inequality in Zimbabwe became a pretext for President Robert Mugabe's demagoguery and led to Zimbabwe's demise, many observers have asked: Could South Africa be next?

When Nelson Mandela took power in South Africa in 1994, 87 percent of the country's land was owned by whites, even though they represented less than ten percent of the population. Advised by the World Bank, the ruling African National Congress (anc) aimed to redistribute 30 percent of the land from whites to blacks in the first five years of the new democracy. By 2010—16 years later—only eight percent had been reallocated.

In failing to redistribute this land, the anc has undermined a crucial aspect of the negotiated settlement to end apartheid, otherwise known as the liberation bargain. According to Section 25 of the new South

Bernadette Atuahene is a Law Professor at Chicago-Kent College of Law and Law and Public Affairs Fellow at Princeton University.

African constitution, promulgated in 1994, existing property owners (who were primarily white) would receive valid legal title to property acquired under prior regimes, despite the potentially dubious circumstances of its acquisition. In exchange, blacks (in South Africa, considered to include people of mixed racial descent and Indians) were promised land reform. But the new government upheld only one side of the liberation bargain: South African whites kept their property, but blacks still have not received theirs. Political apartheid may have ended, but economic apartheid lives on.

THIS LAND IS OUR LAND

South Africa's failure to rectify its land inequality is like a sea of oil waiting for a match. In one of the most impressive public opinion studies ever conducted in the country, in 2009 the political scientist James Gibson surveyed 3,700 South Africans and found that 85 percent of black respondents believed that "most land in South Africa was taken unfairly by white settlers, and they therefore have no right to the land today." Only eight percent of white respondents held the same view. Gibson's most alarming finding was that two of every three of these blacks agreed that "land must be returned to blacks in South Africa, no matter what the consequences are for the current owners and for political stability in the country"; 91 percent of the whites surveyed disagreed.

According to Gibson's data, most blacks, whether they live in rural or urban areas, see the land as stolen and want it back even if redistribution will provoke political unrest. In spite of these findings, not everyone expects instability to actually materialize, because land inequality in South Africa does not affect livelihoods as it did in Zimbabwe. For example, only about three percent of South Africa's GDP is based on agriculture, whereas before the 2000 land grabs in Zimbabwe, agriculture contributed about 20 percent of that country's GDP.

Such optimism overlooks two important considerations, however. First, although agriculture does not contribute significantly to South Africa's GDP, about 35–40 percent of the nation's population resides in rural areas, so access to land is necessary for the survival of many poor

families. Second, unlike other complex social issues in South Africa (such as unemployment and inadequate health care), land inequality has roots that are easy for South Africa's majority to understand. The refrain that "whites stole our land and now we deserve to get it back" is a simple yet rhetorically powerful one that resonates among marginalized, poor populations in both rural and urban areas. Theft of land has come to symbolize the more extensive theft of wealth that occurred under colonialism and apartheid. It is possible that one day a charismatic populist leader could use the land issue to rally the vast army of poor and frustrated black citizens from both rural and urban areas to reclaim the stolen wealth, making the focal point all whites and not, as in Zimbabwe, primarily white farmers.

By 2008, 70 percent of the beneficiaries of the land restitution program had received no land at all, only small financial awards.

Yet instead of equitably redistributing land, the ANC has underfunded land reform efforts, implemented Section 25 of the constitution in a way that reinforces inequalities between the races, and failed to assist the beneficiaries of the land reform in obtaining the capital and skills necessary to use their newly acquired land productively.

According to South African President Jacob Zuma, land reform ranks at the top of the ANC's agenda. In 2009, Zuma said, "During the election campaign, we made it clear that rural development and land reform would be one of our key five priorities." And in an April 2011 speech, he declared, "We are committed to seeing that those communities that were wrongfully evicted during the apartheid era receive just compensation for their loss. Our aim here is to ensure that poverty alleviation goes hand in hand with the return of land."

But Zuma has failed to put his money where his mouth is. In 2010, the Land Restitution Commission, an agency pivotal to the land reform efforts, placed a moratorium on buying land claimed under the restitution program because it had run out of money to honor those sales agreements it had already entered into with landowners. The commission asked the South African Treasury for 5.3 billion rand (approximately $757 million), partly to honor outstanding commitments to landowners, but it was allocated only 1.9 billion rand (about

$271 million). This has led several landowners to sue the commission for failing to honor its sales agreements. Even worse, it has sent the message that the ANC is not serious about land reform.

REINFORCING INEQUALITIES

IN THE process of trying to remedy inequality, the ANC has instead exacerbated it. The apartheid government often took land from black communities without just compensation and transferred it at nominal cost to white farmers. If the ANC decides to return a particular parcel of land to a dispossessed black community while the white farmer to whom the apartheid government sold it is still alive, the state is constitutionally mandated to pay the farmer just compensation, despite the unfair circumstances under which the farmer acquired the land in the first place. Yet blacks do not get just compensation for land previous governments stole from them. The constitution states that South Africans whose property was dispossessed after 1913 as a result of racially discriminatory business practices are entitled "either to restitution of that property or to equitable redress." By 2008, however, 70 percent of the beneficiaries of the land restitution program had received no land at all, only small, symbolic financial awards that bore no relation to the past or current market value of their confiscated property. This is not equitable redress.

For instance, the Land Restitution Commission paid each dispossessed landowner in Paarl, a scenic town in the Western Cape's wine country, 40,000 rand (about $5,700), whereas it paid six current landowners in the same province 14.5 million rand (about $2 million) for about 250 acres of land. From its inception in 1995 through March 2008, the commission spent 7.8 billion rand (about $1.1 billion) to acquire property for land reform, which was paid mostly to white farmers, but only 4.9 billion rand (approximately $700 million) to distribute as financial compensation, which was paid primarily to dispossessed blacks. Such disparities only reinforce apartheid-era inequalities. To be sure, the South African government has a limited budget and many other important priorities, such as health care and education. But if the state cannot afford to give both blacks and whites just compensation, then both blacks and whites should receive only symbolic compensation.

Another problem with the land restitution process is the commission's failure to follow Section 25(3) of the constitution, a provision deftly negotiated by the ANC to ensure land reform is fair for both blacks and whites. This provision requires the state to compensate present landowners based on fair market value but also to reduce the price paid based on several equity-enhancing factors, such as direct state investment and subsidies for acquisition and capital improvements on the property. If, for example, a white farmer acquired land from the apartheid government at a greatly reduced price but then made capital improvements to the land, then when that land is expropriated, the postapartheid state is required to pay the farmer fair market value for the capital improvements but can discount the underlying land because it was not acquired at market price. Yet according to a recent interview given by Thozi Gwanya, former director general of the Department of Rural Development and Land Reform, when the commission acquires land from willing sellers, it pays the fair market value without discounting the price based on the equity-enhancing factors. Gwanya noted that the commission does not even research the factors to allow it to negotiate a just price.

> The ANC must realize that aggressive land reform would be far less destabilizing than a violent revolt.

The problem is compounded further by the fact that when the government does redistribute land, it does not give new landowners the support they need to succeed. Poor black farmers require financial and technical support to access markets, credit, technology, infrastructure, and training. But as research conducted by the Program for Land and Agrarian Studies at the University of the Western Cape has shown, the state routinely fails to give newly resettled communities even the basic irrigation tools and electricity resources they need. The state instead gives large, resource-poor communities land that was formerly used by single farmers for large-scale, capital-intensive commercial agriculture. This is a recipe for disaster.

Providing resettled communities with access to capital, infrastructure, and the training necessary to take over a commercial agricultural enterprise requires a significant investment of state resources. A

less costly alternative would be for the state to abandon the idea of redistributing capital-intensive agribusinesses and give communities land for subsistence farming, which can be done without significant government intervention. The dream of seamlessly transferring a thriving citrus farm, for example, from a white farmer to a black community is dead. The state must accept this and begin to look for new solutions.

NO OPPOSITION, NO REFORM

The ANC's failure to address the needs of its political base by allocating more funding for land reform, giving equitable compensation, and providing support for new landowners strikes many political observers as puzzling. But the government can afford this failure because the short-term political costs of inaction are low. The ANC totally dominates South African politics, so it faces no real competition for its constituents' votes. It controls 66 percent of the National Assembly, eight of the country's nine provinces, and five of the six big-city governments. During the last election, in 2009, there was hope that the Congress of the People (COPE), a party started by breakaway ANC members opposed to Zuma, would provide a viable alternative, but COPE only managed to secure eight percent of the seats in the National Assembly and has since effectively dissolved. There is no one to punish the ANC if it fails to deliver on land reform.

The danger, however, is that over time, leaders within the ANC who advocate radical land reform policies will become increasingly powerful and, for personal or political purposes, will encourage the party to exploit the issue just as Mugabe and his ZANU-PF (Zimbabwe African National Union–Patriotic Front) did in Zimbabwe. In fact, last year, Julius Malema, the controversial yet popular president of the ANC Youth League, visited Zimbabwe and lauded "Comrade Bob" for successfully returning much of that country's farmland to its "rightful owners." Malema said, "In SA we are just starting. Here in Zimbabwe you are already very far. The land question has been addressed. We are very happy that today you can account for more than 300,000 new farmers against the 4,000 who used to dominate agriculture." For the moment, Malema and his like-minded comrades

remain at the fringe of the ANC, and the party has no need to rely on manipulative populist tactics. But both things could change.

Moreover, although the ANC may be politically invulnerable now, it is not economically invulnerable; indeed, it relies on capital from white South Africans and foreign investors to maintain economic growth. If the ANC pursues policies that alienate these sources of capital, there could be disastrous economic consequences. This is a lesson the party learned early on. In his book *Thabo Mbeki and the Battle for the Soul of the ANC*, the South African journalist William Gumede notes that shortly after his release from Robben Island, Mandela attended a private lunch with prominent businesspeople where he said that only nationalization could address the inequalities created by apartheid. Soon thereafter, the Johannesburg Stock Exchange's all-gold index plunged, falling by five percent.

Thus, Mandela changed his tune, telling business leaders in Pittsburgh, Pennsylvania, in 1991, "Let me assure you that the ANC is not an enemy of private enterprise. . . . We are aware that the investor will not invest unless the security of that investment is assured. The rates of economic growth we seek cannot be achieved without important inflows of foreign capital. We are determined to create the necessary climate that the foreign investor will find attractive." The ANC's fear of upsetting markets and alienating its sources of capital explains the disparities in the compensation for property paid to current owners (who are mostly white) and the compensation for dispossessed owners (who are mostly black).

Markets may indeed react adversely if the ANC moves away from its policy of purchasing land at market prices from willing sellers and adopts a more aggressive land reform policy that relies on court-based expropriation consistent with Section 25(3) of the constitution. But proceeding slowly on the grounds that some justice must be sacrificed for the sake of stability risks creating major political turmoil down the road. If nothing is done to correct the fact that whites presently own about 77 percent of the land while constituting less than ten percent of the population, unrest could result. The ANC must realize that aggressive land reform would be far less destabilizing than a violent revolt.

The international community has also been slow to help out, despite the potential explosiveness of the issue. Gwanya, the former director general of the Department of Rural Development and Land Reform; Judge Fikile Bam, president of the Land Claims Court; and Blessing Mphela, former chief land claims commissioner, have all agreed that the primary obstacles to achieving the government's land reform objectives are bureaucratic inexperience, ineffective policies, and organizational inefficiency.

The example of the Popela community in the northern Limpopo Province is a case in point. The Popela community is resource poor, and its land rights were progressively eroded under colonialism and apartheid. The community had full rights to use its ancestral land until 1889, when the British expropriated it and gave title to a white settler who forced community members to provide free labor if they wanted to remain there. In 1969, the community was stripped of all its formal rights to use the land. In a landmark decision delivered in June 2007, the South African Constitutional Court ruled that certain community members were entitled to restitution of their land rights. Four years later, however, the Land Restitution Commission, which was charged with implementing the court's decision, has yet to purchase the land as mandated by the court.

According to the official managing the case, there are several reasons for the long delay. One has to do with problems getting land valuations and obtaining various approvals. In addition, because of the commission's failure to spend money allocated for prior projects, it could not get additional money from the national budget for new projects (including the Popela claim), and it is prohibited from transferring monies allocated for old projects to new ones. The net result is that the Popela community has been forced to pay the price for bureaucratic incompetence and rigid regulation.

The international community could help South Africa address these deficiencies. The country's government officials are well aware of the lack of coordination between relevant agencies, ineffective procedures, and inefficient processes that are hampering the land reform program, but they do not know how to solve these problems.

They need the help of consultants with experience in evaluating dysfunctional government agencies and providing viable solutions. Senior government officials leading the land reform efforts would also benefit from a well-crafted, donor-funded international exchange program that allowed them to study past land reforms in Brazil, South Korea, Taiwan, and several eastern European nations with relevant experiences. Furthermore, those bureaucrats serving as the foot soldiers would benefit from intensive training programs focused on how to most effectively implement existing policies. The international community could fund international experts to develop a series of courses designed to give these bureaucrats the skills they need to succeed. The ANC would undoubtedly welcome these interventions because the assistance would not involve more aggressive policy changes that could cause markets to react adversely; instead, the assistance would ensure that the existing programs were run more efficiently and effectively.

Whatever policies the ANC adopts, the bottom line is that land reform in South Africa must move quicker and more efficiently. Thus far, South African citizens have waited patiently for the ANC to transfer land from whites to blacks to remedy the massive land theft that happened under colonialism and apartheid. But without significant progress, there may come a point when these citizens will tire of waiting and take matters into their own hands. The outside world played a significant role in helping bring about a democratic South Africa; it should once again lend a hand to put the legacy of apartheid to rest at last.

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Defending Democracy in Côte d'Ivoire

Africa Takes a Stand

Thomas J. Bassett and Scott Straus

In early April, in the final days of Côte d'Ivoire's torturous four-month-long political crisis, French and UN helicopters bombarded the presidential residence in Abidjan. This military operation sealed the fate of the incumbent, Laurent Gbagbo, paving the way for Alassane Ouattara, the widely recognized winner of the November 2010 presidential elections, to claim office. But the French and UN action had another effect: it triggered commentary and outrage about international interference—in particular on the part of France—in African affairs. Ivoirian newspapers backing Gbagbo fulminated about France's desire to retake its former colonies. The French press, meanwhile, obsessed about whether France's military intervention spelled a new era of *Françafrique*, the term, first introduced in the 1950s, for French interference in the internal affairs of its former African colonies. *The New York Times* ran a story about France's "long shadow" over its former colonies, and pundits around the world worried that these international actions could doom Ouattara's legitimacy.

Thomas J. Bassett is Professor of Geography at the University of Illinois at Urbana-Champaign. His most recent book is *The Atlas of World Hunger*. Scott Straus is Associate Professor of Political Science and International Studies at the University of Wisconsin, Madison. His most recent book is *Remaking Rwanda: State Building and Human Rights After Mass Violence*.

Such a Eurocentric focus, however, both mischaracterizes the internal dynamics of the conflict and misses the more significant diplomatic development—namely, the role of African regional organizations. In the end, France and the UN did not win the war for Ouattara and his self-styled "Republican Forces." By the time France and the UN intervened, Ouattara's forces controlled 90 percent of the country and were on the verge of taking the commercial capital, Abidjan. International forces did manage to hasten Gbagbo's demise: in effect, accomplishing the inevitable and preventing a final attack on Abidjan, which would have resulted in a terrible humanitarian crisis.

More important, however, was the role played by two regional organizations: the African Union and the Economic Community of West African States. In a remarkable display of diplomatic consensus from organizations that are often considered ineffective, both the AU and ECOWAS held a consistent position throughout the Ivoirian crisis. Unlike in Kenya and Zimbabwe in 2008—where democracy was subverted by power-sharing agreements that arose from fraudulent elections—and despite some internal disagreement, the AU and ECOWAS stood firm that Ouattara had won the election and that Gbagbo would have to go. ECOWAS went a step further and threatened to use force to oust Gbagbo if necessary. This consistency from African regional organizations had a major impact: it shrank the space for diplomatic maneuver for Gbagbo, a consummate and clever bargainer; allowed the Central Bank of West African States to cut off Gbagbo's money supply, which weakened Gbagbo's standing with his own military and the civilian government; and, crucially, proved essential in obtaining unanimous UN Security Council approval for military action against Gbagbo's positions in Abidjan.

Perhaps even more important was the precedent set by these actions. The AU and ECOWAS certainly have their flaws. The AU, for example, has been reluctant to criticize its former head Muammar al-Qaddafi. But over the last decade, it has developed a policy of strongly opposing unconstitutional regime change. Since 2000, it has condemned every coup that has taken place in Africa and, in most of the recent cases, has imposed sanctions on the coup leaders.

ECOWAS has demonstrated similar consistency. The response to the crisis in Côte d'Ivoire should thus be seen not as some one-off operation but rather as evidence of a largely unheralded policy of pro-democracy activism on the part of key African organizations that are taking an increasingly strong stand against illegal seizures of power.

PALACE STRUGGLES

FEW PREDICTED that Côte d'Ivoire's 2010 elections would end with a firefight in the presidential palace. A brief civil war in 2002 and 2003 led to the division of the country into a rebel-held north and a government-controlled south. UN peacekeepers, including 400 French soldiers, kept the hostile camps separate. Following a series of peace accords between 2003 and 2007, elections were finally set for October 2010. They were to be the first elections certified by the UN in Africa and were met with high hopes and significant international investment.

Fourteen candidates ran in the first round, and an impressive 84 percent of the electorate cast ballots. Gbagbo came in first place, with 38 percent of the vote. Ouattara, a former prime minister and official at the International Monetary Fund, ran second, with 32 percent. Henri Konan Bédié, president between 1993 and 1999, came in third, with 25 percent. In keeping with the electoral code, the Independent Electoral Commission (IEC) tallied and then announced the provisional results. The Constitutional Council, the country's highest court, then validated them. The UN operation in Côte d'Ivoire, led by Choi Young-jin, the secretary-general's special representative, certified the election based on its own independent tabulation. Choi appeared on national television and congratulated Ivoirians for their high turnout and orderly participation in the elections.

However, the exemplary conduct of the first round did not extend into the runoff, held on November 28. Gbagbo's and Ouattara's supporters engaged in violent clashes, especially in the far western part of the country. Still, more than 80 percent of voters turned out and cast their ballots in an election that European Union and UN

observers found, on balance, to be fair and transparent. The real trouble began on November 30, when the IEC attempted to announce the provisional results. During the internationally televised event, two commission members who supported Gbagbo interrupted the proceedings by tearing the tally sheets from the hands of Bamba Yacouba, the IEC's spokesperson—a moment that would come to mark the beginning of a four-month drama.

GBAGBO'S CONSTITUTIONAL COUP

GBAGBO HAD placed old friends in high places should the election not go as planned. In particular, he had appointed Paul Yao N'Dré to head the Constitutional Council, Côte d'Ivoire's highest court and the one that had final say over the election's outcome. The day after the spectacle at the IEC's headquarters, Yao N'Dré declared that the court now had the responsibility to count the 20,073 tally sheets from each polling place and declare the victor. The council was also considering a complaint lodged by Gbagbo's party that votes in the north should be annulled due to election-day violence, which the party claimed prevented its supporters from voting. Meanwhile, blocked from his offices by government security agents, the head of the IEC, Youssouf Bakayoko, went to the UN-protected Golf Hotel and announced the provisional results on December 2. Ouattara had won, he declared, with 54 percent of the vote.

Yao N'Dré, however, quickly dismissed the IEC's results as null and void. The IEC was required to announce its results within three days of the vote, he said, which it had failed to do. In fact, the electoral code only requires that the IEC deliver the tally sheets to the Constitutional Council within three days, which it had done. On national television on the evening of December 2, Yao N'Dré presented the court's results. He prefaced his remarks by stating that he had invalidated the vote in seven regions in the north "because of serious irregularities in the integrity of the poll." Once these votes were eliminated, Gbagbo won the election with 51.45 percent of the vote, he claimed.

Choi, the UN special representative, disagreed. The morning after Yao N'Dré's proclamation, he certified the IEC tally based on his

office's independent count. Choi noted that UN election observers had recorded little disruption in northern polling stations. In fact, voting irregularities had been greatest in the west, where Gbagbo had won the majority of the votes.

On December 4, Yao N'Dré swore in his good friend Gbagbo as the constitutionally elected president. That same day, Ouattara also took an oath of office as president of the republic. Côte d'Ivoire was thus left with two men claiming to be its president.

African leaders were not amused by this political circus. The AU and ECOWAS quickly condemned Gbagbo's usurpation of power. On December 4, the AU expressed its "total rejection of any attempt to create a fait accompli to undermine the electoral process and the will of the people." It appointed former South African President Thabo Mbeki to "find a legitimate and peaceful solution to the crisis."

The principal instruments guiding the AU's response were the organization's Declaration on the Framework for an OAU Response to Unconstitutional Changes of Government (known as the Lomé Declaration) and the Protocol Relating to the Establishment of the Peace and Security Council of the African Union. The Lomé Declaration was adopted in July 2000 and condemns unconstitutional changes in government, which, in addition to military coups and armed rebel takeovers, were determined to include "the refusal by an incumbent government to relinquish power to the winning party after free, fair and regular elections." The Peace and Security Council (PSC), meanwhile, is responsible for the prevention, management, and resolution of conflicts. Among other powers, it can impose sanctions on regimes that have taken power unconstitutionally, in line with the Lomé Declaration.

The PSC rightly viewed Gbagbo's actions as an example of an incumbent who refuses to relinquish power. According to the AU's rules, its policy is first to condemn such actions and insist on respect for constitutional order. The AU then gives the "perpetrator" up to six months to conform to the country's constitution. During this stage, the AU member government is suspended from the organization. The AU also seeks the assistance of "African leaders and personalities" and regional organizations such as ECOWAS. If after

six months there is no change, the AU applies targeted sanctions in cooperation with the international community.

This is precisely what happened with Côte d'Ivoire. On December 9, the PSC suspended Côte d'Ivoire from the AU and appointed first Mbeki and later Kenyan Prime Minister Raila Odinga as emissaries to persuade Gbagbo to relinquish power. After several failed mediation missions, in late January, the PSC appointed a panel of five African presidents to resolve the crisis. Six weeks later, on March 10, the panel reaffirmed that Ouattara was the legitimate winner of the election. For its part, ECOWAS also condemned Gbagbo's usurpation of power and urged "all stakeholders to accept the results declared by the electoral commission." On December 7, it applied Article 45 of the ECOWAS Protocol on Democracy and Good Governance and suspended Côte d'Ivoire from the organization. During an extraordinary session held in Abuja on December 24, ECOWAS threatened "the use of legitimate force to achieve the goals of the Ivorian people" if Gbagbo refused to step down. Three months later, ECOWAS formally requested that the UN Security Council strengthen the mandate of the local UN representative "to use all necessary means" to protect civilians and transfer power to Ouattara.

> The Côte d'Ivoire crisis has shown that African regional diplomacy may now be taking a more principled stand on democratically held elections.

The consistency that the AU and ECOWAS displayed throughout the Ivoirian crisis was no small achievement. Both organizations faced internal dissent, including from powerful states such as South Africa, which at times appeared to waver. But in the end, the organizations managed their internal differences and unequivocally recognized Ouattara as the rightful president while calling on Gbagbo to step down. They chose somewhat different approaches: the AU consistently advocated for a political solution, whereas from early on ECOWAS threatened military force. Ultimately, ECOWAS did not intervene—Gbagbo warned of risks to West African nationals living in Côte d'Ivoire should ECOWAS do so. Moreover, the organization had financial constraints, and the head of ECOWAS, Nigerian President Goodluck

Jonathan, was then facing his own reelection battle. Still, on the whole, the organizations took tough, unambiguous, and visible stances throughout the crisis.

CONDEMNING AFRICA'S COUPS

ALTHOUGH THE strong response of the AU and ECOWAS to the Côte d'Ivoire crisis surprised some, the two bodies in fact have a demonstrated record of taking action against illegal seizures of power. Their pro-democratic intervention in Côte d'Ivoire, in other words, did not come out of nowhere.

Over the last decade, there have been nine successful coups d'état in Africa: in the Central African Republic (2003), Guinea-Bissau (2003), São Tomé and Príncipe (2003), Togo (2005), Mauritania (2005 and 2008), Guinea (2008), Madagascar (2009), and Niger (2010). In all these cases, the AU condemned the coup, and in all but two cases (São Tomé and Príncipe and Guinea-Bissau), it suspended the relevant country from the organization. In São Tomé and Príncipe, the restoration of constitutional order and of the elected president took place within two weeks of the coup. In Guinea-Bissau, the widely despised and undemocratic president, Kumba Yalá, voluntarily resigned two days after the coup. In the West African cases, ECOWAS similarly condemned the coups and suspended the member states until their governments were returned to constitutional order.

These policies have their roots in the complex African politics of the 1990s, during a time of major transition from one-party political systems to multiparty elections. In 1989, only five of the 47 states in sub-Saharan Africa had democratic multiparty political systems; by the late 1990s, however, only four countries had not held multiparty presidential or parliamentary elections. To be sure, some of these contests were deeply flawed, but a new norm of multiparty elections had taken hold in Africa. Yet there were also more than a dozen successful coups between January 1990 and July 1999. These coups threatened to reverse the democratic trend and, in some cases, triggered mass human rights violations. They also ultimately led the AU's predecessor, the Organization of African Unity (OAU), to take an increasingly hard line against unconstitutional regime changes.

A key case in the development of this policy shift was Sierra Leone, where in 1997 a coup deposed the democratically elected government of Ahmad Tejan Kabbah. The OAU called for the return of constitutional order and asked ECOWAS to take a leading role in resolving the conflict. An ECOWAS military force led by Nigeria eventually intervened to reinstate Kabbah. Later, in July 1999, the OAU demanded that four states—Comoros, the Republic of the Congo (Brazzaville), Guinea-Bissau, and Niger—restore their constitutional governments (albeit with limited effect: in the last two cases, elections took place in November of that year, but in the first two, elections were not held until 2002, and even then they were deeply flawed). The July 2000 Lomé Declaration formalized this emergent policy against coups.

As with the AU, ECOWAS' pro-democratic regional policies emerged through ad hoc interventions. ECOWAS improvised solutions to crises in Liberia (1989), Sierra Leone (1997), and Guinea-Bissau (1998), mounting a military force to protect civilians and, in the latter two cases, to restore democratically elected governments. These experiences led the organization to adopt a coherent set of pro-democracy principles in its December 2001 Protocol on Democracy and Good Governance. Article 45 of that protocol empowers ECOWAS to impose sanctions on member states "when democracy is brought to an end by any means or where there is massive violation of Human Rights in a Member State." That document was repeatedly cited in ECOWAS' resolutions and communiqués on the Côte d'Ivoire crisis, including in its December 24 declaration threatening to use "legitimate force" to remove Gbagbo from power.

THE BATTLE FOR ABIDJAN

UNFORTUNATELY, African diplomacy did not force Gbagbo out of office. His obstinacy left Ouattara with few choices but military force, and in late March, pro-Ouattara forces launched a military offensive from their bases in the north. The attack took just four days to sweep across the southern half of the country, and the Republican Forces met little resistance. On March 30, they captured the capital city of Yamoussoukro. Most of the government's defense forces abandoned

their positions and retreated to Abidjan. Guillaume Soro, Ouattara's prime minister, gave Gbagbo a few hours to flee the country before his troops marched toward Abidjan, when, Soro promised, things would become "a lot more complicated for him."

But Gbagbo dug in his heels and rallied his hard-core supporters to defend Abidjan. To his surprise, his army chief of staff, General Philippe Mangou, abandoned the regime, taking refuge in the South African embassy. Following Mangou's defection, dozens of demoralized military and paramilitary officers similarly left the Gbagbo camp and pledged their allegiance to Ouattara. A full accounting of these military defections is yet to be written, but it seems reasonable to conclude that the soldiers did not want to fight for a president who faced total diplomatic isolation in Africa and had fewer and fewer resources to pay state employees. The battle for Abidjan began in earnest on April 1. It ended ten days later, after French and UN attack helicopters destroyed the heavy weapons encircling the presidential residence and the Republican Forces arrested Gbagbo.

The strong and consistent positions of the AU and ECOWAS toward the Côte d'Ivoire crisis proved critical to this international intervention. All the UN Security Council resolutions on Côte d'Ivoire's electoral stalemate referred to the initiatives taken by the AU and ECOWAS. When talking to the press, Western diplomats often cited the role of African diplomatic leadership. For example, the U.S. ambassador to Côte d'Ivoire, Phillip Carter, announced, "We work with our African partners. We're not on the lead of this. . . . This is an African thing."

In an especially important example of international action building on African consensus, UN Security Council Resolution 1975, passed in late March, authorized French and UN forces "to prevent the use of heavy weapons against the civilian population" in Côte d'Ivoire. This mandate set the stage for the combined forces to take out the heavy weapons surrounding the presidential residence, which in turn enabled pro-Ouattara troops to arrest Gbagbo and hundreds of his supporters on April 11. The resolution, jointly introduced by France and Nigeria, directly followed from ECOWAS' own resolution some days earlier calling on the UN Security Council to strengthen the UN's mandate in Côte d'Ivoire. Resolution 1975 also followed the

AU's March 10 decision, through the PSC, to affirm its high-level panel's binding recognition of Ouattara as the legitimately elected president. Nearly every member of the Security Council who spoke after the unanimous vote cited the role of the AU and ECOWAS. The British ambassador to the UN stated that measures in Resolution 1975 supported the AU's efforts to find a political solution and responded to ECOWAS' request to the Security Council for a stronger mandate. At the very least, African consensus on Côte d'Ivoire facilitated a tough Security Council resolution that paved the way for military action. It seems hard to imagine that such a robust resolution would have earned support from all 15 members of the Security Council, including China, India, Russia, and South Africa, without a strong regional consensus.

Yet the central role played by African regional actors in resolving the conflict has received little play in the French or the U.S. press. Instead, in the days following the aerial bombardment of Gbagbo's residence, journalists described the involvement of French troops in Côte d'Ivoire as a continuation of France's neocolonial policies toward its former colonies. This view plays into the hands of Gbagbo's supporters. In reality, the AU and ECOWAS recognized an unconstitutional regime change when they saw it, and the positions they took were consistent with their stated policies and previous actions on illegal seizures of power.

A NEW AFRICAN DIPLOMACY

FOR MANY years, "African solutions to African problems" has been a catchall slogan promoted by donor countries and African leaders alike. At the most general level, the maxim implies that Africans will take more responsibility for the multiple challenges they face. But critics have worried that the phrase could become an excuse for powerful states in the West to neglect Africa or for authoritarian leaders, such as Robert Mugabe in Zimbabwe, to reject criticisms of human rights abuses. Côte d'Ivoire showed that neither scenario is necessarily the case. African leaders repeatedly condemned Gbagbo's flagrant violation of democratic norms, and France and the UN intervened militarily when it counted. What happened in

Côte d'Ivoire is thus consistent with an emergent, pro-democracy policy in which African heads of state are taking on significant roles in conflict resolution.

African regional diplomacy has evolved from the OAU's policy of noninterference in the heyday of the Cold War. It is now demonstrating an increasing willingness to condemn and take action against illegal seizures of power. The strong policy against coups emerged from the experience of the 1990s and the first decade of this century, and the Côte d'Ivoire crisis has shown that African regional diplomacy may now be taking a more principled stand on democratically held elections.

At the very least, Côte d'Ivoire's Constitutional Council seems to have gotten the message. On May 5, in a stunning reversal, the same Yao N'Dré who once proclaimed Gbagbo president declared Ouattara the constitutionally elected president. He explained the court's decision on the basis of the AU high-level panel's "binding decision" of March 10 and said that Côte d'Ivoire's membership in the AU meant that "the international norms and rulings accepted by national bodies have greater authority over internal laws and decisions." That seems like an exaggeration, but the statement indicates the newfound importance of the authority of African regional organizations.

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MOHAMAD TOROKMAN/REUTERS

A Palestinian boy waiting to cross an Israeli checkpoint near Ramallah, September 5, 2010

The settlements, and the end of the settlements, are a great problem for Zionism, but they are not the obstacle to peace in the Middle East.

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Review Essay

The Settlement Obsession

Both Israel and the United States Miss the Obstacles to Peace

Elliott Abrams

Occupation of the Territories: Israeli Soldiers' Testimonies 2000–2010. BY BREAKING THE SILENCE. Breaking the Silence, 2010, 431 pp. Free online.
The Settlers: And the Struggle Over the Meaning of Zionism. BY GADI TAUB. Yale University Press, 2010, 240 pp. $32.50.

On taking office in 2009, U.S. President Barack Obama put Israeli settlements at the center of U.S. policy in the Middle East. In Washington's view, a complete construction freeze in the West Bank and East Jerusalem became not only desirable but also a prerequisite to Israeli-Palestinian peace negotiations. Previous U.S. administrations of both parties had never taken such a stance, and in fact, there had been years of negotiations (not least at Camp David in 2000 and after the Annapolis meeting in 2007) while Israeli settlement activity continued. But the Obama administration stuck to its demand, and when Israel refused to freeze construction, 2009 and much of 2010 went by without negotiations. This only changed in November 2010, when the White House abandoned the entire approach and began to search for a new one.

This single-minded focus on a construction freeze was clearly a mistake in the sense that it failed: the Israeli government did not agree to a freeze in East Jerusalem. Nor could any earlier Israeli governments have accepted such a demand, even if they, like Israeli Prime Minister Benjamin Netanyahu, had been open to partial or time-limited freezes in the West Bank. John Kerry (D-Mass.), chair of the Senate Foreign Relations Committee, expressed the situation well when he said in April 2011, "I was opposed to the prolonged effort on the settlements in a public way because I never thought it would work and, in fact, we have wasted a year and a half on something that for a number of reasons was

ELLIOTT ABRAMS is Senior Fellow for Middle Eastern Studies at the Council on Foreign Relations and a former U.S. Deputy National Security Adviser.

not achievable." What is more, the Obama administration's demand had the effect of cornering Palestinian President Mahmoud Abbas, who could not ask for less than Washington; if the U.S. president thought a total freeze was a prerequisite to negotiations, Abbas would have to think so, too. As a weary Abbas told *Newsweek* in April, the Obama administration led him up a tree and then "removed the ladder."

But the tactic also was a mistake in a deeper sense: current construction in the settlements is not a critical issue, and the expansion of construction into additional lands has been minimal. At Camp David in 2000, Israeli Prime Minister Ehud Barak offered the Palestinian leader Yasir Arafat 94 percent of the West Bank; ten years later, Ehud Olmert offered Abbas 93.6 percent with a one-to-one land swap. So it is clear that settlement expansion has not significantly eaten away at the territory of an eventual Palestinian state. The far more serious issues are wholly outside the short-term question of a freeze: namely, the future of the settlements if and when a Palestinian state is created, their impact on the maneuvering that will advance or impede that objective, and the conflict between the settlers' ideology and that of mainstream Zionism.

This is not the view taken in the handsome new collection *Occupation of the Territories: Israeli Soldiers' Testimonies 2000–2010*. The volume is a product of Breaking the Silence, an Israeli nongovernmental organization that presents itself as the conscience of the Israel Defense Forces (IDF) and indeed of the nation, explaining its role as "pushing Israeli society to face the reality whose creation it has enabled." In this book, Breaking the Silence advances two conclusions. The first relates to the morals of Israel's army and, by extension, Israel itself: "Soldiers who serve in the Territories witness and participate in military actions which change them immensely," the organization explains. "Cases of abuse towards Palestinians, looting, and destruction of property have been the norm for years, but are still explained as extreme and unique cases. Our testimonies portray a different, and much grimmer picture in which deterioration of moral standards finds expression in the character of orders and the rules of engagement, and are justified in the name of Israel's security." The second conclusion is that the presence of Israeli settlers and IDF soldiers in the West Bank is laying waste to the area, reducing it to misery.

Some of the testimonies are deeply affecting, and there is no doubt that occupation duty brings out the worst in some soldiers: violence, bullying, vandalism, and theft. Official accounts of the U.S. occupation of Germany after World War II, for example, make clear that there is no such thing as an immaculate occupation. But in this book, Breaking the Silence appears less interested in the current impact of the settlements and the backdrop to the IDF's actions in the West Bank than in advancing particular ideological and political points. For one thing, why produce a volume in 2010 that has so many testimonies about Gaza, from which all Israeli forces withdrew in the summer of 2005? Why include so many interviews from 2000–2002, the years when the second intifada was at its height, rather than interviews from more recent years? In the section on the methods the IDF uses to prevent terrorism, for example, there are 67 interviews, but only five are from

2008 or later; similarly, a section on how the IDF carries out a "policy of control, dispossession, and annexation of territory" contains 44 interviews, of which just six are from 2007 or later.

A logical inference from this data would be that the IDF's conduct is improving, but Breaking the Silence does not discuss this possibility. Nor does it discuss what the IDF was attempting between 2000 and 2002, namely, trying to stop terrorist acts that were maiming and killing thousands of Israelis. There is just one sentence about terrorism in this entire volume, acknowledging that "it is true that the Israeli security apparatus has had to deal with concrete threats in the past decade, including terrorist attacks on Israeli citizens."

Moreover, the descriptions of life in the West Bank presented here are inaccurate or at best outdated. A soldier interviewed in the book describes the West Bank city of Nablus as "sealed hermetically." But just last November, *The New York Times* described Nablus as follows: "The city is open to visitors from all over the West Bank, as well as to Arabs from Israel. In the streets, new cars, including sport utility vehicles, point to growing prosperity." Put simply, the book's description of a West Bank living in deliberately inflicted misery does not comport with reality. Last April, Robert Serry, the UN special coordinator for the Middle East peace process, provided an update to the international donor group dedicated to assisting the Palestinian Authority. According to the UN's official summary, the report concludes that, "in the limited territory under its control and within the constraints on the ground imposed by unresolved political issues, the PA has accelerated progress in improving its governmental functions. . . . Governmental functions are now sufficient for a functioning government of a state. . . . In parallel, Israeli measures to facilitate movement and access have also supported economic activity."

Denying such progress, ignoring the withdrawal from Gaza, and relying on interviews from a decade ago suggest that Breaking the Silence is pursuing its own political goals in *Occupation of the Territories* rather than offering a fair and current documentary account of the occupation. It should come as no surprise, then, that the group is highly controversial in Israel. Amos Harel, a veteran journalist at *Haaretz*, is typical of the critics, writing that Breaking the Silence "has a clear political agenda, and can no longer be classed as a 'human rights organization.'"

REDEMPTION SONG

Whereas the dated testimonies and the refusal to acknowledge the slightest progress in the West Bank mean that *Occupation of the Territories* ultimately fails to persuade, Gadi Taub's *The Settlers: And the Struggle Over the Meaning of Zionism* offers a profound and fascinating account of the practical and ideological challenges posed by the settler movement. In the book, Taub, a professor at the Hebrew University of Jerusalem, describes a fundamental clash between the religious settlers and mainstream Zionism, one that has existed for more than a century. "No dispute has divided Israeli society more deeply," Taub writes. But it is also clear that however deep the divisions, the two sides are not equal in number. By Taub's count, "only about a third to a half of the West Bank's Jewish population, some 100,000 to 130,000 people, are religious Zionists," which would make this

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COURTESY OF BREAKING THE SILENCE

An Israeli soldier conducting a random check in Hebron, 2002

religious group around two percent of Israel's Jewish population.

The term "religious" is critical, for in the eyes of most Israelis, many settlers are simply suburbanites who commute to work in Israel's cities. Most of those who live in, for example, Maale Adumim, a city of nearly 40,000 in the West Bank just outside Jerusalem, moved there because they were priced out of the Jerusalem housing market. Maale Adumim is typical of the major blocs of which President George W. Bush spoke in 2004, when he said that "already existing major Israeli population centers" constituted "new realities on the ground" that any peace negotiation must reflect and that would realistically require changes in Israel's previous borders.

In other cases, Israelis have returned to areas where Jews lived not only in antiquity

but in the nineteenth and twentieth centuries, before being forced out by pogroms. For example, Hebron, the largest city in the West Bank, had a Jewish presence up until a massacre in 1929 eradicated the Jewish community there. Jews returned after 1967, and around 500 live there now under IDF protection; 6,000 more live in the nearby settlement of Kiryat Arba. Gush Etzion began as a collection of villages with about 450 Jews, founded in the 1920s just south of Jerusalem. During Israel's 1948 War of Independence, Arab forces overran the town and killed nearly everyone. An Israeli presence was reestablished after 1967, and today the population totals around 60,000 in two dozen small settlements and the town of Beitar Illit.

In the eyes of many Israelis, settlers have every moral right to reestablish communities in places where Jews lived before 1948 and left only because they were driven out violently. (Of course, Palestinians assert a similar claim, "the right of return," to places where they lived before 1948 in what is now Israel. Leaving aside moral and historical arguments, the difference is that the rebuilt Israeli settlements do not prevent the establishment of a Palestinian state, whereas the movement to Israel of millions of Palestinians who claim refugee status—those who lived before 1948 in what is now Israel plus all their children and succeeding generations—would destroy Israel's identity as a Jewish state.) I remember taking part in a discussion of Gush Etzion with then Israeli Prime Minister Ariel Sharon in 2005, when he was visiting Bush at his ranch in Texas. In a dinner with high-ranking U.S. officials the evening before Sharon met the president, Secretary of State Condoleezza Rice pressed Sharon to stop settlement expansion. His reply started diplomatically and gained energy; by the end, he was pounding the table. "People in Israel don't understand, for example, why we can't build in Gush Etzion, an old community where everyone was killed in the 1948 war," he said. "Never will this area be handed to the Palestinians. Never. I am not going to negotiate this area. The Palestinians will never be able to come there—never. They already destroyed it one time, and murdered hundreds."

In contrast to communities established to improve Israelis' security or quality of life or to reclaim places where Jews lived in previous decades, a minority of settlements reflect a more ambitious, deeply religious goal: obeying the biblical commandment to settle the land. From its earliest days in the nineteenth century and until the Holocaust, the Orthodox rabbinate in eastern Europe was not enthusiastic about the Zionist movement, which at the time was led by irreligious Jews. To the rabbis, seeking a return to Zion on a human, rather than a heavenly, timetable seemed almost sacrilegious. But a compromise of sorts was reached in 1948: the creation of the Jewish state was seen as, in the words of the official prayer for the state, "the first flowering of our redemption," an act that, whatever its material goals, was also performing a religious mission. Israel's Declaration of Independence refers to "the fulfillment of an age-old dream—the redemption of Israel," but the document is mostly a reflection of the secular Zionism of the state's founders, whose mission is stated in the declaration as "the natural right of the Jewish people to be masters of their own fate, like all other nations, in their own sovereign State."

This difference in focus caused few problems until 1967, when Israel captured Gaza, the Golan Heights, the Sinai, and the West Bank. Sitting on the land that Israelis commonly call Judea and Samaria are the central locations (apart from Jerusalem) mentioned in the Hebrew Bible. These places are filled with religious meaning. Hebron is where the patriarchs Abraham, Isaac, and Jacob, as well as the matriarchs Sarah, Rebecca, and Leah, are buried, in the Cave of Machpelah. Rachel's Tomb is near Bethlehem, and Joseph's is in Nablus. And suddenly in 1967, like Jerusalem itself, all these sites came under Israeli control. As Taub puts it, "The spark that ignited the messianic fire . . . was the extraordinary victory of the Israel Defense Forces in the Six-Day War. . . . Redemption was no longer at its beginning; it was well under way."

Whether Jewish law actually contains a commandment to settle the land has been controversial; the 613 binding commandments listed by the revered Jewish scholar Maimonides in the Middle Ages do not include it. But for many of the Orthodox, this dispute was swept aside after 1967, and this commandment became central. And here lay the problem, for the goal of secular Zionism had been not to settle the land but to establish a Jewish democratic state. Taub explains:

> The inner faith-based circle of religious settlers perceived the state as but an instrument for the fulfillment of the commandment to settle the Land of Israel. . . . It was a struggle between two kinds of Zionism: on one side stood mainstream Zionism, for which self-determination—the political independence of Jews as embodied in a democratic national state—was the goal and foundation of Zionism; on the other side stood a religious movement, for which Eretz Israel—the Land of Israel—was the center of the Zionist project. According to the former—a Zionism of state—the settlement of the land was a means for establishing sovereignty, while for the latter—a Zionism of land—sovereignty was a means for settling the land.

Thus, as Taub explains, the Jewish national homeland had to be in the land of Israel. The question later became, did it have to encompass all of the land of Israel?

The conflict between secular Zionism and the settler movement did not appear overnight following Israel's conquests in the 1967 war, for there was an argument that bridged the gap: security. The Israeli right viewed the settlements as critical for Israel's future. The old borders were not defensible, Israel could be attacked again from the east, and settlements on the ridges of Judea and Samaria were part of the state's new system of defense. So the religious settlers and Israeli hawks made common cause, and year after year, settlers by the tens of thousands moved to the West Bank.

For the religious settlers, this was an exciting period, filled with spiritual and also political and psychological satisfaction. Whereas the Orthodox had largely sat out the hard work of building Zionist institutions and founding the state, Taub says, "the act of settlement was a chance to reenact the days of pioneering glory, which religious Zionists felt they had half missed."

The alliance between the religious settlers and secular Israeli hawks held for some years, but before long, the underlying contradiction began to emerge. In 1974, Gush Emunim, or "Bloc of the Faithful,"

was founded as the main settler organization, and its manifesto spoke of its "obligation toward the Land of Israel." To the actually existing State of Israel, there was apparently no such obligation. Three years later, in 1977, leaders of the Israeli right were forced to confront this uncomfortable fact when Egyptian President Anwar al-Sadat came to Jerusalem offering peace in exchange for the Sinai. Menachem Begin, founder of the Herut Party (a predecessor of the right-wing Likud coalition), handed the Sinai back to Egypt in 1982 and in the process evacuated 2,500 Israelis from Yamit, a settlement there. It was apparent, Taub explains, that "in Begin's view the realization of the right of Jews to settle anywhere in the Land of Israel was always subordinate to a higher value: political independence, the sovereignty of the state."

A far more significant moment came in 2005, when Sharon evacuated all Israeli settlers from Gaza and also removed four tiny settlements in the West Bank. The settlers, Taub recounts, found that their adoption of the security argument as a means of reaching out to secular Israelis had backfired badly. For in the end, Sharon and his fellow hawks had come to the conclusion that keeping all the territories was a huge mistake and a danger to the Jewish state itself. As Taub writes:

> Even staunch secular hawks in Likud understood that extending Israel's sovereignty to the territories, as opposed to maintaining the temporary status of these regions, would spell an end to Zionism; it would force the state into a double-bind where it would have to choose between a non-Jewish democracy and a Jewish apartheid. . . . Likud under Menachem Begin, Yitzhak Shamir, Benjamin Netanyahu, and Ariel Sharon, despite repeated declarations that Judea, Samaria, and Gaza would remain forever a part of Israel, never considered such a possibility seriously, and so never moved to annex these territories.

For both the Israeli center and the Israeli right, the failure of the Camp David talks in 2000 and the ensuing intifada taught a lesson: a negotiated settlement was unlikely. Combined with the continuing Palestinian insistence on the right of return of millions of Palestinians to Israel, an outcome that would doom Israel as a Jewish state, the seeming impossibility of a negotiated deal led Sharon to favor unilateral withdrawal. That approach, Taub says, "gradually acquired legitimacy. . . . Leaving the territories no longer looked to many like a concession to the Palestinians. It began to look like an urgent Israeli interest." The alliance between the settlers and the hawks against the Israeli left, or "the peace camp," was now at an end; the right joined the left in believing that separation from the West Bank was desirable.

Sharon, once called "the father of the settlements," created a new party, Kadima, whose founding document says that Zionism requires a Jewish majority in the State of Israel and therefore necessitates "conceding a part of the Land of Israel." In this view, Taub writes, getting out of most of the West Bank was "not an ideological retreat from Zionism, but its realization. The right [to live anywhere in the land of Israel] was still there, but it was subordinate to the higher goal and was therefore impossible to realize."

The difference between the religious settlers and the Israeli majority was profound, in Taub's view, in that "in the eyes

of most Israelis the heart of Zionism was seated in an institution, the Jewish democratic state, not in the earth of the holy land. . . . For secular Zionism settlement was just a means, and the end remained democratic statehood. It made no sense to demand that the end bow to the means."

The problem for the Israeli majority that favors withdrawal from most of the West Bank, excepting only the major settlement blocs, is Israel's experience in southern Lebanon and Gaza. Both times Israel tried unilateral withdrawal—in 2000 from Lebanon and in 2005 from Gaza—terrorist groups moved in to fill the vacuum, leading, as Taub puts it, to "radicalization rather than pacification," because withdrawal was seen as a sign of weakness and a vindication of Palestinian violence. From the Israeli perspective, then, Israel's enemies thwarted partition by refusing a negotiated solution, and then thwarted unilateral withdrawal as well. Still, as Taub writes, even after these experiences, "Greater Israel [the dream of keeping all the territory from the Jordan to the Mediterranean] was no less dead, and the territories were still perceived as a burden rather than an asset."

IDEOLOGY AND EXPERIENCE

Now what? On the fringes of the Israeli left and right, there remains a desire to avoid facing the complicated facts and messy compromises that sovereignty requires. The religious settlers have no love for what, in Taub's words, "was actually the most momentous, unprecedented achievement of Labor [the party that led the country for its first 29 years]: painstaking, sober institution building." Their actions in building small outposts and settlements in the midst of millions of Palestinians, he writes, "did not reproduce Zionism; they reproduced the Diaspora . . . a minority, isolated and marginalized." Meanwhile, on the farther shores of the Israeli left, there remain those who blame Israel for every problem and whose continuing belief in "land for peace" demonstrates the triumph of ideology over experience. In the middle sit the vast majority of Israelis, who have in Taub's view "remained Zionist in [Theodor] Herzl's and [David] Ben-Gurion's sense of the term. They believe in a Jewish democratic state, dependent, as it always was, on a territory where Jews are a majority. Partition was the original logic of the drive to statehood, and it still is its only recourse." The settlement enterprise, Taub concludes, "now exists in a limbo."

Taub is more concerned about how this story will end within Israel than about the future of the settlements after Israel withdraws from them. He believes the religious settlers are divided now, realize they will lose the battle in the end, and are bitter at and frustrated with the state that would crush their work and remove them from their homes. Taub hopes to see the settlers persuaded rather than defeated, to see settler leaders and rabbis come forward to endorse *mamlachtiyut* (a word that comes from *mamlacha*, Hebrew for "state"), which can be translated as "statism" but is better rendered as "seeing statehood and sovereignty as high civic values." Taub wants them to understand that "the mitzvah [commandment] to settle the land is important, and the right of Jews to the whole land is eternal, but the polity—the Jewish democratic state—is still the greatest achievement of the Jews in our time, politically and

religiously, and must take precedence above all considerations."

If the settler leadership is not persuaded, the bitter arguments among Israelis will only deepen. "If religious settlers are brought down from the messianic tree they have climbed up into only by force, if they are crushed rather than reformed, if they harbor only anger toward the state of Israel, they may compound the damage already done" in dividing Israel into two camps, religious and secular, Taub fears. "The struggle over the meaning of Zionism cannot be a triumph of the secular public over the settlers. . . . Zionism . . . must do more than win the political struggle: it must also win back the minds and hearts of religious Zionists," he concludes.

No easy task. Sharon, after all, failed to achieve this in Gaza. He never told the settlers there that the state loved them for their sacrifices in building an Israeli presence under fire but now required even more heroism from them: abandoning the very homes that marked that presence. Instead, the message from Jerusalem, and from most of their fellow citizens, was that they were fanatics who were a burden on the IDF and would be thrown out. If that is the message now heard by religious settlers in the West Bank, their resistance to any future Israeli withdrawal will be that much greater. It may seem ironic, but if Israel's leaders hope to persuade the settlers to evacuate with minimal discord and resistance, they must praise the settlement enterprise as a heroic effort that permanently changed Israel's borders rather than attacking it as a burden and a mistake. Similarly, recent statements from Washington calling the settlements—all of them—"illegitimate" are unhelpful. It would be far more useful to say, as Bush did, that there are realities on the ground that will require compromises by all parties.

In *Occupation of the Territories*, Breaking the Silence makes an additional argument about the settlements and their impact on Israel, namely, that occupation duty corrupts both the IDF and Israeli society itself in the task of protecting the settlers. Whatever their disagreements, this argument goes, the Israeli security forces and the settlers "at the end of the day . . . still see each other as partners in a common struggle." Breaking the Silence sees that struggle as the effort to crush the Palestinians; most Israelis would define the goal quite differently, as protecting the settlements and all of Israel against terrorism. After all, the occupation began in June 1967, when there were no settlers to protect, and was aimed at taking control of the territory that had been conquered in war. In the 20 years before the first intifada started in 1987, the line between Israel and the West Bank was an open border. Hundreds of thousands of Palestinians crossed it each day to work in Israel. Even after the first intifada, a casino opened in Jericho in 1998 to attract Israeli—both Arab and Jewish—gamblers, and several thousand typically showed up each weekend, until the second intifada began in 2000. The most common estimate is that just prior to the outbreak of the second intifada, 115,000 Palestinians—one-fourth of the Palestinian work force—traveled to Israel each day for work.

But all this changed due to terrorism. The first section of the Israeli security fence was completed in 2003, after there had been roughly 75 suicide bombings since the outbreak of the second intifada

in late 2000. It was a direct response to those attacks. The activities of Shin Bet, Israel's domestic security service, and of the IDF in the West Bank are aimed at suppressing terrorism, often with cooperation from the Palestinian Authority's security forces, which at least until the Fatah-Hamas agreement of April 2011 shared the desire to weaken Hamas and other extremist groups. It is not coincidental that Breaking the Silence was itself founded in 2004, not in 1994 or 1984 or 1974, all times when the same territory was occupied by the same Israeli army and police forces. It is easy to believe that in this task of fighting terrorism there are plenty of abuses, but that does not change the nature of the mission to annexation or repression.

Breaking the Silence gets closer to the truth in suggesting that the occupation has more and more become the only prism through which Palestinians see Israelis. With the flow of businesspeople and workers into Israel drastically reduced, few Palestinians now deal with Israelis as employers or have a chance to experience normal life in Israel. Settlers and soldiers are the only Israelis they see, and Israelis no longer deal daily with West Bank Palestinians working in construction or other sectors in Israel. This separation has had a predictably dire impact on relations between Israelis and Palestinians and on the way they see each other, but it is not the product of the occupation per se, nor of the settlements. It is the result of terrorism and the steps taken by Israel to prevent it. The IDF will stay in the West Bank even after the settlers withdraw, because the task of protecting Israel from terrorism launched from the West Bank will remain: the army was there first and in all probability will be there last.

In the end, Israel will withdraw from most of the West Bank and remain only in the major blocs where hundreds of thousands of Israelis now live. Israelis will live in a democratic state where Jews are the majority, and Palestinians will live in a state—democratic, one hopes—with an Arab Muslim majority. The remaining questions are how quickly or slowly that end will be reached and how to get there with minimal violence. Despite the view adopted by the Obama administration that all settlements are illegitimate and that construction activity in the settlements is the main obstacle to a peace deal, the facts are otherwise. The contours of a territorial compromise are visible; the settlements beyond Israel's security barrier obviously have no future. Far more difficult complications exist as to Jerusalem, the status of Palestinian refugees and their descendants, and workable security arrangements—all problems that exist independently of the settlements and would be murderously complex even if no single settlement had ever been built.

There is no reason to believe that Israeli-Palestinian negotiations, which have failed since 1967, will magically succeed in the near future. It is often said that the outlines of an agreement have been clear for decades, or at least since Camp David. If that is true, it is equally clear that neither party is ready to accept those terms and the compromises they entail.

For Israelis, this should lead not to more complaining about Palestinian politics or leadership but to efforts to fulfill the central goal for which their state was established: to provide Jews with an opportunity to be

in sovereign control of their own destiny, as Israel's founding document makes clear. The logic of the 1948 partition between a Jewish state and an Arab state still holds, and the vast majority of Israeli Jews realize that maintaining a Jewish democratic state requires separating from the 2.5 million Arabs who live in the West Bank. This would be not a favor done for the Palestinians but a task that Israel's national interests require. In the absence of a final-status agreement, Israel can and should continue the process begun when it removed the settlements from Gaza and built the West Bank security fence. The Israeli government should offer settlers beyond that fence compensation (as it did the settlers in Gaza) to assist them in moving west; it should simultaneously assist efforts to build a decent and successful Palestinian state in every way possible.

But any such Israeli steps are unlikely in the near future due to the April agreement between Fatah and Hamas, which establishes a unity government and a joint "higher security committee." The limited cooperation that existed in the past between Israel and the Palestinian Authority on economic and security matters will now likely disappear; Israel will look to avoid assisting a new coalition that includes Hamas, and the Palestinian Authority security forces will seek to avoid confrontation with Hamas and other terrorist groups. Moreover, negotiations are impossible, as Israel will not sit at a negotiating table with Hamas, a group pledged to Israel's destruction. The Palestinian leadership under Abbas understands all this, but it has chosen to address internal political matters, including holding new elections, rather than pursue additional cooperation or negotiations with Israel. If Abbas and his allies beat Hamas in those elections next year, perhaps they will reverse direction again—but first they must win, and then persuade Israelis to view them once more as genuine partners for peace.

In the face of this cessation of Israeli-Palestinian cooperation and peace negotiations, the issue of settlement activity will rise again in importance in many capitals, especially in Washington. In an odd way, current U.S. officials have now adopted the mirror image of the religious settlers' obsession. The more extreme settlers believe that settling the land is more important than protecting the interests of the State of Israel. At the same time, according to current U.S. policy, getting them off that land—indeed, stopping them from placing one more brick on it—is worth badly damaging Washington's relationship with a longtime ally and putting Israel's security and reputation in jeopardy. The settlements, and the end of the settlements, are a great problem for Zionism, but they are not the obstacle to peace in the Middle East. The sooner the United States realizes that, the sounder and more constructive its Middle East policy will become.

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Review Essay

What China Wants

Bargaining With Beijing

Andrew J. Nathan

On China. BY HENRY KISSINGER. Penguin Press, 2011, 608 pp. $36.00.
A Contest for Supremacy: China, America, and the Struggle for Mastery in Asia. BY AARON L. FRIEDBERG. Norton, 2011, 352 pp. $27.95.

As a connoisseur of fine diplomacy, Henry Kissinger finds a lot of it to admire in China. His new book, cast as a history of Chinese foreign policy, traces the twists and turns of Chinese strategy since the establishment of the People's Republic in 1949, quoting liberally from his numerous conversations with Chinese leaders. But *On China* is really neither history nor memoir. Its purpose is to argue that the United States should yield gracefully to China's rise in order to avoid a tragic conflict.

Aaron Friedberg gives the opposite advice. A Princeton professor and former foreign policy adviser to Vice President Dick Cheney, he analyzes the strategies that China and the United States have used in dealing with each other since the early 1990s and tries to decipher China's intentions in the coming decades. In the face of growing Chinese power and ambition, the United States, he argues, must stand strong in those many areas in which China's interests are adverse to its own. Together, the two books offer a window onto the strategic split over China among mainstream Republicans.

Kissinger likens Chinese diplomacy to the game of *wei qi* (equivalent to the Japanese game of go), a patient contest of encirclement in which victory is only relative. Chinese strategists view the quest for a decisive outcome as illusory. Instead, they play a game of "combative coexistence," seeking to improve their relative power position amid the ever-changing forces

ANDREW J. NATHAN is Class of 1919 Professor of Political Science at Columbia University and a co-author, with Andrew Scobell, of the forthcoming book *China's Search for Security*.

of world politics. At the necessary moment, one may deliver a salutary psychological shock and then withdraw, as the Chinese did to the Indians in 1962 to put a stop to incursions along their contested border, and as they did to the Soviets in 1969 to deter Moscow from probing Chinese positions along their frontier. On other occasions, one may hide one's light and bide one's time, as Deng Xiaoping famously advised his colleagues to do in 1991, telling them to maintain good relations with the United States while building up China's strength. Or it might be useful to claim hurt dignity and designate a whole topic as nonnegotiable, as Beijing did in 1993–94 when U.S. President Bill Clinton tried to make favorable tariff rates conditional on improvements on human rights, and as it is doing today over territorial issues.

Kissinger sees contrasts here with the usual approach of U.S. diplomats, which often frustrated him when he was running the show. Where American negotiators tend to compartmentalize issues and seek solutions, their Chinese counterparts prefer to integrate issues and seek understandings. Whereas Americans believe that agreements can be reached in one sector while disagreements are expressed in another, Chinese prefer to characterize the whole atmosphere as warm or cold, friendly or tense, creating an incentive for the other side to put disagreements on the back burner. Whereas Americans are troubled by deadlocks, Chinese know how to leverage them to keep pressure on the other side. American diplomacy is transactional; Chinese diplomacy, psychological.

Kissinger quotes the advice of the ancient military strategist Sun-tzu, who argued that one can win a battle before it begins by staking out a dominant political and psychological position. As far back as the third century, the military commander Zhuge Liang turned back an enemy army by opening the city gates and sunning himself on the ramparts; this looked like a trap and frightened away the opposing general. In 1793–94, the Qianlong emperor fended off the British delegate Lord George Macartney with smothering hospitality; when Macartney failed to get the point, the court dismissed him with a note left on a silk chair. In 1958, Mao Zedong received the Soviet leader Nikita Khrushchev not just at his private swimming pool but in it, forcing the Soviet leader to negotiate in water wings. When Kissinger met Zhou Enlai for the first time, in 1971, the premier had arranged his schedule to leave only two negotiating slots, totaling 13 hours, available during Kissinger's time in Beijing, forcing the American envoy to agree to a presidential visit with few details resolved in advance.

Such tactics make hospitality "an aspect of strategy," Kissinger explains, leaving a foreign guest awed, discomfited, or wooed by the host's wealth, generosity, and composure. Chinese diplomats are adept at the use of friendship, which leaves "the other side . . . flattered by being admitted to the Chinese 'club' as an 'old friend,' a posture that makes disagreement more complicated and confrontations painful," Kissinger writes. As the Manchu diplomat Qiying said about dealing with the British "barbarians," it was necessary to "curb them by sincerity."

It helps to come from an ancient civilization. "The duration and scale of the Chinese past allow Chinese leaders to use the mantle of an almost limitless history to evoke a certain modesty in their opposite numbers," Kissinger writes. His occasional

digs at the United States—whose foreign policy culture he describes as "missionary," interventionist, narrow-visioned, and crassly pragmatic—show how hard it was to represent a nation that lacks that asset. At Kissinger and Zhou's first conversation, Zhou ceded seniority to the United States by comparing the age of the American republic (some 200 years) to that of the People's Republic (22 years). It was flattering, even though Kissinger knew it was false.

The problem with Kissinger's book is not the facts. These are well grounded in the scholarly literature and, throughout much of the book, in the notes of conversations in which he himself took part. But newer scholarship has long since called into doubt any essentialism about China's "singularity," "centrality," or "strategic patience." Although Kissinger does not use the word, the picture he paints is of an eternal—and very Oriental—China. And it is not clear why China's long history of diplomacy makes it necessary for the United States to yield to Chinese preferences in the present. What is lacking for such an argument is an analysis of the material realities of China's relative power, which even after 20 years of spectacular economic growth remain in many ways unfavorable.

CONTENTIOUS INTENTIONS

Friedberg also exaggerates Chinese power, although in pursuit of a different argument. His is the most thoughtful and informative of a stream of China-threat books that have come out since the mid-1990s. Within that genre, its contribution is to focus on China's strategic intentions. Although Friedberg agrees with the classical realist logic that a change in power relations inevitably generates rivalry, he also believes it is important to figure out what, as he puts it, China wants.

His method is to synthesize the views of Chinese public intellectuals who write in Chinese policy magazines roughly similar in function to *Foreign Affairs* and in other media. The authors on whom he draws are professors or fellows (and some graduate students) at universities and think tanks and a few military officers who work in jobs that allow them to write books and articles for the general public. Friedberg argues that these materials "reflect the main currents of 'responsible' opinion" among Chinese writers, "some of [whom] are known to have access to the inner circles of the party and state." What he reads these experts as saying is that China should seek to "displace the United States as the dominant player in East Asia, and perhaps to extrude it from the region altogether."

But this method of assessing Chinese intentions is full of pitfalls. Authors who write for the Chinese public have to compete for attention the same way that American public intellectuals do, with edgy views and vivid writing. And they do not all agree with one another. In fact, the authors Friedberg cites take varied positions, ranging from that of Senior Colonel Liu Mingfu, who wants China to become "world number one," to that of the scholar Wang Jisi, who emphasizes common interests between China and the United States. The attempt to synthesize these views creates a false unity, with Friedberg privileging those of the writers who say the sharpest things. Moreover, as pointed out by Thomas Christensen in these pages ("The Advantages of an Assertive China," March/April 2011),

Chinese policymakers have consistently been more cautious in practice than the Chinese media have been in their rhetoric. The proper takeaway from Friedberg's analysis is that the Chinese public has been treated to a rich diet of nationalist sentimentality, which for whatever reason is permitted—or perhaps even mandated—by the propaganda department, which ultimately controls the Chinese media.

By focusing on intentions, Friedberg, like Kissinger, leaves out any serious accounting of China's capability to achieve the goals that various writers propose. Such an audit would show that China is bogged down both internally and in Asia generally. At home, it devotes enormous resources, including military ones, to maintaining control over the two-fifths of its territory that comprise Xinjiang and greater Tibet, to keeping civil order throughout the densely populated and socially unstable Han heartland, and to deterring Taiwan's independence. Around its borders, it is surrounded chiefly by two kinds of countries: unstable ones where almost any conceivable change will make life more difficult for Chinese strategists (such as Myanmar, North Korea, and the weak states of Central Asia) and strong ones that are likely to get stronger in the future and compete with China (such as India, Japan, Russia, and Vietnam). And everywhere on its periphery, on land and at sea, China faces the powerful presence of the United States. The U.S. Pacific Command remains the most muscular of the U.S. military's six regional combatant commands, after the Central Command (which is managing two ongoing wars), and it continues to adjust its strategies as China's military modernizes.

Friedberg is also imprecise. His title, *A Contest for Supremacy*, means one thing; part of his subtitle, *the Struggle for Mastery in Asia*, means another—and neither idea is vindicated by the body of the book. He is on firmer ground when he writes that "if China's power continues to grow, and if it continues to be ruled by a one-party authoritarian regime, its relations with the United States are going to become increasingly tense and competitive." But friction is not conflict.

And all this assumes that China's rise will continue unabated. Friedberg reasonably enough makes this assumption for the purposes of argument. But it is unlikely to prove correct in the long run because China's economic and political model faces so many vulnerabilities. To add to the worries of Chinese leaders, as Friedberg points out, there are U.S. intentions: "stripped of diplomatic niceties, the ultimate aim of the American strategy is to hasten a revolution, albeit a peaceful one, that will sweep away China's one-party authoritarian state." This helps explain why Chinese leaders act more like people under siege than like people on an expansionist warpath.

Even if China does stay on course, it cannot hope for anything that can reasonably be called supremacy, or even regional mastery, unless U.S. power radically declines. Absent that development, it is implausible that, as Friedberg predicts, "the nations of Asia will choose eventually to follow the lead of a rising China, 'bandwagoning' with it . . . rather than trying to balance against it." Instead, the more China rises, the more most of China's neighbors will want to balance with the United States, not against it.

REACTING TO RISE

Kissinger ends his book with a policy recommendation that is disappointingly brief and imprecise. He urges the creation of a Pacific Community, "to which the United States, China, and other states all belong and in whose peaceful development all participate." But why should the United States yield so much authority to China? Every other potential member of this community will also ask whether such a project would enhance or reduce its power. The Chinese will wonder why they should bind themselves to U.S. priorities in this way. Larger Asian powers, such as Japan and South Korea, will doubt the benefit of submerging themselves in a U.S.-Chinese condominium. And smaller states will see themselves at risk of being sold out by their major ally, either China or the United States. The proposal's premise, that a U.S.-Chinese confrontation must be avoided, is sound, but it fails to take national interests into account.

Friedberg rejects the idea of a two-power condominium in Asia as appeasement. At the other extreme, he discredits the idea of trying to delay or derail China's rise as too confrontational. A third option, "enhanced engagement," is fine as far as it goes, but it places too much hope in the willingness of Chinese policymakers to cooperate with an opponent whose interests are not identical to their own. Instead, he recommends that the United States set proper boundaries for China's rise by maintaining a favorable balance of power in Asia. This will require the United States to undertake "costly and difficult measures," such as maintaining its alliances with Japan and South Korea and its cooperative relations with most of China's other neighbors, continuing to upgrade its military posture to match China's military modernization, and balancing its transpacific trade relationships. In a version of "we have met the enemy and he is us," Friedberg says that in order to do all this, the United States must restore its economy, keep its scientific edge, protect its advanced technology, and maintain its margin of military advantage.

One can only say amen to the recommendation that the United States pull up its socks. Such proposals are persuasive with or without China in the picture, and it is well to reinforce them in the context of China's rise. But few of them are controversial. That they form the core of Friedberg's strategy is a sign that the United States' future in Asia is not as hostage to China's rise as is implied by the alarmist tone of his earlier chapters. China cannot displace the United States from Asia; only the United States can. Friedberg's counsel resembles the essence of U.S. policy for at least the last decade. Certainly, the Obama administration has been working to do what Friedberg suggests. The United States is hardly "on track to lose [its] geopolitical contest with China."

The real target of Friedberg's criticism is not U.S. policy but "China-watchers in academia, commerce, and government," whom he accuses of stifling debate and of "willful, blinkered optimism." Prominent among these is Kissinger, whom Friedberg characterizes as part of a "Shanghai Coalition" (more plainly, a new China lobby) that wants "to avoid criticism of China and to support good relations." Friedberg's strongest disagreement with this group concerns the place of human rights in Washington's China policy.

Andrew J. Nathan

If a key technique of Sun-tzu-style diplomacy is to convince the other side that certain issues are too culturally and politically sensitive to be discussed, China seems to have secured that part of the *wei qi* board when it comes to Kissinger's views on human rights. Speaking of the immediate post-Tiananmen period, Kissinger says that "the American advocates of human rights insisted on values they considered universal" and that such universalism "challenges the element of nuance by which foreign policy is generally obliged to operate." He continues: "If adoption of American principles of governance is made the central condition for progress in all other areas of the relationship, deadlock is inevitable." These statements combine three fallacies: that the universality of international human rights is a matter of opinion rather than international law, that human rights equals American principles of governance, and that promoting human rights means holding hostage progress in all other areas.

Friedberg's counterargument is persuasive. Showing softness on core values will reinforce the view of many Chinese that the United States is in decline, thus encouraging China to miscalculate U.S. resolve. As Friedberg writes, "Soft-pedaling talk of freedom will not reassure China's leaders as much as it will embolden them." He tellingly applies Kissinger's insight into the emollient effects of friendship to Kissinger himself, arguing that the Shanghai Coalition's members are motivated in part by "the psychic rewards that come from believing that they are helping to promote peace and the gratification of being revered and well treated by Beijing."

It is no wonder that Chinese statecraft aims to establish the cultural relativity of human rights and to pose talk of human rights as the enemy of friendship. After all, the failure to respect human rights is a glaring weakness of Chinese power both at home and abroad, whereas promoting human rights has been among the United States' most successful maneuvers on the *wei qi* board of world politics. What is surprising is that the United States' master strategist wants to play this part of the game by Beijing's rules. Would it not make more sense to emulate Chinese strategy than to yield to it? Emphasizing the principled centrality of the human rights idea to American ideology and keeping the issue active in bilateral relations even though it cannot be solved would seem to be—along with exercising the United States' strengths in other fields—a good way to set the boundaries within which a rising Chinese power can operate without threatening U.S. interests.

Review Essay

Secularism and Its Discontents

Politics and Religion in the Modern World

Karen Barkey

Holy Ignorance: When Religion and Culture Part Ways. BY OLIVIER ROY. Columbia University Press, 2010, 288 pp. $27.50 (paper, $19.00).

Olivier Roy, a professor of social and political theory at the European University Institute, in Fiesole, Italy, has the exceptional ability to bring religion, globalization, and politics to his discussions of political Islam and its role in European and Islamic societies. In his latest book, *Holy Ignorance*, he puts this talent to good use to explore a critical question about the modern world: "Does the expansion of a religion go along with the spreading of a new culture . . . or does it expand, on the contrary, precisely because this religion has nothing to do with any specific culture?" The answer is important because if religion is dissociated from culture, religious fundamentalism will become both more globalized and more diluted, and mainstream culture will become even more secular. If the two are not dissociated, religious fundamentalism may increasingly penetrate societies and erode their secular and democratic practices.

Like many other books about religion and modernity, *Holy Ignorance* describes a myriad different new religious movements—Protestant evangelicalism, Haredi Judaism, Islamic Salafism—against the backdrop of secularizing societies, highlighting the changing relations between culture and religion as globalization intensifies. In the first part of his book, Roy displays an impressive grasp of the innumerable permutations in these relations over history's long arc. He organizes the variations into four broad categories: deculturation, acculturation, inculturation, and ex-culturation. Deculturation occurs when religion tries to eradicate paganism (as European Christianity did in North America and orthodox Islam did on the Indian subcontinent). The best example of acculturation is the Jews' adoption of

KAREN BARKEY is Professor of Sociology and History at Columbia University.

mainstream values during the Enlightenment. A religion's attempts to position itself at the heart of a given culture (for instance, liberation theology in Latin America) is a form of inculturation. And ex-culturation is the more modern process whereby a religion disassociates itself from mainstream culture.

Throughout this discussion, Roy's thesis is clear: the major religious movements of today—Pentecostalism, Protestant evangelicalism, and Islamic Salafism—are setting themselves free from their cultural moorings. These religions have not lost their importance, but they have become universal and less affiliated with any one territory, and more personal and private, increasingly embodying a spiritual search for self-fulfillment. Although they acknowledge what Roy calls "floating cultural markers—halal fast food, eco-kosher, cyber-fatwa, halal dating, Christian rock, transcendental meditation"—he claims that they are fundamentally separating from the cultures in which they developed.

In the second part of the book, Roy argues that globalization has increased this distancing of religion from culture by promoting scripturalism and fundamentalism, erecting a barrier of doctrinal purity to fend off secular attacks. Religious advocates say that their faiths are becoming purer as a result: returning to sacred texts is one way to speak to the faithful outside of any particular cultural context. And globalization is the conveyer belt on which this purer religion travels. But Roy says that in rejecting their grounding in national cultures, these global faiths are becoming a form of "holy ignorance." The phrase evokes the Pentecostal "speaking in tongues" and the associated belief that the relationship between God and individual believers need not be mediated. The truth of God's word necessitates no knowledge—cultural, linguistic, theological, or otherwise. As Roy points out, several Christian revivalist movements, many Islamic groups, and even some Jewish organizations (such as the Shas party in Israel) only selectively engage with past theological debates. The result, for Roy, is a sort of degradation of religious knowledge. This observation leads him to make an important assertion: that all these movements—the Christian right in America; the various Islamic movements in Iran, Saudi Arabia, and Pakistan's Khyber Pakhtunkhwa Province; and the ultra-Orthodox in Israel—are losing steam.

Holy Ignorance is an elaboration of the theses of Roy's earlier works, especially *The Failure of Political Islam* and *Globalized Islam*, in which he argued that the fundamentalist Islamic religious movement, by virtue of being extraterritorial and decultured, was becoming "oblivious to its own history"—or, to put the point differently, undergoing a form of secularization as a result of rising fundamentalism. In his latest book, he expands the claim to include other forms of fundamentalism—especially Christian strands such as Protestant evangelicalism—to demonstrate, first, that the phenomenon is widespread and, second, that it cannot last. Fundamentalism has become a global market for religious goods without any labels indicating a culture of origin. Individuals throughout the world are being presented with a religious market in which they can choose whatever product they want. With so many easy options available, people frequently convert to other religions or beliefs. This is nothing new: mass conversions occurred in the past thanks to conquests and colonial expansion.

TOBY MELVILLE/REUTERS

A veiled woman talking on her cell phone in London

But according to Roy, people find it easier to convert today, especially from Christianity to Islam and vice versa. Given this, Roy's thesis is a tacit rebuke to Samuel Huntington's "clash of civilizations."

ALL RELIGION IS LOCAL

Roy's view is basically optimistic: the implication of his argument is that fundamentalism cannot last. He claims that the influence of religion on culture is doomed to wane as religion becomes simultaneously more individual and more globalized. By focusing on global religious movements (rather than, say, national Islamic politics) to illustrate his thesis, however, Roy is in effect downplaying the important matter of how religion shapes social, political, and economic life—and overlooking religion's widespread and transformative influence. American Christian evangelicalism and Islamic fundamentalism are not only aspiring to global expansion; they are also interested in bringing about cultural transformations in narrower, that is, local and national, contexts. Consider how American evangelicalism developed: it did so thanks to the convergence of several intellectual currents; their battles against Darwinism, philosophy, and liberalism; and the particular social and political exigencies of the post–World War I era. More recently, the discourse of American evangelicalism has been about how to influence American society and politics. In the words of the American evangelist Jerry Falwell, "For too long, we have sat and said, politics are for the people in Washington, business is for those on Wall Street, and religion is our business. But

the fact is, you cannot separate the sacred and the secular." The whole purpose of much of the evangelical movement in the United States today is to shape the culture of the country. Throughout the world, in fact, religion continues to engage with culture and the state, whether to validate or threaten them. And recent converts often become involved in the public sphere and adopt politically contentious positions regarding social and cultural issues. When religion is no longer inherited but chosen, its adherents are much more willing to relate it to all aspects of life: social, cultural, and political; and they more readily engage in the public sphere. In the United States, for example, the religious right has been pushing for the reform of school curricula.

According to Roy, the importance of culture is declining both because those who choose fundamentalism are in effect replacing culture with religion and because globalization is diluting local cultures everywhere anyway. But this argument hinges on his minimalist definition of culture as "the production of symbolic systems." This characterization allows Roy to claim that culture and religion are distinct and that culture is declining, but it is much too narrow. Culture is more capacious than a set of symbols; it is a web of meanings that people attach to their lives and use both to order their world and to interpret it. Culture is not in decline these days; as ever, it is adapting and transforming, integrating the new and the old. Anthropologists such as Clifford Geertz and Michael Gilsenan have described how Islam has adapted to different cultural, political, and socioeconomic contexts—and been successful as a result. Today, the struggle between fundamentalist movements and secular forces everywhere is about who will get to define both current events and their historical antecedents in the public sphere. It is, in other words, a cultural struggle.

But Roy pays little attention to the work of Geertz and Gilsenan or to that of the anthropologist Talal Asad, who has argued that Islam is a discursive tradition that moves back and forth between widely accepted foundational texts and the beliefs, practices, and politics of Muslim communities in specific times and places. And yet the Islam of Indonesia does not resemble that of Saudi Arabia. In both countries, religion is at once the product and the producer of cultural values, but it is also recognizably and self-avowedly Muslim. Roy acknowledges this as being true only in the past. But even today, religions cannot exist in a vacuum. If globalized religions employ the tools of global culture, such as the Internet, they also aim to influence particular national cultures.

GIVE-AND-TAKE

Roy sees the separation of the religious from the cultural as a symptom of secularization and the success of fundamentalist movements as a defense against secularism. But it is also possible that the success of fundamentalist movements stems instead from their capacity to appropriate secular culture and render it more religious. And at the same time that religious groups engage secular culture to reform it, they themselves become more secular.

This mutual transformation is most visible in places where religious groups have reacted to the secularization of society by engaging in politics. Entering the public sphere has forced Islamists, for example, to adopt modern forms of organization, rationalize their thinking and practices, and

revise their positions in historically contextualized ways in order to become more relevant and more effective. The results have been very different in democratic political cultures compared to in authoritarian settings. In countries as distinct as Turkey, Indonesia, and Pakistan, the emergence of religious political movements has made those movements more secular and at the same time has re-Islamicized the public sphere.

In Turkey, the rise of the Islamist Justice and Development Party (AKP) a decade ago occurred against the backdrop of an Ottoman culture that had never integrated, much less institutionalized, rigid interpretations of Islam and that for most of its tenure had maintained a diverse culture and a policy of inclusion. With the advent of the Turkish republic in the early 1920s, the role of religion was redefined and constrained by a strong secular and democratic political culture that basically hid Islam from the public sphere. The AKP succeeded in bringing it out again, effectively deprivatizing religious discourse and practice, and all the while adopting a modern democratic discourse on social and political rights.

In Indonesia, Islamic politics have spread with democratization, but within a culture of tolerance and respect for religious pluralism. The two major Indonesian Islamic organizations, Muhammadiyah and Nahdlatul Ulama, have argued against a strict interpretation and application of the Koran, opposed the creation of an Islamic state in Indonesia, and helped develop many social movements, such as youth and women's rights organizations.

Even in the more contentious case of Pakistan, as Humeira Iqtidar, a research fellow at Cambridge, argues in *Secularizing Islamists?*, Islamists have inadvertently facilitated a kind of secularization. This may seem counterintuitive, but Iqtidar demonstrates how, even as the Islamists have forced a rethinking of the boundaries of politics, their engagement in mainstream politics has brought about a conscious, critical, and ultimately rationalized definition of religion in contemporary Pakistan. To understand the constant interplay among religion, culture, and politics, one need only look at Egypt in the wake of the Arab Spring. Various factions within the Muslim Brotherhood are trying to figure out the right way to enter Egyptian politics. They are not only calculating how to increase their odds in the election scheduled for the fall; they are also looking for an approach that speaks to the democratic youth movement that emerged in Tahrir Square.

The fact is that as religion reenters, more or less forcefully, the public sphere, modernity is coming to many countries. Most important, religion is adapting to political cultures, including democratic cultures, everywhere, be they in western Europe or Islamic states. The most significant aspect of the evolving relationship between religion and culture is not their disengagement from each other thanks to globalization, as Roy claims, but the close interaction of religious movements and national politics. Some forms of religious fundamentalism may well be disappearing into the ether of abstraction, but in most cases, religion, culture, and politics are still meeting on the ground.

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Review Essay

The City and the State

American Urban Planning and the Role of Government

Sandy Hornick

Makeshift Metropolis: Ideas About Cities. BY WITOLD RYBCZYNSKI. Scribner, 2010, 256 pp. $24.00.

Triumph of the City: How Our Greatest Invention Makes Us Richer, Smarter, Greener, Healthier, and Happier. BY EDWARD L. GLAESER. Penguin Press, 2011, 352 pp. $29.95.

In the years after World War II, New York City decided to get rid of its East Side Gashouse District, a bleak landscape of towering gas storage tanks and six-story walkup tenements. It replaced it with Stuyvesant Town—a modern "suburb in the city," as its planners described it. The creation of Stuyvesant Town represented a watershed moment in what would become a decades-long movement to revive and modernize the American city. In the 1940s and 1950s, many parts of U.S. cities were crowded and rundown, a condition that stood in stark contrast to the country's emerging suburban utopias. President Harry Truman called attention to the problem in his 1949 State of the Union address, pointing out, "Five million families are still living in slums and firetraps. Three million families share their homes with others." After Truman's speech, Congress passed the Housing Act of 1949, which provided federal financing for urban renewal and increased the Federal Housing Administration's role in providing suburban mortgages, and the Federal-Aid Highway Act of 1956, which created the interstate highway system. The federal government had placed itself squarely in the midst of urban policy.

It remained there until the 1970s, when political power became firmly ensconced in the nation's ever-growing suburbs. Although federal programs have remained important to cities, Washington's central role ended when President Jimmy Carter

SANDY HORNICK is Consultant for Strategic Planning to the New York City Department of City Planning.

failed to honor his promise, made standing in the rubble of the Bronx's Charlotte Street in 1977, to rebuild it. Three years later, Ronald Reagan, campaigning for president, stood at the same spot and made the same promise—with the same result.

After several decades during which scholars also tended to focus on the suburbs, two insightful recent books, Witold Rybczynski's *Makeshift Metropolis* and Edward Glaeser's *Triumph of the City*, celebrate the importance of the American urban experience today. Rybczynski's is a study of the changing forces and ideas that have shaped urban settlement, whereas Glaeser's is an explanation of why the critics of cities throughout history have been wrong and why dense settlement is the key to progress and the source of innovation. Although both books have much to offer, they share two flaws: they intertwine the discussion of and data for cities and those for their suburbs, and they are overly distrustful of government planning.

CITY THINKERS

Makeshift Metropolis follows the evolution of thinking about urban reformation, a movement that began in response to the condition of cities in the nineteenth and early twentieth centuries. Back then, cities were crowded and unhealthy, and with the advent of the car, they became traffic-clogged as well. Rybczynski centers his account on what he calls "three big ideas" about urban planning: the City Beautiful movement, the Garden City movement, and the Swiss architect Le Corbusier's vision of "towers in a park." The first two of these emerged at the end of the nineteenth century. The City Beautiful movement rejected the nineteenth century's laissez-faire approach to urban settlement and sought to promote civic art in building design, sculpture, and urban layout. After its dramatic public debut in the form of the White City, a cluster of neoclassical buildings that formed the centerpiece of Chicago's 1893 World's Columbian Exposition, the vision came to dominate public building through the Great Depression. It left a legacy of much-beloved Beaux Arts architecture, including New York's Grand Central Terminal and San Francisco's Palace of Fine Arts.

The Garden City movement, in contrast, was interested in creating self-contained urban environments limited to around 30,000 people. These would include a great deal of open space and would be surrounded by farmland—essentially, a town in a garden. Founded by the British urban theorist Ebenezer Howard, this vision, as Rybczynski describes it, allowed residents to enjoy the benefits of the country in the city. But it has evolved into not living in cities all. In early examples of the style, such as Hampstead Garden Suburb in London and Forest Hills Gardens in Queens, New York, neighborhoods of single-family homes included denser town centers. But these ultimately gave way to the more dominant legacy of the Garden City movement: low density. The garden trumped the city, and suburbs became the norm.

Rybczynski spends the remainder of *Makeshift Metropolis* taking readers through the various, and mostly misguided, efforts to reform cities in the mid-twentieth century, campaigns that were advanced by the towering urban thinkers Lewis Mumford, Frank Lloyd Wright, and Le Corbusier, all of whom disliked the densely built cities of the industrial West.

Mumford and Wright both wanted to take advantage of the freedom of movement offered by cars to spread cities out, but their ideas never gained much traction. Le Corbusier, meanwhile, envisioned rebuilding cities as towers in a park, clearing out large areas of cities and filling them with tall buildings surrounded by open space and connected by high-speed roads. None of his master redesigns, according to a historian quoted by Rybczynski, "stood the slightest chance of being adopted," but they nonetheless became the model for the midcentury juggernaut of urban renewal that, in clearing out lower-income neighborhoods and replacing them with inhospitable housing projects, left so many scars on American cities.

Although Rybczynski criticizes Mumford, Wright, and Le Corbusier for what ultimately amounted to an anti-urban bent, he is not critical enough. Rybczynski neglects to point out that the very urban attributes he advocates later in the book—including density and walkability—were missing from these theorists' thinking. It is not that towers in a park are inherently bad. After all, Stuyvesant Town, built on the towers-in-a-park model, has been a sought-after place to live since it opened in 1947. It works, however, because it is located in the midst of a dense city with buildings crowded together along walkable urban streets—characteristics that Le Corbusier and the other midcentury critics detested. Moreover, Rybczynski is too kind when he asserts that New York's desirable housing in the apartment buildings that line Central Park somehow reflects Corbusian thinking. Apartment living next to Central Park dates back at least to the completion of the Dakota in 1884—three years before Le Corbusier was born.

THE RECORD OF REFORM

Jane Jacobs, a writer and editor with no training in city planning or architecture, was one of the first to observe that the Corbusian ideal was a failure, publishing *The Death and Life of Great American Cities* in 1961. Rybczynski describes Jacobs as "widely recognized as the most influential urban thinker of her time," and she emerges as a heroine in his book for recognizing the value of traditional cities. He does, however, note that she was not alone in opposing the bulldozing of neighborhoods, nor was she always right. (For example, she believed automobile-oriented cities were more prone to crime.) Unlike the great thinkers who imagined what cities should be, Jacobs explained what cities were, reaching her conclusions after observing how real people interacted in urban environments. She preferred intersecting streets lined with buildings, which created opportunities for human interaction.

Whereas Mumford, Wright, and Le Corbusier thought traditional cities needed to be replaced, Jacobs and her supporters reveled in cities precisely because they were imperfect. Later innovations in urban planning, virtually all of which were influenced to some degree by Jacobs, never generated nearly as much controversy as earlier ones, nor did they address the larger questions of how cities should be organized. Although the rediscovery of the urban waterfront, festival marketplaces, iconic architecture, and other innovations contributed to urban vitality, as Rybczynski discusses, their overall record is mixed. Frank Gehry's Guggenheim

TERESA ZABALA/THE NEW YORK TIMES/REDUX

U.S. President Jimmy Carter touring an empty lot in the Bronx, New York, October 5, 1977

Museum in Bilbao, Spain, for example, became the modern prototype of a successful icon after it almost single-handedly brought the world's focus and millions of visitors to the formerly industrial city.

Rybczynski points to the destruction of New York's Pennsylvania Station—which was the prototype for grand train stations throughout the United States but was demolished 54 years after it opened—to show the limits of iconic architecture. In the process, however, he misses the real lesson of Penn Station. It was built as the focal point for a great business: the Pennsylvania Railroad. As the railroad lost its value (it declared bankruptcy in 1970), the station became a beautiful white elephant. Turning it into a festival market station (one with shops, restaurants, and entertainment, as in Washington's Union Station) might have revitalized the structure, but the notion was still decades away. It was demolished not because its iconic architecture failed but because iconic architecture does not work unless it serves a valuable activity. Baltimore's pioneering Inner Harbor is a tremendously successful festival marketplace that has been copied in Boston and elsewhere, but it has not stopped the city from losing more than 30 percent of its population since the project began in the 1970s.

THE CITY'S EDGE

Glaeser's approach to the study of urban planning, as befits an economist, is to apply his analytic tools to what has worked and not worked in cities. His book is a strong defense of cities against those who criticize them as being too crowded, slum-ridden, and environmentally unfriendly. Glaeser defines cities as "the absence of space between people and firms," and his most basic observation

is that the contact created by this proximity fosters new ideas and technology, generates economic activity, and is good for the environment. The concentration of poor people in cities, he argues, reflects the opportunity for advancement that cities hold for rural migrants. The interplay of people, businesses, and ideas is an important reason why cities with diverse economies do better than industrial monocultures. The poor, along with everyone else, benefit from this economic and intellectual dynamism.

However, by conflating the terms "cities" and "metropolitan regions," and commingling the data for each, Glaeser introduces significant flaws. (Rybczynski is more aware of the problem, but he, too, succumbs to it, as when he cites a ranking of "global cities" that is in fact a ranking of metropolitan regions.) True, the political boundaries that divide cities and suburbs are often just historical accidents, and employment and housing markets, air quality, and traffic are regional. From the sky, it is almost impossible to spot where most cities end and their suburbs begin. But distinctions between cities and their suburbs are very real. With few exceptions, most big-city mayors are struggling to manage the costs of maintaining and investing in infrastructure as the economic activity in cities (and their resultant tax revenues) shifts to the suburban portions of metropolitan regions.

Another problem with Glaeser's argument is that the environmental benefits he ascribes to cities are not generally achieved in the car-dependent suburbs. Nevertheless, the economic benefits of concentration are achievable in the suburbs even of declining cities. Indeed, most economic and population growth in the United States have been concentrated in suburbia. Even cities with declining urban populations, such as St. Louis, Missouri, still have growing suburbs.

In conflating cities and their suburbs, Glaeser overlooks one of the central issues confronting cities for most of the last century: their competition with suburbs. Glaeser sees the competition as primarily between cities that restrict growth and those that accommodate it. He unabashedly favors less restrictive zoning regulations and the more limited application of landmark protections, which effectively limit density. "There is a land shortage . . . throughout much of coastal America," he writes, "but that shortage is the handiwork of regulation, not nature." In arguing the point, he contends that Houston, Texas, is somehow more popular than New York City because it has fewer building regulations. Less regulation, Glaeser argues, keeps housing costs down and allows the average owner-occupied housing unit in Houston to be valued at $126,000, compared with $496,000 in New York. Yet it is not higher-density housing that Glaeser cites when discussing Houston, as one might expect if density-limiting regulations were the problem. Instead, he focuses on the easy availability of single-family suburban homes.

It is not that regulations do not drive up housing costs or that municipalities should not accommodate growth. But the higher values for homes in New York City, as Glaeser recognizes elsewhere in the book, also reflect the greater desire of people to live there. His assertion that Houston is growing faster than New York leaves much unsaid: although Houston's growth rate has been greater than New York's, the absolute gain in population in

New York (officially at 166,000 between 2000 and 2010, but probably more, given the undercounting in immigrant communities in Brooklyn and Queens) has been greater than Houston's (146,000). Describing New York as less popular is a bit like Yogi Berra's comment that "no one goes there anymore; it's too crowded."

Moreover, although Glaeser ascribes Houston's growth to a lack of regulation, in fact, it has more to do with the availability of land for low-density development. The part of Houston that is growing quickly is its suburbs—precisely where it is easy to produce large amounts of single-family housing. In the last decade, Harris County, which contains Houston, grew by 20.3 percent (almost 700,000 people), but the city itself grew by only 7.5 percent. In emphasizing metropolitan Houston's ability to accommodate relatively inexpensive single-family housing, Glaeser ignores an important distinction. New York, Boston, and many of the California coastal cities that allegedly suffer from too much regulation have been accommodating suburban growth for 60 years or more. The land available for low-density development has been largely filled—by low-density development. Only later in the book does Glaeser acknowledge that even Houston's suburban growth will ultimately run up against the limits of congestion as more and more people fill out a constantly growing region.

The weakness of the claim that regulation impedes population growth can also be seen in Glaeser's comparison of Chicago and Boston. Glaeser commends Chicago for issuing 68,000 building permits between 2002 and 2008 and chides Boston for issuing only 8,500—about half Chicago's rate considering their relative sizes. But Chicago's liberal issuance of building permits did not stop the city from losing more than 200,000 people between 2000 and 2010, even as its suburbs continued to grow. Over the same period, the smaller and purportedly more restrictive Boston grew by more than 28,000 people, or nearly five percent, and its housing supply grew by more than eight percent.

One of Glaeser's strongest points concerns the importance of investing in human capital, particularly by funding education. He contrasts successful cities, such as Bangalore, with declining ones, such as Detroit. Bangalore's success, like that of Silicon Valley, owes to the founding of an engineering school, the spinoffs of which produced a dynamic knowledge-based economy. In contrast, Detroit had relied on an industrial monoculture: producing cars. But this explanation of decline seems incomplete. Detroit was in trouble long before its main industry fell apart. Its population started declining in the 1950s, when the automotive industry was booming, and it is still falling today. That decline was mirrored in virtually every other older American city affected by the postwar suburban boom. The greater Detroit region, however, has continued to grow, with its population climbing from 3.3 million in 1950 to a high of 4.8 million in 2000, in spite of the hollowing out of its central city. Detroit's suburbs even managed to grow by two percent in the last decade, while the city's population declined by a staggering 25 percent. Even before its prime industry went into a tailspin, Detroit was a prototype for cities that had lost the battle with their suburbs—the very battle that New York took on when it cleared the Gashouse District to create Stuyvesant Town.

PLANNING FOR DENSITY

Although Rybczynski argues that it would be beneficial for cities to be denser to reduce their environmental footprint, he does not see future growth focused on downtowns. Manhattan-style settlements, he believes, are not a model for most Americans. They prefer dispersal, and almost all recent technology—the car, the cell phone, the Internet—has fostered dispersed settlement. This is why Rybczynski believes that the suburbs, where he expects the overwhelming share of future growth to occur, should be filled out. Making them denser would constrain growth from spreading out indefinitely and allow these thickened settlements to take on attributes of urban living: providing places to walk to and environments one would want to walk in, reducing reliance on cars, and increasing sustainability.

But Rybczynski never explains just how this would happen without government planning; perhaps influenced by Jacobs, he, like Glaeser, is not a fan of governmental planning. (The underappreciation of government planning is a problem that runs through Rybczynski's book; for example, he sings the praises of Manhattan's Battery Park City while ignoring that it is very much the product of top-down government planning.) To achieve the benefits Rybczynski seeks requires planning for what is called "clumpiness," which results from clustering density at locations that can support transportation hubs instead of increasing it everywhere. Getting the public to accept clumpy development requires planning for open space and amenities such as libraries. And carrying it out requires the use of regulations, such as zoning laws, to impose varying levels of density.

Glaeser, too, wants more density, and he argues that the government should reduce regulation, educate its citizenry through charter schools, and create economic incentives for neighborhoods to become denser—even as he wants to give neighborhoods the "power to protect their special character." Putting aside that protecting the character of neighborhoods is the basic objective of much of the regulation that Glaeser objects to, for areas with multiple property owners, making them both dense and livable can be accomplished only through successful government planning, whether in New York or Singapore.

Rybczynski's and Glaeser's examinations also leave out several factors that have changed the character of cities. They underplay the role of immigration in repopulating cities and fostering economic growth, processes that have been invaluable in New York's revival. They make little note of public safety, a drop in which played a major role in Detroit's decline and a dramatic improvement in which, under Mayors Rudolph Giuliani and Michael Bloomberg, played an equally large role in New York's resurgence. And they nearly ignore problems with infrastructure, which is often aging in cities and is too spread out in suburbia. The books also do not devote enough attention to the efforts of the urban planner Edward Logue (who built a patch of suburbia on that devastated site on Charlotte Street), the East Brooklyn Congregations (which reclaimed devastated areas of the Bronx and Brooklyn with low-rise row houses), and others who offered affordable housing to middle-class families. These innovations transformed decimated inner-city areas into stable and desirable neighborhoods.

SUBURBAN RENEWAL

The future of American cities will depend on how the tension between cities and their suburbs is resolved. It is doubtful that the allure of cities that Glaeser documents would induce even someone as attuned to urban issues as him from altering his choice, which he made as his family grew, to raise his children in the suburbs. Modern life offers too many of the benefits of proximity to non-city dwellers, who can pick up a phone, chat online, or get all the face time they want by driving from one suburb to another. The economic powerhouse of Silicon Valley is proof that the benefits of agglomeration, other than environmental sustainability, are available in a suburban model. And for the foreseeable future, there will continue to be places, such as suburban Houston, that have not yet grown too congested to absorb more suburban growth.

Cities and suburbs can coexist, and in a mutually beneficial way. The key is for regions to strengthen the centrality of the center by investing in access to it and making it more appealing. Governments should plan for activities that make sense in the center, from high-end office uses to entertainment and cultural attractions, all supported by 24/7 communities of people who want to live an urban lifestyle. They should ensure public safety and encourage immigration, which not only helps repopulate cities but also brings entrepreneurship and economic growth. Indeed, more people are living downtown than have done so in many years, and the number of places they are willing to live downtown precisely because they are urban—not just in New York but also in Portland, Oregon;

Miami; Phoenix; and even West Palm Beach—is on the rise.

To make cities more accessible, centers need to be linked to suburbs by public transportation as well as by highways. These suburbs, as both authors suggest, should be thickened, but not randomly. Instead, the thickened locations need to compose a web of subcenters that are linked to the city center and to one another. Glaeser is correct that the regulatory framework needs to provide for more growth, but it needs to do so in ways that take into account these linked subcenters of density. Outside older cities, suburbs grew up around village centers, which had access to regional transit systems. These are logical places to clump future suburban growth. Around newer cities, these conditions may have to be created from scratch, but there is no reason that could not be done. Such a plan would allow most people to live where they want to in the suburbs and also have more choices when it comes to where to work, eat, and shop. Those options, meanwhile, would be only a short train, bus, or car ride away.

In the New York region, the city government and its suburban counterparts in New York State and Connecticut (along with several regional nonprofit organizations) have just received a $3.5 million Sustainable Communities Grant from the U.S. Department of Housing and Urban Development to jump-start just such a process of reshaping regional development priorities toward growth along transportation lines. With this grant, government and nonprofit planning organizations will promote development in areas that are linked to the center city (Manhattan) and to one another. If this can be shown to work in the long run, it may offer the promise of mutually supportive growth in both urban and suburban communities. But undertakings like this will require applying the lessons about planning's successes and failures that Rybczynski describes and the type of growth-accommodating regulatory structure that Glaeser seeks. Only the intelligent application of public planning for private-sector growth can accomplish that.

Response

Can Disarmament Work?

Debating the Benefits of Nuclear Weapons

In Support of Zero

BRUCE BLAIR, MATT BROWN, AND RICHARD BURT

In their ringing defense of classical nuclear deterrence ("Less Than Zero," January/February 2011), Josef Joffe and James Davis see nuclear weapons not as a problem but as a solution. We profoundly disagree. Nuclear weapons represent a global threat that is orders of magnitude greater than any other. The danger has increased as these weapons have spread to weak and fragile states, and they could eventually fall into the hands of terrorists.

The Global Zero movement, which we coordinate, calls for the phased and verified elimination of all nuclear weapons worldwide and is spearheaded by more than 300 international leaders, including current and former heads of state, national security officials, and military commanders. It does not discount the real or perceived benefits of nuclear weapons that existed during the Cold War, but it argues that the growing dangers of nuclear proliferation and terrorism have come to greatly outweigh those dissipating benefits. That is why Global Zero calls for eliminating all existing nuclear arsenals and building stronger barriers against the acquisition of nuclear weapons and the materials to build them.

Global Zero does not underestimate the difficulty of reversing proliferation. Our critics, Joffe and Davis included, imply that the movement subscribes to the simplistic "good example" theory of deproliferation, which holds that states will cut their arsenals when inspired by the example of others' doing so. But that characterization of our view is a straw man. We do not suggest that North Korea will abandon its nuclear weapons if it sees reductions by other countries. Rather, we argue that it will take a great-power-led coalition of nuclear and nonnuclear countries, fully committed to the elimination of all nuclear weapons, to marshal the political, economic, and military might to halt proliferation worldwide.

To date, the international community has paid lip service to erecting strong new barriers to nuclear acquisition while mustering only a lukewarm and inconsistent effort to do so. By contrast, a truly unified coalition

could overcome that inertia by enforcing the Global Zero program worldwide. It would engineer universal verification and enforcement regimes, wielding hard incentives and punishments, not moral example, to convert the wayward.

Joffe and Davis rely on a misreading of the historical record to make the dubious claim that "hard power combined with a reputation for the will to use it . . . is a more efficient deproliferator than disarmament." Force has a significant role to play as part of a comprehensive strategy, but force alone cannot stop the spread of nuclear weapons. Throughout the nuclear age, the use or threat of force—nuclear and conventional—has spurred the acquisition of nuclear weapons. For example, even the first test case, the U.S. nuclear bombing of Japan in 1945, accelerated, rather than discouraged, the Soviet Union's lagging nuclear weapons program.

Joffe and Davis also contend that nuclear stockpiles should not be reduced to zero because strategic instability increases as arsenals shrink. "As a state's stocks of nuclear weapons dwindle," they write, "its vulnerability to an enemy's disabling first strike rises," thus inviting sudden preemptive strikes. Only large arsenals provide credible retaliation and stability, they write, so "there is safety—mutual safety—in numbers."

In fact, large arsenals may be highly vulnerable and small arsenals may be highly invulnerable, depending on a host of factors, including the way nuclear forces are deployed, controlled, and stored. Recall, for example, the Reagan administration's "window of vulnerability," a moment, the administration argued, in which the Soviet Union could decimate the U.S. nuclear arsenal with a single first strike. The Reagan-era nuclear arsenal was indeed exposed; the national nuclear command centers and communications networks that existed then would have quickly collapsed under an attack.

U.S. nuclear vulnerability created strong incentives for both sides to go first. Even as U.S. and Soviet arsenals ballooned, topping 70,000 nuclear weapons combined by the mid-1980s, Washington's fears of a disarming Soviet first strike deepened. In response, the administration planned to put as many of its forces as possible on high alert in the event of a crisis and to launch missiles preemptively or at the first sign of a Soviet launch. The Soviets were equally fearful of a U.S. first strike and kept their huge force on ready alert as well. The U.S. and Soviet nuclear postures resulted in several serious false alarms on both sides during the 1970s and 1980s, including at least one that went all the way to the White House in the middle of the night before it was recognized as an error. One night in June of 1980, U.S. National Security Adviser Zbigniew Brzezinski was just about to wake President Jimmy Carter to inform him that thousands of Soviet nuclear weapons were inbound for the United States and to recommend ordering nuclear retaliation, when the alarm was canceled. At the time, the military's early warning commanders suspected a computer glitch was generating erroneous indications of an attack. A malfunctioning computer chip was later found to be the cause.

Strategic stability is determined not by the size of arsenals but rather by the protection from attack afforded them by the resilience of governments' nuclear command-and-control networks. Nuclear planners are able to design small arsenals and supporting networks that can withstand

attacks, thereby removing the incentive for haste. As one of us argued in these pages last fall, in "Smaller and Safer" (September/October 2010), which was co-written with a former chief of staff of the Russian Strategic Rocket Forces and others, the United States and Russia could each reduce their total warheads to 500 and take all those weapons off launch-ready alert while still maintaining stable mutual deterrence.

Taking such measures would create far more strategic stability than existed throughout the Cold War. Yet Joffe and Davis assert the opposite, arguing that smaller arsenals would raise the level of "suspicion, fear, and possible preemption." They go so far as to argue that hair-trigger postures "induce caution" and even speculate that World War I would not have occurred if the great powers' forces had not required cumbersome mobilization. The phased mobilization plans of the major European powers in 1914 likely did contribute to the war's outbreak, but Joffe and Davis' assertion that "high-readiness forces would have kept the 'guns of August' from going off" is a giant speculative leap. If the great-power armies had been poised for immediate combat at the outset of the conflict, historians would more likely be talking about the "guns of July."

At its core, Joffe and Davis' argument rests on their belief that nuclear weapons have kept great-power peace for 65 years, which they base on the fact that "the correlation between nuclear weapons and great-power peace is perfect." But more remarkable is the correlation between 65 years of great-power peace and the steady spread of democracy, deepening economic interdependence, the boom in connective technologies such as the Internet, and the diminishing advantages of territorial conquest. These developments, among others, have so redrawn strategic relationships over the past 65 years that Joffe and Davis' contention that if nuclear weapons disappeared today the world would be thrust back into a pre-1945 state of instability and war is hardly plausible.

Moreover, with their unquestioned acceptance of the causal relationship between nuclear weapons and great-power peace, critics of Global Zero imply that nuclear weapons would have prevented both world wars. In fact, no one can claim to know whether the world wars would have been averted if the great powers had possessed nuclear weapons in the first half of the twentieth century—or if nuclear world war would have occurred instead.

Joffe and Davis themselves cite a reason the world can never revert to its pre-1945 state: the knowledge of how to build nuclear weapons can never be lost. In a Global Zero world, that knowledge would have a deterrent effect, which Joffe and Davis fail to acknowledge. Rather than advantaged, an actor that sought to cheat within a Global Zero regime would find itself in an untenable position. It would face a very determined world with the capability to renuclearize. In practice, of course, long before considering renuclearization, the international community would mass the necessary diplomatic, economic, and conventional military force to stop the proliferator.

Further, Joffe and Davis underestimate existing capabilities for detecting illicit nuclear programs. A would-be cheater would very likely be detected and disarmed long before it could build a nuclear weapon. After all, from the mid-1940s until today, despite their being severe surveillance limitations early on, no country has

produced enough nuclear material to build a bomb without first being detected by foreign intelligence. This record includes India and Pakistan, countries that Joffe and Davis incorrectly identify as having evaded close monitoring of their nuclear facilities. (The United States accorded relatively low priority to monitoring them yet still managed to track their production.) The international community has the ability to conduct real-time surveillance and, aided by Global Zero's proposed verification regime, including no-notice intrusive inspections, it would discover nuclear programs in the early stages and prevent breakout attempts from reaching fruition.

The biggest shortcoming of Joffe and Davis' argument is their failure to consider the future other than as an extension of the present. Their argument would not be so dangerous if the world could count on maintaining the status quo. But if it continues on its current course, the world may one day have not eight nuclear powers, as it does today, but more than 20. Many of these new nuclear powers will have no more intention, or ability, to preserve stability than North Korea does. This is especially true of nonstate actors who may acquire the bomb.

The world is facing a choice not between Global Zero and the status quo, as Joffe and Davis suggest, but between Global Zero and a heavily nuclearized world. Global Zero must be a key element in the response to the threat of proliferation. Surely, it is preferable to Joffe and Davis' "loaded and ready" nuclear forces proliferating worldwide.

BRUCE BLAIR *is President of the World Security Institute and co-Coordinator of Global Zero.* MATT BROWN *is co-Coordinator of Global Zero.* RICHARD BURT *was Chief U.S. Negotiator in the Strategic Arms Reduction Talks with the Soviet Union in 1991 and is U.S. Chair of Global Zero.*

Joffe and Davis Reply

You know your opponents have a weak hand when instead of arguing against facts and logic, they invoke the authority of "300 international leaders"—presidents, premiers, and sages—who agree with them. How could you possibly go against the Great and the Good? Yet names and numbers do not clinch a case. The pope had the College of Cardinals on his side when he made Galileo abjure the blasphemy of a heliocentric universe.

Another telltale sign of a weak argument is to shift ground when stuck—a no-no in any debate. On the one hand, Bruce Blair, Matt Brown, and Richard Burt (hereafter "the Three Bs") advocate the "elimination of all nuclear weapons worldwide." On the other hand, if you don't like Global Zero, they offer an alternative: How about having the United States and Russia reduce "their total warheads to 500," which would still maintain "stable mutual deterrence"?

So zero or nonzero? This is worse than merely shifting ground. In trying to rebut us, the Three Bs have in fact accepted—indeed, blessed—our central principle, namely, that stability rests on mutual deterrence, meaning a world with minimal incentives to preempt. QED. The rest is haggling over how much is enough—but that is for another debate.

Our basic critique of Global Zero is that you cannot get there from here, and

you should not want to. The United States and Russia have come down from an insane level of 65,000 warheads to a fraction thereof and will reduce their arsenals even more under the New START treaty. But they will not relinquish weapons that promise existential safety against an existential peril—and provide a very special status to boot. They are even less likely to do so given that there will always be somebody else in the game—today it is Iran and North Korea—who will seek nuclear weapons in order to intimidate and compel, and not just for insurance and deterrence.

Even the march to Global Zero would be destabilizing, since it is a lot easier to take out ten weapons in a first strike than 100 or 1,000. And if, God forbid, we ever reached heaven, that would not make earth a happier place. It would make instead a nervous world where the incentive to break out or cheat would soar.

A weak argument does not get stronger when more weak claims are added to it. Returning to their fallback position of less than zero, the Three Bs assert that "large arsenals may be highly vulnerable and small arsenals may be highly invulnerable." And whom do the Three Bs trundle out in support? Ronald Reagan and his cue givers in the Committee on the Present Danger in the 1970s. These folks argued that the Soviets were arming to fight and win a nuclear war. It did not matter that the American stockpile was much larger, since, as the Three Bs describe their reasoning, "the Soviet Union could decimate the U.S. nuclear arsenal with a single first strike."

But this claim was just another transparent attempt—like the NSC-68 alarm of 1950 and the post-Sputnik "missile gap"—to discredit political rivals and win elections.

It was silly then and has not become more compelling some 30 years later. Consider the irony: here are radical disarmers appropriating the arguments of the coldest of the Cold Warriors for more and more in order to push for less and less—indeed, a zero-nuclear world.

Repeating Reagan does not dispose of the central questions in our debate: How do we get to a world of zero, and how do we keep it that way? If all of us worry about fragile or aggressive states and their nuclear weapons, why disarm the strong and stable ones? How are you going to deter the acquisition or use of nuclear weapons without them? This is where an argument that keeps shifting its terms while invoking the authority of the Great and the Good makes a breathtaking leap of faith. To breach the credibility gap, the Three Bs rely on a refurbished version of collective security.

"An actor that sought to cheat within a Global Zero regime would find itself in an untenable position," they argue, since "it would face a very determined world" that could "mass the necessary diplomatic, economic, and conventional military force to stop the proliferator." Like the "very determined world" that stopped Japan's march into Manchuria and Italy's conquest of Abyssinia in the 1930s? That stopped the 1994 genocide in Rwanda? That rolled back North Korea's and Iran's nuclearization? That voted in unison at the UN Security Council to support a no-fly zone over Libya? That prepared for a humanitarian war against Syria?

This is where the argument slips into the fallacy known as begging the question, or taking its conclusion for granted at the start. If the world is already as it should be and peace and stability reign supreme, then consensus will replace conflict, and the rogues will always lose. Obviously, such a world would render nuclear weapons unnecessary—although, just to be sure, it would have to generate massive conventional might to discipline the wayward.

Can anybody imagine the world we actually inhabit disarming Iran and North Korea? Or Pakistan, a time bomb whose fuse is always smoldering? Can this world guarantee India's security in its rivalry with China? If the world were secure, it would not need collective security; since it is not, it will not enjoy collective security—a chimera in history and theory.

So the Three Bs merely end up restating the problem: in a self-help system, nations calculate interests, risks, and costs before committing to the common good. Hence, there can be no "truly unified coalition," on which the Three Bs rest their case. So let's revive Lenin's axiom that "trust is good, control is better." Today's version reads: "In a world where nuclear weapons cannot be disinvented, reductions are good, but insurance is best."

Now let's argue about how much is enough.

Responses

Disengaging From Taiwan

Should Washington Continue Its Alliance With Taipei?

Misreading China's Intentions

SHYU-TU LEE

According to Charles Glaser, the prospects for avoiding war between the United States and China are good ("Will China's Rise Lead to War?" March/April 2011). But by ignoring China's history and economic policy and other relevant factors, Glaser arrives at policy prescriptions that would increase the chance of a Chinese nuclear attack on the U.S. homeland.

Glaser misjudges Chinese motives. China's military modernization is not primarily motivated by insecurity, as he asserts. China is not threatened by the United States or any of its neighbors. It is advocating its model of governance—managed capitalism combined with one-party authoritarianism—as a more efficient alternative to a free-market economy and democracy. China's mission is to regain its place as the dominant superpower so that the country can cleanse itself of the humiliation it has experienced at the hands of the West.

The rise of China poses grave challenges to U.S. security. Beijing implements a mercantilist trade policy and artificially sets a low value on its currency to promote exports, thus creating a large U.S. trade deficit with China year after year. Its army has been modernizing at a rapid pace, developing anti-access, area-denial weapons and cyber- and space-warfare capabilities. Meanwhile, China wants to integrate Taiwan because its democracy threatens Beijing's autocratic and repressive rule. In addition, Beijing needs Taiwan as a military base from which to project power into the Indian and Pacific oceans.

To keep the peace, the United States must discard the culture of excessive deference to Beijing and implement policies to maintain U.S. military superiority, stanch the flow of U.S. wealth to China, steer China toward democratization, strengthen its alliances with Japan and South Korea, and engage China in an economic and strategic dialogue to promote fair trade and avoid misunderstandings.

To prevent a crisis from escalating to nuclear war, Glaser says that the United States should back away from its commitment to Taiwan. Such accommodation,

he argues, would smooth the way for better relations with China in the decades to come. Yet if Taiwan were to fall, the United States would suffer a geostrategic disaster. The sea-lanes and airspace around Taiwan are critical to the survival of Japan and South Korea. Once in control of Taiwan, China could turn Japan and South Korea into vassal states. With the demise of the U.S.-Japanese military alliance, the United States would be forced to retreat to Hawaii.

To avoid that fate, Washington must reiterate that the future of Taiwan must be resolved peacefully and with the assent of the Taiwanese people. It must deploy sufficient naval and air forces in the western Pacific to deter Chinese aggression, initiate high-level military exchanges with Taiwan to facilitate joint military planning, and speed up the sale to Taiwan of F-16 fighters and other weapons that would be useful in resisting a Chinese invasion.

SHYU-TU LEE *is President of the North America Taiwanese Professors' Association.*

Accommodation Will Not Work

DOUGLAS PAAL

The unstated premise of Charles Glaser's recommendation of "accommodation" to China over Taiwan ("Will China's Rise Lead to War?" March/April 2011) is that the people of Taiwan would have no say in this decision.

From the early years of the United States' relationship with the People's Republic of China, U.S. presidents have wrestled with strong domestic political support for continued good relations with Taiwan, whatever new arrangements might be reached with Beijing. Over eight successive presidential administrations, this support has morphed from an implicit to an explicit tenet of U.S policy: the outcome between China and Taiwan must be decided with the assent of the Taiwanese people.

Glaser would do well to explain how Taiwanese public opinion would factor into his recommendation. What if an administration took his advice and the people of Taiwan rejected it? Can a desperate bolt for de jure independence be ruled out? Could China's leaders restrain themselves from rushing to grab the spoils to satisfy nationalist opinion and Beijing's long-standing claims on Taiwan? Would any of these outcomes bring about the stability in U.S.-Chinese relations that Glaser seeks? The outlook is doubtful and likely to produce more tensions than reduce existing ones.

There is a reason that eight U.S. administrations have embraced the same policy toward China and Taiwan, and that is because it serves U.S. interests in peace, prosperity, and stability. U.S. arms sales to Taiwan are an important part of maintaining peace in the western Pacific. Despite a gradual easing of tensions between China and Taiwan, Beijing continues to enhance its military capabilities with regard to Taipei. This has developed a vicious cycle. By choosing to increase the military offensive capability deployed opposite Taiwan, Beijing compels Taiwan's leadership to seek outside sources of support and arms to deter Chinese aggression. If Taiwan's leaders failed to find that support, their voters would remove them. Only the United States has the will to fulfill Taiwan's request, compelling any U.S. administration to

respond or suffer politically at home. This, in turn, compels Beijing to react strongly to what it considers interference in its internal affairs, since it claims Taiwan as part of China.

If the cycle is to be broken, it needs to start with the mainland's choice to increase or decrease its military deployments, not with Washington conceding Taiwan to Beijing.

DOUGLAS PAAL *is Vice President for Studies at the Carnegie Endowment for International Peace.*

Glaser Replies

Shyu-tu Lee's argument hinges on two key claims: that China does not feel threatened by the United States and that China has essentially unlimited geopolitical aims. Both are quite unlikely.

First, major powers tend to see the military capabilities of their peers as threatening, unless they share excellent political relations. Although China and the United States are not enemies, they do not have confidence that each other's motives are benign. This is reflected in China's concern about U.S. ballistic missile defense systems, the survivability of its nuclear force in the event of a war, and the threat posed to its sea-based commerce and energy imports by U.S. naval forces—which could sever China's access to critical resources and render the country vulnerable to coercion during a crisis over Taiwan. Second, although experts disagree on China's motives, the most common assessment is that China places great value on Taiwan, some value on its ability to prevail in regional maritime disputes in the

East China and South China seas, and little value on gaining other territory.

Given these judgments, U.S. policies that simply seek to increase its ability to project power in the Pacific could needlessly spark tensions with China, heightening the possibility of conflict. Of course, this forecast of China's goals could prove wrong. Consequently, the United States must implement political concessions and military restraint with caution, maintaining its alliances with Japan and South Korea to provide a successful counterbalance.

Lastly, Lee's argument about the increasing danger posed by China implies that maintaining the U.S. commitment to Taiwan will be ever more costly and perilous. This bolsters the case for a U.S. pullback.

Douglas Paal, meanwhile, believes that the people of Taiwan should have a large say in U.S. decision-making. International politics, however, rarely works this way. Especially when important national security interests are at stake, states make foreign policy decisions based on their own interests. Friends, allies, and adversaries may not like these decisions, but they have little choice but to adapt to them.

Although my article focused on U.S. national security interests, it is true that the United States has a significant interest in supporting freedom and democracy around the world, including in Taiwan. These interests offer the strongest argument for Washington to maintain its current commitment to Taipei. But the United States should pursue these other interests only if they do not pose a serious national security risk.

Given the potential for the U.S. commitment to Taiwan to strain relations with China and even to lead to a severe crisis, the United States should consider scaling back—although not necessarily ending—that commitment. The United States could stop selling arms to Taiwan but maintain its pledge to defend Taiwan should China launch an unprovoked attack; it could continue to sell Taiwan arms but make clear that it will not intervene on Taiwan's behalf should a conflict occur, even if Taiwan did not provoke it; or it could link its continued support to the Taiwanese government's willingness to refrain from moving toward independence. This final arrangement would establish the connection between Taiwanese public opinion and U.S. policy that Paal so strongly emphasizes. Given the stakes for the United States, a full-fledged analysis of these options is certainly warranted.

Response

Arab Spring, Persian Winter

Will Iran Emerge the Winner From the Arab Revolt?

Reading the New Middle East Map

DALIA DASSA KAYE AND FREDERIC WEHREY

With long-standing U.S. allies toppled or under pressure from unprecedented dissent across the Arab world, Michael Doran, in "The Heirs of Nasser" (May/June 2011), warns that Iran is poised to walk away from the Arab Spring a winner. In his view, the chaotic Arab political scene will allow Iran and its radical allies—Hamas, Hezbollah, and Syria—to stoke public frustration over unmet expectations or engage in subversive provocations, thereby embroiling new regimes in the region's old conflicts. In previous periods of regional upheaval, revolutionaries such as Egyptian President Gamal Abdel Nasser employed this strategy at the expense of U.S. and Western interests. Nasser played the Israel card to goad his Western-backed rivals into war, while exhorting their publics to rebel. Why, Doran argues, should one expect any less from Iran and its allies today?

Certainly, the regional shakeup will give Iran and its allies much to prey on. The Arab world's secular, liberal youth movements, often hobbled by a lack of organization and leadership, will compete with long-established parties with starkly different views of the future, be they remnants of the old regimes or Islamist forces. The region's new governments will confront economic challenges that will limit their ability to meet the expectations of a youthful and increasingly impatient public. Meanwhile, the continued Israeli-Palestinian stalemate offers further ammunition for rejectionist forces to reinvigorate the region's tired scapegoats, redirecting the conversation away from talk about the failure of domestic governance. The United States' inconsistent policies toward the Arab revolts (for example, the varying U.S. responses to Bahrain and Libya) offer more fodder for Iran's resistance narrative.

Still, although Iran and its allies will attempt to seize on these vulnerabilities to widen the gap between ruler and ruled, they are unlikely to achieve the success of Nasser. In fact, the political upheaval in the Arab world has led to at least three fundamental shifts in the regional order

that have only sharpened the preexisting limitations of Iranian influence.

BRAND DAMAGE

First, in a new political order shaped by calls for popular governance, the Iranian brand is losing its luster. Tehran's influence has always been greatest in places with entrenched authoritarianism, where it has exploited the illegitimacy of Arab rulers by highlighting their dependence on the United States and their impotence (or ambivalence) on pan-Arab issues, such as the conflicts in Iraq, Lebanon, and the Palestinian territories. At the same time, Iran has poured salt on these wounds, aiding a variety of Shiite and Sunni extremist groups as both a challenge to the U.S.-backed security order and as a way to demonstrate its own indispensability in the region.

Although this strategy will continue, Iran will find a diminished Arab audience for it. A new type of populist force has emerged among the region's youth, who are more pragmatic and less ideological than prior revolutionaries. This movement has not turned to outside actors for support during the uprisings; the same will hold true in the aftermath, when it will look inward to address questions of economic reconstruction and institution building. Moreover, the region's pro-democracy youth see through the hypocrisy of Tehran's attempts to spin the Arab uprisings as a variation of its own Islamic revolution—even more so after Iran's violent suppression of its own opposition Green Movement and its support for Bashar al-Assad's brutal crackdown in Syria.

Of course, a failure of the Arab world's popular uprisings to bring about legitimate governments could breathe new life into Iran's regional designs. But such a failure is more likely to be the result of local dynamics than of manipulation or provocation by Iran. The most probable worst-case scenario is a return to authoritarian Arab rule, possibly by military officers, who, as they move to consolidate power internally, may be uninterested in Iran and its regional agenda. And if democratic transitions do move forward and lead to an increased number of political actors vying for power, these new political players, even Islamist ones, may be wary of jeopardizing their nationalist legitimacy by turning to Iran.

Second, the "resistance bloc" that Iran leads is far less coordinated and omnipotent than Doran claims. Indeed, Iran, Hamas, Hezbollah, and Syria are less a coherent bloc than a temporary coalition in which local and short-term tactical interests have always trumped ideological or religious affinity. As the individual members of this bloc face mounting domestic pressures, their diverging agendas are only likely to intensify, making it difficult for Tehran to orchestrate a grand strategy.

The weakest link for Tehran right now is Damascus, which is facing a civil war and, from the Iranian perspective, looks increasingly like a liability rather than an asset. Syria has long served as Tehran's entrée onto the Arab stage, enabling it, at least symbolically, to overcome its fundamental isolation as a Persian power. Continued turmoil in Syria will jeopardize this role, depriving Iran of a key state partner in the Levant. At the same time, Hezbollah is staying out of the limelight in the Arab Spring as it focuses on building a consensus-based government and consolidating its power in Lebanon. Hamas, for its part, has refused to offer vocal

support for Assad's regime against the opposition, taking care to preserve its self-image as a populist movement. The case of Iraq offers an instructive lesson on the limits of nonstate actors in the resistance bloc: the fratricidal violence of the Iranian-backed "special groups," militias that killed Iraqi civilians and security forces in 2007–8, provoked a widespread backlash within Iraq against Iran.

Not only is the resistance bloc itself more fractured than is commonly understood, but its ability to exert influence in places that matter is debatable. This is particularly the case in Egypt, which has now become a strategic prize of sorts in the U.S.-Iranian regional competition (although its value as a real pillar in the United States' anti-Iranian strategy was always dubious, given the porousness of the Rafah border crossing, which was supposedly closed by Mubarak). Any new Egyptian government is likely to be less friendly to Israel and U.S. policies given the pressures of public opinion—but that does not translate into automatic access or influence for Iran.

Egypt's new leaders will need to deliver domestically if they are to stay in power, and being coaxed into a regional war with Israel by Iran or its allies will be unappealing to every conceivable future Egyptian government, including one dominated by the Muslim Brotherhood. Simply put, Egypt cannot afford military conflict for the foreseeable future. The Egyptian military and intelligence communities, which are likely to hold the most influence of all political actors in the country for some time to come, will thus have a strong incentive to monitor and curb extremist activity supported by Iran on its soil.

And as Egypt reasserts its regional influence, which had been in decline for decades under Mubarak, it will offer yet another regional counterweight to Iranian attempts to manage the Middle Eastern agenda. Israel may not like the Egyptian-brokered Fatah-Hamas reconciliation deal, but if that deal ultimately drives a wedge between Hamas and Iran (or between Hamas and Syria), Israel may find Egypt's new role less alarming.

Iran is also likely to meet resistance in areas closer to home, such as in Bahrain. Although the Bahraini government's crackdown and the measured U.S. response have given Iran a platform for moral grandstanding, its ability to influence the Shiite opposition in Bahrain is limited. True, some of the country's Shiite clerics look to Iran for spiritual guidance, and there is emotional affinity for Iran among ordinary Shiites in Bahrain. But it is Iraq's Grand Ayatollah Ali al-Sistani in Najaf, not Iran's supreme leader, Ayatollah Ali Khamenei, who has provided the inspiration and legitimizing support for Bahraini Shiite political strategies, such as the decision to participate in Bahrain's 2006 parliamentary elections.

Most Shiite leaders in Bahrain are careful to frame their activism in nationalist, nonsectarian terms, given their sensitivity to the regime's long-standing accusations of Iranian backing. At times, they themselves have been vocal critics of Iran's hegemonic aspirations; for example, in recent years, when figures close to the Iranian regime claimed Bahrain as Iran's rightful territory, some of the loudest protests came from Shiite parliamentarians. And despite its carefully prepared report to the UN in April, the Bahraini government has been unable to provide substantial evidence of

Iranian or Hezbollah interference in the uprisings.

Finally, Iran's ability to reap benefits from the Arab uprisings is further limited by its own tumultuous domestic politics. Much of Iran's Nasserist foreign policy, at least at the rhetorical level, is embodied in the figure of Iran's president, Mahmoud Ahmadinejad, a noncleric whose working-class image and strident rhetoric has found receptive Arab audiences, particularly during the 2006 Lebanon war. But this has always been a negative form of populist influence, one that plays on frustrations rather than aspirations. With the possibility of more legitimate, populist rule in the Arab world, such resistance messages are likely to have only residual appeal going forward.

This is particularly so given the crackdowns in Iran and Ahmadinejad's spiraling fall from grace, partly as a result of the rift between him and the supreme leader. Even more, the Green Movement surprised many by reemerging as a force in Iran's streets in recent months, drawing inspiration from the revolutions in Tunisia and Egypt. Tehran may have managed to once again suppress the opposition, but the country continues to face conditions of unrest similar to those challenging the broader region: a youth bulge and rising unemployment. Although these domestic convulsions do not preclude Iran from pursuing a belligerent strategy of subversion beyond its borders—and in fact may make it more likely as Iran's rulers look for diversions from domestic unrest—they significantly erode Iran's ability to exert the soft power necessary to attract the support of the region's people or their new governments.

ALTERNATIVES TO RESISTANCE

Perhaps the contest for predominance in a post–Arab Spring Middle East concerns whether the United States could end up losing more than Iran wins, and thus, Washington needs to be careful not to create opportunities for Iranian mischief.

In particular, U.S. policymakers should avoid a two-dimensional reading of the strategic map as a coherent bloc of Iranian-directed actors marching in lock step; such a view ignores the new dimension of Arab politics in which domestic environments matter more than ever. In such a climate, a strategy of relying solely on security relationships with the region's elites will lead the United States to miss out on important opportunities to develop broader relationships within Arab societies. Helping build economic opportunities and solidify political reforms may do as much to blunt Iranian influence and regional extremism—not to mention improve the lives of people living there—as would simplistic containment strategies based on military partnerships and artificial blocs.

As in the Cold War, a policy of containment must include more than just actions taken against one's adversary: it also must create an alternative model and make it viable. If the United States truly wants to counter the influence of Iran and other rejectionist forces in the Arab world, it would be far better served by supporting forces of moderation and more accountable governments in the region, rather than seeking out military alliances with out-of-touch leaders.

DALIA DASSA KAYE *is Senior Political Scientist at the RAND Corporation.*
FREDERIC WEHREY *is Senior Policy Analyst at the RAND Corporation.*

Arab Spring, Persian Winter

Doran Replies

Dalia Kaye and Frederic Wehrey reject the notion that countering the regional threat posed by Iran should be a central principle of U.S. foreign policy. They fail, however, to propose an alternative strategic concept. The closest they come is when they state, almost in passing, that "helping build economic opportunities and solidify political reforms" is the best way forward for Washington in the Middle East. Kaye and Wehrey present this agenda as if it contradicts my thesis, but it does not—I fully agree with it.

The authors are arguing against a straw man. No one, myself included, believes that the resistance bloc led by Iran is "omnipotent," and no one argues that the best way to counter it is by "relying solely on security relationships with the region's elites." The danger from Iran is asymmetric: Tehran has developed a set of tools that, time and again, have proved their effectiveness against Washington by denying it local allies, increasing the economic cost of its operations, and killing its soldiers.

It is precisely this sly, semicovert nature that permits Kaye and Wehrey to plausibly claim that the resistance bloc is "more fractured than is commonly understood." They provide no evidence for this assessment. If significant fissures do truly exist, then the United States should hammer at them hard, cracking apart the bloc once and for all.

Yet ultimately, the belief in the weakness of these bonds is just that—an article of faith, not a reasoned analysis. The Iranian-Syrian axis took shape in the early 1980s as an outgrowth of the Iran-Iraq War. Tehran and Damascus had a shared hostility toward Baghdad and toward the U.S.-led regional order more broadly. This enmity toward U.S. interests, especially, still holds true today: Iran and Syria have maintained the longest continuous regional alliance since the states of the Middle East gained their independence in the years after World War II. Hezbollah, for its part, is organically connected to Iran's Revolutionary Guards. Are there tensions among these actors? Undoubtedly, as there are in any relationship. But is there any serious reason to believe that the bloc can be split apart without regime change in either Iran or Syria? No.

Kaye and Wehrey exhibit what might be called the academic fallacy, in which the necessary simplicity of strategic concepts is mistaken for simple-mindedness (hence the diagnosis of "a two-dimensional reading of the strategic map"). The Middle East is inherently complex and presents policymakers in Washington with a multiplicity of actors that operate from a large variety of motives. It is important, however, not to let a fascination with complexity make one blind to enduring and consequential concentrations of power. The United States must train itself to see a large dune as something more formidable than just endless grains of sand.

By dismissing the cohesion of the resistance bloc, and by denying the severity of the threat that bloc poses, the hands-off approach of Kaye and Wehrey inevitably leads to the incoherence of current U.S. policy. Syria is an instructive case. The uprising there has created the most remarkable of circumstances: a problem in the Middle East in which the United States' strategic interests and its values are in perfect alignment. Even more, street

protests and the state's brutal crackdown have given Washington potential leverage over a regime that has famously eluded all previous efforts at coercion.

Yet U.S. officials have given the Assad regime a pass. On April 7, three weeks into the uprising, Secretary of State Hillary Clinton played therapist to Bashar al-Assad, the mixed-up adolescent. "What we have tried to do with him," she said, "is to give him an alternative vision of himself." On May 6, even after the regime had shown its most brutal face, Clinton restated her belief that Damascus has "an opportunity still to bring about a reform agenda."

Among his many crimes, Assad aided the murder of U.S. soldiers in Iraq, is widely assumed to have been behind the killing of the Lebanese leader Rafiq Hariri, and today is slaughtering civilians on his own streets with a cruelty unusual even by the standards of Arab autocracies. Of all the dictators in the region, why is it this murderer who receives the therapeutic approach?

The contrast with how Washington treated Egypt's Hosni Mubarak is striking. In February, President Barack Obama expressed a universal commitment to democratic values and on that basis demanded that Mubarak step down immediately. Thanks in part to the depth of U.S. influence in Egypt, Obama got his wish: Mubarak, a U.S. ally of 30 years, was given the bum's rush. By contrast, Assad, an enemy of long standing and a much more brutal dictator than Mubarak, is being treated with kid gloves.

Above all, the United States must distinguish clearly between friend and foe. When U.S. policymakers and experts see only complexity and avoid clear categorization, they end up treating the United States' allies as enemies and its enemies, including Iran, as allies.

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ForeignAffairs.com Top Ten

The top-ranking online articles from spring 2011.

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1. *The Canadian Election That Changes It All.* BY JONATHAN KAY. Americans are used to taking no notice of Canadian politics, but the Tories' sweeping victory in the recent federal election is one thing they should not ignore.
ForeignAffairs.com/Kay_Election

2. *The bin Laden Conspiracy Theories.* BY MATTHEW GRAY. After the death of Osama bin Laden was announced, rumors about it swirled throughout the Middle East.
ForeignAffairs.com/Gray_ Conspiracy

3. *Israel's Dilemma in Damascus.* BY ITAMAR RABINOVICH. Syrian President Bashar al-Assad may blame Israel for his problems, but the Israelis are more ambivalent about their sometime antagonist.
ForeignAffairs.com/Rabinovich_Israel

4. *Winning Ugly in Libya.* BY MICHAEL O'HANLON. As the experience of Kosovo suggests, an ugly operation is not the same as a failed operation, and even a mission that starts off badly can end well.
ForeignAffairs.com/OHanlon_Libya

5. *Bin Laden's Legacy.* BY THE EDITORS. A collection of *Foreign Affairs* articles on al Qaeda and Osama bin Laden.
ForeignAffairs.com/Bin_Ladens_Legacy

6. *Japan's Disaster and the Manufacturing Meltdown.* BY MARC LEVINSON. The recent earthquake in Japan may force business strategists to rethink the way globalized companies operate.
ForeignAffairs.com/Levinson_Japan

7. *Al Qaeda Without bin Laden.* BY BRYNJAR LIA. Al Qaeda is likely to survive Osama bin Laden's killing for one simple reason: the group had already passed him by.
ForeignAffairs.com/Lia_al_Qaeda

8. *The Mythology of Intervention.* BY MICAH ZENKO. In the debate over whether to intervene in Libya, commentators and policymakers relied on a number of garbled lessons from history.
ForeignAffairs.com/Zenko_Intervention

9. *Was bin Laden the Easy Part?* BY RICHARD A. FALKENRATH. With Osama bin Laden gone, life is about to become more complicated for U.S. policymakers trying to combat terrorism.
ForeignAffairs.com/Falkenrath_bin_Laden

10. *The Pakistan Dilemma.* BY SHUJA NAWAZ. The U.S.-Pakistani relationship has seemed to be spiraling downward for some time. Now, it is in serious trouble.
ForeignAffairs.com/Nawaz_Pakistan

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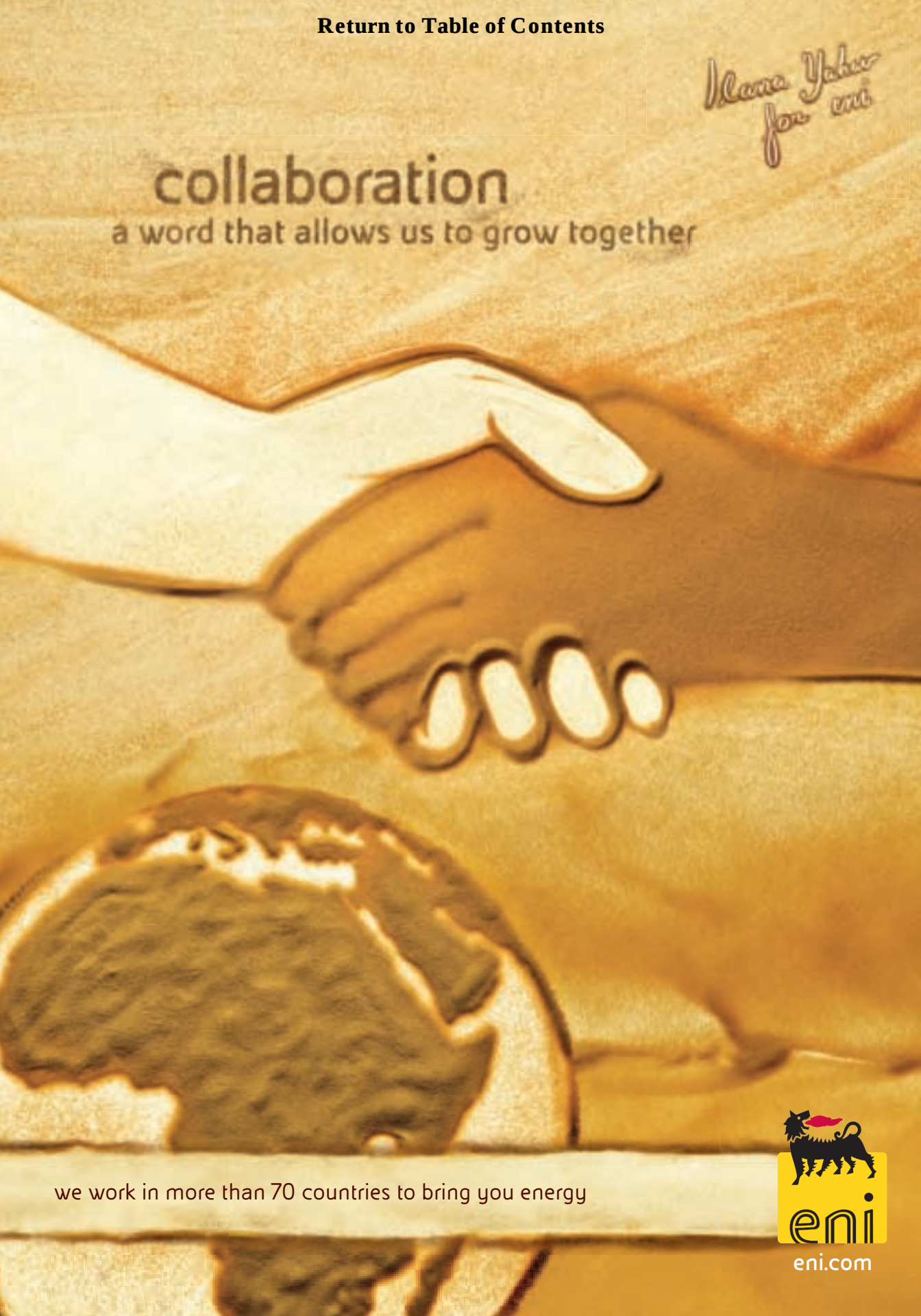

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