



JULY / AUGUST 2009

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**American  
History Abridged**

Walter Russell Mead

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### How to Flip the Taliban

Fotini Christia & Michael Semple

### Is Nation Building Doomed?

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## The Pentagon's Wasting Assets

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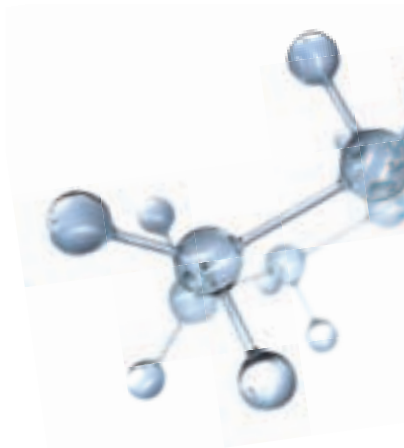
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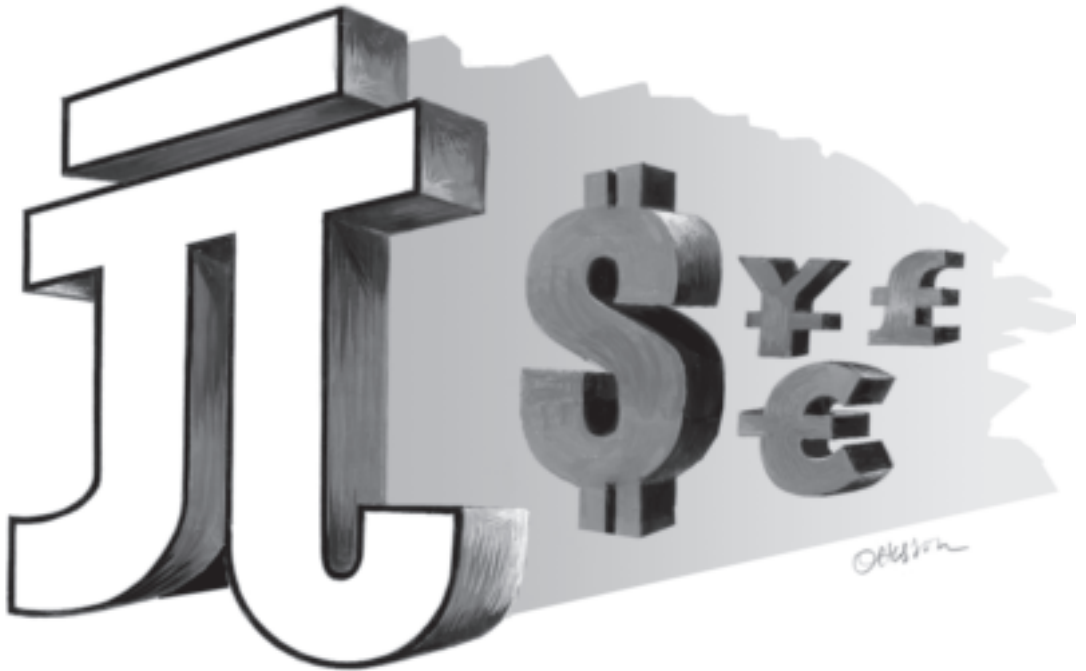
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# After the Crisis



The one clear winner is China,  
whose unique political-economic model  
has come through unscathed.

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# Globalization in Retreat

## Further Geopolitical Consequences of the Financial Crisis

*Roger C. Altman*

It is now clear that the global economic crisis will be deep and prolonged and that it will have far-reaching geopolitical consequences. The long movement toward market liberalization has stopped, and a new period of state intervention, reregulation, and creeping protectionism has begun.

Indeed, globalization itself is reversing. The long-standing wisdom that everyone wins in a single world market has been undermined. Global trade, capital flows, and immigration are declining. It also has not gone unnoticed that nations with insulated financial systems, such as China and India, have suffered the least economic damage.

Furthermore, there will be less global leadership and less coordination between nations. The G-7 (the group of highly industrialized states) and the G-20 (the group of finance ministers and central-bank governors from the world's largest economies) have been unable to respond effectively to this crisis, other than by expanding the International Monetary Fund (IMF). The United States is also less capable of making these institutions work and, over the medium term, will be less dominant.

This coincides with the movement away from a unipolar world, which the downturn has accelerated. The United States will now be focused inward and constrained by unemployment and fiscal pressures. Much of the world also blames U.S. financial excesses for the global recession. This has put the U.S. model of free-market capitalism out of favor. The deserved global goodwill toward President Barack Obama mitigates some of this, but not all of it.

In addition, the crisis has exposed weaknesses within the European Union. Economic divergence is rising, as the three strongest EU nations—France, Germany, and the United Kingdom—have disagreed on a response to the crisis and refused pleas for emergency assistance from eastern Europe. The absence of a true single currency has proved inhibiting. And the European Central Bank has emerged as more cautious and less powerful than many expected.

Such lack of strength and unity in the West is untimely, because the crash will increase geopolitical instability. Certain flashpoint countries that rose with the oil and commodity boom, such as Iran and Russia, will now come under great

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ROGER C. ALTMAN is Chair and CEO of Evercore Partners. He was U.S. Deputy Treasury Secretary in 1993–94.



## *Globalization in Retreat*

economic pressure. Other, already unstable nations, such as Pakistan, could disintegrate. And poverty will rise sharply in a number of African countries. All this implies a less coherent world.

The one clear winner is China, whose unique political-economic model has come through unscathed. This will automatically enhance its global position. Yes, its growth has slowed, but to still enviable rates. And measured by financial reserves, it is the world's wealthiest country. China's astute leadership is already making strategic investments that others cannot make.

The expected prolonged severity of the global recession is central to understanding these likely geopolitical impacts. The world's three largest economies, the United States, the EU, and Japan, will not be able to generate a normal cyclical recovery. The pervasive financial damage will prevent it. As a result, nations dependent on those markets for growth, such as those in eastern Europe, will also face a long recovery. And many of the developing economies, which depend on foreign capital, have been hardest hit.

### **ANATOMY OF A CRISIS**

Start with the United States, whose GDP is still nearly double that of any other country. Whereas most recessions follow a sequence of rising inflationary pressures, monetary tightening to counter them, and a slow-down in response to higher interest rates, this one is a balance-sheet-driven recession. It is rooted in the financial damage to households and banks from the housing- and credit-market collapse.

U.S. households lost 20 percent of their net worth in just 18 months, dropping from a peak of \$64.4 trillion in mid-2007 to \$51.5 billion at the end of 2008. Approx-

imately two-thirds of this reduction involved lower financial asset values, and one-third was tied to home values. This is a big drop when juxtaposed against a median family income of \$50,000 (which has been shrinking in real terms since 2000) and unprecedented household debt (which reached 130 percent of income in 2008).

That debt surged because Americans spent beyond their means. This reflected the wealth effect—households feeling wealthier on account of rising asset values and thus spending more. But consumers are now shell-shocked, and so that effect has been reversed. Household outflows are down, producing the unusual surge in personal savings rates that is now evident. This is why personal consumption expenditures fell by record rates in the last quarter of 2008. But consumer spending dominates the U.S. economy (at 70 percent of GDP). The core question is, when can spending resume growing at cyclically normal levels? With home values still falling and equity prices still 45 percent below their 2007 peak, the answer is not soon.

The other key constraint is the financial sector. Since the crisis broke, global financial institutions (mostly Western ones) have reported \$1 trillion of losses on U.S.-originated assets. And the IMF recently estimated that ultimate losses will reach a staggering \$2.7 trillion. These losses directly reduce banks' underlying capital and thus their capacity to lend. This explains why U.S. lending volumes have continued to decline and why the lending levels needed to support a normal cyclical recovery are not possible.

### **A PAINFUL RECOVERY**

The recovery in Europe will be even weaker. Although the United States is expected to

*Roger C. Altman*

register marginal growth in 2010—Goldman Sachs is forecasting 1.2 percent—the eurozone may contract again, by an estimated 0.3 percent. This reflects Europe's more exposed banking systems, historical factors, and the region's weaker policies.

Europe entered the recession later than the United States did and, logically, will emerge later. The housing and credit markets imploded in the United States, and then this implosion moved east. For example, Europe was still growing in early 2008, whereas the United States was not. Europe's banking system is proportionately larger than the United States', and its banks were more exposed to weakening emerging markets in eastern Europe and Latin America. And to date, European banks have recognized a smaller share of total likely write-downs than U.S. banks have.

Furthermore, the European policy response has been much weaker. Washington adopted a \$787 billion fiscal stimulus program (involving tax cuts and spending increases), representing five percent of GDP. This is expected to raise 2009 GDP (over four quarters) by two percent above the level that would otherwise have prevailed. By contrast, the European Economic Recovery Plan is targeted to provide a stimulus equal to only about 1.5 percent of the EU's GDP. The resulting boost will be smaller.

When it comes to monetary policy, there has been a similar disparity. The U.S. Federal Reserve lowered the federal funds target interest rate—the rate at which banks lend to one another overnight—to zero percent six months ago. Together with the U.S. Treasury and the FDIC, the Federal Reserve has provided an astonishing \$13 trillion of support to the financial system. This includes guarantees of commercial paper, money-market-fund

investments, specific groups of bank assets, and the like. In contrast, however, the European Central Bank has lowered its rates more slowly, only reaching 1.25 percent in April 2009. The comparable figure for overall credit support is 115 billion euros of capital injection for banks and 217 billion euros of funding guarantees—a fraction of what Washington has spent.

There are numerous reasons for this weaker European response. Some have to do with the stronger social security nets across much of Europe and the lesser need for special protection now. Others involve a historical aversion to steps with potentially inflationary consequences. And there is also the inherent difficulty of reaching agreement among multiple nations. The overall implication is that Europe's recovery will be even slower than the United States'.

Japan's will be even weaker. Japan remains the world's third-largest economy, but its GDP is expected to fall 6.6 percent this year and to decline again in 2010. This ties directly into Japan's decreasing, but disproportionately important, export sector. Japan also has a limited capacity for fiscal or monetary stimulus, as its national debt is extremely high and its monetary policy has been accommodative—allowing easy access to credit—for years.

The developing world has been hit hardest. Inflows of investment and financing have plunged, exports are very weak, and commodity prices are way down. The countries of central and eastern Europe are particular victims, as they ran large balance-of-payments deficits and depended on external borrowing to finance them. Several of them, including Hungary and Poland, have resorted to emergency loans from the IMF. Meanwhile, Africa has seen capital inflows nearly come to a halt.



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### *Globalization in Retreat*

The overall picture is a grim one: a deep, truly global, and destabilizing downturn, with world GDP falling for the first time in the postwar period. Given rising populations, such an outright contraction is stunning. As of this writing, it may have bottomed out, but the next three years will be painfully slow. The geopolitical consequences are now coming into view, and they will be profound.

#### **AFTER GLOBALIZATION**

First, the era of *laissez-faire* economics has ended. For 30 years, the Anglo-Saxon model of free-market capitalism spread across the globe. The role of the state was diminishing, and deregulation, privatization, and the openness of borders to capital and trade were rising. Much of central and eastern Europe adopted this model, as did swaths of East Asia and diverse nations from Ireland to Mexico.

This movement reflected the economic primacy of the United States. Its growth, soaring standards of living, and conservative economic policies were widely admired. Countless societies preferred this model and supported governments that espoused it. The state-centered models, such as the French and German ones, were in retreat.

Now, a page has been turned. The Anglo-Saxon financial system is seen as having failed. The global downturn, and all its human devastation, is being attributed to that failure. Throughout the world, including in the United States, this has turned the political tide in a new direction. The role of the state is expanding again, together with a reregulation of markets. This is evident in the United States, where President Obama has moved toward more activist and bigger government. The quasi-nationalization of the banking and auto-

motive industries, as well as the pending reform of the financial system, makes this clear. It is also clear in Ireland, the United Kingdom, and elsewhere, where nationalizations have gone even further. And it is clear in statements made by such leaders as French President Nicolas Sarkozy, who recently celebrated “the return of the state” and “the end of the ideology of public powerlessness.”

Second, globalization is in retreat, both in concept and in practice. Much of the world now sees it as harmful. Those nations, especially developing ones, that embraced increased capital flows and open trade have been particularly injured. Those that insulated themselves, such as India, have been less scarred. The global spread of goods, capital, and jobs is reversing. Global exports are falling sharply. The World Bank reports that exports from China, Japan, Mexico, Russia, and the United States fell by 25 percent or more in the year leading up to February 2009. Capital flows are plunging, too. Emerging markets are projected to receive only \$165 billion in net positive capital inflows this year, down from \$461 billion in 2008. Furthermore, financial and trade protectionism are spreading. Both the World Bank and the World Trade Organization recently reported a movement toward higher tariffs, higher nontariff barriers, and an increase in antidumping actions, designed to protect domestic jobs. Brazil, India, Russia, and numerous other states were cited. Moreover, various states’ fiscal stimulus plans include subsidies for exporters and “buy domestic” provisions. And discriminatory actions against foreign workers are spreading. Immigrant workers, who are particular victims of this crisis, are returning home in waves. Japan and Spain are

*Roger C. Altman*

offering them cash to leave, and Malaysia is forcing them out.

Third, the world may be entering a new global phase marked by less leadership, less coordination, and less coherence. The world was already moving away from its post-Berlin Wall, unipolar condition, but this crisis has accelerated that process. The United States has turned inward, preoccupied with severe unemployment and fiscal pressures. Its economic model also is now out of favor. President Obama has made a triumphant overseas tour and is hugely popular everywhere. But his attention and political capital must be reserved for domestic issues, such as stabilizing the banking industry, handling the budget, and reforming health care.

Other nations have been rising, especially China. Although the United States' capacity to lead is now diminished and will continue to be so over the medium term, none of these rising powers is capable of full leadership. The outlook for effective multilateral approaches is also cloudy. The G-7 and the G-20 are relatively ineffective, as evidenced by the recent London summit. Yes, the IMF was expanded there, and that is important, but on the more challenging issues—a coordinated global stimulus, global financial oversight, and Afghanistan—the summit failed. Fundamentally, the G-7 is an anachronism—China is not a member—and the G-20 is too large. On urgent political matters, such as Iran and the Arab-Israeli conflict, multilateralism is in retreat. The economic crisis is requiring most nations, including the United States, to focus inward. Also, other nations' responsiveness to U.S. initiatives has been muted. The case of Pakistan makes that clear: a failed state with nuclear weapons would threaten

many nations, and yet only U.S. diplomacy is fully active there.

Fourth, this crisis likely will increase geopolitical instability. Dennis Blair, the U.S. director of national intelligence, has asserted that the downturn already has produced low-level instability in a quarter of the world. The IMF has warned that millions will be pushed into unemployment, poverty, rising social unrest, or even war.

Key commodity-centered nations, such as Iran and Russia, rose with the oil and resource boom and flexed their geopolitical muscles accordingly. But now, they are coming under severe economic pressure. This year, unemployment in Russia is projected to reach 12 percent, and five million of its people will likely fall into poverty. Nearly half of its monetary reserves, although they are still ample, have been spent to stabilize the ruble and prop up state enterprises. Iran's oil and gas revenues will fall to \$33 billion this year, from a 2007 level of \$82 billion. At current world oil prices, Iran is actually running a current account deficit. Inflation is at 20 percent in the country, and Iran is unlikely to grow in 2009 or 2010. How these economic pressures will affect its upcoming election and the nuclear issue is unclear.

Countries in Africa have been hardest hit of all, and instability will likely rise there. Fragile states, such as the Democratic Republic of the Congo and the Central African Republic, have seen their social problems exacerbated by the crisis. Foreign reserves in the region have dwindled. The Congolese government will soon be unable to import essentials, such as food and fuel. The Central African Republic is already unable to pay the salaries of its civil servants. In 2007, African countries raised \$6.5 billion selling bonds on the international

## *Globalization in Retreat*

markets. This year, the figure will be zero. Private capital inflows could fall by nearly 90 percent, and the Overseas Development Institute, a British think tank, has projected that official aid will decline by \$20 billion, as donors retrench. The commodity price crash, combined with the related slowdown in growth, the cutoff of private capital inflows, and diminished official assistance, has pushed the continent's collective current account surplus of four percent to a deficit of six percent in just two years. A World Bank study estimated that 53 million people living in emerging markets will fall back into absolute poverty this year. More frightening, according to the same study, up to 400,000 more children will die each year through 2015 on account of this economic crisis.

### **THE CHINESE MODEL**

Only China has prevailed. China's growth did diminish but now may be picking up again. Recently, electricity consumption, freight shipments, and car sales in China have all increased. Its financial system is insulated and relatively unleveraged—and has thus been largely unharmed. This has allowed China to direct a recent surge in lending for stimulus purposes. Beijing's unique capitalist-communist model appears to be helping China through this crisis effectively. And measured by its estimated \$2.3 trillion in foreign exchange reserves, no nation is wealthier.

All of this is enhancing China's geopolitical standing. The West is experiencing a severe economic crisis, seen as its own making, whereas China is not. The Chinese leadership is well aware of this relative advantage, even though its priorities are always domestic. Apart from its coal supplies, China is resource poor. But it has

recently been making offshore investments in natural resources of a kind that others no longer can make—such as securing future oil supplies from Russia and Venezuela.

It is increasingly clear that the U.S.-Chinese relationship will emerge as the most important bilateral one in the world. The two nations have similar geopolitical interests. Neither wants Iran to acquire nuclear weapons, North Korea to be destabilized, or Pakistan to become a failed state. There is no reason, therefore, why their relationship cannot be a cooperative and globally stabilizing one.

This economic crisis is a seismic global event. Free-market capitalism, globalization, and deregulation have been rising across the globe for 30 years; that era has now ended, and a new one is at hand. Global economic and financial integration are reversing. The role of the state, together with financial and trade protectionism, is ascending.

Pro-growth leaders who seek to limit this phase must lead by example. One key is to promote aggressive stimulus measures to shorten their own countries' recessions and restart world growth. Beijing, London, and Washington are all moving impressively in this direction. Second, financial deregulation went too far, and so moderate reform is now needed to prevent a recurrence of the abuses and regulatory failures that resulted. Washington will shortly launch such a legislative effort, and Europe is moving even faster. A third key is President Obama and the enormous goodwill he enjoys. He has a uniquely influential podium, which he could use to espouse the benefits of globalization and market liberalization. It is too soon to know whether he will use it that way. Let us hope that he does. 🌐

# Tamed Tigers, Distressed Dragon

## How Export-Led Growth Derailed Asia's Economies

*Brian P. Klein and Kenneth Neil Cukier*

Of all the unprecedented things that have happened during the global economic crisis, perhaps the most startling and ominous so far occurred in early 2009: shipping rates between southern China and Europe temporarily fell to zero dollars. As consumer demand in the West dried up and exports dwindled, brokers actually waived the transport fee and only charged a minimal handling cost. By April, hundreds of empty ships, representing over ten percent of the world's cargo capacity, floated idly in Asian waters. After traffic in South Korea's Pusan Harbor, one of the world's busiest, dropped by 40 percent in March, the port ran out of space to store the 32,000 unused containers that had piled up.

The collapse in shipping is more than simply a proxy for the woes facing the global economy; it also underscores the degree to which Asia is bearing the brunt of the global slowdown. On an annualized basis, Taiwan's exports shrank in the last quarter of 2008 by 42 percent, and its industrial production fell by 32 percent—the latter a bigger annual decline than the

United States experienced in the Great Depression. Japan ended 2008 with its first annual trade deficit in almost 30 years. This spring, its industrial production retreated to the level of the early 1980s. Singapore's patriarch, Lee Kuan Yew, has predicted that the city-state's economy may shrink by as much as ten percent in 2009, the steepest contraction since its independence in 1965.

To be sure, trade is starting to improve, and government stimulus programs have produced a pleasant blip. But the underlying problems have not gone away. Even China, on track to achieve GDP growth of between six and eight percent this year, has seen its growth rate, which was 13 percent in 2007, fall dramatically. Across the region, economies that just a year ago were celebrated for their consistently strong performance have stalled or gone into reverse.

This was not meant to happen. Asia resisted the financial follies of recent years. The region's financial institutions largely eschewed the toxic assets that have hobbled their peers in the United States and

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Europe, governments displayed fiscal integrity, corporations maintained healthy balance sheets, and individuals saved rather than splurged.

Even experience conspired against the region. The Asian financial crisis of 1997–98 was a debt crisis, and the flight of foreign capital decimated a handful of economies. Remembering this, as trade expanded, most Asian countries cushioned themselves by exporting more than they imported and amassing huge current account surpluses. They accelerated their opening up to foreign trade (although many are still relatively closed compared to the West). In short, Asian countries did all the right things—even enduring lectures from visiting Western officials—yet they are being hammered even harder than the West.

The cause of Asia's current economic despair, ironically, is the very development model that was the source of its prior success: its heavy dependence on exports. By deciding to hitch their wagons to manufactured exports, Asian leaders left themselves inherently vulnerable to a drop-off in Western consumption. The growth was also built on weak social and political foundations, from underinvestment in public education, health care, and social services to poor governance and a weak rule of law. These concerns were ignored by the business and political leaders who benefited the most from rapid economic growth, and the masses generally did not quibble so long as their incomes increased year after year.

Until last year, it was easy to believe in an "Asian century," with growth rates across the region exceeding eight percent and the countries basking in their newfound international political prestige. As intraregional

trade grew, there was a belief that Asia's economies had actually decoupled from the West to become a new engine of global growth. However, the economic crisis has torn the façade off the Asian economic miracle. Instead of emerging as a Goliath on the global stage, the region is suffering. The West's great consumption binge is unlikely to return anytime soon, leading to excess industrial capacity, financial difficulties for businesses, and rising unemployment throughout Asia.

The core of Asia's economic problems is structural, not cyclical. Government stimulus programs, albeit vital, have largely focused on short-term fixes, in an environment in which the quality of spending is as important as the quantity. Asia's business model has atrophied, and it is unclear what will replace it.

If Asian leaders fail to undertake the necessary economic reforms—reduce trade imbalances, promote domestic consumption, and develop social safety nets—the current crisis will produce widespread problems: a generation that recently moved out of poverty might slip back in, and a prolonged slump could even ignite social and political unrest.

#### **THE END OF THE MIRACLE?**

To understand why Asian countries made exports the linchpin of their economic growth, it is necessary to return to Japan in the wake of World War II. The country had been devastated, and its industry lay in a shambles. With few natural resources, Japan needed to import raw materials, but it lacked the foreign exchange necessary to do so. Producing exports, first of light industrial goods, such as textiles, and later of heavy industrial materials, such as steel and chemicals, was imperative. The cycle

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was self-reinforcing: access to foreign exchange permitted Japan to import new technologies and become even more productive, expanding into higher-value finished products. After steel and glass came cars and radios.

Japan's domestic economy was modest, and exports promised growth. Developing domestic consumption takes time and is costly; focusing on export industries lets a poor country expand rapidly and capitalize on its cheap labor. During its postwar occupation of Japan, the United States promoted this model by purchasing Japanese products as a discrete form of aid. The role of state planners, necessary to organize output following the war, was enshrined and became a dominant feature of the system.

The model was a great success. Japan's economy skyrocketed as exports grew more than fourfold in real terms between 1955 and 1965 and sevenfold over the decade thereafter. Japan produced around 50,000 cars in 1953 and exported none. By the end of the decade, it had produced 500,000 cars, almost ten percent of which were shipped overseas. Other countries in the region took note. Japan's development program became the template for Asia's "tigers": Hong Kong, Singapore, South Korea, and Taiwan in the 1960s and 1970s. Under General Park Chung Hee, South Korea's leader from 1961 to 1979, the Trade Ministry often cut the electricity at firms that failed to meet export targets. The term "flying geese" was used by economists to describe countries that were shedding low-value activities for more sophisticated ones. The gaggle later included Indonesia, Malaysia, Thailand, Vietnam, and even China. The variations on the model were, of course, as diverse as Asia itself. They encompassed military rule in Taiwan and

South Korea, strict controls in Singapore, and free-market mayhem in Hong Kong. But exports were the geese's golden eggs.

This model of export-led growth was actively encouraged by the West. In 1975, Robert McNamara, then president of the World Bank, urged Asian leaders to "turn their manufacturing enterprises away from the relatively small markets associated with import substitution toward the much larger opportunities flowing from export promotion." More than three decades on, the effects have been remarkable.

The economic transformation of Asia counts as one of the most phenomenal developments of the twentieth century. In 1960, South Korea's GDP matched Sudan's, and Taiwan's was about equal to that of the soon-to-be-independent Belgian Congo. By the 1990s, both Asian countries boasted living standards that rivaled those in the West. More than 400 million people have been lifted out of poverty in China alone since the country began liberalizing its economy in 1980.

But calls to increase domestic consumption went unheeded. The 1997–98 financial crisis weakened some countries' currencies, making Asian goods even cheaper around the world. Over the past decade, the region's exports as a percent of GDP increased from 37 percent to 47 percent. The remedies for one financial crisis, it is said, sow the seeds for the next. In Asia, the export boom that made many countries' current account surpluses surge also contributed to the low interest rates, excess liquidity, and asset-price bubble that eventually brought the global economy crashing down.

By emphasizing exports, Asian countries simply replaced a reliance on foreign capital with a dependence on foreign demand. In

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Hong Kong, Malaysia, and Singapore—because of the high volume of reexports—the value of exports equaled or exceeded their GDPs before the current economic crisis started in 2007. In Taiwan, Thailand, and Vietnam, it totaled over 60 percent. For China and South Korea, exports represented nearly 40 percent of GDP. Viewed as net exports (when imports are subtracted), the contribution to GDP is more modest. But these exports were still critical to Asia's economic success.

In recent years before the crisis, approximately half of Asia's trade had remained within the region, giving rise to the belief that Asia's economies had become largely independent of the West. However, around 60 percent of Asia's intraregional exports were of intermediate goods, which fed supply chains that usually looped through China and ended up in the West. So when U.S. consumers stumbled, Asian manufacturers fell off a cliff.

The era of export-led growth is over in its current form. U.S. consumption soared to over 70 percent of U.S. GDP between 2005 and 2008, and the U.S. household savings rate dropped below zero—major historical aberrations. The economic crisis has since wiped out two-fifths of the value of U.S. stocks and substantially eroded the worth of U.S. homes. As Americans enter a period of frugality to rebuild their household balance sheets, they will buy less of what Asia produces. What brought the region so far in the twentieth century may not take it much further in the twenty-first.

It is a harsh way to begin what was heralded as “the Asian century.” Asia's postwar industrialization appealed to an ethos of nationalism and self-sufficiency. But the export-led model Asian countries adopted has ironically left them more dependent

than ever on the whims of the West. Now, that growth model is shriveling. The economic slowdown is not responsible for this; it merely exacerbated problems that already existed due to the weak economic, social, and political foundations on which the model was built.

#### **INCONSPICUOUS CONSUMPTION**

Commercial exchange is the basis of all economies. So why should depending on foreign consumption rather than domestic demand be much different? Relying excessively on exports leaves a country vulnerable to economic downturns elsewhere. Moreover, a healthy balance is necessary so that sagging fortunes in one area can be offset by gains in another. Overemphasizing one sector also alters the incentives for businesspeople, politicians, and the public in negative ways.

The experience of Cambodia brings all this into stark relief. Before the current crisis, Cambodia's economy was soaring on the back of low-value garment exports, which represented 80 percent of the country's total exports, most of which were shipped to the United States. But when the global economy soured, orders evaporated. Between September 2008 and early 2009, around 50,000 garment workers, or 17 percent of the total, were reported to have lost their jobs. Whereas the economy grew by ten percent in 2007, this year the World Bank forecasts that it will contract by one percent—which is expected to lead to increased poverty in 2009.

An excessive focus on exports also leads to economic distortions. Corporate investment, government spending, and foreign direct investment flood into the export sector, at the expense of the broader domestic economy. Social goods, such as

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public education, health care, unemployment insurance, and social security, often get neglected.

This helps explain why Asians save as much as they do: they need to “self-insure” and shoulder these economic burdens themselves. Across the region, the typical household saves between 10 and 30 percent of its annual income. National savings (which include government and corporate savings) amount to as much as half of GDP in China, Malaysia, and Singapore. Although thrift is normally a virtue, in this case it is a vice, because it pulls money away from consumption, where it could be used to improve people’s standards of living and their countries’ overall economies.

Domestic demand in Asia has been held back by several other factors, including a persistent misallocation of resources. Misguided investment has led to a blind pursuit of real estate development despite often weak real (nonspeculative) demand. New office construction continues in Beijing and Shanghai despite rising vacancy rates. At the same time, access to capital remains severely restricted for small and medium-sized enterprises. Banks generally favor larger projects and those backed by government initiatives, which are considered at lower risk for default and can provide better collateral. This is a particular problem considering that small companies generally use capital more productively, are more innovative, and disperse wealth more widely.

Also, lending is disproportionately oriented toward powerful economic and political interests, be they state-controlled companies in China or family-owned groups and mega-conglomerates in Hong Kong, India, Japan, Malaysia, and South Korea. In China, small and midsize firms represent 70 percent of GDP but tap only

20 percent of the country’s financial resources, a trend that cannot be explained simply by the capital intensity of big firms.

The preference for big projects and big companies places power in the hands of elites. On the eve of the Asian financial crisis in the late 1990s, the top 15 families in Hong Kong controlled the equivalent of 84 percent of the country’s GDP; in Malaysia, the figure was 76 percent; in Singapore and the Philippines, it was almost 50 percent. Although much has changed since then, family dynasties from Hong Kong to New Delhi still exert outsized influence over their countries’ economies. Samsung, controlled by the Lee family, currently accounts for almost one-fifth of South Korea’s total exports.

This concentration of wealth and power has contributed to weak corporate governance across the region. In Japan, many managers take pride in ignoring both foreign and domestic shareholders. In South Korea, executives found guilty of embezzlement, bribery, or tax evasion are regularly allowed to return to their corner offices on grounds of their personal importance to the economy. The implosion this year of Satyam Computer Services, an Indian information technology firm that had cooked the books for years, marked the beginning of the Indian business community’s serious scrutiny of corporate management. Although malfeasance is certainly not unique to Asia—the United States has boasted some colossal corporate meltdowns—accountability there is still largely absent.

Because capital is so concentrated, the growth of Asia’s middle class has been stunted. Although hard to believe when visiting the region’s major cities—newly blanketed with luxury malls, expensive

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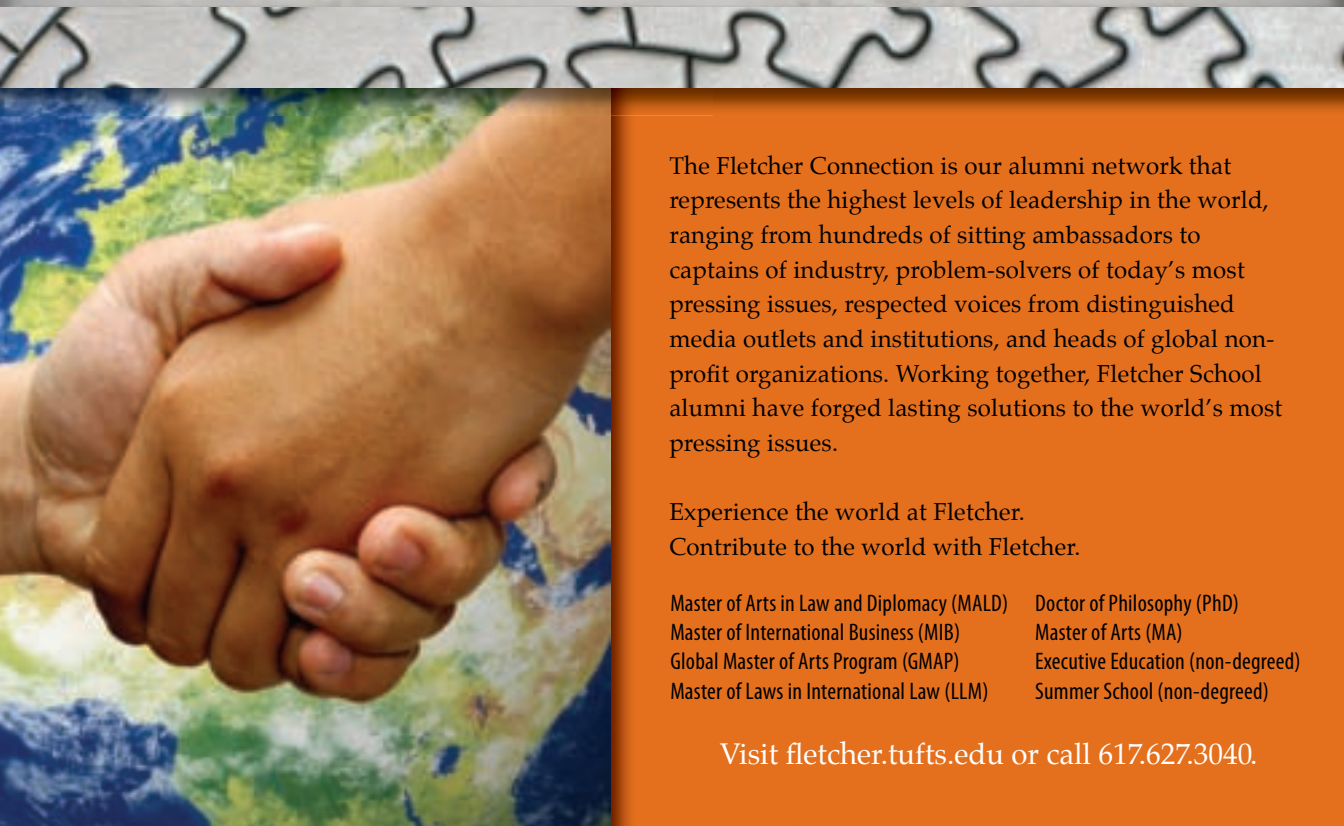
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### *Tamed Tigers, Distressed Dragon*

bars, and fancy cars—private consumption and wages as a proportion of the region's overall GDP have actually fallen over the past two decades, even as they have risen in absolute terms. In many countries, workers cannot afford the merchandise that they produce; domestic consumption simply cannot pick up the slack from a drop in exports.

In China, as exports and corporate earnings soared between 1997 and 2007, wages actually declined, from 53 percent to 43 percent of GDP. Although people across Asia are much better off than in the past, their well-being has not kept pace with the growth around them. The effects can be seen in consumer behavior. Over the past decade, as Asia's economies grew, domestic consumption stayed roughly the same or actually declined relative to GDP. In China, it dropped from 45 percent to 35 percent of the economy. Although spending has increased, the huge and wealthy consumer class that economic growth was meant to create has not yet fully materialized.

The average annual income in most of Asia's emerging economies is less than \$3,000 at market exchange rates, or less than \$10,000 in purchasing power parity. Moreover, the size of the wealthy, urban class is meager, relatively speaking. A recent report by the consulting firm McKinsey & Company estimated that 1.6 million households in China earn more than \$36,500 a year. Although this is splendid for luxury brands, it is insufficient to support broad-based domestic growth. There may be two billion new consumers in China and India alone, but most of them are very poor.

Another element of the Asian economic miracle—centralized planning—is leading to difficulties today. State control that created stability in earlier stages of develop-

ment is now suppressing entrepreneurship and more robust domestic growth. Despite three decades of reform, the Chinese government still owns 76 percent of the country's wealth, controls the banking sector, and oversees state-owned enterprises that account for one-third of the economy. Likewise, in India, where the government has dismantled the jumble of rules known as "the license raj," red tape continues to strangle business. And in Japan, there is even a term, *kansei fukyo*, for a recession caused by the blunders of policymakers.

Ultimately, pursuing export-led growth entailed hidden costs. It distracted policymakers and business leaders from the hard work of building and strengthening the institutions necessary for sustainable domestic economies. Much of the new wealth was used inefficiently or simply squirreled away. Meanwhile, those countries that acted to keep their currencies weak in effect subsidized exporters at the expense of other domestic producers and consumers. Glaring weaknesses in some countries were also ignored—from corruption and an inadequate rule of law to environmental degradation. Indeed, as the export model proved successful, structural reform became even more difficult, since vested interests grew more influential. The region as a whole is now ill prepared for a drawn-out period of slower growth. Asia is left with some very hard decisions to make in a decidedly more difficult economic environment.

#### **NO SAVING GRACE**

In the West, the economic crisis has ushered in a period of great deleveraging. Financial institutions that ratcheted up their earnings by taking on huge quantities of debt have had to scale back their

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exposure, which has contributed to the huge fall in asset prices. It is a painful but necessary adjustment. Likewise, a similar process needs to take place among Asian economies—a great rebalancing—whereby the reliance on exports is reduced in favor of stimulating domestic consumption.

Initial government reactions have been mixed. To their credit, Asian countries have been quick to respond to the downturn. Those that experienced the sharp end of the financial crisis in 1997–98 know the importance of decisive action. Across the region, approximately \$1 trillion has been earmarked for stimulus measures. China announced a nearly \$600 billion two-year spending package (albeit generating concerns over how much of it is new money). Japan's stimulus plans total \$250 billion, around five percent of GDP. Malaysia and Singapore have allocated between eight and nine percent of their GDPs.

However, although the plans make a point of investing in social programs, the bulk of the spending is on infrastructure (useful because it employs unskilled workers). Less than four percent of China's spending is on education and health care. The country even raised the rebate on the export tax for labor-intensive products, which will provide temporary relief for exporters but will only reinforce the emphasis on trade.

Instead, there are more substantial policies that Asian countries can pursue, in the areas of promoting human capital, improving incomes, and reducing savings. One obvious positive long-term effort would be to promote education. Yet rather than simply building more schools, it is critical to expand the tiny national student loan and grant programs that currently exist. This would not only reduce the financial

burden on the poor but also let the younger generation spread out the cost of education over the course of their careers. In this way, parents could pare back their savings, which would likely increase domestic consumption. This is a potent example of how the paucity of financial services in Asia, not simply poor physical infrastructure, holds back the domestic economies there.

Asian countries will also have to improve the structure of their labor markets and increase minimum wages. Although a recession does not seem like the right moment to increase the cost of business, there never is an ideal time, and in good times the pressure is off. Depressed wage growth is one reason why household income as a proportion of GDP has actually declined across Asia in recent years. Likewise, the high savings rate in the region is due in part to income insecurity. Most job arrangements in Asia are informal. The share of formal salary and wage employment is only around 40 percent of total compensation in Indonesia, the Philippines, and Thailand and as low as 15 percent in China. (By contrast, it is around 90 percent among G-7 nations.) This provides flexibility to companies but means uncertainty for workers.

Changing the structure of the labor market and paying workers more would boost the overall economy and fuel domestic consumption. This was the experience of the United States in the early 1900s, when Henry Ford declared that he wanted to pay his workers enough for them to be able to buy one of the cars rolling off his assembly lines. Starting in 1914, Ford raised the minimum daily wage from around \$2 to \$5 and established the two-day weekend—actions for which he was heavily criticized by other industrialists. Ford's



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goals were to reduce employee turnover, increase productivity, and create a massive new market for his cars. Ford's idea of "welfare capitalism" was copied by others, helping to create a broad-based consumer class in the United States. The same sort of consumer revolution needs to take place in Asia, and increasing wages is a necessary first step.

Most important, Asian countries must establish viable social safety nets. The lack of basic economic safeguards is the biggest reason why Asians save so much, and reducing those savings would unlock consumption. However, in addition to taking a long time to set up, genuine social welfare systems would require adequate initial funding and testing by citizens before they changed their savings behavior.

One way to do this is to create a "social wealth fund." Just as a nation's "sovereign wealth fund" invests its foreign reserves abroad for public gain, this fund would receive a portion of the government's stakes in state-owned companies and earmark the dividends for social initiatives such as education and health care. Asian countries carry assets of tens to hundreds of billions of dollars in their state-owned enterprises, from telecommunications operators and oil companies to tobacco firms. Apportioning a large part of these shareholdings for a special fund would demonstrate the government's commitment to social reform.

In some places, creating a durable social safety net will be especially hard. In China, for example, the idea of a broad, state-based pension system—whereby workers subsidize retirees—would bump up against unfriendly demographics: the birthrate in China has been declining just as life expectancy has been dramatically increasing. Due to the one-child policy, over

the past three decades the number of dependents (both children and the elderly) per worker fell by half—a factor that has contributed to China's economic growth. But over the next three decades, the number will increase by 50 percent. It is doubtful that tomorrow's shrinking work force will want or be able to pay for its growing elderly population.

In the end, overhauling Asia's social model over the next half century will be a task of the same magnitude as reforming its economies during the past half century was. It will be an equally difficult and long process—but it must begin now.

#### **EXPORTING INSTABILITY**

In this year's annual threat assessment for the U.S. Senate Select Committee on Intelligence, presented in February 2009, Dennis Blair, the U.S. director of national intelligence, identified the global economic crisis as "the primary near-term security concern of the United States." His biggest worry was "regime-threatening instability," but trade also made the list. "Unlike the Asian financial crisis of 1997–98, the globally synchronized nature of this slowdown means that countries will not be able to export their way out of this recession," he explained. The problems "make it difficult to achieve long-time U.S. objectives, such as the opening of national capital markets and increasing domestic demand in Asia."

If the downturn is prolonged and countries in the region fail to reform, the consequences for Asia will be profound. Trade protectionism could easily undermine globalization, as it did during the Great Depression, when hefty tariffs led to the contraction of global trade by two-thirds. Since October 2008, some 66 restrictive trade measures have been

*Brian P. Klein and Kenneth Neil Cukier*

proposed worldwide and 47 have been enacted. They run the gamut from the aborted “Buy American” legislation to India’s ban on Chinese toys. Such legislation will slow the economic recovery for everyone, and Asia will bear the brunt of the pain.

Moreover, poverty is on the rise in Asia. More than 600 million people across the region live in extreme poverty. This year, some 60 million people who would have been lifted out of poverty had the economy not slowed will remain impoverished. According to the Asian Development Bank, this number could increase by an additional 100 million in 2010 unless the global economy rebounds. Remittances from workers abroad, which account for a substantial portion of incomes across Asia, have fallen dramatically. An economic crisis that began in the rich world risks becoming a humanitarian crisis everywhere else.

A failure to reform could also make the biggest fear of the United States’ national intelligence director come true. Thailand remains in a delicate situation: protests by the red-shirted supporters of former Prime Minister Thaksin Shinawatra, who generally hail from rural areas and had benefited from his populist policies, are threatening the government of Prime Minister Abhisit Vejjajiva, whose support comes mainly from wealthy city dwellers. Vietnam has cracked down on union leaders and labor activists; India has seen factory managers held hostage and, in one case, killed by a mob. And cell phones and the Internet have made it far easier for people to organize protests.

China is a special case. For the moment, Chinese protests are limited to specific factories, issues, and areas. Chinese officials are less concerned about the 20 million

migrant workers who have lost their jobs (since these laborers are used to unsteady employment) than they are about the six million university students who graduate each year and face trouble finding jobs. The latter understand the bigger economic picture, and students have traditionally been at the vanguard of China’s social change.

Asia’s export model of growth was never meant to be the sole answer to how the region’s economies would develop. But once it was under way, it was hard to make the shift toward a better balance. The model largely worked, and the last quarter century saw global trade grow at twice the rate of global GDP. Yet the model has served its time.

It is in no one’s interest to see Asia in disarray. A prosperous Asia can increase global economic growth, provide regional stability, and help with trouble spots, such as North Korea. How the region responds to the current crisis—and how the West helps it cope—will determine the depth and duration of Asia’s economic woes. The region will still boast powerful economies in this century, but a more sustainable economic model, one entailing higher domestic consumption, must be found. If the root cause is not addressed, Asia’s problem’s will become the world’s. 🌐

“We have a very ambitious reform agenda and ideas to reform the whole investment climate in the country.”

**Abdulkarim Ismail Al-Arhabi**  
Deputy Prime Minister

# Yemen

## Progress and ambition



Approaching nearly twenty years as unified republic, Yemen looks to the future with hope and ambition. Even as it faces difficulties, Yemen repositions itself as an up-and-coming investment market. It has experienced steady growth, almost 3 percent in 2008, and is pursuing integration into the Gulf Cooperation Council, which would further ease trade relations. At the same time, the government is trying to address its most pressing challenges: high unemployment, high population growth, and an uneasy security environment. Domestic terrorism is a particular problem that Yemen is determined to address at root. “The only way to face terrorism is by improving the standards of living of people, by improving their education,” says Abubaker Abdulla Al-Qirbi, minister of foreign affairs.

Access to funding and investment plays a crucial role in the country’s long-term growth strategy. A 2006 donor conference in London was hugely successful in mobilizing resources worth more than \$5 billion for a wide variety of project-related investments ranging from

human resource development to health and education to infrastructure development. But despite the importance of these contributions, “in terms of official development

“Yemen has a lot of untapped resources that unfortunately have not been exploited until now because security issues, for one, have discouraged investment.”

**Dr. Abubaker Abdulla Al-Qirbi**  
Minister of Foreign Affairs

assistance (ODA), we are very much underfunded,” says Abdulkarim Ismail Al-Arhabi, deputy prime minister. Private sector development is the obvious alternative and desired choice. Al-Arhabi believes Yemen can market its competitive advantages, as investment conditions are improving. “A lot is being done to simplify procedures and to improve the business environment. We are focusing on the non-oil sectors, while at the same time redefining government functions to provide more space to

the private sector and public-private partnerships.”

The country does not lack opportunities: Yemen has a 3,000-year history and was known by the Romans as “Felix Arabia” - or “Happy Arabia” - for its fertile lands. It has unique potential for tourism development, it is rich in minerals, and its deep-sea ports are extraordinarily well positioned, connecting the Red Sea, the Gulf of Aden, and the Indian Ocean. Government efforts to improve the overall business and investment climate are reflected in the World Bank’s “Doing Business” ranking, where Yemen climbed twenty-five places, moving ahead of countries such as Jordan and Egypt. A general holding corporation for property development and investment, Shibam Holding, has been established with the aim of presenting foreign investors with a full development partner, with considerable success. “Shibam is already a partner in somewhere close to twelve megatype real estate projects, exceeding \$2.5 billion,” says Saad Sabrah, CEO of Shibam Holding. Opportunities are there for the taking. ■

# HYDROCARBONS RIDE THE AGENDA

Oil and gas remain the king and queen of the Yemeni economy, representing as much as 90 percent of total export earnings, even as diversification away from oil becomes ever more important. The drop in world oil prices is felt deeply, and greater still is the loss from falling production. Oil reserves are understood to have peaked and are likely to be depleted by 2020. More resources may lay hidden, but exploration has been limited. Vast areas have not been surveyed for their potential. A mid-sized domestic industry stands ready to assist any eventual activity, with players such as HTC Yemen International offering drilling equipment and total project management services. "Our total inventory is worth around \$500 million. Anything a company needs, we can get; the only thing we cannot do at the moment is seismic work," says Hussein Al-Hashedi, chairman and CEO of HTC. In the meantime, Yemen's largest-ever industrial investment is being made in the gas sector. Yemen LNG, led by main shareholder Total, is completing work on a \$4 billion gas facility that will begin exports of liquefied natural gas this summer. It is a vital windfall for Yemen's developing economy, with expected earnings of up to \$50 billion over the project's twenty- to twenty-five-year lifetime. What is more, the project is a showcase for Yemen's very real investment potential whose time may have come. ■



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More information on SabaFon can be found at:

[www.sabafon.com](http://www.sabafon.com)

Mr. Tarik Al-Haidary  
CEO of SabaFon



# Essays



For all their reputed fanaticism,  
Taliban commanders will leave  
the movement and shift allegiances  
if the conditions are right.

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# The Pentagon's Wasting Assets

## The Eroding Foundations of American Power

*Andrew F. Krepinevich, Jr.*

THE MILITARY foundations of the United States' global dominance are eroding. For the past several decades, an overwhelming advantage in technology and resources has given the U.S. military an unmatched ability to project power worldwide. This has allowed it to guarantee U.S. access to the global commons, assure the safety of the homeland, and underwrite security commitments around the globe. U.S. grand strategy assumes that such advantages will continue indefinitely. In fact, they are already starting to disappear.

Several events in recent years have demonstrated that traditional means and methods of projecting power and accessing the global commons are growing increasingly obsolete—becoming “wasting assets,” in the language of defense strategists. The diffusion of advanced military technologies, combined with the continued rise of new powers, such as China, and hostile states, such as Iran, will make it progressively more expensive in blood and treasure—perhaps prohibitively expensive—for U.S. forces to carry out their missions in areas of vital interest, including East Asia and the Persian Gulf. Military forces that do deploy successfully will find it increasingly difficult to defend what they have been sent to protect. Meanwhile, the U.S. military's long-unfettered access to

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### *The Pentagon's Wasting Assets*

the global commons—including space and cyberspace—is being increasingly challenged.

Recently, Secretary of Defense Robert Gates argued in these pages for a more “balanced” U.S. military, one that is better suited for the types of irregular conflicts now being waged in Afghanistan and Iraq. However, he also cautioned, “It would be irresponsible not to think about and prepare for the future.” Despite this admonition, U.S. policymakers are discounting real future threats, thereby increasing the prospect of strategic surprises. What is needed is nothing short of a fundamental strategic review of the United States’ position in the world—one similar in depth and scope to those undertaken in the early days of the Cold War.

#### A DANGEROUS GAME

THE TERM “wasting asset” became common among U.S. policymakers in the early days of the Cold War. At the end of World War II, the United States possessed an incalculable strategic advantage: a monopoly on nuclear weapons. So when the Soviet Union tested its first atomic bomb in August 1949, it triggered a sense of panic in the United States, as the U.S. nuclear arsenal had become a wasting asset.

The United States responded with a major effort to bring together the nation’s best strategists to devise a new approach. That effort yielded the Truman administration’s National Security Council report NSC-68 and, later, the Eisenhower administration’s Solarium Study and NSC-162/2. These became the foundation of a new U.S. strategy to counter a nuclear Soviet Union.

To help offset the loss of its nuclear monopoly, the United States sought to develop new advantages while sustaining certain old advantages. It exploited its continuing technological edge to maintain a highly effective nuclear deterrent. Shortly after the Soviet nuclear test of a fission weapon, President Harry Truman approved plans to develop thermonuclear, or fusion, weapons, which have far greater destructive power. Equally important were efforts to sustain the U.S. military’s unsurpassed ability to project and sustain large forces around the globe, as demonstrated during the wars in Korea, Vietnam, and the Persian Gulf, when the United States transported large field armies overseas.

*Andrew F. Krepinevich, Jr.*

This force projection was made possible by the U.S. military's ability to access the global commons, principally on the seas and in the air but increasingly in the space and cyberspace domains as well. And with the Soviet Union's collapse in December 1991, the United States' ability to project military power was effectively unconstrained. There were large-scale deployments to Panama, Haiti, and the Balkans during the late 1980s and 1990s, and these were later eclipsed by the dispatch of large expeditionary forces to Afghanistan and Iraq.

But this long record of military successes masks major geopolitical and technological trends that are rapidly eroding the advantages the U.S. military has long enjoyed. This was dramatically illustrated by a major exercise conducted earlier this decade. In the summer of 2002, the Pentagon conducted its largest war-gaming exercise since the end of the Cold War. Called Millennium Challenge 2002, it pitted the United States against an "unnamed Persian Gulf military" meant to be a stand-in for Iran. The outcome was disquieting: what many expected to be yet another demonstration of the United States' military might turned out to be anything but.

The "Iranian" forces, led by retired Marine Corps Lieutenant General Paul Van Riper, successfully countered the U.S. forces at every turn. The U.S. fleet that steamed into the Persian Gulf found itself subjected to a surprise attack by swarms of Iranian suicide vessels and antiship cruise missiles (ASCMs). Well over half the U.S. ships were sunk or otherwise put out of action in what would have been the United States' worst naval disaster since Pearl Harbor. Meanwhile, Van Riper kept his Iranian cruise and ballistic missile forces on the move, frustrating the U.S. commanders' efforts to track and destroy them. Rather than turn his air-defense radars on and expose them to prompt destruction from U.S. aircraft armed with antiradiation missiles, Van Riper left his units' systems turned off. Since no one could be sure of where the Iranian defenses were positioned, it was risky for U.S. cargo aircraft to land and resupply the U.S. ground forces that had deployed on Iranian soil.

Exasperated and embarrassed at the success of the mock Iranian force, the senior U.S. commanders overseeing the war game's progress called for a "do-over." They directed the U.S. fleet to be "refloated" and compelled the enemy forces to turn on their radars and expose themselves to attack. The enemy missile forces were ordered to cease their



### *The Pentagon's Wasting Assets*

evasive maneuvers. Recast in this manner—and with Van Riper “relieved” of his command, apparently for having executed it too well—the game proceeded to a much more agreeable conclusion.

The official results of Millennium Challenge may have validated the military’s own ideas about its ability to project forces into contested areas. But Van Riper’s success should have served as a warning: projecting power into an area of vital interest to the United States using traditional forces and operational concepts will become increasingly difficult. Indeed, these means and methods are at great risk of experiencing significant, perhaps even precipitous, declines in value.

The Millennium Challenge exercise was a harbinger of the growing problems of power projection—especially in coastal zones, maritime chokepoints (such as the Strait of Hormuz), and constricted waters (such as the Persian Gulf). As the initial success of Van Riper’s “Iranian” forces demonstrated, the risks in such areas are becoming progressively greater, especially when the United States is facing a clever adversary. In the real world, Iran and other states can buy high-speed, sea-skimming ASCMs in quantity. In confined waters near shore, U.S. warships would have little warning time to defend against these weapons. The same can be said of high-speed suicide boats packed with explosives, which can hide among commercial vessels. Widely available modern sea mines are far more difficult to detect than were those plaguing the U.S. fleet during the 1991 Gulf War. Quiet diesel submarines operating in noisy waters, such as the Strait of Hormuz, are very difficult to detect. Iran’s possession of all of these weapons and vessels suggests that the Persian Gulf—the jugular of the world’s oil supply—could become a no-go zone for the U.S. Navy.

#### WESTERN TECHNOLOGIES, EASTERN STRATAGEMS

IN EAST ASIA, an even more formidable challenge is emerging. China’s People’s Liberation Army is aggressively developing capabilities and strategies to degrade the U.S. military’s ability to project power into the region. The PLA’s buildup is being guided by the lessons drawn by the Chinese military from the two Iraq wars and the 1999 war in the Balkans. The Chinese were particularly impressed by the effectiveness of U.S. precision-strike capabilities and the role played by space

*Andrew F. Krepinevich, Jr.*

systems, which provided reliable navigation and communications, as well as weather, targeting, and missile-warning data. The effort is also being driven by the Chinese experience during the 1995–96 Taiwan Strait crisis, when a U.S. aircraft carrier, the U.S.S. *Nimitz*, entered the Taiwan Strait to compel China to stand down from its threats to Taiwan. This display of U.S. naval power bolstered China’s determination to curb the United States’ access to East Asia.

Senior Chinese political and military leaders decided it would be foolhardy to challenge the U.S. military head-on. Instead, China is working to combine Western technology with Eastern stratagems,

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Projecting power into areas of crucial interest is becoming increasingly difficult.

aiming to be able to seize the initiative in the event of a conflict by exploiting the element of surprise. The Chinese approach would entail destroying or disrupting the U.S. military’s communications networks and launching preemptive attacks, to the point where such attacks, or even the threat of such attacks, would raise the costs of U.S. action to pro-

hibitive levels. The Chinese call the military capabilities that support this strategy “assassin’s mace.” The underlying mantra is that assassin’s mace weapons and techniques will enable “the inferior” (China) to defeat “the superior” (the United States).

Chinese efforts are focused on developing and fielding what U.S. military analysts refer to as “anti-access/area-denial” (A2/AD) capabilities. Generally speaking, Chinese anti-access forces seek to deny U.S. forces the ability to operate from forward bases, such as Kadena Air Base, on Okinawa, and Andersen Air Force Base, on Guam. The Chinese are, for example, fielding large numbers of conventionally armed ballistic missiles capable of striking these bases with a high degree of accuracy. Although recent advances in directed-energy technology—such as solid-state lasers—may enable the United States to field significantly more effective missile defense systems in the next decade, present defenses against ballistic missile attacks are limited. These defenses can be overwhelmed when confronted with missile barrages. The intended message to the United States and its East Asian allies and partners is clear: China has the means to put at risk the forward bases from which most U.S. strike aircraft must operate.



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### *The Pentagon's Wasting Assets*

Area-denial capabilities are aimed at restricting the U.S. Navy's freedom of action from China's coast out to "the second island chain"—a line of islands that extends roughly from the southeastern edge of Japan to Guam. The PLA is constructing over-the-horizon radars, fielding unmanned aerial vehicles, and deploying reconnaissance satellites to detect U.S. surface warships at progressively greater distances. It is acquiring a large number of submarines armed with advanced torpedoes and high-speed, sea-skimming ASCMs to stalk U.S. carriers and their escorts. (In 2006, a Chinese submarine surfaced in the midst of a U.S. carrier strike group, much to the U.S. Navy's embarrassment.) And it is procuring aircraft equipped with high-speed ASCMs and fielding antiship ballistic missiles that can strike U.S. carriers at extended ranges. Advanced antiship mines may constrain U.S. naval operations even further in coastal areas.

The implications of these efforts are clear. East Asian waters are slowly but surely becoming another potential no-go zone for U.S. ships, particularly for aircraft carriers, which carry short-range strike aircraft that require them to operate well within the reach of the PLA's A2/AD systems if they want remain operationally relevant. The large air bases in the region that host the U.S. Air Force's short-range strike aircraft and support aircraft are similarly under increased threat. All thus risk becoming wasting assets. If the United States does not adapt to these emerging challenges, the military balance in Asia will be fundamentally transformed in Beijing's favor. This would increase the danger that China might be encouraged to resolve outstanding regional security issues through coercion, if not aggression.

#### DEADLY IRREGULARS

IRREGULAR FORCES are also gaining greater access to advanced weaponry. As they do, they are increasingly capable of presenting serious threats to U.S. military operations on levels hitherto reserved for state adversaries. These, too, threaten to turn the U.S. military's forward bases and other key infrastructure into wasting assets.

Since the Korean War, the U.S. military has become used to operating with secure rear areas. Large U.S. bases, such as that in Cam Ranh Bay, South Vietnam, and, more recently, Camp Victory, in Iraq,

*Andrew F. Krepinevich, Jr.*

and Bagram Air Base, in Afghanistan, have been sanctuaries in the midst of conflict. Even insurgent attacks on the Green Zone in Baghdad have failed to do significant harm. This happy state of affairs is almost surely coming to an end.

The Second Lebanon War, waged between Hezbollah and Israel during the summer of 2006, was the proverbial canary in the coal mine. It suggested that a new, more deadly form of irregular conflict—known as “irregular warfare under high-technology conditions”—may be emerging. The war showed how difficult it is becoming for conventional military forces to defend key fixed targets, such as military bases, critical economic infrastructure, and densely populated areas, against irregular forces, which are increasingly armed with rapidly proliferating “RAMM” (rocket, artillery, mortar, and missile) capabilities. During the 34-day conflict, Hezbollah fired some 4,000 rockets into Israel. Most of these were short range, and all of them were unguided. Yet more than 300,000 Israeli citizens had to be evacuated from their homes. Israel’s Haifa oil refinery had to dump much of its stored oil for fear that a rocket attack could spark a major explosion and fires in the city. The war’s economic impact was considerable.

Some of Hezbollah’s rockets, although short range by modern military standards, could be fired over 50 miles. Compare this to the mortars and rockets used by Vietcong guerrillas against U.S. bases in South Vietnam. To combat that threat, U.S. forces simply patrolled to keep the enemy beyond his four-mile mortar range. Applying this approach against an enemy whose rocket range extends out to 50 miles is simply not possible.

The growing range of RAMMs available to irregular forces is not the only, or even the deadliest, problem. The U.S. military has long enjoyed a near monopoly on the use of guided, or “smart,” munitions, which offer the enormous benefit of high accuracy independent of a weapon’s range. But now guided RAMMs (or “G-RAMMs”) are proliferating from powers such as China and Russia. Once these are in the hands of irregular forces, those forces will be able to hit targets with great precision and reliability. Moreover, such weapons do not require a high degree of operator training. As a harbinger, during the Second Lebanon War, Hezbollah irregulars hit an Israeli warship with an Iranian-made guided ASCM and destroyed or disabled over 50 Israeli

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tanks with sophisticated Russian-made guided antitank missiles. The ability of irregular forces to precisely hit critical points, such as airfields, harbor facilities, and logistics depots, will pose serious problems for the U.S. military's way of operating.

#### VIRTUAL WARFARE

CYBERSPACE IS another domain in which the U.S. military may face rapidly growing risk. Information technology (IT) permeates every aspect of its operations, from logistics and command and control to targeting and guidance. As this dependence on IT has grown, so, too, has vulnerability to disruptions—especially disruptions of battle networks linking U.S. forces.

This vulnerability also affects the United States' economic infrastructure, where everything from transportation to electricity and finance depends on cybernetworks. Attacks on both military and civilian IT networks have been increasing for at least a decade. Russia has been accused of conducting cyberwarfare campaigns against Estonia in 2007, Georgia in 2008, and Kyrgyzstan in 2009. China is reputed to have been behind cyberattacks that disabled computer systems at the Pentagon, as well as cyberattacks against France, Germany, and the United Kingdom. Cyberwarfare could enable other countries—or even disaffected groups—to inflict crippling damage on the U.S. economy.

Moreover, U.S. military operations are very dependent on commercial land-based information infrastructure. If cyberattacks inflicted substantial damage on them or disrupted them, not only would great economic turmoil ensue; much of the military capability of the United States could prove to be the modern equivalent of the Maginot Line.

The United States' armed forces also rely heavily on military and commercial satellites. In recent years, the Chinese military has shown that it can neutralize or destroy satellites in low-earth orbit (where most satellites are located) by launching antisatellite ballistic missiles or firing ground-based lasers. As China's lunar exploration program matures, the PLA will likely acquire the ability to destroy the Global Positioning System (GPS) constellation, which is essential for guiding many "smart" weapons to their targets. If China continues to develop and field antisatellite capabilities, the U.S. satellite architecture

*Andrew F. Krepinevich, Jr.*

may also become a wasting asset, one highly dependent on Chinese sufferance for its effective operation.

### THE IMPERATIVE TO ADAPT

IF HISTORY is any guide, these trends cannot be undone. Technology inevitably spreads, and no military has ever enjoyed a perpetual monopoly on any capability. To a significant extent, the U.S. military's wasting assets are the direct consequence of the unavoidable loss of its near monopoly on guided weapons. This monopoly simply cannot be regained.

This raises troubling questions. For example, will the United States accept that several areas of vital interest are becoming no-go zones for its military, or will it take steps to address the challenge? Will the United States accept a posture of vulnerability in regard to its satellite architecture and cyberinfrastructure, or are alternatives available to redress the problem? How must U.S. strategy adapt in a world of rising powers and spreading technologies? Are there cost-effective alternatives to accepting growing vulnerability, or must the United States adopt a more modest strategy?

Analogous kinds of problems have been encountered and overcome in the past by the United States and other preeminent nations. During World War II, new U.S. carrier operations were so effective in projecting power that they rendered battleships obsolete. In addressing the Soviet Union's nuclear buildup, the United States developed early warning systems (satellites and distant early warning radars) and forces centered on a triad of delivery systems (bombers and land- and sea-based missiles) to enable deterrence.

Just as the Truman and Eisenhower administrations were faced with the need to confront difficult and complex strategic choices nearly 60 years ago, so, too, is the Obama administration today. The United States can either adapt to contemporary developments—or ignore them at its peril. There is, first of all, a compelling need to develop new ways of creating military advantage in the face of contemporary geopolitical and technological trends. That means taking a hard look at military spending and planning and investing in certain areas of potential advantage while divesting from other assets. And Washington



*The Pentagon's Wasting Assets*

must keep in mind that efforts to field new capabilities and put in place new ways of operating typically take time, often a decade or more, to come to fruition.

But before questions about how to adapt military capabilities to future requirements can be considered coherently, there must be a new strategic framework. In the face of growing Soviet competition, Presidents Truman and Dwight Eisenhower made decisions about U.S. military capabilities in the context of an overall strategy built around the objective of containing Soviet power and deterring aggression—both enabled by a strong U.S. economy, robust alliances with like-minded countries and other powers, and a technically advanced U.S. military operating within the framework of a global network of bases. Given the similar scale of today's challenges, the Obama administration's choices regarding the future U.S. military posture must be informed by an overarching strategy as ambitious as the one during the first decade of the Cold War. This strategy must take into account geopolitical factors, rapid advances in military technologies, and the United States' weakened economic standing. It must address the major challenges posed by radical Islamist groups (and by the related campaigns to defeat them in Afghanistan and Iraq). It must also address the prospect of nuclear proliferation. Should Iran become a nuclear-armed state, it could well spur a round of proliferation in the Arab world, further complicating the U.S. military's ability to project power into the Middle East in defense of key interests. Finally, there is China, a key U.S. trading partner and potentially a strong force in support of well-established international norms of behavior. At the same time, however, China's military buildup suggests that it may be tempted to pursue its aims through coercion, if not aggression, unless deterred from so doing.

The strategy must also recognize two wasting assets of a nonmilitary kind: the erosion of the United States' financial position and the reality that the United States' allies will not shoulder a larger share of the collective-security burden. With few exceptions, long-standing allies' continued refusal to do more for the common defense stems from a

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The United States must pursue a more modest grand strategy while seeking new areas of military advantage.

*Andrew F. Krepinevich, Jr.*

lack of agreement on future threats, underlying economic weakness, and a willingness to be free riders, benefiting from U.S. efforts and expenditures. This is unlikely to change even with a popular new administration in Washington. Even absent the global economic crisis, U.S. allies such as France, Germany, Japan, and the United Kingdom are saddled with aging populations and burdensome social welfare systems, leaving ever fewer resources available for contributing to collective security.

All this suggests that the United States must pursue a more modest strategy than that advanced by the Bush administration in the wake of 9/11—one that reflects a better balance between goals and resources, features a reduced emphasis on wasting military assets, and involves the vigorous identification, development, and exploitation of new areas of advantage.

### SOME MODEST PROPOSALS

THERE ARE a number of initiatives that can and should be undertaken now. Investments in specific new capabilities may be premature given both the current economic circumstances and the absence of a clear strategy. However, it seems indisputable that divestment from what are clearly wasting assets should be heavily emphasized in order to avoid both substantial monetary costs and opportunity costs—particularly in an era of growing budgetary and economic constraints.

For one thing, the United States should adopt an indirect approach to addressing instability in the developing world, conserving the bulk of its resources for meeting other strategic priorities. This means exploiting the U.S. military's advantage in highly trained manpower by emphasizing the training, equipping, and advising of indigenous forces of countries threatened by subversion, especially states confronting radical Islamist groups, rather than direct combat operations. In Afghanistan and Iraq, where U.S. forces are already deployed in large numbers, Washington should continue its efforts to field indigenous forces and withdraw U.S. combat units. The U.S. military will need to maintain a capacity to "surge" forces should a state of vital interest begin to fail, but such deployments should be a last resort. What is especially important is that the

lessons learned by the U.S. military and the capabilities developed in waging irregular warfare be institutionalized.

Some of the resources thereby freed up should be invested in developing new ways to cope with the G-RAMM challenge. Any solution will most likely be found in a combination of existing and emerging capabilities, and in new ways of employing them. Several possibilities are worth exploring. Loitering “hunter-killer” reconnaissance and strike aircraft—both manned and unmanned—could be used to search for enemy G-RAMM-equipped forces and, once identified, engage them quickly before the enemy can fire or disperse. Another option is to harden targets against such attacks, although doing so is an expensive proposition and thus feasible only for the highest-priority targets. There are active defenses that can intercept G-RAMM projectiles, although price remains a major problem here, since interceptors tend to cost far more than G-RAMM projectiles. Rapid advances in solid-state lasers may, however, enable defense systems that have a projected cost-per-shot ratio that is far less than that of traditional interceptors.

Regarding traditional power projection, the United States should

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*“If the world of the 21<sup>st</sup> century is to be governed, and its daunting challenges addressed, the great powers will need to step forward to provide collective leadership.”*

*—G. John Ikenberry, Princeton University*

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adopt an offsetting strategy whose objective is to parry efforts by China and Iran to deny the U.S. military access to East Asia and the Persian Gulf. The United States should make it clear that although it does not view Beijing as an enemy, it intends to continue reassuring its allies and friends in the region that they will not become victims of coercion or aggression. The same can be said of Iran, which is fielding a more modest version of China's capabilities. The offsetting strategy would be designed to preserve a stable balance, not generate a threat.

Maintaining the United States' ability to project power in an A2/AD environment will require multifaceted responses. The growing threat to U.S. forward air bases from Chinese assassin's mace capabilities might be handled in several possible ways. Bases could be hardened against attack by missiles with conventional warheads, perhaps combined with missile defenses. An excessive reliance on vulnerable bases could be reduced by developing long-range reconnaissance and strike systems. To offset the growing vulnerability of its major surface ships, the U.S. Navy could acquire more large submarines armed with conventional cruise missiles. To avoid operational irrelevance, carriers should reduce their reliance on short-range manned aircraft in favor of much longer-range unmanned aircraft, some of which are now in development. Advances in missile and air defenses could also play a key role in protecting the fleet. Since primacy in undersea warfare is a prerequisite for other naval operations, priority must be given to expanding the navy's edge in antisubmarine warfare. The current plans to increase submarine production must be sustained, and design work on unmanned underwater vehicles and a new class of submarines should also be initiated.

Several options to preserve U.S. access to space seem worth exploring. The government should support and exploit advances in IT, nanotechnology, and enhanced forms of propulsion in order to shift from relying on a relatively small number of large "mainframe" satellites to using micro- and nanosatellites that might be configured in less vulnerable and more easily repaired networks. Alternatively, it may be possible to use land-based clusters of unmanned aerial vehicles to substitute, at least on a limited basis, for damaged or destroyed satellites.

The cyberwarfare competition is so shrouded in secrecy that it is difficult to determine the United States' level of vulnerability, let alone



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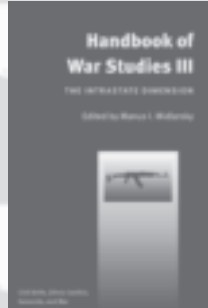
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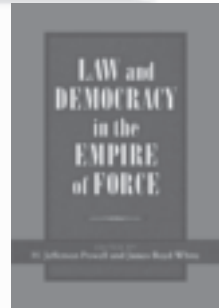
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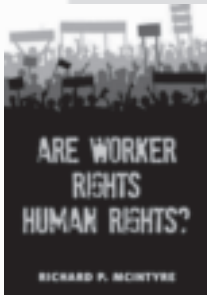
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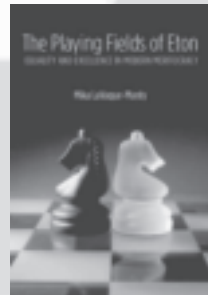
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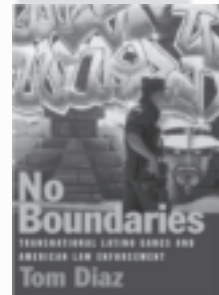
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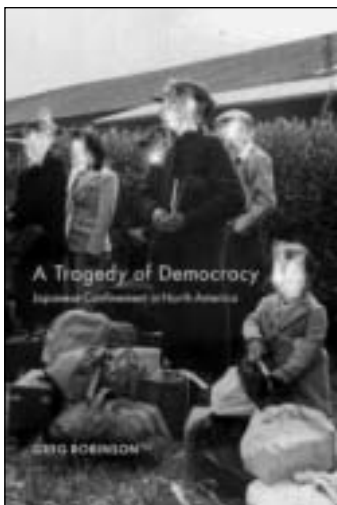
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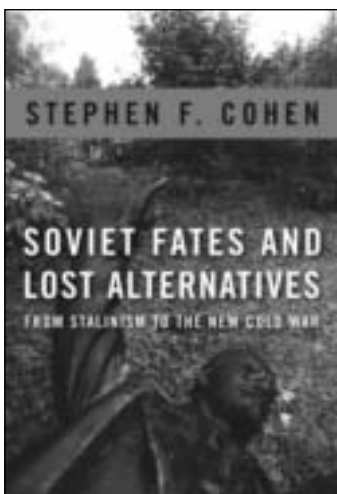
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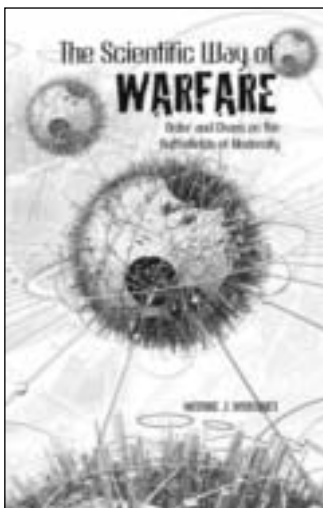
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### *The Pentagon's Wasting Assets*

options for addressing it. It may be that a defensive strategy cannot be successfully pursued and that the United States will be forced to develop its own cyberweapons and rely on deterring the worst sorts of cyberattacks. In short, the potential for a surprise of the worst sort in this realm remains a real possibility.

Significant resources may be liberated by reducing the military's emphasis on capabilities whose value will likely diminish greatly in the future. Defense Secretary Gates has recently taken some initial positive steps in this direction. For example, the navy's new Zumwalt-class destroyers are too expensive to address the challenges posed by irregular warfare and too vulnerable to operate in East Asia or the Persian Gulf; Gates is moving forward with plans to terminate their production. The army has proposed spending over \$150 billion on its constellation of Future Combat Systems. Yet the FCS are optimized for traditional conventional warfare rather than the persistent irregular warfare the army now confronts. The defense secretary's decision to terminate the eight FCS combat vehicles is on the mark, as is his cancellation of the tactical satellite program. Large satellites that are highly effective so long as space is a sanctuary must be reconsidered in recognition of the fact that this condition no longer obtains.

Much more needs to be done to free up defense resources. The military plans to spend hundreds of billions of dollars on several thousand short-range strike aircraft that must operate from forward land bases or carriers, both of which are increasingly vulnerable. These programs should be scaled back in favor of greater investment in longer-range systems, such as a next-generation bomber and the navy's long-range unmanned strike system. The U.S. Marines are planning to field a new amphibious vehicle, the Expeditionary Fighting Vehicle, that is able to swim ashore and then fight as a land combat vehicle. Yet the fleet that would launch these is being forced to operate ever further from the shore, far beyond the distance for which the EFV was designed. The EFV is also highly vulnerable to the roadside bombs that are now proliferating throughout the developing world. The system should be canceled. It simply makes no sense to spend so many defense dollars on new systems that are essentially wasting assets before they even reach the field.

*Andrew F. Krepinevich, Jr.*

### MORE THAN JUST A MILITARY PROBLEM

SECURITY, OF COURSE, involves more than just defense policy. For one thing, Washington must do much more than it has in recent years to attract capable and willing allies. After the Cold War, during its “unipolar moment,” the United States seemed to have no need for allies, save perhaps for legitimizing its use of force so that it could fulfill its role as the primary guarantor of the international system.

There are states that live in increasingly dangerous neighborhoods that may, with competent U.S. diplomacy, emerge as important allies in this new age. Muslim democracies, such as Indonesia, Pakistan, and Turkey, should be engaged. India, the world’s largest democracy, has one of the world’s largest Muslim populations and shares U.S. concerns over China’s military buildup. Despite its demographic decline and economic difficulties, Japan could shoulder significantly more responsibility than it has in the past—and has increasing reason to do so. South Korea is capable of assuming full responsibility for defending itself against a land assault from the North. Australia remains a highly valued ally, always punching well above its weight. The European allies, although diminished in stature and military capability, can still provide significant support, as demonstrated by the United Kingdom’s strong showing in both Afghanistan and Iraq. Nor should engaging China and Russia be discounted. Despite the obvious difficulties involved, their security cannot be isolated from instability in the developing world or from nuclear proliferation.

Even more important, the United States must get its own house in order. The nation’s economic might has long been a critical source of competitive advantage. U.S. relative advantage may erode over time, but there is much to suggest that it can be sustained for several generations. Compared with the other great powers, the United States has by far the best demographic profile. China, Europe, Japan, and Russia are all aging more rapidly than the United States, and India confronts a youth bulge that may prove difficult to manage. The United States also boasts a skilled manpower base (although preserving it will require reforming the educational system, which is lagging in key areas). The United States is blessed with a superior store of natural resources, which only Russia can possibly match. It also boasts the world’s most dynamic



### *The Pentagon's Wasting Assets*

free-enterprise system. But Americans must learn once again to invest in their future and live within their means. The United States entered the Cold War as the world's leading producer nation; now it is the world's leading consumer and debtor nation.

Just as it took over half a decade of effort to address the United States' loss of its nuclear monopoly, a strategy to address the United States' current wasting assets will not be crafted overnight. What is needed is a sense of urgency similar to that which animated policymakers at the start of the Cold War, as well as persistent attention from the president and his top advisers. Yes, the nation confronts a severe financial crisis. But President Barack Obama may take some inspiration from President Franklin Roosevelt, who had to deal with a prolonged, severe depression even while storm clouds gathered overseas.

A decade ago, the debate in defense circles centered on whether or not the U.S. military needed to undertake a "transformation"—that is, to field a substantially different kind of military to address the challenges of a new era with new rivals and rapidly spreading technologies. The idea faced stiff resistance from many in the military. But the price for such willful ignorance can be steep. Confronted with modern irregular warfare in the wake of the invasions of Afghanistan in 2001 and Iraq in 2003, the United States found itself engaging in reactive transformation (as did the Israelis following the Second Lebanon War). Today, despite growing evidence that a wide array of U.S. military capabilities are depreciating in value, many remain reluctant to engage in the hard thinking necessary for anticipatory transformation—preparing for emerging challenges by identifying new capabilities to offset or replace those that are progressively wasting.

Ignoring growing challenges to the United States' ability to project and sustain military capability overseas will not make those challenges go away. Sooner or later, they—and their implications for U.S. security—must be confronted. A decline in the U.S. military's ability to influence events abroad may be inevitable; however, it should not be the result of indifference or lack of attention. There are important strategic choices that the United States must make. To avoid those choices now is simply to allow the United States' rivals to make them instead. 🌐

# Flipping the Taliban

## How to Win in Afghanistan

*Fotini Christia and Michael Semple*

AFTER SEVEN years of the Bush administration's neglect and mismanagement of Afghanistan, President Barack Obama was prompt in ordering the deployment of 21,000 more U.S. troops. Over 55,000 U.S. soldiers will soon be on the ground there. The replacement of General David McKiernan with General Stanley McChrystal at the head of U.S. operations in Afghanistan is also intended to increase force projection there. The United States' allies are under pressure to follow suit, if not with combat troops, then at least with training and money. All are concerned about the Taliban's recent success at persuading thousands of young Afghan men to sacrifice themselves to fight the foreign occupation. The Taliban's followers have pushed the Afghan government and its allies out of large swaths of the countryside and crept up to the gates of Kabul, bringing an alternative administration and sharia courts to the vacated areas. The Taliban leader Mullah Muhammad Omar recently offered, ironically, to give safe passage to NATO forces that choose to leave the country, just as the mujahideen offered safe passage to Soviet troops two decades ago.

Although sending more troops is necessary to tip the balance of power against the insurgents, the move will have a lasting impact only if it is accompanied by a political "surge," a committed effort to persuade large groups of Taliban fighters to put down their arms and give up the

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MICHAEL SEMPLE is a regional specialist focusing on Afghanistan and Pakistan, with extensive experience dialoguing with the Taliban.

### *Flipping the Taliban*

fight. Both the recent interagency white paper on U.S. policy toward Afghanistan and Pakistan and Obama's March 27 speech announcing a new U.S. strategy for Afghanistan acknowledged that integrating reconcilable insurgents will be a key complement to the military buildup. Yet U.S. policymakers have not adequately developed a vision of how to achieve reconciliation. Admitting their lack of knowledge about the precise character of the insurgency, they equate reconciliation with merely cajoling Taliban foot soldiers into crossing over to the U.S. side.

Such a minimalist approach is unlikely to deliver peace. What is required instead is a nimble, sophisticated political campaign that is built on a proper understanding of the nature of the insurgency and that, combined with the reconciliation efforts of the Afghan government, the United States' NATO allies, and Pakistan, enables insurgent commanders and their supporters to realign with the Afghan government. The overriding lesson of the U.S. experience in Iraq—first its failures and more recently its successes—is that no occupying power can hope to quash an insurgency by killing and capturing its way to victory. It must make friends, especially among its enemies. In Afghanistan, a counterinsurgency strategy that includes a credible attempt at reconciliation is more likely to achieve stability than one that relies solely on foreign troops and victories in the battlefield.

#### WHERE THE WIND BLOWS

THE IDEA that large groups of armed men bent on killing Americans and other Westerners can be persuaded to change sides may seem fanciful at first. But it is not—at least not in Afghanistan. After continuing uninterrupted for more than 30 years, war in Afghanistan has developed its own peculiar rules, style, and logic. One of these rules is side with the winner. Afghan commanders are not cogs in a military machine but the guardians of specific interests—the interests of the fighters pledged to them and of the tribal, religious, or political groups from which these men are recruited. Few factors have motivated individual Afghan commanders over the years more than the desire to end up on the winning side. They have often switched camps midconflict. In doing so, they have not declared their loyalty to a new cause or a different tribe; they have argued that changing

*Fotini Christia and Michael Semple*

circumstances, such as a shift in the balance of power, demanded a strategic realignment. Their rationale was obvious: in a war that drags on, changing camps means living and holding on to power, as well as saving one's family and one's village. Thus in Afghanistan, battles have often been decided less by fighting than by defections. Changing sides, realigning, flipping—whatever one wants to call it—is the Afghan way of war.

Afghanistan's recent history is replete with examples of commanders choosing to flip rather than fight. In the most recent civil war, which lasted from the collapse of the erstwhile Soviet-backed regime in 1992 to the Taliban's capture of over 80 percent of Afghanistan in the fall of

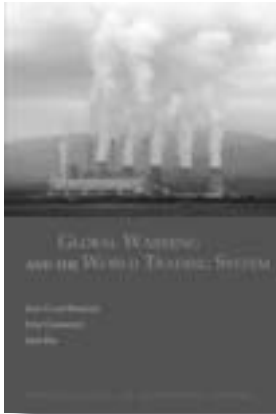
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More Taliban leaders  
must be encouraged  
to defect.

1998, the heads of mujahideen groups constantly shifted their allegiances. The Uzbek general Abdul Rashid Dostum was the Tajik commander Ahmad Shah Massoud's friend first, and then he was his foe. The Hazara leader Abdul Ali Mazari fought against the Pashtun headman Gulbuddin Hekmatyar before fighting by his side. More than the fighting, it was this flipping that decided major outcomes. Constantly shifting alliances meant no single group could gain the upper hand; it was mass revulsion at the mujahideen warlords' depredations that eventually allowed the Taliban to persuade many factions to side with them. By the time the Taliban reached Kabul, their ranks were teeming with fighters once allied with someone else.

The Taliban have long marketed themselves as the Afghan faction most successful at maintaining internal cohesion and avoiding defections, but even its alliances were fluid when the U.S.-led war began in 2001. Large infusions of U.S. dollars, overtures from mujahideen and tribal figures alongside whom commanders and fighters had battled earlier, and the promise of honorable positions in the new order prompted many early realignments. Taliban leaders were willing to negotiate. In December 2001, with the movement in full collapse, Mullah Omar publicly offered to surrender the Taliban's stronghold, Kandahar, to Afghan tribal leaders. Soon after the Taliban fell, a brother of a top mujahideen figure aligned with al Qaeda, Jalaluddin Haqqani, participated in consultations with Afghan government patrons in Khost, a subtle indication that the family was seeking

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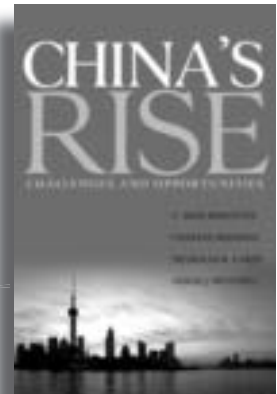
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### *Flipping the Taliban*

entrée into the new Afghanistan. It was only after these overtures led nowhere that the family's network joined the insurgency.

For all their reputed fanaticism, in other words, Taliban commanders will leave the movement and shift allegiances if the conditions are right. In December 2004, the senior Taliban commander Abdul Wahid announced that he had reconciled with the Afghan government. His move was justified, he argued, because he had essentially been released from any obligations to Mullah Omar in December 2001, after Mullah Omar asked him to lead the delegation that would surrender Kandahar to pro-coalition forces and thereby forsook his exalted position as "Commander of the Faithful." This rationale allowed Wahid to keep affirming his commitment to building an Islamic state in Afghanistan even as he announced that the Afghan president, Hamid Karzai, was his new leader. There are plenty of similar examples of Taliban commanders who have turned: the Hotak brothers of Wardak Province, who had held senior positions in the Taliban; Nur Ali Haidery Ishaqzai, the director of Ariana Afghan Airlines under the Taliban; Abdul Salam Rocketi, once the Taliban corps commander in Jalalabad and now a member of parliament; and Arsala Rahmani, a deputy minister under the Taliban turned senator today.

But such cases are still too rare, and more Taliban leaders must be encouraged to defect. One way to achieve this is to make it easier for them to borrow Wahid's argument. This would mean portraying those who align with Kabul and the coalition forces as patriotic Taliban truly devoted to the causes of Islam and an independent Afghanistan and those who persist in opposing progress by the central government as unpatriotic. Reconciliation in Afghanistan requires distinguishing the "good" Taliban from the "bad."

#### FEEBLE AND FUTILE

SO FAR, Afghan leaders and their U.S. backers have made only half-hearted, ill-funded, and largely futile efforts to exploit the willingness of Taliban commanders to switch sides. Reconciliation with the Taliban has never been a sufficiently high priority for the Karzai government or Washington for either to put in place a coherent strategy encouraging defections from among the movement. Worse, the United

*Fotini Christia and Michael Semple*

States' misguided approach to the detention of suspected Islamist terrorists in Afghanistan, spurred on by political insiders in Kabul (mostly members of the non-Pashtun Northern Alliance) eager to harass personal rivals, drove people who might otherwise have cooperated into the insurgency. In other words, the people charged with stabilizing Afghanistan forfeited one of the most powerful tools at their disposal. In February 2002, for example, Wakil Ahmad Mutawakil, the Taliban's foreign minister and a man widely regarded as the most reasonable Taliban leader, voluntarily approached the new Afghan authorities expressing a desire to join the new order. He was arrested, detained in the U.S.-run prison at Bagram Air Base for 18 months, and then held under house arrest.

There have been many other such cases. Abdul Haq Wasiq, the Taliban's deputy minister of intelligence, and Rahmatullah Sangaryar, a senior field commander from Uruzgan, were shipped off to the U.S. prison camp at Guantánamo Bay, Cuba, after seeking government protection. So was Sahib Rohullah Wakil, the head of the Salafi movement in eastern Afghanistan, who had been elected to the Loya Jirga, or grand council, that convened in June 2002. Scores of fighters belonging to Wasiq's, Sangaryar's, and Rohullah's networks were once ready to recognize the Afghan government and lay down their arms, but they have not. The message from Washington and its Afghan allies could hardly have been clearer: hold out an olive branch, and you will go straight to jail.

Furthermore, what should have been the flagship program in the reconciliation process, the Afghanistan National Independent Peace and Reconciliation Commission (better known by its Dari abbreviation, PTS), has been a lackluster effort. Launched in 2005 and led by a former jihadi leader, Sibghatullah Mojaddedi, the PTS was given an ambitious agenda—to reintegrate former fighters into society—but almost no resources to carry it out. The commission has handed out certificates to former fighters declaring that they have joined the program and so should not be subject to prosecution. But it has never had the wherewithal to protect ex-fighters from retribution by the Taliban or harassment by the government. The PTS office in Kandahar, where the Taliban have their base and which is thus the most crucial part of the country for reconciliation, is a parody of the program. Its monthly budget, barely \$600, is



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supposed to both cover its operating costs and support all the former fighters who choose to defect. The office's efforts have been minimal—it disseminates fliers and provides meager housing subsidies—and its record is dismal. Of the roughly 7,000 people whom the Kandahar office has certified during its four years in operation, fewer than a dozen were bona fide midlevel Taliban officials. The rest were foot soldiers or had no real links to the Taliban. The commission has no program for systematically following up with those it has processed. In the absence of any effective measures by the PTs, former fighters genuinely eager to put down their arms have found themselves caught between Scylla and Charybdis: harassment by either government security officials or insurgents.

Once reconciliation receives the attention it deserves within the overall strategy to rebuild Afghanistan, the Afghan government will need to overhaul its approach to wooing fighters and looking after them. It will need to act strategically, focusing on striking deals with important insurgent networks rather than with average fighters. And it will have to integrate the efforts made by Afghan government agencies and international groups to address the security, political, and economic needs of the networks coming on board.

Of all the shortcomings of the Afghan government and its NATO allies, it is the failure to provide security for ordinary Afghans that has most prevented large-scale reconciliation in the country. The Taliban have worked diligently to make the costs of reconciliation prohibitively high. "It is amazing to see how sensitive and scared everyone in Kandahar is to talk about the Taliban and the government reconciling," an Afghan scholar researching the reconciliation conundrum told us in April. "There is no [government] strategy in place to defy antipeace and antireconciliation attempts." Indeed, so far, the weakness of the Karzai administration and the steady spread of insecurity across the country's Pashtun areas, in the east and the south, have boosted the position of those insurgents who favor continuing the conflict.

In order for reconciliation to work, ordinary Afghans will have to feel secure. The situation on the ground will need to be stabilized, and the Taliban must be reminded that they have no prospect of winning their current military campaign. If the Afghan government offers reconciliation as its carrot, it must also present force as its stick—hence, the importance of sending more U.S. troops to Afghanistan,

*Fotini Christia and Michael Semple*

but also, in the long term, the importance of building up Afghanistan's own security forces. Reconciliation needs to be viewed as part of a larger military-political strategy to defeat the insurgency, like the one Washington has pursued recently in Iraq: win over the insurgents who are willing to reconcile, and kill or capture those who are not.

### THE PRICE OF PEACE

A FOCUSED CAMPAIGN to win the cooperation of significant elements within the Taliban can succeed. For one thing, there is popular support for reconciliation in Afghanistan. In a nationwide poll sponsored by ABC News, the BBC, and ARD of Germany and conducted in February 2009, 64 percent of the respondents stated that the Afghan government should negotiate a settlement with the Taliban and agree to let the group's members hold office if they agree to stop fighting.

One model of inclusion is the talks between the Taliban and Afghan officials that took place in Mecca under the auspices of the Saudi government last fall. By hosting and endorsing the process, Riyadh generated greater engagement from core Taliban leaders with its initiative than had been generated by previous ones because of the moral authority the Saudi kingdom has within the movement. Informal feedback we received from insurgents suggested that the Saudi process helped promote dialogue and prompted different parts of the insurgency to contemplate what an eventual settlement might involve.

That said, it would be a distraction to focus too much on the prospect of a comprehensive settlement: in the short and medium terms, it seems highly unlikely that Taliban leaders will be willing to strike a broad deal with the Afghan government. They might not even be capable of doing so, because the Taliban is not a unified or monolithic movement. Some leaders and commanders who are influential within the movement are open to rapprochement, but a dialogue conducted through a single authorized channel could be hijacked by Taliban hard-liners: no Taliban leader would be prepared to openly challenge the hard-liners' resistance to dialogue. Reconciliation is an incremental process, and it should start before the pursuit of any comprehensive settlement.

One important step is for the Afghan government to tailor its approach to the needs of the fighters. The Taliban are predominantly Pashtun

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and conservative, but the movement also contains legions of men who fight for reasons that have nothing to do with Islamic zealotry. For many, insurgency is a way of life. The fighters are affiliated with particular commanders and receive comradeship and protection within their group. Unless they protect a drug-trafficking route, they tend not to be highly paid, but an occasional stipend from their commander is better than unemployment. And even if many fighters are fundamentally nonideological, membership in an insurgent network—in which elders and peers tell them that opposing foreign forces is virtuous—offers a kind of respectability. A well-organized reconciliation program would thus have to offer substitutes for all these benefits: comradeship, security, a livelihood, and respectability.

Another important element of a reconciliation strategy will be to recognize the specific needs of each group. The Afghan insurgency combines, on the one hand, the original Taliban idea that the movement is supratribal and that its fighters are pledged to a single leader and, on the other, traditional Afghan affiliations with multiple local and other groups. Networks of commanders play an important role. The group mobilized by the jihad-era veteran Haqqani, for example, runs one of the insurgency's most effective fronts in Kabul and southeastern Afghanistan out of its base in Waziristan. It has vested authority in one of Haqqani's sons and directly cooperates with al Qaeda and Pakistani jihadi groups; it is only nominally subordinated to Mullah Omar's Taliban in Kandahar. These command relationships differ fundamentally from those of a modern army or political party. The bulk of the Taliban's military operations are conducted by fighters operating within their home provinces, where their relationship to the local population is defined by their tribal status and political backgrounds rather than by the authority granted to them by the Taliban leadership in Quetta or Waziristan.

Reconciliation efforts will therefore have to zero in on the particular characteristics of each group: its tribal links, its traditions, the special conditions under which it functions. Any initiative to approach these groups should be spearheaded by interlocutors who have both credibility inside the Afghan establishment in Kabul and

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For many Taliban fighters, insurgency has nothing to do with Islamic zealotry; it is a way of life.

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ties to insurgent networks. The trick will be to engage a critical mass of local commanders simultaneously. Reconciliation diplomacy must woo enough commanders in any single area to make recalcitrant fighters feel excluded, and it must enable the government to make a credible case that it can back commanders and their followers when they realign.

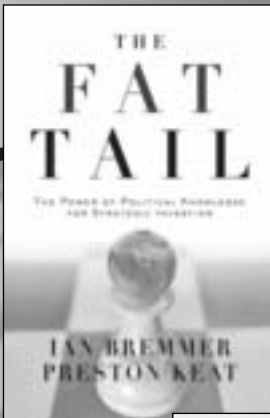
This vision of reconciliation concerns itself not so much with getting foot soldiers to lay down their arms as with building alliances with commanders and their troops. Fortunately, this also means the undertaking would not be prohibitively expensive. In Iraq, the U.S. government and then the Iraqi government put 100,000 Sunni gunmen on the payroll, many—if not most—of them former insurgents, for about \$300 a month each. That amounts to \$30 million a month, a reasonable amount given the costs of the war. In Afghanistan, the same amount could be used to give as many as 250,000 insurgents about \$120 a month, which is equal to the average monthly salary of a low-ranking member of the Afghan National Army.

### A POLITICAL SURGE

THE HEART of the reconciliation effort must first be a deal among Afghans. But now that the conflict has become internationalized, peace will also require international involvement. The core rationale for the current NATO mission in Afghanistan is to ensure that the Afghan authorities can prevent the Taliban's al Qaeda allies from exploiting Afghanistan as a base for terrorist operations. If they want to extricate themselves from the insurgency and become part of Afghanistan's new deal, Taliban commanders will have to demonstrate that they have broken with al Qaeda. They will have to exclude the global jihadists from their areas of influence. This is a message that Washington and its NATO partners need to disseminate among the insurgents.

As a tradeoff and to create an incentive for the insurgents to cooperate, the U.S. government and its allies should gradually hand over responsibility for the country's security to the Afghan national forces. After the Saudi talks, several leaders of the insurgency, such as Aga Jan Mohtasim, who was once the Taliban's finance minister, various official Taliban spokesmen, and some commanders of Hezb-i-Islami,

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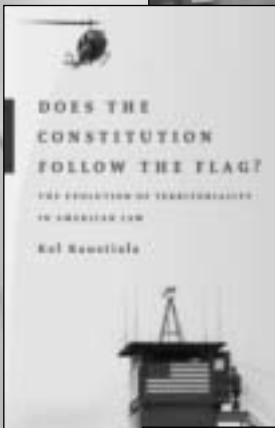


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started taking more political stands. For example, invoking the specter of the Soviet Union's humiliating defeat two decades ago, they have bandied around ideas for a timetable for the departure of foreign troops. Given the current security situation, no such timetable is likely or desirable. Still, it would be helpful to point out to the insurgents that progress on reconciliation, including their cooperation on security, would be the best way to get the foreign troops out. That is, Washington should substitute the model of the British experience in Northern Ireland for the the Soviet one in Afghanistan.

The United States is rightly committed to ensuring that Afghan forces, principally the police and the army, take over responsibility for the country's security; any U.S. military surge is essentially a temporary fix. On this point, ironically, U.S. policy converges with the insurgents' goals. Although a grand bargain in which Mullah Omar and his followers sign on to a nation-building process supported by the United States is unlikely, miniature versions of such a deal are attainable. The "patriotic" Taliban must be allowed to claim some of the success for the Afghanization of the country's security. Commanders and fighters should be formally associated with or absorbed into the police or the army, for example, which would allow the foreign troops to slip into the background. The real test of the commanders' commitment will be whether they can end attacks in their home provinces, cut off logistical support from insurgent rear bases, and cooperate with civilian activities aimed at their and their fighters' reintegration into Afghan society.

### PAX PAK

RECENT DEVELOPMENTS in Pakistan, namely the expansion of the militants' influence and their success in paralyzing law enforcement efforts, are both a threat and an opportunity for reconciliation in Afghanistan. The Pashtun and Punjabi militants of Pakistan are distinct from Mullah Omar's Taliban fighters. But all these groups share a comradeship originally forged under the Taliban's rule in Afghanistan, between 1996 and 2001, during which some 5,000–7,000 Pakistani fighters served with the Taliban military at any given time. Now, the Afghan Taliban think it is unlikely that the Pakistani government will pressure them to give up their fight. And they see in the

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Pakistani Taliban's growing confidence and military strength a chance to get more support for their own armed struggle. The Afghan logic of siding with the winner means that the expansion of the insurgency in Pakistan makes even those Afghan Taliban most amenable to reconciliation with the Afghan government less likely to give in.

This is an obstacle, of course, but also an opportunity. Like it or not, the leaders, commanders, recruiters, financiers, and families of those running the Afghan insurgency are predominantly based in Pakistan, away from the war zone. Thus, a process of reconciliation based on accommodation with key networks of commanders within the insurgency—rather than with the whole of the Taliban leadership or the movement's foot soldiers—would have to start in Pakistan, where these networks are most accessible. And so Washington should encourage and help coordinate a low-profile but intensive dialogue between internationally backed mediators and the networks of commanders in Pakistan. It should include talks about how to exclude al Qaeda from Afghanistan and ultimately also Pakistan, find common ground on security arrangements for Afghanistan, and open up the way for insurgents to extricate themselves from the armed struggle and rejoin mainstream Afghan life. Insurgent networks cohere at least as much on the basis of social and economic interests as on political and ideological grounds; thus, the success of engagement will depend on building confidence. Much tea will have to be drunk to persuade commanders to realign.

To date, the supporters of reconciliation in Afghanistan have assumed that any serious effort to engage commander networks in Pakistan could be disrupted by the insurgency's backers. Now that U.S.-Afghan-Pakistani relations are being recalibrated, Washington is on the lookout for ideas about how Pakistan could do more to support progress in Afghanistan. Pakistan's backing of a low-profile political dialogue, even one that yielded only an agreement not to disrupt the process, would open up a whole new field of possibilities. What is needed is the creation of a sort of reconciliation safe haven in Pakistan. The mediation team should be allowed to operate without fear of government harassment in the areas currently exploited by commander networks: the Northwest Frontier Province, Baluchistan, the so-called tribal areas, and Pakistan's big cities. Such freedom of



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operation could help build confidence and create a foundation for a future settlement.

#### TEA-DRINKING DIPLOMACY

THE OBAMA administration and its Afghan counterparts will have to get many things right in order to salvage the reconstruction effort in Afghanistan. Reconciliation with Afghan insurgents is one important component of any new successful strategy. But another three issues will also determine the fate of such a project: the outcome of the upcoming Afghan presidential election, the success of efforts to improve governance, and the effectiveness of the new campaign to boost security.

President Karzai has promoted many of his appeals for reconciliation with the insurgents by pledging his personal support. But given his diminished personal standing and the mounting uncertainty about the future of his leadership, significant progress is unlikely unless he changes his policies or a new president with the authority to cut credible deals is elected. And given that corruption, arbitrary detentions, and factionalized local governance have helped drive so many people to join the armed resistance, progress is only likely where such predatory behavior can be reined in. Finally, it is only if the United States' military surge can demonstrably stem the insurgents' influence in Pashtun areas that militants there will start to believe that they might be able to stay alive if they realign with the government.

If these conditions are met, a comprehensive strategy for reconciliation—launched with tea-drinking diplomacy that involves both Afghan and international parties and creates a safe haven for negotiations with Taliban commanders in Pakistan—could help bring stability to Afghanistan. Such an effort would not end the insurgency, but it would allow the residual military action to focus on rooting out its irreconcilable elements. Time is short, and effective engagement with the Taliban could mean the difference between a protracted, unwinnable conflict and a pragmatic solution acceptable to both Washington and its Afghan allies. 🌍

# Tehran's Take

## Understanding Iran's U.S. Policy

*Mohsen M. Milani*

ALTHOUGH A great deal has been written about the United States' policy toward Iran, hardly anything comprehensive has been produced about Iran's policy toward the United States. Given Washington's concerns that the United States faces "no greater challenge from a single country than from Iran," as the 2006 National Security Strategy put it, this lack of serious attention is astonishing. What does exist is sensationalistic coverage about Iran's nuclear ambitions and about mad mullahs driven by apocalyptic delusions and a martyr complex. That picture suggests that Iran's policy consists of a series of random hit-and-run assaults on U.S. interests and that its leaders, being irrational and undeterrable, must be eliminated by force.

In fact, Tehran's foreign policy has its own strategic logic. Formulated not by mad mullahs but by calculating ayatollahs, it is based on Iran's ambitions and Tehran's perception of what threatens them. Tehran's top priority is the survival of the Islamic Republic as it exists now. Tehran views the United States as an existential threat and to counter it has devised a strategy that rests on both deterrence and competition in the Middle East.

To deter any possible military actions by the United States and its allies, Iran is improving its retaliatory capabilities by developing the means to pursue asymmetric, low-intensity warfare, both inside and

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outside the country; modernizing its weapons; building indigenous missile and antimissile systems; and developing a nuclear program while cultivating doubts about its exact capability. And to neutralize the United States' attempts to contain it, the Iranian government is both undermining U.S. interests and increasing its own power in the vast region that stretches from the Levant and the Persian Gulf to the Caucasus and Central Asia. Although it is being careful to avoid a military confrontation with the United States, Tehran is maneuvering to prevent Washington from leading a united front against it and strategically using Iran's oil and gas resources to reward its friends.

Iranian foreign policy today is as U.S.-centric as it was before the 1979 revolution. Mohammad Reza Shah Pahlavi relied on Washington to secure and expand his power; today, the Islamic Republic exploits anti-Americanism to do the same. Policy has been consistent over the years partly because it is determined by the supreme leader, who is also the commander of the security and armed forces and serves for life. Iran's defiance has in some ways undermined the country's national interests, but it has paid huge dividends to the ruling ayatollahs and helped them survive three tumultuous decades in power.

Today, Ayatollah Sayyid Ali Khamenei is the supreme leader, and he makes all the key policy decisions, usually after Iran's major centers of power, including the presidency, have reached a consensus. This means that the outcome of the presidential election in June will have some, although probably limited, ramifications for Iran's foreign policy. President Mahmoud Ahmadinejad and his two major reformist rivals, Mir Hossein Mousavi and Mehdi Karroubi, have all supported engaging in negotiations with Washington—a political taboo just a few years ago. Ahmadinejad would be less likely to compromise than his more moderate competitors, but, thanks to the support he has among major anti-American constituencies inside and outside the Iranian government, he would be in a better position to institutionalize any shift in policy. Although Iran's president can change tactical aspects of the country's foreign policy, he cannot single-handedly alter its essence. Only Khamenei, the ultimate decider, can do that. And he will do that only if a fundamental change in policy would not undermine his own authority and if it enjoys broad support from among the major centers of power.

### THE HUNGRY WOLF AND THE FAT SHEEP

THE ROOTS of anti-Americanism in Iran—really, an opposition to U.S. policies—can be traced to the 1953 coup against Mohammad Mosaddeq, which was backed by the CIA and MI6. Anti-American sentiment was strengthened when in 1964 Ayatollah Ruhollah Khomeini, who would become Iran’s first supreme leader after the revolution, opposed a treaty granting legal immunity to U.S. military advisers in Iran and declared that Iran had become a “U.S. colony.” By 1979, the revolutionaries were portraying the Iranian monarch as “America’s shah” and had made “independence” a defining slogan of their movement. After the taking of hostages at the U.S. embassy in Tehran that year, anti-Americanism became an enduring feature of the state’s Islamic ideology. Since then, Iran’s leaders have deftly linked the survival of the Islamic Revolution to Iran’s independence, depicting the United States as antithetical to both. No one has drawn this link more vividly than Khomeini: he called the United States “the great Satan” and compared U.S. relations with Iran to those between a hungry wolf and a fat sheep. As hostility between the two states intensified, a Manichaean security paradigm developed in both of them. Each one came to perceive the other as a mortal enemy in a zero-sum game. Anti-Americanism and anti-Iranian feelings became two sides of the same coin.

For decades, the Iranian regime has used anti-Americanism to crush its opponents at home and expand its power abroad. After 1979, documents selectively released by the radical students who occupied the U.S. embassy were invoked to establish links between opponents of the Islamic Republic and the U.S. government. Hundreds of people were consequently defamed, jailed, or exiled. In the 1980s, when the young regime was simultaneously struggling to consolidate its rule and fighting a war with Iraq, allegations that the U.S. government was attempting to stage coups in Tehran and prevent Iran from winning the war strengthened the sentiment.

Over time, anti-American constituencies in Iran have proliferated and gained ground in various institutions. Some of them oppose the United States for purely ideological reasons. Others have substantial economic interests in preventing the normalization of relations between

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Tehran and Washington: they profit from domestic black markets and international trade routes established to bypass U.S. sanctions. Moreover, the foreign organizations that Iran supports throughout the Middle East, and that Washington considers to be terrorist groups, have created effective lobbies in Iran that thrive on this animosity.

Yet now, as under Khomeini, the intensity of the anti-Americanism prevailing in Iran is ultimately determined by the supreme leader. As president, Khamenei declared in 1981, "We are not like [Salvador] Allende [a Chilean president ousted by a coup allegedly backed by Washington], liberals willing to be snuffed out by the CIA." Today, Khamenei still considers the United States to be an existential threat. Washington surrounds Iran with bases in Bahrain, Kuwait, and Qatar and massive troop buildups in Afghanistan and Iraq. It makes friends with the leaders of Iran's neighbors. And its nuclear-equipped naval carriers patrol the Persian Gulf. Khamenei sees the United States as isolating Iran, strangling it with economic sanctions, sabotaging its nuclear program, and beating the drums of preemptive war. He thinks Washington is pursuing regime change in Tehran by funding his opponents, inciting strife among Iran's ethnic minorities, and supporting separatist organizations such as the Baluchistan-based Sunni insurgent group Jundallah, which has killed scores of Revolutionary Guard members.

#### PREFER TO DETER

TEHRAN HAS responded to Washington's policy of containment with a strategy of deterrence. Tehran first developed this strategy against Iraq after Iraq invaded Iran in September 1980 and then, as the 1980s unwound and the menace of Iraq faded, redirected it toward the United States. Today, this approach is the result both of Iran's perception of its vulnerabilities and of the constraints that the international community has imposed on the country.

Iran's deterrence strategy has four components. The first is developing the means to fight an asymmetric, low-intensity war, inside and outside the country. In recent years, particularly after U.S. troops arrived in Afghanistan and Iraq, the Revolutionary Guards have played an increasingly important role in maintaining internal order. They

*Mohsen M. Milani*

have also improved Iran's retaliatory capability in case of an invasion or surgical strikes against its nuclear facilities or the headquarters of its security forces. Khamenei's recent decision to decentralize the command-and-control structure of the Revolutionary Guards serves this purpose. So do the alleged ability of Iran's troops to transform themselves into nonconventional forces within days and Iran's thousands of small Iranian-made assault boats, which could create havoc for the U.S. Navy, as well as its thousands of motorcycles equipped with light artillery, which could impede the advances of an invading army. Iran's support for terrorist actions against U.S. interests in the Middle East is part and parcel of its strategy of asymmetric warfare. For example, in 1983, during the civil war in Lebanon, a group associated with the Iranian-backed Hezbollah killed 220 U.S. marines.

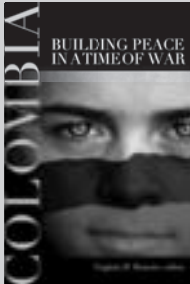
The modernization of Iran's weapons systems is the second component of its deterrence strategy. Decades of arms embargoes from the West have left Iran with limited access to advanced weapons, and Iran has consequently purchased relatively small arms supplies. Between 2002 and 2006, it spent \$31 billion on military purchases, compared with \$109 billion for Saudi Arabia and a total of \$48 billion for Bahrain, Kuwait, Oman, and the United Arab Emirates—four states with a combined population smaller than that of the city of Tehran. The embargoes have also caused an indigenous military-industrial complex to develop, controlled and financed by the state. It employs thousands of people and is connected to the country's major universities and think tanks. Most important, it is in charge of research and development for Iran's missile and nuclear technologies.

Developing indigenous missile and antimissile systems is the third leg of Iran's deterrence strategy. Tehran began building missiles during the Iran-Iraq War and accelerated its program after the "war of cities," in 1988, when both states showered the other's cities with missiles. Iran has used technical support from China and Russia to to develop its missile technology. Now, it manufactures its own missiles and claims that two types, the Shahab and the Ghadr, can reach Israel. These missiles are known for their inaccuracy and limited offensive application. But they give Iran the power to retaliate against attacks, particularly in the Persian Gulf, where it could readily upset international navigation.



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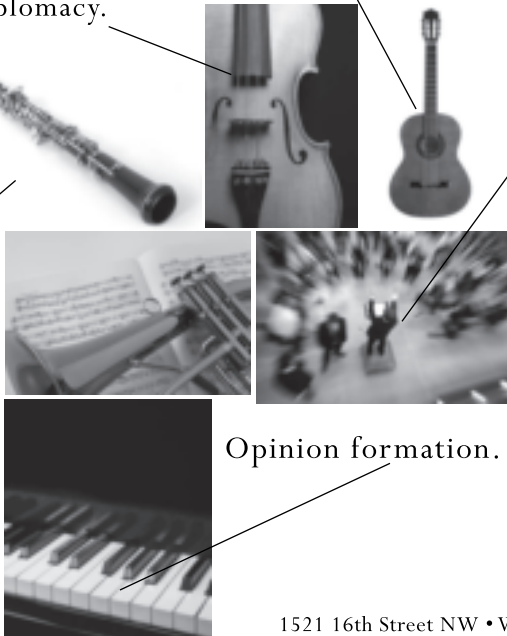
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### *Tehran's Take*

The fourth component of Iran's deterrence strategy is its nuclear program. The Iranian government claims that its program is designed for peaceful purposes—using nuclear weapons would violate Islamic law, it says—but Washington (and much of the West) accuses it of having a secret program to build the bomb. So far, the International Atomic Energy Agency has found no smoking gun or any evidence that Iran has diverted its nuclear program toward military purposes. But nor has it been able to confirm Tehran's peaceful intentions, because the Iranian government has refused to answer some major questions. Now that Iran has joined a small club of countries that can enrich uranium to a low level of purity, it seems unlikely to cave in to international pressure and accept zero enrichment in the future.

Why, given all the sanctions imposed by the United Nations, does Iran not cry uncle and stop its nuclear program? For one thing, by insisting that its nuclear project is essential for the country's domestic energy needs and scientific development, Tehran has effectively turned U.S. opposition to its program into a nationalist cause, pointing to it as proof that Washington intends to hold Iran back. (In an attempt to awaken national pride, the government has had the atom symbol printed on 50,000 rial bills.) For another, the nuclear impasse creates an excellent bargaining chip for Tehran in future negotiations. This may be the reason that Iran's leaders are cultivating uncertainty about the country's actual capability. It does appear, however, that they have decided to develop the infrastructure to build the bomb but not yet the bomb itself. (Former President Ali Akbar Hashemi Rafsanjani claimed in 2005, "We possess nuclear technology that is not operationalized yet. Any time we decide to weaponize it, we can do so rather quickly.") Iran and the United States seem to be engaged in a game of poker, with Tehran not showing its cards about its nuclear capabilities and Washington refusing to exclude the possibility of attacking Iran. Washington has the better hand, but the better hand does not always win.

#### COUNTERCONTAINMENT

FOR THREE decades, the United States has sought to contain Iran and has imposed on it a variety of sanctions in an effort to do so. To try to neutralize these measures' effects, Iranian leaders have played

*Mohsen M. Milani*

major powers off against one another, forged alliances of convenience, and asserted Iran's interests at the regional and global levels.

First, Iran has tried to create a wedge between the United States and the United States' European allies. Iran's leaders believe that increased trade with the European Union will allow them to exploit differences among the organization's 27 members and discourage it from supporting regime change in Tehran, the total containment of Iran, or a military attack. In other words, they see the EU as a potential counterweight to the United States. After Iran restarted its uranium-enrichment activities in 2003, the EU ended its "constructive engagement" policy and imposed limited sanctions on Iran to tame its nuclear ambitions. Although these restrictions have prevented both Iran from gaining access to advanced technologies and European firms from making substantial investments in Iran, they have had a negligible impact on the overall volume of trade. The EU remains Iran's leading trading partner, accounting for about 24 percent of Iran's total international trade: the EU's total imports from Iran (mostly energy) increased from 6.3 billion euros in 2003 to 12.6 billion euros in 2007, and its exports to Iran (mostly machinery) remained the same, at about 11.2 billion euros, during that period. On the other hand, the fact that France, Germany, and the United Kingdom supported the referral of Iran's case from the International Atomic Energy Agency to the UN Security Council in 2005 proved the limits of Iran's wedge policy. The move, which highlighted the determination of the major Western powers to tame Iran's nuclear ambitions, was a major defeat for Tehran and a major victory for Washington.

The second component of Iran's strategy to undermine the United States' containment measures is to move closer to states that could counterbalance the United States. Iran has signed major economic and military agreements with China and Russia. It sees these two countries as natural allies, since they oppose the United States' unilateralism and its efforts to isolate Iran and have only reluctantly backed the sanctions against Iran. But the fact that they have supported the UN sanctions at all has proved to Tehran that when pressed, Beijing and Moscow are more likely to gravitate toward Washington than toward Tehran. Russia has not yet finished building the Bushehr nuclear reactor, which it had committed to completing by 2006, and

### *Tehran's Take*

Moscow may be willing to pressure Tehran to change its nuclear policies if the Obama administration decides not to build antimissile systems in Russia's neighborhood.

But Iran continues its efforts. With little alternative but to rely on China and Russia as counterweights to the United States, it recently asked to upgrade its status in the Shanghai Cooperation Organization, a six-party security organization that includes China and Russia, from observer to full member so that it would receive assistance from other members if it were ever attacked. It has also become much more active in trying to popularize anti-Americanism within the Non-aligned Movement and the Organization of the Islamic Conference, and it has solidified its ties with Washington's most vocal opponents in the United States' backyard: Bolivia, Cuba, Ecuador, Nicaragua, and Venezuela.

The third facet of Iran's countercontainment strategy is to use its energy resources to reward its allies. No country in the region is as well endowed with energy resources as Iran is, not even Saudi Arabia: Iran's oil reserves total about 138.4 billion barrels, and its natural gas reserves total about 26.5 trillion cubic meters. (Although Saudi Arabia's oil reserves, which total approximately 267 billion barrels, are larger than Iran's, its natural gas reserves, which total about 7.2 trillion cubic meters, are much smaller.) Oil diplomacy has long been a strategy of Tehran's, of course. During the Rafsanjani presidency, it briefly served as a means to start normalizing relations with Washington. In that spirit, Iran signed in early 1995 a \$1 billion oil deal with the U.S. energy company Conoco, the largest contract of its kind since 1979. But the deal was soon terminated when, under pressure from the U.S. Congress and U.S. interest groups opposed to any opening toward Iran, President Bill Clinton issued an executive order banning U.S. companies from investing in Iran's energy sector. A year later, the Iran-Libya Sanctions Act was passed, which penalizes foreign companies that invest more than \$20 million in Iran's energy industry. In reaction, in 1997 Tehran signed a \$2 billion deal with the French oil and gas company Total.

Meanwhile, many Western companies that have continued to want to do business in Iran have struggled to bid for its huge and untapped natural gas reserves. And to immunize itself against the effects of the

*Mohsen M. Milani*

sanctions and any potential boycott by the West, Iran has shifted its oil trade from the West to new markets. Before the 1979 revolution, the top five importers of Iranian oil were, in decreasing order, France, West Germany, the United Kingdom, Italy, and Japan. By 2008, they were Japan, China, India, South Korea, and Italy. Iran has also recently helped open up the Persian Gulf to China and Russia, signing multibillion-dollar contracts with the Chinese company Sinopec and granting Russia major concessions and access to the Azadegan oil field. Khamenei has even proposed forming with Russia a natural gas cartel modeled after OPEC.

Despite U.S. opposition, Iran has also made good progress on the construction of a so-called peace pipeline that would carry gas from the Persian Gulf to India through Pakistan, a project that would strengthen Iran's position as a major source of energy for those two countries. Nor should one underestimate the negative long-term implications for U.S. interests of China's and Russia's increasing involvement in the Persian Gulf, which Iran has facilitated, or of Tehran's recent move to use the euro in its international transactions, which has weakened the dollar. On the other hand, the sanctions have hurt Iran badly. Its plan for gas and oil pipelines that would connect the Persian Gulf to the Caspian Sea has stalled because of the restrictions. And its oil industry has been deprived of access to important modern technologies: as a result, Iran's oil production today remains significantly below what it was in 1979. In other words, the sanctions have been a lose-lose economic proposition for both the United States and Iran.

### RISING IN THE REGION

AFTER THREE decades of Washington's containment policies, Iran has nonetheless emerged as a regional power. The collapse of the Soviet Union allowed Tehran to expand its influence in the former Soviet republics, many of which it shares historical ties with. A decade later, the United States accelerated the process by overthrowing the Taliban and Saddam Hussein, Iran's neighboring nemeses. And by failing to reactivate the Arab-Israeli peace process and mismanaging the occupation of Iraq, Washington created enticing opportunities for Iran

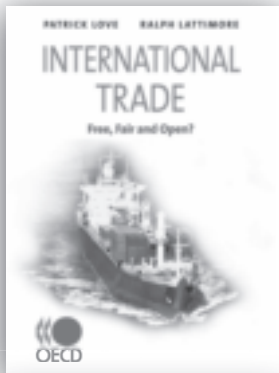
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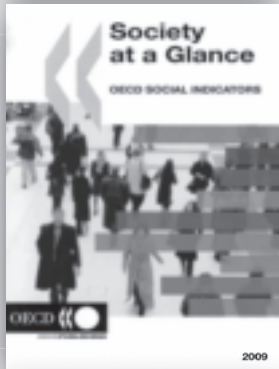
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### *Tehran's Take*

to expand its power. For the first time in a long while, Iran's influence now radiates west, north, and east. Iran now rightly considers itself an indispensable regional player.

These ambitions pit Tehran against Washington. As Mohsen Rezaei, a former commander of the Revolutionary Guards, stated in 2007, "It is our principal and indisputable right to become a regional power," and the United States "would like to prevent us from playing such a role." According to a March 2007 article in *The New York Times*, a recent UN sanctions package against Iran's nuclear program was passed in order to rein in what U.S. officials saw as "Tehran's ambitions to become the dominant military power in the Persian Gulf and across the broader Middle East."

A pivotal element of Iran's strategy of neutralizing the United States' containment policy is to create spheres of influence in Syria, Lebanon, and among the Palestinians, as well as in Afghanistan and Iraq, by supporting pro-Iranian organizations and networks there. (As Rezaei put it, "Iran has no meaning without Iraq, Lebanon, Palestine, and Syria.") An especially controversial part of this strategy is Iran's support for Syria, Hezbollah, Palestinian Islamic Jihad, and Hamas—the rejectionist front in the Arab-Israeli conflict. Iran's three-decade-long alliance with Syria is one of the most enduring alliances between Middle Eastern Muslim countries since the end of World War II. Iran's support of the Shiites of Lebanon and the Palestinians goes back many years. Rafsanjani was incarcerated in the 1960s for translating a pro-Palestinian book into Persian; Khomeini condemned the shah in 1964 for his de facto recognition of Israel; Khomeini also authorized Hassan Nasrallah, the leader of Hezbollah, to collect religious taxes on his behalf in support of the Lebanese Shiites; and many of Iran's current leaders received training in Lebanon in the 1960s and 1970s. At first, Iran's support for Hezbollah and the Palestinians had an ideological basis; now, it has a strategic rationale. It gives Tehran strategic depth in the heart of the Sunni Arab world and in Israel's backyard, which translates into a retaliatory capacity against Israel, as well as bargaining power in any future negotiations with the United States. Moreover, after centuries of using its influence mostly to defend Shiites, Iran is now increasingly trying to transcend the sectarian divide by supporting

*Mohsen M. Milani*

the Sunni groups Hamas and Palestinian Islamic Jihad. This, in turn, has undermined the regional position of such powerful Sunni countries as Egypt and Saudi Arabia.

That said, Iran's financial and logistical support for Hamas and Islamic Jihad should not be exaggerated. Tehran remains a peripheral player in the Arab-Israeli conflict. It has no compelling national interest in the dispute and is simply taking advantage of the failure of the peace process between Israel and the Palestinians. What makes Iran an influential player is not its financial support alone—Saudi Arabia and other Arab countries contribute substantially more to the Palestinians—but also the model of resistance it champions. Iran has helped Hezbollah develop an approach that combines Islamic solidarity, populism, some trappings of democracy, strict

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Tehran is trying to neutralize Washington's containment strategy by expanding its own influence in the Middle East.

organizational discipline, extensive economic and social support for the needy masses, and pervasive anticolonial and anti-Western sentiments—all in an effort to mobilize the streets of the Islamic world against Israel and the United States and expand its own power. The effectiveness of that model, and of its asymmetric strategies, was on display during Hezbollah's 34-day war with Israel in 2006. The group's use of antitank missiles and portable rockets, which Israel

claimed Iran had provided—a charge Iran has denied—inflicted enough damage on Israeli cities to create havoc and mass fear. Hezbollah appeared to have won because Israel could not score a decisive victory against it; the conflict marked the first time that an Arab force was not humiliatingly defeated by Israel. It boosted Hezbollah's popularity in many Sunni countries, gave Iran more credibility in the region, and undermined Washington's traditional allies, such as Egypt and Saudi Arabia, which had not supported Hezbollah. The war, along with the chaos in Afghanistan and Iraq and what the Iran expert Vali Nasr has called "the Shiite revival," has convinced Tehran that a new order is emerging in the Middle East: the United States no longer dominates, and Iran now plays a major role.



#### WHERE THE HARD THINGS ARE

THE COMPLICATED nature of the U.S.-Iranian relationship is most evident in Afghanistan and Iraq, where the convergences and divergences of the two sides' interests are the clearest. After the Soviet occupation of Afghanistan in 1979, Tehran became intensely engaged with its neighbor, and Iran subsequently became home to some two million Afghan refugees. Gradually, throughout the 1980s, it built new alliances and new networks with Shiite and Persian- and Dari-speaking minorities. (As the Afghanistan expert Barnett Rubin has put it, during that period, "ironically, the United States was indirectly aligned with 'fundamentalists' while Iran courted the 'moderates.'") Then, in the 1990s, while Pakistan and Saudi Arabia were providing critical support to the Taliban government, which itself backed al Qaeda, Tehran created a sphere of resistance in Afghanistan by supporting the Northern Alliance—a force that cooperated with the invading U.S. troops in 2001 in order to liberate Afghanistan from the Taliban. In helping dismantle the Taliban, in other words, Tehran effectively sided with the U.S. government—even providing Washington with intelligence.

Tehran maintained its policy toward Afghanistan even after U.S. President George W. Bush said Iran belonged to "an axis of evil." Today, still, it entertains close relations with the pro-U.S. government of Afghan President Hamid Karzai. And the convergence between Tehran's interests and Washington's interests in Afghanistan remains substantial. Both want to keep the country stable and prevent the Taliban's resurgence. Both want to control and possibly eliminate drug trafficking, the economic backbone of the region's terrorists and warlords. Both want to defeat al Qaeda (which considers Shiism to be a heresy). And both want to eventually rebuild Afghanistan.

At the same time, Iran's heavy involvement in the reconstruction of Afghanistan has allowed it to create a sphere of economic influence in the region around Herat, one of the most prosperous regions in the country. This, in turn, has helped stabilize the area by preventing al Qaeda and the Taliban from infiltrating it. Iran has also empowered the historically marginalized Afghan Shiites, such as the Hazara and the Qizilbash, who constitute about 20 percent of the Afghan population. At a donors' conference in Tokyo in January 2002, Iran pledged \$560 mil-

*Mohsen M. Milani*

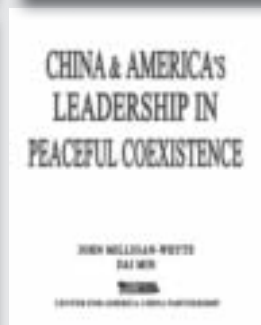
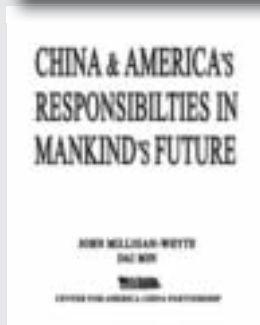
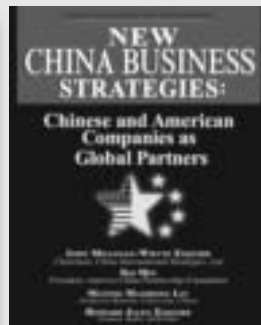
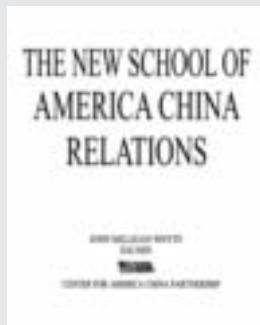
lion for Afghanistan's reconstruction, or approximately 12 percent of the total \$4.5 billion in international reconstruction assistance that was promised then. During a donors' conference in London in 2006, it pledged an additional \$100 million. And unlike many other donors, it has delivered most of its promised assistance. The bulk of the funds are targeted at developing projects for infrastructure, education, agriculture, power generation, and telecommunications. Iran hopes to become a hub for the transit of goods and services between the Persian Gulf and Afghanistan, Central Asia, and possibly also China.

This quest for influence in Afghanistan pits Iran against the United States in some ways. For example, Tehran opposes the establishment of permanent U.S. bases in Afghanistan. And to ensure that Washington will not be able to use Afghanistan as a launching point for an attack on Iran, Tehran is pressuring Kabul to distance itself from Washington. Uncertain about Afghanistan's future and Washington's intentions in the country, Iran is keeping its options open and trying to increase all its possible retaliatory capabilities against the United States. It maintains close ties with the Northern Alliance, as well as with warlords such as Ismail Khan, various Shiite organizations, and the insurgent leader Gulbuddin Hekmatyar and other anti-American fighters. It is turning the region around Herat into a sphere of influence: the bazaars there are loaded with Iranian goods, the area receives the bulk of Iran's investments in the country, and the Revolutionary Guards are reportedly visible and active.

The United States and Iran have tried to strike a fine balance in Iraq as well, but with much less success. If anything, Iraq has become center stage for their rivalry; there they have some common goals but also many more diverging ones. Iran's top strategic priority in Iraq is to establish a friendly, preferably Shiite government that is sufficiently powerful to impose order in the country but not powerful enough to pose a serious security threat to Iran, as Saddam did. Iran was the first country in the region to recognize the post-Saddam government in Baghdad. Since then, it has provided Baghdad with more support than even the staunchest of the United States' allies. It has a close relationship with the two parties that dominate the government of Prime Minister Nouri al-Maliki, as well as with the two major Kurdish parties. Like Washington, Tehran supports Iraq's stability, its new

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### *Tehran's Take*

constitution, and its electoral democracy, albeit in the parochial interest of ensuring the dominance of the country's Shiite majority. Like Washington, Tehran opposes Iraq's Balkanization, in its case partly for fear that such fragmentation could incite secessionist movements within Iran's own ethnically rich population. And like Washington, Iran considers al Qaeda in Iraq to be an enemy and seeks to eliminate it.

But as in Afghanistan, Iran is eager to engage in Iraq's reconstruction mainly in order to create an economic sphere of influence in the country, especially in the predominantly Shiite south, where many people of Persian descent live. It has pledged to spend more than \$1 billion for Iraq's reconstruction. Tehran seems to believe that with its existing influence in southern Iraq, including close ties to the major Shiite seminaries in Najaf, it can transform the region into a kind of southern Lebanon, creating a ministate within a state.

And then there are some major disagreements between Tehran and Washington. Tehran is determined to keep Washington mired in Iraq and prevent it from scoring a clear victory there. During the sectarian violence in 2004–7, Tehran supplied weapons to Shiite insurgents in Iraq, who then used them against U.S. troops. It supported the Mahdi Army and its founder, Muqtada al-Sadr, the radical Shiite cleric who opposes the U.S. presence in Iraq. Tehran is also vehemently opposed to the establishment of permanent U.S. bases in Iraq, for fear, as with those in Afghanistan, that the United States could use them to attack Iran. The status-of-forces agreement signed by the United States and Iraq in 2008 does seem to have diminished some of Iran's concerns, however. The agreement stipulates that U.S. forces will withdraw from Iraq no later than December 31, 2011, and that "Iraqi land, sea, and air shall not be used as a launching or transit point for attacks against other countries."

Iran's policies toward Iraq in the past few years suggest that when Iran feels threatened and its legitimate security needs and national interests are ignored or undermined, it tends to act more mischievously than when it feels secure. Its Iraq policy, therefore, is directly correlated with its perception of the threat posed by the United States. The security talks between Tehran and Washington launched at the urging of the Iraqi government in 2005 are thus very important. After these meetings began, and after the U.S. government launched its "surge"

*Mohsen M. Milani*

strategy in Iraq, the level of violence in Iraq subsided. Iran played a role in stabilizing the situation by pressuring its allies, including the Mahdi Army, to refrain from violence against Sunnis or U.S. troops. The simple fact that Baghdad is a close ally of both Tehran and Washington offers a chance for those two governments to build on their interests in Iraq.

### FULL ENGAGEMENT

ANTI-AMERICANISM IS not an insurmountable obstacle to normalizing relations with Iran. For one thing, Iran's elites are heterogeneous; they consist of two rival factions, both of which have come to favor, like a significant portion of the population, normalizing relations with the United States. For another, *maslehat*, or "expediency," is a defining feature of Iranian politics. Even the most ideological of Iran's leaders favor a cost-benefit approach to decision-making. According to the 2007 U.S. National Intelligence Estimate, Iran halted its nuclear weapons program in 2003 based on a cost-benefit calculation. Although the accuracy of that conclusion is debated, there is no question that Tehran has often resorted to that approach. When Iran needed advanced weapons during the Iran-Iraq War, Khomeini approved secret dealings with Israel and the United States, culminating in the Iran-contra fiasco. Despite its general opposition to the presence of U.S. troops in the region, Tehran remained actively neutral during the 1991 Persian Gulf War, seeing it as an opportunity to weaken its archenemy Saddam and improve relations with the West. The Revolutionary Guards, the most ideological group in the Iranian armed forces, rubbed shoulders with U.S. forces when they assisted the Northern Alliance in overthrowing the Taliban in 2001. Far from being a suicidally ideological regime, Tehran seeks to ensure the survival of the Islamic Republic while advancing the country's interests through negotiations.

Iranian policy toward the United States has a logic. It is a logic driven not by a single faction or a single issue but by a stable and institutionalized system of governance with both authoritarian and democratic features, with domestic constituencies and long-standing international alliances. It is a logic that made Iran into a regional power with

### *Tehran's Take*

substantial influence in Afghanistan, Iraq, Lebanon, and the Palestinian territories, and among millions of Muslims around the world. And it is a logic that, despite mounting international pressure, has made it possible for Iran to make advances in asymmetric warfare, nuclear technology, uranium enrichment, and missile and satellite technologies. Now, Iran legitimately demands that Washington recognize these advances and Tehran's new role as a major regional power.

Unless Washington understands that Tehran's U.S. policy has a rationale, it will not be able to develop a reasonable long-term strategy toward Iran. Invading the country is not a viable option. Nor are so-called surgical strikes against Iran's nuclear facilities, which would most likely lead to a protracted retaliation by Iran; a Tehran more defiant and more determined to become a nuclear weapons power; more terrorism; greater instability in Afghanistan, Iraq, Lebanon, and the Persian Gulf; and higher oil prices.

The challenge for the U.S. government is to give Iran incentives to reevaluate its strategy toward the United States. A carrot-and-stick approach designed to stop progress on Iran's nuclear program is unlikely to work. Focusing on a few contentious issues, such as Iran's uranium-enrichment activities, would do little to change the fundamental logic of Iran's U.S. policy. Moreover, the stick part of that approach would only strengthen the anti-American constituencies in Iran while hurting its people. Nor will democracy promotion work. More a feel-good fantasy than a viable strategy, this approach misleadingly assumes that democracy can be exported, like cars, or imposed by force and that a democratic Iran would no longer have any serious conflicts with the United States or pursue nuclear ambitions. Iran was considerably more democratic under Mosaddeq than under the shah, and yet its relations with the United States were much worse then.

A better approach is a strategy of full engagement, one predicated on gradually increasing economic, educational, and cultural exchanges between the two countries; exploiting the commonalities shared by their governments; and establishing concrete institutional mechanisms to manage their remaining differences. Washington must recognize that there is no diplomatic magic wand that can fix its "Iran problem" overnight; normalizing U.S.-Iranian relations will be a long and difficult process. Unless Tehran and Washington make a strategic decision to

*Mohsen M. Milani*

normalize relations, the many forces that continue to pull them apart are likely to derail the process.

As a first step, the United States should allay Iran's fears about regime change. It can do this by explicitly recognizing that Khamenei is the center of gravity in Iran's decision-making process and establishing a line of communication with his office. Holding direct, comprehensive, and unconditional negotiations with the Iranian government is Washington's least bad option. The two countries' negotiating teams must meet face-to-face to learn firsthand about each other's priorities and interests on all the important issues and break the psychological barriers that have kept the parties apart for three decades. Meanwhile, Washington should provide assurances to Israel and its Arab allies that they should not fear its rapprochement with Tehran and that Iran's nuclear policy will remain the main item on the United States' Iran agenda.

As the Obama administration reviews its options when it comes to Iran, it would do well to examine how, three decades ago, President Richard Nixon brought China back into the community of nations. It took almost eight years after the secret trip by Henry Kissinger, then U.S. national security adviser, to Beijing in 1971 for the United States and China to establish diplomatic relations. Anti-Americanism under Mao Zedong, China's support for North Vietnam, and China's arsenal of nuclear weapons were infinitely more threatening to the United States then than Iran's policies are now. Yet Nixon and Kissinger had the foresight to map out a new strategic landscape for Beijing. They did not punish it for its policies of the past; they gave it a reason to want something better in the future. And then the two countries built a better relationship on their common recognition of the threat posed by Soviet expansionism. Washington can, and should, do something similar with Tehran today and finally end three decades of hostility by highlighting the two governments' shared interests in defeating al Qaeda and stabilizing Afghanistan and Iraq. Tehran, for its part, must recognize that without some kind of understanding with Washington over the issues that matter to the U.S. government, it will not be able to fully benefit from its recent ascent as a regional power—and could even lose much of what it has gained. 🌐



“We need to move faster in terms of economic and financial cooperation. The vast majority of our economic relations, about 70 percent, are with the European Union. So there is clearly room for the United States to play a bigger role.”

**Cristian Diaconescu**

Minister of Foreign Affairs



# Romania

## New Europe beckons

**M**ember of the North Atlantic Treaty Organization (NATO) since 2004, member of the European Union (EU) since 2007, holder of the presidency of the Central European Initiative in 2009, and with its sights set on joining the euro area by 2014, Romania follows a steady path of regional and international integration. Accession to both NATO and the EU has required and brought important institutional changes and improvements to public administration, more competition in the economy, and a strong orientation toward its newfound international partners. Romania's people have enthusiastically supported this process, underpinned by rapid economic growth, reaching an 8.6 percent rise in GDP in 2008.

In a difficult global economic climate, forecasts for 2009 have been revised down. But optimism remains, while the country's leadership views the crisis also as an opportunity for a repositioning of the market. Geoana Mircea,

president of the Senate, calls for a more far-reaching modernization of Romania and of public services. “Somehow we are now forced to try to maximize our efficiency and to really move forward. Thus Romania would become more attractive to foreign business and

“We have an obligation to continue investing into open societies and into common values with our neighbors.”

**Geoana Mircea**

President of the Senate

Romania would recover from the crisis,” says Mircea.

It falls to Romania's recently elected government to manage the country's return to form. Prime Minister Emil Boc governs a grand coalition of the country's two main parties, giving him the potential for effective and urgent action.

Romania can also expect to receive about 20 billion euros in European structural funds for the period up to and including 2013 that will go some way toward supporting the investment sector and financing infrastructure development. Furthermore, a recently agreed to €20 billion emergency loan led by the International Monetary Fund (IMF) will provide the economy with the capacity to relaunch credit facilities.

For Romania, this is a time to also consider its long-term positioning. Access to the greater Central European and Black Sea region is a strategic opportunity, not least for its partners and allies in the EU and NATO, as Romania stays firm on its primary commitments. “U.S.-EU partnership is a project practically wanted by everyone,” says Minister of Foreign Affairs Cristian Diaconescu. “Of course, Romania will advocate any development in this direction and back any project that could strengthen this kind of partnership.”

## BANKING

### >> STRONG COMPETITION IN A GROWING SECTOR

Until very recently, Romania's banking sector was a favorite for international investors eager to cut into a fast-growing market. It has taken only twenty years for the Romanian finance sector to completely transform itself, abandoning a mono-bank system for one of intense competition. Today, more than forty banks operate in Romania, including a large number of foreign players from such places as Austria, France, Greece, and Italy, each attracted by the opportunities evident in Romania's developing banking environment.

Double-digit growth had meant banks could extend geographically and in terms of their product range, while also responding to the demands of an ever-more-sophisticated clientele. Harder times have now fallen on Romanian banking, which also suffers the consequences of the international financial crisis. Still, direct exposure to the worst of the crisis was limited, because as Mugur Isarescu, governor of the National Bank of Romania, ex-

plains, "The Romanian environment offered so many high-profit opportunities in classical products." Indirect challenges, such as dependence on the generosity of foreign mother banks, exchange rate fluctuations, and a drop in Romanian production, do affect the sector to the extent that banks are expected to place greater


"Profitability and solvency of the banking system remain good."

**Mugur Isarescu**  
Governor of the National  
Bank of Romania

emphasis on cost control measures and the optimization of revenues per client than on product differentiation.

Dominique Bruynseels, CEO of Banca Comerciala Romana (BCR), Romania's largest bank, remains upbeat about the future. BCR itself achieved record profits in 2008, following solid growth and efficient cost

control. Part of the Austrian Erste Group, BCR commands a 25 percent share of the Romanian market. "We are a long-term player in Romania. Bits of market share lost or gained do not matter much. What really matters is ensuring the long term, because as Romania grows, BCR grows," says Bruynseels, describing the important role that BCR intends to continue playing. As a facilitator in the market, BCR also enjoys the trust of both the government and the European Bank for Reconstruction and Development to provide support and flexible lending conditions to Romania's small- and medium-sized enterprises.

Bruynseels is confident that the country will pull through the crisis. Referring to the recently agreed-to IMF emergency loan, he insists, "It's definitely not a bailout; it's a preventive measure to try and make sure that Romania does not have many of the problems that other places had." The loan is expected to avert recession in a country that last year grew by 7.1 percent. 

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## INFRASTRUCTURE INVESTMENTS:


>> THE WAY FORWARD

**P**ublic infrastructure development tops the government's agenda, not least in an effort to stabilize the economy. Roads, ports, airports, and railways have suffered underinvestment for three decades and are in urgent need of modernization. Now an approximate 4.6 billion euro in European Union funds has been earmarked for spending in Romania's transport sector over the next four years.

Rail transport in particular offers long-term opportunities and advantages over the costlier road transport. During Romania's transition to a market economy, rail transport has been neglected, but International Railway Systems (IRS) is hoping to reverse this trend.


IRS is Europe's largest freight-wagon manufacturer with sales to Germany, Italy, and Sweden, and is Romania's leading private rail transport company. Cristian Burci, CEO and president of IRS, strongly believes in his country's potential as a transport hub while insisting that "Romania needs to make a commitment to spending on rail infrastructure, the way Germany and Poland do." With access to a strong Black Sea port, Romania is in a unique position. "The container terminal in Constanța is in direct competition with the Rotterdam port," explains Burci. "To become really competitive we need to be able to send containers by train from Constanța to other countries within twenty-four

hours. The benefit for Romania could be enormous."

Burci, in the meantime, follows a broader strategy and an extension of activities along the entire railcar value chain. IRS is also moving into other steel-related areas, following the acquisition of construction company ICIM Arad. "We try to reinvent ourselves and look at ourselves as a core producer of steel," says Burci. "And this means freight wagons. But it could also mean steel for highways and for metallic constructions for big infrastructure projects. And it could mean wind towers." IRS sets a clear example. Determined to maintain its leading position, it is branching out into new sectors and developing alternative markets. 



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“Romania has comparative advantages, internationally, and a potential that has not yet been exploited.”

**Vasile Blaga**  
Minister of Housing and  
Regional Development

## THE POTENTIAL IS HERE

>> ROMANIA IN ALL ITS DIVERSITY

**T**he great unexploited potential of Romania resides in the diversity of its regions. Ranging from the Black Sea coast with its sea trade connections to the agriculturally rich plains stretching to the capital Bucharest and the untouched beauty of the Carpathian mountains, strong regional differences make for a wide variety of opportunities. Yet disparities have grown between the most- and least-developed regions, with few regions attracting the majority of investment. The government is now trying to counter this trend by putting more emphasis on decentralization and supporting entrepreneurial initiatives at the regional level.

A dedicated Regional Operational Program is meant to provide the necessary funding. “The Regional Operational Program accounts for about 20 percent of all funds the EU has made available to Romania. We are talking about €3.7 billion, to which the Romanian government is adding a further €1.2 billion, thus a total of €4.5 billion,” says Minister for Housing and Regional

Development Vasile Blaga, highlighting the level of commitment. Funds can be used to finance transport, education, and health

infrastructure, business support structures, and business development, including in the fields of culture and tourism. Uptake was protracted at first, not least owing to the government’s limited preparedness, but the program is now in full swing. “We have already contracted projects worth more than €500 million. And in the current phase we are aiming to contract €15 million per week,” says Blaga.

Extension and rehabilitation of the road network is a common favorite among regional entities. Many industries, including the underdeveloped but highly promising tourism industry, would profit from improved connectivity. “Potentials have not been harnessed because of the bad infrastructure, especially the bad road infrastructure,” says Blaga, underlining the need for more government action. “This ministry and the ministry of transportation have a major role to play in enabling easy access to all the regions of Romania,” thus setting the stage for future investment.

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# The Real War in Mexico

## How Democracy Can Defeat the Drug Cartels

*Shannon O'Neil*

BRAZEN ASSASSINATIONS, kidnappings, and intimidation by drug lords conjure up images of Colombia in the early 1990s. Yet today it is Mexico that is engulfed by escalating violence. Over 10,000 drug-related killings have occurred since President Felipe Calderón took office in December 2006; in 2008 alone, there were over 6,000. Drug cartels have begun using guerrilla-style tactics: sending heavily armed battalions to attack police stations and assassinating police officers, government officials, and journalists. And they have also adopted innovative public relations strategies to recruit supporters and intimidate their enemies: displaying *narcomantas*—banners hung by drug traffickers—in public places and uploading videos of gruesome beheadings to YouTube.

Washington is just waking up to the violence next door. Last December, the U.S. Joint Forces Command's *Joint Operating Environment, 2008* paired Mexico with Pakistan in its discussion of “worst-case scenarios”—states susceptible to “a rapid and sudden collapse.” In January, Michael Hayden, the departing CIA chief, claimed that Mexico could become “more problematic than Iraq,” and Michael Chertoff, the departing secretary of homeland security, announced that the Department of Homeland Security has a “contingency plan for border violence, so if we did get a significant spillover, we have a

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SHANNON O'NEIL is Douglas Dillon Fellow for Latin America Studies at the Council on Foreign Relations and Director of the CFR task force on U.S.–Latin American relations.

*Shannon O'Neil*

surge—if I may use that word—capability.” The U.S. media breathlessly proclaims that Mexico is “on the brink.”

This rising hysteria clouds the real issues for Mexico and for the United States. The question is not whether the Mexican state will fail. It will not. The Mexican state does, and will continue to, collect taxes, run schools, repair roads, pay salaries, and manage large social programs throughout the country. The civilian-controlled military has already extinguished any real guerrilla threats. The government regularly holds free and fair elections, and its legitimacy, in the eyes of its citizens and of the world, is not questioned.

The actual risk of the violence today is that it will undermine democracy tomorrow. What has changed in Mexico in recent years is not the drug trade but that a fledgling market-based democracy has arisen. Although an authoritarian legacy persists, power now comes from the ballot box. This transformation has coincided with the rise of Mexico's middle class, which, now nearly 30 million strong, has supported more open politics and markets.

But Mexico's democratic system is still fragile. And by disrupting established payoff systems between drug traffickers and government officials, democratization unwittingly exacerbated drug-related violence. The first two freely elected governments have struggled to respond, hampered by electoral competition and the decentralization of political power. Yet in the long run, only through true democratic governance will Mexico successfully conquer, rather than just paper over, its security challenges. For the safety and prosperity of Mexico and the United States, Washington must go beyond its current focus on border control to a more ambitious goal: supporting Mexico's democracy.

### DRUG PARTIES

MEXICO'S ESCALATING violence is in part an unintended side effect of democratization and economic globalization. The chaos, anarchy, and violence of the Mexican Revolution—which began nearly a hundred years ago—scarred the country and enabled the rise of a strong state dominated by a single political party. Created in 1929, the National Revolutionary Party, later renamed the Institutional Revolutionary Party (PRI), systematically extended its control over Mexico's territory

### *The Real War in Mexico*

and people. It quelled political opposition by incorporating important social groups—including workers, peasants, businesspeople, intellectuals, and the military—into its party structure.

The PRI's reach went beyond politics; it created Mexico's ruling economic and social classes. Through an inwardly focused development model (and later by giving away oil money), the government granted monopolies to private-sector supporters, paid off labor leaders, and doled out thousands of public-sector jobs. It provided plum positions and national recognition for loyal intellectuals, artists, and journalists. Famously called "the perfect dictatorship," the PRI used its great patronage machine (backed, of course, by a strong repressive capacity) to subdue dissident voices—and control Mexico for decades.

Ties between the PRI and illegal traders began in the first half of the twentieth century, during Prohibition. By the end of World War II, the relationship between drug traffickers and the ruling party had solidified. Through the Mexican Ministry of the Interior and the federal police, as well as governorships and other political offices, the government established patron-client relationships with drug traffickers (just as it did with other sectors of the economy and society). This arrangement limited violence against public officials, top traffickers, and civilians; made sure that court investigations never reached the upper ranks of cartels; and defined the rules of the game for traffickers. This compact held even as drug production and transit accelerated in the 1970s and 1980s.

Mexico's political opening in the late 1980s and 1990s disrupted these long-standing dynamics. As the PRI's political monopoly ended, so, too, did its control over the drug trade. Electoral competition nullified the unwritten understandings, requiring drug lords to negotiate with the new political establishment and encouraging rival traffickers to bid for new market opportunities. Accordingly, Mexico's drug-related violence rose first in opposition-led states. After the PRI lost its first governorship, in Baja California in 1989, for example, drug-related violence there surged. In Chihuahua, violence followed an opposition takeover in 1992. When the PRI won back the Chihuahua governorship in 1998, the violence moved to Ciudad Juárez—a city governed by the National Action Party (PAN).

With the election of Vicente Fox, the PAN candidate, as president in 2000, the old model—dependent on PRI dominance—was truly broken.

*Shannon O'Neil*

Drug-trafficking organizations took advantage of the political opening to gain autonomy, ending their subordination to the government. They focused instead on buying off or intimidating local authorities in order to ensure the safe transit of their goods.

Democratic competition also hampered the state's capacity to react forcefully. Mexico's powerful presidency—the result of party cohesion rather than institutional design—ended. As Congress' influence grew, legislative gridlock weakened President Fox's hand, delaying judicial and police reforms. Conflicts also emerged between the different levels of government. Federal, state, and local officials—who frequently belonged to different parties—often refused to coordinate policies or even share information. At the extreme, this led to armed standoffs—not with drug dealers but between federal, state, and local police forces, such as the one that occurred in Tijuana in 2005.

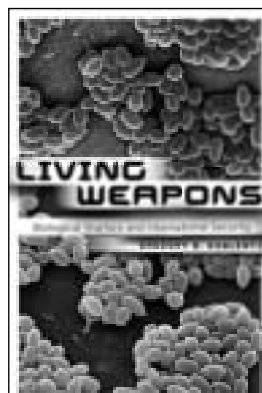
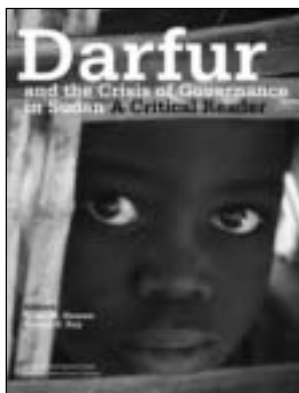
### THE HIGH TIDE

AS DEMOCRATIZATION tilted the balance of power from politicians to criminals, the economics of Mexico's drug business also changed. Mexico has a long history of supplying coveted but illegal substances to U.S. consumers, beginning at the turn of the twentieth century with heroin and marijuana. It continued through Prohibition, as drinkers moved south and Mexican rumrunners sent alcohol north. The marijuana trade picked up in the 1960s and 1970s with rising demand from the U.S. counterculture. In the late 1970s and 1980s, U.S. cocaine consumption boomed, and Mexican traffickers teamed up with Colombian drug lords to meet the growing U.S. demand.

In the 1980s and 1990s, the United States cracked down on drug transit through the Caribbean and Miami. As a result, more products started going through Mexico and over the U.S.-Mexican border. In 1991, 50 percent of U.S.-bound cocaine came through Mexico; by 2004, 90 percent of U.S.-bound cocaine (and large percentages of other drugs) did. Like other Mexican industries, the drug cartels learned to maximize the comparative advantage of sharing a border with the world's largest consumer. As the transit of drugs to the United States grew, Mexican traffickers gained more power vis-à-vis the Colombian cartels.



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### *The Real War in Mexico*

These changes in business and enforcement accelerated the consolidation and professionalization of Mexico's drug-trafficking organizations. Rising profitability meant larger operations and more money, and as political and market uncertainty grew, the cartels developed increasingly militarized enforcement arms. The most famous of these branches is the Zetas, who were recruited from an elite Mexican army unit in the 1990s by the Gulf cartel. This group now acts independently, supplying hired guns and functioning as a trafficking organization itself. For many Mexicans, its name has come to signify terror and bloodshed.

From this increasingly sophisticated operational structure, Mexico's drug-trafficking organizations aggressively moved into the markets for heroin and methamphetamine in the United States, as well as the expanding European cocaine market. They extended their influence down the production chain into source countries such as Bolivia, Colombia, and Peru. They established beachheads in Central American and Caribbean nations—which in many cases have much weaker institutions and democracies than Mexico—where they worked their way into the countries' economic, social, and political fabric, to devastating effect. They widened and deepened their U.S. distribution route. In the words of a recent Justice Department report, Mexican drug cartels now represent the “biggest organized crime threat to the United States,” with operations in some 230 U.S. cities. They also diversified their domestic operations, with participants expanding into kidnapping, extortion, contraband, and human smuggling.

#### A HISTORY OF VIOLENCE

THE CURRENT surge in violence is largely a result of these long-term political and economic processes, but President Calderón's self-proclaimed war on drug trafficking has also contributed. Soon after coming into office in December 2006, Calderón sent the army to Nuevo León, Guerrero, Michoacán, and Tijuana, beginning a new phase of government action that now involves some 45,000 troops. Record numbers of interdictions, arrests, and extraditions to the United States have interrupted business as usual. With the older kingpins gone, the second and often third generations of criminal leaders are

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now vying for territory, control, and power. Many of these aspiring leaders come from the enforcement arms of the cartels—and are accordingly inclined to use even more violence as they try to gain control of fragmented markets. Both the rewriting and the enforcement of illicit contracts mean blood in the streets.

The number of drug-related deaths in 2008 far surpassed those for any other year in Mexican history. Disputes between rival criminal organizations have led to open gun battles on major city streets, often in broad daylight. Death threats have forced dozens of law enforcement and government officials to resign. Extortion rings in many cities prey on businesses, forcing owners to pay to protect their operations and employees. The fear of kidnapping plagues the upper, middle, and working classes alike.

But as concern mounts on both sides of the border, the current situation should be put into perspective. Although unparalleled in scale, today's bloodshed is not unprecedented in type. In the early 1990s,

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The United States  
needs to take a hard  
look at its own role in  
the rising violence  
in Mexico.

conflict between the Tijuana and Sinaloa cartels engulfed not only the city of Tijuana but also the entire country in violence—including the assassinations of Cardinal Juan Jesús Posadas Ocampo, a Catholic archbishop, and Luis Donaldo Colosio, the PRI's presidential candidate. These events stirred up fear in both Washington and Mexico City, spurring the United States to strengthen

border controls and revive security collaboration with Mexican counterparts (which had all but disappeared in the wake of the murder of the U.S. Drug Enforcement Administration agent Enrique "Kiki" Camarena in 1985). The violence did not decline until 1997, when the Tijuana cartel successfully solidified its hold over the border crossing to San Diego.

As the carnage subsided in Tijuana, it skyrocketed in Ciudad Juárez, which borders El Paso, Texas. There, the violence initially reflected intracartel fighting following the demise of the Juárez cartel leader Amado Carrillo Fuentes, who died while undergoing plastic surgery to change his appearance. It escalated as both the Tijuana and the Sinaloa organizations attempted to take over the territory of the shaken cartel.

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This wave of bloodshed did not end until 1999, when Vicente Carrillo Fuentes, Amado's brother, gained clear control of the Juárez cartel.

Simmering narco-conflicts again exploded in 2005, this time in the border town of Nuevo Laredo, when the Sinaloa cartel tried to take over the U.S.-Mexican crossing there (the busiest land border between the two countries), which the Gulf cartel had controlled for years. Shootouts in broad daylight with automatic rifles and rocket-propelled grenades prompted the temporary closing of the U.S. consulate in Nuevo Laredo, and the body count quickly rose to over 180. Among the dead were the editor of the largest daily newspaper in the city and the new police chief—who was killed just six hours after his swearing in. President Fox sent in the army, and Secretary Chertoff revived Operation Stonegarden, an initiative to provide up to \$400 million in funding to local law enforcement agencies on the U.S. side of the border. Stability returned when the cartels reached a truce in 2007, with the Sinaloa cartel paying the Gulf cartel for access to the Laredo border crossing.

#### THE LAST WAR

THIS HISTORY does not diminish the current danger. It does, however, highlight the inefficacy of rehashing past policy approaches. This is not the first time Mexico has brought out the military to quell drug-related violence. President Miguel de la Madrid mobilized troops in the mid-1980s to fight drug gangs, and every subsequent Mexican president has followed suit (although Calderón's current effort far surpasses former shows of force). The United States, too, provided equipment, training, and capacity building at various points throughout the 1980s and 1990s. If history is any lesson, these approaches will neither stem the violence nor provide real border security.

Instead, the United States needs to develop a comprehensive policy to bolster North American security—one that treats Mexico as an equal and permanent partner. Mexico must continue to challenge the drug cartels, and the United States, in turn, must address its own role in perpetuating the drug trade and drug-related violence. But more important, Mexico and the United States need to work together to broaden their focus beyond immediate security measures—fostering

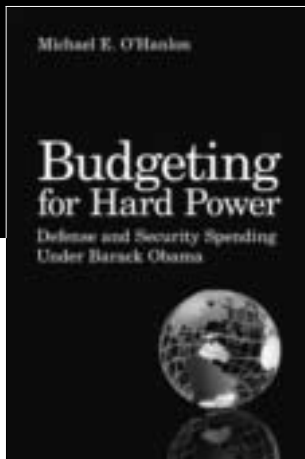
*Shannon O'Neil*

Mexico's democracy and growing middle class. Only then can they overcome the security challenges facing both nations.

To start, the United States needs to take a hard look at its own role in the escalating violence and instability in Mexico. This means enforcing its own laws—and rethinking its own priorities. When it comes to the gun trade, U.S. law prohibits the sale of weapons to foreign nationals or “straw buyers,” who use their clean criminal records to buy arms for others. It also forbids the unlicensed export of guns to Mexico. Nevertheless, over 90 percent of the guns seized in Mexico and traced are found to have come from the United States. These include not just pistols but also cartel favorites such as AR-15s and AK-47-style semiautomatic rifles. To stop this “iron river” of guns, Washington must inspect traffic on the border going south—not just north—and increase the resources for the Bureau of Alcohol, Tobacco, Firearms and Explosives. (Even with recent additional deployments, a mere 250 ATF officers and inspectors cover the 2,000-mile border.) This effort should also include a broader program of outreach and education, encouraging responsible sales at gun shops and shows and deterring potential straw buyers with more explicit warnings of the punishment they would face if caught. Reducing the tools of violence in Mexico is a first step in addressing U.S. responsibility.

Even more important than guns, although less discussed, is money. Estimates of illicit profits range widely, but most believe some \$15 billion to \$25 billion heads across the U.S. border into the hands of Mexico's drug cartels each year. This money buys guns, people, and power. Compiled from thousands of retail drug sales in hundreds of U.S. cities, much of this money is wired, carried, or transported to the U.S.-Mexican border and then simply driven south in bulk. Mexican criminal organizations then launder the funds by using seemingly legal business fronts, such as used-car lots, import-export businesses, or foreign exchange houses. Laundered money not used to fund criminal operations or pay off officials in Mexico is often sent back to the United States and saved in U.S. bank accounts.

Targeting illicit funds is one of the most effective ways of dealing with drug trafficking. (Incarcerating individuals only briefly disrupts criminal operations, since people are swiftly replaced.) Washington has begun working with Mexican authorities to stop the flow of illicit



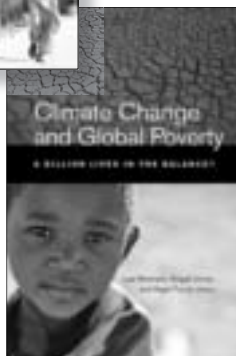
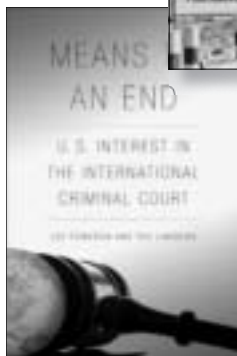
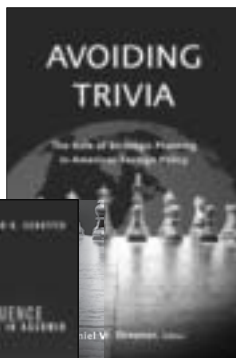
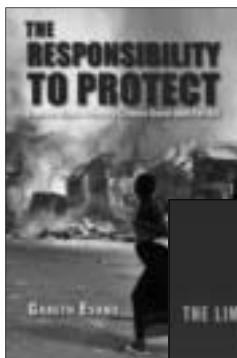
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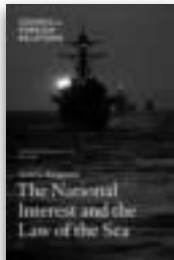
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funds. There have been some successes, such as the passage of an asset-forfeiture law in Mexico, the addition of Mexican cartels to the U.S. drug kingpin list, and the strengthening of Mexico's financial intelligence unit. The United States should continue and deepen this bilateral cooperation, further developing financial tools and infrastructure to increase the information and intelligence sharing needed to dismantle money-laundering schemes. At home, the United States should work to replicate the successes of the interagency Foreign Terrorist Asset Tracking Center, which was ramped up after 9/11 to thwart terrorist financing, by creating a similar structure to go after drug-related money.

Law enforcement, however, is not enough. The supply of drugs follows demand. The United States needs to shift the emphasis of its drug policy toward demand reduction. Studies show that a dollar spent on reducing demand in the United States is vastly more effective than a dollar spent on eradication and interdiction abroad and that money designated for the treatment of addicts is five times as effective as that spent on conventional law enforcement. The United States needs to expand its drug-treatment and drug-education programs and other measures to rehabilitate addicts and lessen drugs' allure for those not yet hooked. Reduced demand would lower the drug profits that corrupt officials, buy guns, and threaten Mexico's democracy.

#### THE OTHER SIDE

AS THE United States deals with the problems in its own backyard, it should also be helping Mexico address its challenges. Until just last year, the United States provided less than \$40 million a year in security funding to its southern neighbor—in stark contrast to the \$600 million designated for Colombia. This changed last June with Congress' passage of the Merida Initiative, which called for supplying \$1.4 billion worth of equipment, software, and technical assistance to Mexico's military, police, and judicial forces over three years.

Despite its many laudable elements, the Merida Initiative does not go far enough fast enough. For one thing, it is just too small. The current budget for Plan Colombia is twice as large as Mexico's 2009 allotment—and that is for a country that does not share a border with the United States. And even the support for Plan Colombia pales next

*Shannon O'Neil*

to the billions of dollars U.S. drug consumers supply to Mexico's enemies in this confrontation. Compared to other U.S. national security threats, Mexico remains an afterthought.

The spending has also been far too slow. Although \$700 million had been released by Congress as of April 2009, only \$7 million had been spent. Despite the touted urgency, a cumbersome consultation process between the two countries, combined with a complicated disbursement process (since all of the assistance is in kind, not cash), has meant little headway even as the deaths mount. Most important, the focus of this aid is too narrow, reflecting a misunderstanding of Mexico's fundamental challenge. Unlike Colombia, which had to retake vast swaths of territory from guerrilla groups, paramilitary organizations, and drug cartels, the Mexican state has been able to quell the rising violence when it has deployed large and well-armed military units. So far, the cartels have put up limited resistance in the face of true shows of force by the state—for instance, when the government sent in 7,000 troops to Ciudad Juárez in March 2009. Firepower is not the main issue; sustainability is.

Mexico's Achilles' heel is corruption—which in an electoral democracy cannot be stabilizing the way it was in the days of Mexico's autocracy. Under the PRI, the purpose of government policy was to assert power rather than govern by law. The opacity of court proceedings, the notorious graft of the police forces, and the menacing presence of special law enforcement agencies were essential elements of an overall system of political, economic, and social control. Rather than acting as a check or balance on executive power, the judiciary was often just another arm of the party, used to reward supporters and intimidate opponents. Law enforcement, too, was used to control, rather than protect, the population.

The decline of the PRI and the onset of electoral competition transformed the workings of the executive and legislative branches quite quickly, but the changes have had much less influence over the judicial branch or over law enforcement more generally. Instead, even after the transition to democracy, accountability mechanisms remain either nonexistent or defunct. Most of Mexico's various police forces continue to be largely incapable of objective and thorough investigations, having never received adequate resources or training. Impunity

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reigns: the chance of being prosecuted, much less convicted, of a crime is extremely low. As a result, Mexicans place little faith in their law enforcement and judicial systems. And as today's democratic government struggles to overcome this history through legislative reform, funding new programs for vetting and training and creating more avenues for citizen involvement, it faces a new threat: increasingly sophisticated, well-funded, and autonomous criminal organizations intent on manipulating the rule of law for their own benefit.

The Merida Initiative provides some funding for institution building, but that is dwarfed by the amount spent on hardware. Furthermore, although Mexico's lawlessness is most intractable at the state and local levels, the Merida funding focuses almost solely on the federal level. This neglects some 325,000 officers—90 percent of the nation's police. It leaves out those on the frontlines who are most likely to face the ultimate Faustian bargain—money or death—from organized crime. The United States should expand Merida's focus to incorporate local and state-level initiatives and training, including vetting mechanisms similar to those envisioned for federal agents, training for local crime labs, training for judges and lawyers, and support for community policing programs. In the end, all lasting security is local.

#### DISORDER ON THE BORDER

IMPROVING SECURITY will depend above all, however, on other dimensions of the complex U.S.-Mexican relationship—including trade, economic development, and immigration. To really overcome Mexico's security challenges, the United States must move beyond a short-term threat-based mentality to one that considers all these elements in the strategic relationship with its southern neighbor.

The foremost challenge in Mexico today, at least according to most Mexicans, is in fact the growing economic crisis. Even during Mexico's protectionist days, its fortunes rose and fell along with those of its northern neighbor. Today, the economies and general well-being of Mexico and the United States are even more linked. Some 80 percent of Mexico's exports—well over \$200 billion worth—go to the United States. Mexico's tourism industry—which brings in \$11 billion annually—depends on 15 million American vacationers each year.

*Shannon O'Neil*

The large Mexican and Mexican American populations living in the United States—estimated at 12 million and 28 million, respectively—transfer nearly \$25 billion a year to family and friends in Mexico.

This relationship runs the other way as well. After Canada, Mexico is the second most important destination for U.S. exports, receiving one-ninth of U.S. goods sent abroad. It is either the primary or the secondary destination for exports from 22 of the 50 U.S. states. Hundreds of thousands—if not millions—of American jobs depend on consumers and industries in Mexico. And increasingly, U.S. citizens depend on Mexico for even more, as over one million individual Americans—from young professionals to adventurous snowbirds—now live there.

The U.S. recession is hitting Mexico's economy exceptionally hard. In January, Mexico's GDP shrank by nearly ten percent year on

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Rather than a lone crusader, Calderón is a shrewd politician responding to voters' demands.

year as manufacturing tumbled. In March, the peso skidded to a 16-year low against the dollar. The government now predicts a three-and-a-half percent decline in GDP for 2009, and many private economists are bracing for an even greater fall. Policymakers are beginning to worry about rising unemployment, poverty, and even social unrest.

Some ten million Mexicans still live on just \$2 a day, and economists predict that the downturn will push more Mexicans into poverty.

Nowhere else are the asymmetries between two such interlinked neighbors so severe. In its own self-interest, the United States should work with Mexico on a new economic development strategy. The United States can start by lessening the barriers to trade with Mexico. This will require resolving the current trucking dispute (fulfilling U.S. obligations under the North American Free Trade Agreement [NAFTA] by allowing Mexican trucks to operate on both sides of the border) and avoiding protectionist measures, such as the recent "Buy American" provision in the stimulus package. It will also require investing in the border itself. Nearly one million people and \$1 billion in trade cross the border every day, overwhelming the existing infrastructure and border personnel and leading to long and unpredictable

border delays, which limit Mexico's competitiveness. The U.S. Department of Transportation currently estimates that \$11 billion more will need to be spent on the U.S. side of the border to catch up with the growing traffic.

The United States should also help create opportunities within Mexico. This means expanding development assistance, rather than just security assistance. At less than \$5 million for 2009, current U.S. development aid to Mexico is paltry. Increased assistance should focus on supporting Mexico's efforts to expand its education and infrastructure programs and encourage local entrepreneurship and job creation.

Intertwined with both the economy and security is immigration. Economic opportunities in the United States, and their absence at home, draw millions of Mexicans north. Subsequent remittances provide a lifeline for millions of Mexican households and have brought many families out of poverty and into the bottom rungs of Mexico's middle class. At the same time, immigration to the United States pulls away many of Mexico's best and brightest, limiting the spillover benefits of their work on the larger economy and society.

Most studies show that immigration provides net benefits to the United States, including providing flexible workers to labor-scarce economic sectors, lowering the prices of domestically produced labor-intensive goods and services, and contributing to entitlement programs such as Social Security. The illegality of these human flows, however, has its costs. It depresses local wages and puts pressure on local health and education services, and it can undermine labor rights. In terms of security, the presence of millions of unauthorized workers in the United States gives unsavory elements a place to hide among a larger population forced to live underground. Illicit profits can be hidden in the flow of honestly earned money going back to Mexico, complicating efforts against money laundering.

The United States views immigration as a domestic concern, but when it comes to Mexico, this perspective is both inaccurate and counterproductive. During her April 2009 visit to Mexico, Janet Napolitano, the U.S. secretary of homeland security, announced, with Patricia Espinosa, the Mexican foreign secretary, a new high-level joint working group to make immigration safer and more orderly. This is a step toward greater consultation and cooperation. Still, fundamental

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and comprehensive immigration reform in the United States is necessary to address the economic and security concerns on both sides of the border. New policies should be designed not only to improve border security and management. They should also regularize the status of the unauthorized work force already in the United States, ensure employer verification and responsibility, and create an expanded flexible worker program to meet changing U.S. economic demands.

Finally, U.S. policy toward Mexico must become more coherent. The U.S. diplomatic presence in Mexico—which includes an embassy, nine consulates, and 14 consular agencies—is one of the largest diplomatic missions in the world. It houses representatives from not only enforcement and investigative agencies, such as the ATF, the Drug Enforcement Administration, and the Department of Homeland Security, but also 37 additional agencies and departments, ranging from the Department of Agriculture to the U.S. Agency for International Development. Disorganization has led to a lack of policy coherence, as no organization is able or willing to take the lead in guiding the overall bilateral relationship. Washington needs to strengthen coordination among the agencies, bringing together the multiple interests and agendas they represent into a more coherent strategy.

### MENDING FENCES

U.S. LEADERS and the press commonly tout President Calderón's commitment to fighting the Mexican cartels as something exceptional. Congressman Connie Mack (R-Fla.) has said, for example, "This is a president who has taken the drug cartels head-on, and has not flinched in the fight to rid Mexico of these cowards." Although true, this image misses the real political dynamic behind Calderón's fight. Rather than a quixotic lone crusader, he is a shrewd politician responding to voter demands.

Like his predecessor, Calderón was elected by Mexico's burgeoning middle class—now nearly one-third of the population. Long noted for the disparities between the extremely wealthy and the desperately poor, Mexico now has an economic center that is rapidly expanding. The middle class has grown thanks to NAFTA and Mexico's broader economic opening, a boom in immigration to the United States

### *The Real War in Mexico*

that has sent billions of dollars back to families at home, and a decade of economic stability and growth that has enabled average citizens to work, save, and plan for the future. Mexico's middle-class families work in small businesses, own their cars and homes, and strive to send their children to college. And as voters, they threw out the PRI in 2000, bringing an end to its 70-year rule. Since then, they have been behind halting steps to create new civil-society organizations and to demand public transparency, judicial reform, and safety. It is these voters who tilted the election in Calderón's favor in 2006—and it is to them he is responding.

Security ranks second only to the economy in terms of voter priorities. Polls show that the middle class (as well as other segments of society) wants the government to take on the narcotraffickers, even if it creates more violence in the short run—and even though many think the government cannot win. Calderón's ratings have risen as he has confronted organized crime, with fully two-thirds of the public supporting his actions.

Mexican middle-class preferences for law and order, fairness, transparency, and democracy benefit Mexico, but they also benefit the United States. Although hardly an antidote for all challenges, a secure and growing middle class would help move Mexico further down the road toward achieving democratic prosperity and toward an increasingly able partnership with the United States. But if this center is diminished or decimated by economic crisis, insecurity, or closing opportunities, Mexico could truly descend into crime-ridden political and economic turmoil.

The best the United States and Mexico can hope for in terms of security is for organized crime in Mexico to become a persistent but manageable law enforcement problem, similar to illegal businesses in the United States. But both the United States and Mexico should hope for more in terms of Mexico's future, and for the future of U.S.-Mexican relations. U.S. policies that help increase accountability, expand economic and social opportunity, and strengthen the rule of law in Mexico will all encourage a more inclusive and more stable democracy there. This will require a difficult conceptual shift in Washington—recognizing Mexico as a permanent strategic partner rather than an often-forgotten neighbor. 🌐

# The Russia File

## How to Move Toward a Strategic Partnership

*Robert Legvold*

REVERSING THE collapse of U.S.-Russian relations is one of the great tests facing the Obama administration. Among the major powers, Russia is the hard case. And the stakes involved in getting U.S.-Russian relations right are high—much higher than the leadership of either country has acknowledged or perhaps even realized so far. If the Obama administration can guide the relationship onto a more productive path, as it is trying to do, it will not only open the way for progress on the day's critical issues—from nuclear security and energy security to climate change and peaceful change in the post-Soviet area—but also be taking on a truly historic task. One of the blessings of the post-Cold War era has been the absence of strategic rivalry among great powers, a core dynamic of the previous 300 years in the history of international relations. Should it return, some combination of tensions between the United States, Russia, and China would likely be at its core. Ensuring that this does not happen constitutes the less noticed but more fateful foreign policy challenge facing this U.S. president and the next.

Washington has scant chance of mustering the will or the energy to face this challenge, however, without a clearer sense of the scale of the stakes involved. Every tally of the ways in which Russia matters begins, and rightly so, with nuclear weapons. Because the United States and Russia possess 95 percent of the world's nuclear arsenal, they bear the

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responsibility for making their stocks safer by repairing the now-shattered strategic nuclear arms control regime. Their cooperation is also crucial if the gravely imperiled nuclear nonproliferation regime is to be saved. Then comes energy. Russia has 30 percent of the world's gas reserves and sits astride the transport grid by which energy flows from the entire post-Soviet zone to the rest of the world. More recently, tensions have arisen over the Arctic's hydrocarbon reserves—which are said to amount to 13–20 percent of the world's total—not least because of the aggressive way in which Russia has asserted its claims over a large share of them. If the United States and Russia compete, rather than cooperate, over energy in Eurasia and add a military dimension to their disputed claims in the Arctic, as they have begun to do, the effects will be negative for far more than the prices of oil and gas. There is also the struggle against global terrorism, which will be sure to flag without strong collaboration between Washington and Moscow. And it has become clear that the help of Russia is needed if anything approaching stability is to have a chance in Afghanistan, Iraq, and Pakistan.

Other issues are also critical but not always recognized as such. Making real progress toward coping with climate change, including during negotiations at the 2009 UN Conference on Climate Change, will depend on whether the three countries that emit 45 percent of the world's greenhouse gases—the United States, Russia, and China—can cooperate. Any effort to mitigate trafficking in humans, small arms, drugs, endangered species, counterfeit goods, and laundered money must focus on Russia, since these often come from or through that country. Blocking cyberattacks, keeping space safe for commerce and communications, and averting the return of the kind of military air surveillance common during the Cold War will involve Russia, first and foremost. And attempts to reform international financial and security institutions will be optimized only if Russia is given a chance to contribute constructively.

If the United States' interests in a relationship with Russia are this many and this great and if, as Undersecretary of State William Burns said of Washington and Moscow in April, “more unites us than divides us,” then the Obama administration will need to turn a page, and not simply tinker at the edges, as it redesigns U.S. policy toward Russia. Turning a page means setting far more ambitious goals for the relationship than is currently fashionable and then consciously devising a

*Robert Legvold*

strategy to reach them. It also means integrating the well-intentioned symbolic gestures Washington has made toward Russia recently, as well as progress on concrete issues, such as arms control, Iran's nuclear program, and Afghanistan, into a larger design.

### READY, SET, RESET

POSITIVE AS President Barack Obama's opening moves toward Russia have been, it is not yet clear how far he and key U.S. policymakers are ready to go to mend relations with Moscow. In a joint communiqué issued on April 1, Obama and Russian President Dmitry Medvedev promised to work together to reach a "legally binding" agreement to succeed the first Strategic Arms Reduction Treaty (START I), launch "a comprehensive dialogue on strengthening Euro-Atlantic and European security," boost the Global Initiative to Combat Nuclear Terrorism, and find a "comprehensive diplomatic solution" to the Iran problem. But cataloging tasks or even setting out to address them does not mean having fully grasped the magnitude of the stakes involved in the United States' relationship with Russia. Until U.S. policymakers understand these stakes, there is a risk that Russia will slide off Obama's list of priorities when other urgent challenges intrude. Left to run-of-the-mill bureaucratic initiative, the momentum generated by the April statement will weaken. High-level meetings, such as the presidential summit scheduled for July, might momentarily revive it, but the relationship will otherwise fall prey to unexpected diversions and the buffeting of domestic politics in both countries.

So far, the Obama administration's steps toward a healthier relationship with Russia have been earnest but cautious, consistent with the president's deliberate approach to major policy choices. First, Obama altered the tone of the relationship: hence, Vice President Joe Biden's metaphor about hitting the reset button, the recasting of Washington's position on Iran's nuclear program and Washington's attempt to link the issue to its decision to place a ballistic missile defense system in central Europe, an apparent readiness to repeal the Jackson-Vanik amendment (which still denies Russia most-favored-nation status because of Soviet-era restrictions on Jewish emigration, which were lifted long ago), and the businesslike bonhomie of Obama's first meeting with Medvedev. In short

order, Washington then set about addressing concrete and urgent issues: drafting a successor agreement to START I, which expires in December; intensifying the dialogue between Washington and Moscow over the Iranian nuclear threat; and exploring closer cooperation on Afghanistan.

This is a good start. But it still leaves open the fundamental question of which of three basic strategies toward Moscow the Obama administration will adopt. Obama and his people clearly reject the first approach: the urge to “call things by their name,” as the Russians say—that is, the urge to see Russia as an authoritarian, bullying, and aggressive power and admit that a new Cold War is on and act accordingly. But it is less clear which of the other two approaches the Obama administration favors.

A second option assumes that despite some important areas of potential cooperation, various impediments make a genuine partnership an illusion. Russia’s readiness to contest many aspects of U.S. foreign policy and its indifference to values that Americans consider important create a fundamental barrier. According to this view, the best strategy combines selective engagement with selective containment and calibrates the two in ways that enhance engagement while softening the edges of containment. U.S. policy has more or less evolved in this direction over the last several years, albeit without a well-formulated design, and much of the U.S. political establishment and the U.S. media seem to have endorsed it.

The third approach is more ambitious. A rush of recent commission reports, studies, and essays by Russia specialists—Anders Åslund, Thomas Graham, Andrew Kuchins, and Steven Pifer, among others—have argued that the relationship should be put on a distinctly different footing. They note that Russia is not the entity it was in the 1990s (no longer prostrate and struggling to be like the West, let alone part of it) and neither is the world (no longer dominated by a United States that could tackle scattered secondary security threats with just a little help from a few friends). Much of this work recognizes the difficulties of dealing with Russia’s edgy and assertive leaders but maintains that the U.S.-Russian agenda is too important to be delayed until after Washington’s doubts and frustrations have been eased. And it contends that engagement, even reconciliation, is possible with Moscow on a wide range of issues—if with considerable effort.

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However, moving in this direction, as Obama and his Russian policy team appear tempted to do, requires a strategic vision, and they have not yet begun to formulate one. Rather than simply tackle practical problems and hope that incremental progress on those will eventually produce a different kind of U.S.-Russian relationship, the administration needs to develop a clear and coherent image of where it wants the relationship to be four to six years from now—not a rose-colored image but a set of plausible aspirations by which to orient and discipline day-to-day policy. And then it should think carefully about what is required to get there.

Such a vision needs an anchor, and the notion of building a “strategic partnership” provides that. The concept inspires few adherents these days, but this is largely because in the past it was thought through too little and tossed about too lightly. Because of the concept’s enormous potential benefits, its content should be contemplated far more seriously. There is no logical reason why the two countries with the lion’s share of the world’s nuclear weapons cannot create a tighter regime to shrink their own arsenals and pave the way toward arrangements that render

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Obama and his Russia team have not yet formulated a strategic vision for U.S.-Russian relations.

safer the programs of other nuclear powers, why the world’s largest energy producer and its largest energy consumer cannot fashion a genuine energy partnership, why they cannot work together to mitigate instability in and around the vast territory of the former Soviet Union, or why they cannot collaborate to ease the integration of rising powers such as China and India into a revamped international order.

These goals may not be imminently attainable, but they suggest what could and should be the essence of a strategic partnership.

Such a working relationship can only come about step by step and if it is reinforced by the parties’ behavior. Washington’s wish list is long and so deserves to be designed with some sense of priority. Russia’s investment in promoting progressive change in its neighborhood, as well as its openness to U.S. efforts that do the same, belong toward the top of it. So, presumably, does Washington’s desire to see Moscow adopt a cooperative, perhaps even joint, approach to the rational exploitation of and the protection of the global commons, beginning with the Arctic and space. And it is important that Russia’s leadership

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make its economic activity abroad more transparent and Russia itself more open to foreign investment.

Finally, just as Russia has the right to wish for a U.S. foreign policy less given to unilateralism, less enamored of the military option, and more attuned to the security interests of other states, the United States has the right to hope that Russia will gradually understand that it is in its national interest to deal with its neighbors by adopting a strategy of reassurance rather than a crude one of wielding carrots and sticks, particularly sticks.

#### THE VIEW FROM MOSCOW

NONE OF this will happen easily or quickly. And it will not happen unless the United States continues to lead the effort, because Russia's inertia and skepticism are too great. Too many Americans mistakenly believe that Russia's leaders are incorrigibly antidemocratic and bent on bludgeoning Russia's neighbors, blackmailing Europeans, and causing trouble for the United States. But Moscow's mood and its behavior really are constraints. Although many Russian leaders, beginning with Medvedev, want to see a more constructive U.S.-Russian relationship, they are limited by a dour, pinched notion of what is possible. Over the last decade, they have allowed their suspicion of Washington to fester to the point where they now view almost anything the U.S. government does—from promoting the construction of oil and gas pipelines out of the Caspian Sea region to supporting civil society in states that neighbor Russia—as part of a conscious and coherent strategy to weaken Moscow. Russia's leaders justifiably demand to be treated as equals, to be given a real voice in critical international deliberations, and to be allowed to define Russia's national interests themselves. Yet they are unwilling to treat their most immediate neighbors as equals or to respect their independent voices.

Mood is not the only problem. Russia's institutionally amorphous political landscape also stands in the way, for neither the current diarchy formed by Medvedev and Prime Minister Vladimir Putin nor the system's broader semiauthoritarian power structure is stable. Predicting long-term political trends in Russia, or even who or what will ultimately shape them, is a fool's endeavor. Moreover, the twists and turns likely to mark Russian foreign policy over the next few years will only reinforce these ambiguities.

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Then there is Russia's conflicted profile. Russia's traumatic experience over the last two decades has given an intense emotional edge to its relations with the outside world, accentuating the gap between the international status Russia desires and the wherewithal it would need to obtain it. This underlying tension leaves its leaders either unwilling or unable to compose a clear vision of Russia's place and role in the world. Those who speak for Russia have made plain what they oppose but not what they propose instead. Their preference for multipolarity over unipolarity, their exhortations to "democratize" international relations and "strengthen multilateralism," and their calls for a new European security framework are vague appeals. At a more fundamental level, the Russian leadership shies away from deciding with whom to tie the country's fate—the West or rising powers such as China and India—or whether to settle for playing the field.

Still, the chances for a fresh start are better now than they have been in more than a decade, for two reasons. U.S.-Russian relations soured not only because of frictions between Washington and Moscow over issues such as NATO enlargement, the status of Kosovo, and Washington's plans to place a ballistic missile defense system in central Europe. Russia's antipathy toward the general thrust of the Bush administration's foreign policy, particularly what Putin and his entourage came to see as Washington's excessive unilateralism and disposition to use force, also did more than its share of damage. Thus, if the style and substance of Obama's foreign policy change as much as he and his team have suggested they will, the context for U.S. policy toward Russia will improve no matter what happens on the specific issues that set the two countries at odds.

Second, the economic crisis that began engulfing Russia last September has thus far softened the Russian leadership's demeanor. The swagger in its foreign policy is less pronounced, and its speeches are more tempered. Some Russians close to Medvedev openly acknowledge that the social bargain of the last eight years—"the limiting of civil rights in exchange for economic well-being," to use the phrase of Medvedev's confidant Igor Yurgens—has sundered. Thus, as Medvedev himself has acknowledged, a more respectful dialogue between the leadership and the public is required. The Kremlin no longer boasts of turning Russia into the world's fifth-largest economy or Moscow into a leading financial center. "Patience" and "sacrifice" have become the new watchwords.

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Russia's leaders have also begun to shed the skepticism they displayed during the first weeks of the Obama administration and are attiring themselves in more optimistic raiment. But because they still insist that it is the Americans, more than they, who need to shift positions on the issues that agitate them—NATO enlargement, ballistic missile defense in central Europe, and the failure to ratify the Conventional Forces in Europe Treaty—the real proof of the economic crisis' bracing effect will only be clear when they soften their own less-than-accommodating attitude. Already, one does notice Moscow's new emphasis on the need for economic cooperation, including on how to refashion the international financial architecture, and its greater diffidence when it comes to issues for which Russia's leaders once pretended to have the better solutions, such as how to build more effective security arrangements in Europe or how to build a fairer global economic order. Now, when they introduce radical ideas, for example, creating a supranational reserve currency, they acknowledge that it is not, as the French say, "for tomorrow." And when they reprise notions that raise eyebrows in the West, such as the claim that Russia has "privileged interests" in the post-Soviet area, they are at pains to moderate their significance. Short of an economic crisis that spirals out of control—in which case, all bets are off—it is reasonable to expect Russia's foreign policy to be less assertive and testy for the time being. The leadership's realization that Russia's near-term economic future will entail low or negative growth (not the seven percent annual increase once projected), that its security depends more on economic transformation at home than on fending off external threats, and that further delaying internal reforms is no longer an option suggests that going forward, Russia will be less inclined to brandish its refurbished power and more likely to welcome relief from quarters it previously scorned.

#### IN THE BEGINNING

GIVEN THE level of mistrust between Washington and Moscow, the Obama administration has rightly started to address the disrepair by taking concrete steps. Doing so has not been easy, as the president and senior officials have learned. Often, particularly in the early going, no matter what Washington offered to Moscow, those Russian leaders with divided minds reacted hesitantly and those with their minds made up looked for

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traps and suspected ulterior motives. Persistence matters. It will take time for those in the impacted upper circles of Russian power who want a more constructive U.S.-Russian relationship to exert themselves.

Symbolic steps by Washington are important in launching the process, and none more so than repealing the Jackson-Vanik amendment swiftly, without fanfare or horse-trading. The Obama administration understands this and has placed the task high on its agenda. But it also needs to understand that given the reluctance of some members of Congress to forsake any lever with Moscow, nothing will happen unless the White House takes the lead in pushing for its repeal. In April, Obama promised Medvedev that he would speed efforts to bring Russia into the World Trade Organization, secure ratification of the Comprehensive Nuclear Test Ban Treaty, revive the U.S.-Russian Civilian Nuclear Cooperation Agreement, and advance the treaty ending the production of fissile material for nuclear weapons. The symbolic effect of these measures will generate a powerful impetus toward improving relations—provided, first, that Washington follows through and, then, that Moscow reciprocates with symbolic gestures of its own.

Whatever the first steps, however, real and lasting progress will depend on the two sides' ability to advance the relationship's substantive agenda. The place to start is with the three issues that the Obama administration has singled out in its early efforts to reengage Moscow: arms control (controlling strategic nuclear arms and strengthening the nuclear non-proliferation regime), Iran, and Afghanistan. As both sides recognize, the first priority is reaching an agreement bridging the gap between the end of START I in December and the creation of a more ambitious strategic arms control accord that would pick up where the two sides left off 12 years ago in preparing negotiations for START III. Chances are good, based on the progress achieved so far, that Washington and Moscow can agree on further reductions in their warhead count (without yet having to resolve the spoiler issue of ballistic missile defense), simplified monitoring and verification procedures, and mutually acceptable counting rules. When the two presidents meet for their first full-scale summit in July, they should be able to announce the outlines of an initial framework agreement and instruct their delegations to complete the work by the end of the year.

The issue of Iran and its nuclear program is the second major question that needs to be addressed. Judging by the language they now use



to frame the issue, the two sides already seem closer than they once were. And although Medvedev has strenuously resisted the Obama administration's efforts to link the United States' plans to deploy missiles in central Europe to progress on the Iran issue, the atmosphere surrounding the U.S.-Russian dialogue has improved, and Moscow seems ready to work on the issue more intensively.

Admittedly, this apparent goodwill does not guarantee success with Moscow, let alone Tehran. Progress depends, first, on whether Russia's leaders can persuade themselves that the importance of preventing Iran from becoming a nuclear power outweighs the risks of harming their many other interests involving Tehran, such as gaining access to Iranian oil and gas, dividing up Caspian Sea resources, selling arms, and stemming Islamist extremism in the North Caucasus and Central Asia. Russian leaders will also have to overcome their fear—no doubt far-fetched—that the recent softening of Washington's approach to Iran, combined with a win for the moderates in the Iranian elections in June, could lead to a rapprochement between Washington and Tehran that either government could then use against Moscow.

This highlights the need for Washington to make a conscious effort to convince Moscow that by collaborating with Washington on containing Iran's nuclear aspirations, Moscow would be ensuring that its interests are respected even if Iran starts normalizing relations with the West. But this is unlikely to be enough, either. To convince Russia to toughen its diplomacy, the United States, along with France, Germany, and the United Kingdom (the three states that have led the European effort), will almost certainly have to offer Iran a deal that is acceptable to Tehran. Either Iran should be allowed to have a nuclear-fuel-cycle capability of its own, provided that the facilities are under International Atomic Energy Agency controls and that the enrichment and reprocessing of fuel occurs outside Iran. Or, better, Iran should be induced to join an international fuel-service center. In either case, Russia's role will be crucial: in the first instance, because Russia would likely be the primary source of nuclear fuel and reprocessing, and in the second, because the international fuel-service center in Angarsk, Russia, would likely be the one with which Tehran would partner.

The third essential and urgent item on the U.S.-Russian agenda is dealing with the mounting crisis in Afghanistan. Russian leaders know

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it is not in their national interest to see the West's efforts to stabilize Afghanistan fail; were that to happen, Russia's southern border would be subjected to the threat of an Afghanistan in a shambles or in the grip of the Taliban. But they are torn between doing what they can to ensure a successful outcome there and indulging their urge to expel the U.S. military from Central Asia. Russia's readiness to allow the transit across its territory of nonmilitary supplies to U.S. troops in Afghanistan helps, but military goods should also be permitted to move along this corridor, a step the Russians have signaled they are prepared to take. Ultimately, however, the United States should reach out to Russia, China, and other members of the Shanghai Cooperation Organization and encourage them to contribute more to the coalition of states active in Afghanistan. The Obama administration was wise to participate in the SCO conference on Afghanistan last March, because its subject, the fight against drug trafficking out of Afghanistan, is important. But the move only scratches the surface of what should be a larger U.S.-Russian collaboration in addressing the turbulence in and around Afghanistan and its potential reverberations in Central Asia.

### FAR AND WIDE

ULTIMATELY, IN order for the U.S.-Russian relationship to move forward on a fundamentally different footing, something far more innovative will be needed. If the Obama administration hopes to overcome the bickering that surrounds nearly every issue on the current agenda and reduce the poisonous suspicion with which Moscow regularly greets U.S. initiatives, let alone transform the relationship into a strategic partnership, it must strive sooner rather than later to establish a deep and far-reaching dialogue with Moscow.

There are several reasons why. First, if Washington does not get to the root of the problems that generate tensions and impede progress in negotiations, the future will almost certainly resemble the recent past: mistrust will grow, and the parties will retreat, convulsively and emotionally, at each new point of trouble. Second, by openly airing and then dealing with the deeper impulses that shape their behavior, the two governments will increase their chances of clearing away the misapprehensions that often prevent sensible outcomes. Third, if it

commits to a serious discussion of the most basic issues in the relationship, the Obama administration will increase the likelihood that U.S. policy toward Russia will be more comprehensive, coherent, and well integrated—the qualities most absent in the past.

This is not an original idea. Previous U.S. administrations have attempted something approximating a strategic dialogue with their Russian counterparts. But these experiments were either short-lived or, as in the case of the Gore-Chernomyrdin Commission (which was set up in the 1990s to support bilateral cooperation on space, energy, and technology), more focused on resolving operational concerns than on deeply plumbing the assumptions underlying each side's position. Still, they offer lessons. The first and central one is that in order to succeed, a strategic dialogue must be led by no more than three or four principals on each side—people detached from government bureaucracies but who enjoy the full confidence of their respective presidents. Past efforts were undone either because the process grew too bureaucratic and lost the flexibility necessary to get at the fundamental source of the problems or because the delegations were no longer led by an interlocutor with direct access to the president. A second lesson from the best of prior experience is that the two sides need to agree on paper, at the outset of negotiations, to the principles that will guide them—including the understanding that no topic will be off the table. Reflecting a third lesson, Moscow and Washington are now creating ways to guarantee regular high-level contact, maintain an active agenda, and task and discipline their bureaucracies. To succeed, this effort will have to be organized around a presidential checklist—that is, concrete tasks approved by the two presidents must be assigned to specific agencies with designated dates by which progress achieved is to be reported and then reviewed at presidential summits.

Obama's people understand this well. But that alone cannot ensure success: unless an effective process by which key agencies are held accountable is devised and the U.S. president empowers a senior member of his administration to put teeth into the process, the sum of Washington's efforts will be considerably less than the parts. It is also unclear whether the mechanism currently under consideration, as elaborate as it is, is intended to serve as the basis for a dialogue that gets at the deep underpinnings of the U.S.-Russian relationship.

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Yet this is a necessity, for the heart of this strategic dialogue is the agenda itself. Four areas dominate all others, and they represent four of the twenty-first century's preeminent security concerns: European security, security in and around the Eurasian landmass (especially the post-Soviet area), nuclear security, and energy security. Not coincidentally, these also frame the most friction-laden aspects of the U.S.-Russian relationship, namely, the future relationship of Georgia and Ukraine with NATO, the role of ballistic missile defense in central Europe, the U.S.-Russian interaction in the post-Soviet area, and the jockeying over oil and gas pipelines.

Each of these issues needs to be approached at a fundamental level. Thus, the dialogue about European security should start with each side's assessment of the core threats facing Europe. It should then evolve into an open-ended discussion of how Europe's existing security institutions might be improved to better address these threats, mitigate the insecurity felt by states left outside these institutions (such as Georgia and Ukraine), and create an overarching framework in which NATO and parallel organizations in the Commonwealth of Independent States could address various security challenges together. Although this must be a conversation among Americans, Russians, and Europeans, a bilateral dialogue between Washington and Moscow would offer a crucial basis for testing the potential of a broader European security dialogue.

The issue of mutual security in and around the post-Soviet area will be the most difficult to tackle, but it cannot be avoided; no question cuts more deeply to the core of the current tension in the U.S.-Russian relationship. The starting point for this discussion should be a frank and practical look at how each side sees its own and the other's concerns, interests, and role in the post-Soviet area. However awkward and tense this discussion gets, it must address the specific sources of friction: NATO's activities, the claims and counterclaims surrounding the separatist conflicts in Moldova and the Caucasus, the role of Western nongovernmental organizations in the region, Russia's leverage over its neighbors, and competition over oil and gas. The dialogue must especially explore ways in which the United States and Russia can work together to manage the two most explosive issues: the future of Ukraine and the way toward a more stable and constructive Russian-Georgian relationship.

The topic of nuclear security consists of five challenges, each one critical, all of them linked. First, the fundamental question is how best to strengthen the nuclear nonproliferation regime and, most immediately, how to prevent Iran and North Korea from further eroding it. Second, intimately connected to this challenge is the need to minimize the risk of nuclear proliferation as more and more states look to nuclear power to meet their energy needs—sometimes as an excuse or a cover for developing nuclear weapons programs—thereby giving themselves the potential ability to enrich uranium. That effort will require working with suppliers in the nuclear power industry to develop reactors less easy to use for weapons development and concentrating nuclear fuel services in facilities monitored by the International Atomic Energy Agency. This, in turn, will require close cooperation between the United States and Russia—a reason to revive the stalled negotiations for a so-called 123 agreement, which would promote peaceful commercial nuclear activities between the two countries. Third, if Obama and Medvedev are serious about moving toward a world without nuclear weapons, as they affirmed in their joint statement in April, they need to decide how they intend to go about it. Fourth, in their own nuclear relationship, the United States and Russia are no longer like “two scorpions in a bottle,” but if left unregulated, their choices—about whether to pursue ballistic missile defense, weaponize space, introduce nuclear weapons into conventional war doctrines—could still be destabilizing. And fifth, the United States and Russia will have to lead any effort to establish a broader multilateral arms control regime designed to reduce the hazardous aspects of the nuclear postures of the other nuclear powers, particularly those weapons systems in China, India, and Pakistan that blur the line between conventional and nuclear attacks.

Finally, there is the question of energy security. The United States and Russia have long toyed with the idea of having an energy dialogue. They launched one in 2002, let it languish, and then partially revived it during the last year of the Bush administration. Useful as the discussion

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If Obama and Medvedev are serious about moving toward a world without nuclear weapons, they need to decide how they intend to go about it.

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of potential projects and practical measures may be, however, the two sides need to push the dialogue deeper. Discussing ways to bring Russian oil and liquefied natural gas to the North American market and to enhance cooperation within the consortia developing Caspian Sea oil, while vigorously pursuing dueling pipeline projects, raises the core question: Do the two countries intend for the relationship to be cooperative or competitive?

Addressing the enormously complex issues surrounding the politics of oil and gas from Russia and the Caspian Sea basin only makes sense as part of a three-way dialogue among the United States, Russia, and Europe (Europe is Russia's largest oil and gas market, and Russia is far and away Europe's largest supplier). This does not mean, however, that a serious and well-conceived U.S.-Russian dialogue should neglect the subject or shun the chance to find out precisely what Putin meant in Davos in February when he urged states "to work out a new international legal framework for energy security." "If implemented," he added, it "could have the same economic impact as the treaty establishing the European Coal and Steel Community" and could "unite consumers and producers in a common energy partnership that would be real and based on clear-cut international rules." Similarly, Medvedev has called for developing a far more expansive energy convention than the current Energy Charter contains, a document that neither Russia nor the United States has signed.

### A FRESH START

OUTLINING THE agenda of an ambitious strategic dialogue is not to assume that agreement will come soon or easily or even at all. National interests will clash even when the issues have been stripped of emotion and misunderstandings. And issues subject to the warping effect of domestic politics will not submit to the most well-intentioned international dialogue. At root, the purpose of a strategic dialogue is to take the realm of what was impossible and shrink it and the realm of the barely possible and enlarge it.

Finally, nothing in this approach prejudices, much less precludes, a strong and independent U.S. policy toward Georgia, Ukraine, and the other states of the former Soviet Union. It is in the U.S. national

interest—not least because it is in the interest of global stability—that as many states in the region as possible emerge as peaceful, stable, prosperous, and self-confident democratic societies. But it is also in the United States' long-term interest to avoid promoting this goal in ways that intentionally or unintentionally encourage these states to balance against Russia or that treat Russian-sponsored institutions in the region as inherently suspect, rather than as potential complements (with some adjustments) to parallel structures in the West.

Nor does this approach suggest that the often roiling subject of clashing U.S. and Russian political values or U.S. concerns over political trends within Russia should be soft-pedaled or ignored. These issues need to be a part of the relationship, not because Washington has the right to judge Moscow or instruct the Russians and their leaders but because any durable and deeper partnership depends on a minimally kindred sense of what the two societies stand for and will defend. The two sides must also find a way to discuss these matters in a civil, constructive manner. Rather than putting Russia in the pillory, the United States should identify areas in which both countries face common challenges and have come up short: say, the problem of illegal immigration or the tension between the struggle against terrorism and the protection of civil rights. Washington and Moscow ought to prove that they can have a productive conversation and only then move on to more sensitive subjects.

One final suggestion: it has been more than 16 years since U.S. President Bill Clinton, speaking on the eve of his first summit with Russian President Boris Yeltsin, delivered the last major U.S. presidential address on U.S. Russia policy. The time is right for Obama to share with his administration, the American people, and an intensely interested Russian audience his strategic vision for U.S.-Russian relations and where he would like these to be several years from now. He should then invite the Russian side to join in a frank, wide-ranging discussion of how to get there. As the president readies himself for his first full-scale summit with his Russian counterpart this summer, and as the two countries strain to prove that they can succeed with the agenda they set last April, he has a chance to end a friction-ridden and barren decade in U.S.-Russian relations and help set the two countries on a far more promising road. 🌐

# Pirates, Then and Now

## How Piracy Was Defeated in the Past and Can Be Again

*Max Boot*

THE WORLD'S attention was riveted in April 2009 when Somali pirates tried to seize the *Maersk Alabama*, a U.S. cargo vessel delivering relief supplies to Africa. Although the crew was able to fight off the intruders, the pirates seized the ship's skipper, Richard Phillips, and spent the next five days holding him hostage in a lifeboat bobbing in the Gulf of Aden, until U.S. Navy SEAL snipers killed the three remaining pirates and freed Phillips. There was a sigh of relief back in the United States, but it hardly meant an end to the pirate menace. In fact, within two days of Phillips' rescue, pirates had seized four more merchant ships and more hostages.

Piracy off the coast of East Africa is growing at an alarming rate, with 41 ships attacked in 2007, 122 in 2008, and 102 as of mid-May 2009. The more high-profile captures include a Saudi supertanker full of oil and a Ukrainian freighter loaded with tanks and other weapons. An estimated 19 ships and more than 300 crew members are still being held by pirates who are awaiting ransom payments from ship owners or insurers. Such fees have been estimated to total more than \$100 million in recent years, making piracy one of the most lucrative industries and pirates one of the biggest employers in Somalia, a country with a per

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capita GDP of \$600. Reported connections between the pirates and al Shabab—“the youth,” a Taliban-style group of Islamist extremists with ties to al Qaeda—make the situation even more worrisome, notwithstanding some recent evidence of an Islamic backlash against the marauders in parts of Somalia.

More than 20 countries, including China, France, India, Russia, the United Kingdom, and the United States, have responded by sending naval forces to the waters off East Africa. But with an average of only 14 warships focused on combating piracy in the region at any one time, they have been unable to effectively police the more than one million square miles of ocean that is transited by over 33,000 cargo vessels every year. It helps to look at previous plagues of piracy and how they were defeated to understand why these efforts fall short and what type of tactics might prove more effective.

#### THE SWARMING SEAS

PIRACY WAS once a far more serious problem than it is today. In a history of piracy published in 1907, Colonel John Biddulph, a retired British army officer, wrote of the early 1700s:

From the moment of losing sight of the Lizard [the southernmost post in England] till the day of casting anchor in the port of destination an East India ship was never safe from attack, with the chance of slavery or a cruel death to crew and passengers in case of capture. From Finisterre to Cape Verd[e] the Moorish pirates made the seas unsafe, sometimes venturing into the mouth of the [English] channel to make a capture. Farther south, every watering-place on the African coast was infested by the English and French pirates who had their headquarters in the West Indies. From the Cape of Good Hope to the Head of the Persian Gulf, from Cape Comorin to Sumatra, every coast was beset by English, French, Dutch, Danish, Portuguese, Arab, Malay or other local pirates.

There was no peace on the ocean. The sea was a vast No Man's domain, where every man might take his prey.

Biddulph was not exaggerating. In the seventeenth and eighteenth centuries, pirate communities flourished in and around the Atlantic and Indian Oceans. Pirates were also prevalent in East Asia, with the seas

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around the Malay archipelago—modern-day Indonesia and Malaysia—infested for centuries by pirates such as the fierce Dyaks of Borneo and the Ilanun of the Philippines. Koxinga, a Chinese pirate and anti-Manchu rebel, at one point led as many as 100,000 men, and in 1661 he seized Taiwan from the Dutch. In the early eighteenth century, a confederation of 40,000 pirates based in Canton dominated the South China Sea, first under the leadership of Cheng Yih and then, after his death in 1807, under that of his widow, Cheng Shi, a former prostitute better known as Madam Cheng.

The North African corsair Barbarossa—known as Khayr ad-Din in Arabic—born to a Turkish father and a Greek mother on the Aegean island of Lesbos, was even more successful. In the early sixteenth century, he conquered Algiers and Tunis and, with the blessing of the Ottoman emperor, turned them into bases for sea raiding, which they would remain for the next three centuries. Although commonly called piracy, this activity was more properly known as “privateering,” the term for state-sanctioned piracy. Morocco and Tripoli, the other states along the Barbary Coast, joined in this lucrative business, which involved hijacking ships from Christian nations, selling their cargoes, and either ransoming the passengers and crew back to their families or selling them into slavery.

In the early sixteenth century, Algiers alone was estimated to have a hundred sailing ships manned by thousands of sailors all engaged in privateering. With such a formidable force at its disposal, Algiers was able to hold 30,000 Christian captives (including, at one point, the Spanish novelist Miguel de Cervantes). These Muslim corsairs were matched by Christian adversaries from the Knights of St. John, who used bases first in Rhodes and then in Malta to plunder Muslim ships around the Mediterranean. Europeans also took many Muslims as slaves; Barbarossa’s brother served for a time as a galley slave to the Knights of St. John.

Beginning in the 1690s, further south, not far from where today’s Somali pirates lurk, the “Red Sea men” attacked not only ships belonging to the British, Dutch, and French East India Companies but also those belonging to wealthy Indians and other Asians. The ships targeted were often full of gold, cash, and jewels—booty so rich that it drew aspiring pirates from as far away as New York. The most

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popular base for the freebooters was St. Mary's Island, off the coast of Madagascar. The historian Jan Rogozinski has called the Red Sea men "the most successful criminals in human history." He estimates that a single ship seized in 1695 by the Englishman Henry Every, "the King of Pirates," was worth at least \$200 million in modern currency.

The Caribbean Sea was not as lucrative a hunting ground for pirates, but it became better known to posterity because of Charles Johnson's 1724 book, *A General History of the Robberies and Murders of the Most Notorious Pirates*. More than any other source, *A General History* has forged the popular stereotype of the peg-legged and eye-patch-wearing pirate that has been mined over the years by artists from Robert Louis Stevenson to Johnny Depp. At their height in the early eighteenth

century, the Caribbean pirates employed 2,400 men aboard 25 to 30 ships, many of which flew the Jolly Roger, with its infamous skull and crossbones. Other Caribbean pirate flags had images of cutlasses or bleeding hearts—all designed to terrify potential victims into surrendering without a fight. The men who sailed under these outlaw emblems were based in the Bahamas, Hispaniola, Jamaica, Tortuga, the Virgin Islands, and other islands. The most successful captain, Bartholomew Roberts, or "Black Bart," was said to have looted 400 ships. The better-known Edward Teach, or "Blackbeard," who operated from a base in North Carolina, was a tyro by comparison.

Caribbean buccaneers not only raided ships but also looted Spanish settlements. In one of their most daring operations, the Welsh privateer Sir Henry Morgan sacked the well-defended city of Panama in 1671. Like the Somali pirates of today, Morgan preferred to attack large ships from small boats, relying on shock to overpower the startled crews.

Morgan tried to stay on the right side of the law by obtaining sanction from the royal governor of Jamaica, which was then a British colony. However, because Morgan's last commission was signed after the conclusion of a peace treaty between England and Spain, he was arrested following the Panama raid and sent back to London.

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Nations such as England and France had looked on piracy as either a minor nuisance or, when directed against their enemies, a potentially useful tactic.

*Max Boot*

He was not imprisoned, though; in fact, the English government knighted him and returned him to Jamaica as lieutenant governor.

As Morgan's example makes clear, the first step needed in fighting piracy was to change official attitudes toward it. For many years, nations such as England and France had looked on piracy as either a minor nuisance, such as smuggling, or, when directed against their enemies, a potentially useful tactic. Before countries began to develop standing navies, in the seventeenth and eighteenth centuries, the primary way to wage a war at sea was to hand out "letters of marque and reprisal," authorizing privateers to attack enemy ships.

In the late sixteenth century, for example, a group of Dutch privateers known as the Sea Beggars helped liberate the Netherlands from Spanish rule. The French privateer Jean Bart was so effective in attacking Dutch shipping in the late seventeenth century that King Louis XIV ennobled him and gave him a captain's commission in the French navy. In the sixteenth century, English privateers such as Sir Francis Drake, Sir Walter Raleigh, and Sir John Hawkins justified their attacks on Spanish shipping vessels by claiming they were fighting for the Crown. In many instances, their legal authority was dodgy. Their real protection came from sharing the rich proceeds of their journeys with Queen Elizabeth and her officials, which bought them high-level protection. In later years, countless lesser adventurers would emulate this strategy by greasing the palms of colonial officials in such ports as New York City and Port Royal, Jamaica.

But by the seventeenth century, when overseas trade became a primary source of the British Empire's wealth, the state's attitude began to change. Piracy and privateering became less tolerable to a nation that had much to lose from such attacks. Authorities began to remove corrupt officials who were in cahoots with the brigands. Governor Nicholas Trott of the Bahamas was deposed in 1696, followed the next year by Governor Benjamin Fletcher of New York.

Governments also began to hire privateers to root out pirates. Pirate hunters were tempted with generous bounties and told that they could keep all or part of whatever loot they recovered. This led to the capture of some outlaws, such as Blackbeard's associate Stede Bonnet, "the gentleman pirate," who was taken in 1718 after a bloody fight with a privateer ship commissioned by the governor of South

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Carolina. But some gamekeepers turned poachers. The most notorious “pirate hunter” was William Kidd, who in 1695 received a royal warrant to police the Red Sea and the Indian Ocean. Instead, Captain Kidd began seizing merchant ships for himself. He was ultimately returned to England and hanged.

#### OF MASTS AND MEN

HARSH PENALTIES that were swiftly and regularly enforced were, not surprisingly, of central importance in suppressing robbery at sea. Pirates had long been regarded as *hostes humani generis*, “common enemies of mankind.” States going back to the days of the Roman Empire reserved the right to capture and summarily execute pirates under what became known as “the doctrine of universal jurisdiction.” But in practice, few pirates were executed on the spot, at least not in the modern age.

In the British Empire prior to 1700, pirates were dealt with by common-law courts, although not very effectively. Pirates, like modern mafia dons, could often bribe, intimidate, or otherwise suborn jurors in coastal towns, where many locals were connected to this illegal business. There was also a special Admiralty court in London that could try pirates. But in order to be convicted, the pirates had to be transferred for trial to England along with all the necessary evidence and witnesses—a cumbersome procedure in the age of sail.

In order to speed up prosecutions, in 1700 Parliament set up Vice-Admiralty courts that could convene abroad to try pirates. These courts were composed of seven “commissioners,” who were drawn from the ranks of naval officers and colonial officials rather than from ordinary judges or jurors. Defendants were not given any legal representation. The historian Marcus Rediker estimates that between 1716 and 1726—the so-called golden age of piracy—400 to 600 Anglo-American pirates were executed under the terms of this system, or at least ten percent of all the pirates active at the time. Many were left to dangle in port as a “spectacle for the warning of others.” Subsequent laws required the death penalty for those who cooperated with pirates and six months imprisonment for those who failed to defend their ships against pirates.

*Max Boot*

British justice may have been harsh, but it was not inflexible. A pirate could get off, for example, if he could convince the court that he had been coerced into a life of crime. Others were set free during periodic amnesties designed to thin the ranks of the marauders. In order to get pirates to give evidence against their accomplices, authorities relied on incentives, such as the possibility of leniency, along with rewards for informants.

Passing laws was a necessary step, but applying them was much harder, because pirates were notoriously elusive. A *sine qua non* for effective enforcement was the expansion of the British navy. In 1600, the British navy was virtually nonexistent, but by 1718, it had swelled to 124 ships, and by 1815, to 214. The lesser powers of the early nineteenth century had smaller but still substantial fleets: France had 80 ships, Spain 25, and the United States 17. In theory, all these ships could have been employed against *hostes humani generis*; in practice, other tasks, such as fighting one another, usually took precedence.

But gradually, countries began to commit more naval power to policing sea-lanes. The Royal Navy devoted only two ships to this task in the 1670s, but by 1700, it had 24 ships and 3,500 sailors stationed in strategically important outposts, such as Barbados, Cape Verde, Jamaica, Virginia, and West Africa. The Royal Navy also cooperated with other Western forces—especially, in the years after the American Revolution, the U.S. Navy. After the War of 1812, British and U.S. forces worked closely together to battle pirates from the Caribbean to the East China Sea.

One of the more valuable tasks that naval forces could undertake was to convoy merchant ships. The Spanish took great care to safeguard the fleets transporting treasure back from the New World that sailed twice a year from the 1520s to the 1780s. Although a few were destroyed by bad weather or enemy attack, the only Spanish treasure fleet ever captured in more than 250 years of voyages was taken in 1628 by a Dutch naval squadron, not pirates. But the Spanish navy did not have enough warships to protect other Spanish merchant vessels, which became easy prey for English and French privateers. In 1579, Drake seized a Spanish ship sailing from Lima to Panama whose cargo was said to be worth \$18 million in today's money.

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Some merchant ships were armed, but usually they did not try to resist attacks from pirate ships that had more cannons and more crew members. Most ship owners, then and now, have been loath to spend what it takes to defend their ships because they know this will cut into their profit margins—and still not ward off determined attackers. In the end, the task of defense has been left to navies.

As naval forces took a more active role in the pirate wars, there were inevitably some fierce battles. Navy warships usually came out ahead in these confrontations because of the superior discipline and skill of their crews. On April 29, 1700, for example, the H.M.S. *Shoreham*, a 28-gun frigate, traded fire for ten hours with the 20-gun pirate vessel *La Paix*, crewed by French and Dutch sailors, which had taken refuge in Lynnhaven Bay, Virginia, after capturing several merchant ships. After killing many of the pirates onboard *La Paix*, the sailors on the *Shoreham* forced the survivors to surrender.

Although Blackbeard and Black Bart were both killed in battles with the Royal Navy, most pirates usually shied away from fights to the death. Instead, they preferred to hide ashore or in shallow coastal waters, where large warships could not follow them. Rooting them out required tactics such as those employed by the U.S. Navy in the Caribbean in the 1820s. The navy's Mosquito Fleet was based in Key West, Florida, and included oared barges that would, in the words of the fleet's commander, Captain David Porter, allow his men to pursue "freebooters and murderers" into their "haunts . . . among the roaring of breakers and the scream of sea-birds." Porter's men scoured the inlets and lagoons around Cuba and Puerto Rico, two well-known pirate enclaves. They managed to expel the outlaws but caused an international incident when they came ashore in Spanish-held Puerto Rico to demand an apology at gunpoint for insults leveled against one of their officers. Porter was court-martialed—and it was precisely to avoid such incidents that the United Kingdom, the United States, and other powers hesitated to pursue pirates onto foreign shores. But doing so was essential if these marauders were to be caught.

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Oftentimes, rooting out pirates meant risking not only an international incident but also full-scale war.

*Max Boot*

Oftentimes, rooting out pirates meant risking not only an international incident but also full-scale war. In its early days of independence, the United States paid large tributes to the Barbary States in exchange for the safe passage of its ships. Under a treaty signed in 1795, Algiers alone received more than \$1 million in goods and cash, or one-sixth of the U.S. federal budget at the time. But the Barbary States were never satisfied. Eventually, U.S. President Thomas Jefferson decided that “nothing will stop the eternal increase of demands from these pirates but the presence of an armed force.” So in 1801, he sent a U.S. naval squadron to the Mediterranean to wage war on Tripoli.

Over the next four years, the U.S. Navy and the Marine Corps blockaded and bombarded Tripoli, engaged in numerous battles with Tripolitan ships, and even undertook an unsuccessful campaign to overthrow Tripoli’s ruler and install a more pro-American regime. The worst disaster of the Barbary Wars was the capture of the U.S.S. *Philadelphia* in 1803; its luckless captain was William Bainbridge, the namesake of the U.S. Navy destroyer that recently rescued the *Maersk Alabama*. Following the dispatch of another U.S. naval squadron to the Mediterranean in 1815, the Barbary States agreed to stop attacking American ships and demanding tribute—a concession they had previously made to Great Britain, France, and the Netherlands after those states waged their own Barbary wars in the seventeenth century.

The threat from Barbary pirates lingered until European colonists began to occupy North Africa, starting with the French conquest of Algeria in 1830. States realized that the surest way to create peace at sea was to impose the rule of law on the land where pirates hid. That still holds true today. Unfortunately, this has usually been a costly and difficult business, as the French learned when they faced an insurgency in Algeria led by the guerrilla leader Abd al-Qadir from 1832 to 1847. Similarly, on the other side of the globe, the threat from Malay pirates was not suppressed until the mid-nineteenth century, when the region fell under the sway of Europeans such as Sir James Brooke, “the White Rajah of Sarawak.”

### SURF AND TURF

COUNTRIES TOOK a dozen or so steps to safeguard the seas during the pirate wars that stretched roughly from 1650 to 1850. These included



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changing public attitudes, hiring private pirate hunters, rooting out corruption, improving the administration of justice, offering pardons to pirates who voluntarily surrendered, increasing the number of naval ships dedicated to antipiracy duty, cooperating with other nations, convoying merchant ships, blockading and bombarding pirate ports, chasing pirates both at sea and on land, and, finally, occupying and dismantling pirate lairs.

What is striking and depressing about this list is how few of these measures are being implemented today. This is a reflection of the fact that most countries are not taking the problem of piracy all that seriously, notwithstanding some stern pronouncements from political leaders. The existence of other priorities, such as fighting terrorism or preparing for conventional wars, means that countries are reluctant to devote naval resources to combating piracy. Meanwhile, shipping companies and their insurers are willing to pay ransoms that are said to average \$1 million per ship because they know that the odds of one of their vessels being seized are slim—last year less than one-half of one percent of ships transiting the Horn of Africa were attacked, and most of those attacks were not successful. Ship owners would rather take their chances than arm crews or hire guards because they are afraid that this would only lead to an escalation of the violence. Similar concerns once led airlines to tell crews not to resist hijackers. This approach changed after 9/11, and one hopes it will not take a similar disaster at sea for ship owners to reconsider their policies.

Left unchallenged, piracy is spiraling out of control, and now threatens the sea-lanes that transport almost half the world's cargo, including one-third of Europe's oil supplies. In addition, many of the proceeds from this modern-day piracy may wind up underwriting an extreme Islamist movement. This collective inaction is another example of "the tragedy of the commons," in which decisions to pursue individual self-interest result in a public disaster—not least for the hundreds of sailors held hostage. To make ship owners and insurers take the problem more seriously, the U.S. government could adopt a proposal such as the one made by the retired army officer Ralph Peters, who suggested that any company that pays off pirates should be denied the right to do business in the United States.

The United States and its allies should also increase the number of warships stationed off the Horn of Africa. Naval forces from the

*Max Boot*

United States and more than 20 other countries operate under the aegis of Combined Task Force 151, currently commanded by a Turkish admiral. But although there are as many as 30 warships in the region,

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The problem is twofold: a lack of legal authority and a lack of will to enforce what authority does exist.

most are devoted to antiterrorist missions or other tasks, often leaving no more than 14 warships available for combating pirates. This is a reflection of the shameful decline in the size of Western fleets: the Royal Navy is down to fewer than 100 ships, the U.S. Navy, to fewer than 300, and both will continue to shrink based on current trends. It is incumbent on the United Kingdom and the United

States, which for centuries have taken the lead in maritime enforcement, to buy more warships, especially small vessels along the lines of the U.S. Navy's Littoral Combat Ship, which is designed to operate in coastal waters.

In the meantime, these meager national forces could be supplemented by private security companies that could patrol the seas with their own ships or station guards aboard merchant ships—an option suggested by Claude Berube, of the U.S. Naval Academy, in an article provocatively entitled “Blackwaters for the Blue Waters.” Reviving letters of marque is another possible option that is authorized by the U.S. Constitution (Article 1, Section 8). But doing so could cause considerably more problems, because it would be hard to control latter-day Captain Kidds.

Regardless of however many additional warships are sent, it is important that they be allowed to use more effective tactics than currently permitted by their political masters. Most of the naval ships now stationed off the Horn of Africa are not convoying merchant vessels, hunting down pirate ships, or bombarding pirate lairs. Instead, all they are authorized to do is float around in an attempt to deter pirates from striking and respond to distress calls when they do strike. These are fools' errands when undertaken by a dozen or so ships scattered across an area four times the size of Texas. The pirates are equipped with satellite phones and GPS devices and are sophisticated enough to monitor naval movements and strike when and where patrollers are absent.

The problem is twofold: a lack of legal authority and a lack of will to enforce what authority does exist. The UN Security Council has

passed a series of Chapter 7 resolutions—five last year alone—that authorize military forces to pursue pirates into Somalia’s territorial waters and ashore, if necessary. In theory, this gives the United States the right to carry out air strikes and amphibious raids on pirate lairs and to sink pirate ships. But as of this writing, such strikes have not happened—after 18 U.S. soldiers were killed in a clash with Somali militiamen in 1993, U.S. policymakers are reluctant to send troops back to the region. The only time President Barack Obama has authorized the use of lethal force was when Captain Phillips’ life was judged to be in danger.

U.S. and other naval forces stationed off East Africa have not been given the kind of robust rules of engagement that are used in war zones such as Iraq. There, at least until the implementation of the new status-of-forces agreement signed in late 2008, U.S. troops could shoot armed enemy combatants on sight when they felt threatened and detain those deemed a security risk, even if there was not sufficient evidence to convict them of a crime. In contrast, there is not much a U.S. Navy ship can do if it encounters a “fishing trawler” full of armed young men off the coast of Somalia, because under current international rules, these likely pirates are treated as civilians, not combatants, and there is no prohibition against sailors toting guns.

In fact, this very scenario has happened several times. To take only one example, according to *The New York Times*, in September 2008, “a Danish warship captured 10 men suspected of being pirates cruising around the Gulf of Aden with rocket-propelled grenades and a long ladder. But after holding the suspects for nearly a week, the Danes concluded that they did not have jurisdiction to prosecute, so they dumped the pirates on a beach, minus their guns.”

As this incident indicates, naval forces are severely hindered by the lack of an effective mechanism for dealing with captured pirates. Under legal doctrines dating back to the Roman Empire, any state can try suspected pirates in its own court system, even if they did not attack its own ships. But as Eugene Kontorovich, a law professor

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This question of how to try and process pirates is closely related to the problem of how to deal with terrorists.



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at Northwestern University, notes in an upcoming article in the *California Law Review*, legal obstacles to effective prosecution have emerged in recent years from “international humanitarian law, including the Geneva Conventions, a variety of human rights treaties, international refugee law, the UN Convention on the Law of the Sea, and other sources.” The result is that Western nations no longer want to try pirates themselves. In an extreme example of this kind of reticence, the British Foreign Office has expressed concern that captured pirates might demand asylum or complain of having their human rights violated.

As a stopgap, the European Union, the United Kingdom, and the United States have entered into agreements with Kenya—which, in addition to being next to Somalia, is a functioning state with an interest in keeping shipping lanes open—to turn over suspected pirates to Kenya's justice system. Although this has resulted in some convictions, the Kenyan courts lack the resources to deal with many more malefactors. Other suspected pirates, such as the ten men detained by the Danish navy last year or the nine men seized by the U.S. Navy in February, are simply released due to a lack of

“ironclad” evidence. “Somali pirates to date have suffered few consequences, even when they were apprehended,” noted Rear Admiral William Baumgartner, of the U.S. Coast Guard.

This question of how to try and process pirates is closely related to the problem of how to deal with terrorists, another species of international outlaw. With the detention policies of former U.S. President George W. Bush generating endless adverse publicity, neither the Obama administration nor any other Western government is eager to hold suspected pirates or terrorists. “No one wants a Guantánamo on the sea,” the German defense minister, Franz Josef Jung, said last year. But nor does anyone want to simply set predators loose to strike again. One option would be to negotiate an international agreement that would allow the processing and detention of pirates and terrorists through legal venues such as the International Criminal Court or a specially created UN tribunal. Failing that, the United States and other states should use their national courts to try pirates, much as a U.S. court in New York is now hearing the case of one of the pirates who attacked the *Maersk Alabama*. Under laws that date back to the nineteenth century, U.S. courts have the authority to try pirates even if they did not attack U.S. vessels.

The entire issue, at least as far as Somali pirates are concerned, could be made largely superfluous if only Somalia had a responsible government capable of policing its own territory. Given that country’s long history of chaos, the only sure way to achieve this goal would be through the imposition of an international regency similar to the UN administration in Kosovo. But since U.S. and UN forces were chased ignominiously out of Mogadishu in the early 1990s, there is scant chance they will be willing to return to Somalia and risk another fight.

The odds that Somali piracy will disappear without a robust response from maritime nations are equally remote. Even if bringing law and order to Somalia is beyond the will of the international community, it still should be possible to curb the pirate menace through military and legal initiatives that stop short of actual occupation. All that is required is to apply the lessons of history. If previous generations could defeat the Barbary corsairs, the Caribbean buccaneers, and the Red Sea men, surely this generation can defeat the ragtag sea robbers of Somalia. 🌐

# The Battle for Thailand

## Can Democracy Survive?

*Bertil Lintner*

OVER THE past three years, Thailand has lived through a military coup, six prime ministers, and widespread civil unrest. The ongoing crisis grabbed headlines last year when protesters occupied two international airports, and it culminated this April in violent clashes in Bangkok. Observers have wondered how what was once such a promising democracy could devolve so quickly.

Today, a semblance of normality has returned to Thailand. But the battle for the country is far from over, and its future remains uncertain. The fractures that led to the confrontation in the first place have yet to be mended. Thai society has become deeply polarized, with different elites jockeying for power and the urban population pitted against the rural population, the north and the northeast against Bangkok and the south, and the poor against the rich. With Thailand's economy now contracting, these divisions might become even more salient. To make matters worse, speculation abounds about the health of the country's 81-year-old monarch, Bhumibol Adulyadej, who has traditionally stood for stability and continuity.

Whatever the outcome of the present crisis, the future of Thai democracy does not look good. Thailand's democratic institutions remain weak and vulnerable to interference by unelected institutions, such as the military and the judiciary. Unless Thailand develops solid,

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### *The Battle for Thailand*

independent state entities that can bridge the gap between various interest groups, the situation will only deteriorate.

#### THAKSIN'S TENURE

IT ALL began with the meteoric rise of Thaksin Shinawatra, an immensely wealthy telecommunications tycoon who became prime minister in 2001 after his party—the Thai Rak Thai (Thais Love Thais), or TRT—won the general election by a landslide. (Thaksin's 2005 electoral victory would be even more spectacular.) He ran on a platform of reform, but once in power he flouted democratic rules.

In 2003, for example, Thaksin launched a bloody and controversial “war on drugs.” The campaign was initially regarded as successful: the price of methamphetamines, Thailand's drug of choice, more than doubled within a few months. But soon it began to lose its effectiveness. Extrajudicial executions became a commonplace policy tool. In each province, the police (and in some cases, the army) followed quotas on the minimum number of drug dealers to kill. Many innocent Thais who had nothing to do with the drug trade died during the campaign, having been targeted by the police after neighbors with grudges called government hotlines to report them as drug dealers. Community organizers and other innocent villagers, including children, were also killed. (The indiscriminate killings were documented by Human Rights Watch in a 2004 report and by the Asian Center for Human Rights in 2005.) In border provinces, the police started killing army intelligence informants, who were often in the drug trade, and the army responded by killing police informants. By late 2003, the price of methamphetamines was back to its pre-drug-war level.

Another highly controversial aspect of Thaksin's premiership was his campaign against the media. For example, in 2003 the Shin Corporation, a telecommunications and satellite company founded by Thaksin and owned by his family, brought a multimillion-dollar lawsuit against Supinya Klangnarong, a media rights advocate, for writing in the *Thai Post*, a Thai-language daily, that the company had benefited from favorable treatment by the Thaksin government. When Thaksin later claimed in an interview with *Time* magazine that he had “never intervened” in media activities, the executive director of the Thai Journalists

*Bertil Lintner*

Association responded, “Before he came to power, the Thai press was considered one of the freest in the world. . . . Thaksin constantly interfered with Thailand’s printed and broadcast media using advertising revenues and stock acquisitions as key strategies. He shut down community radio, websites and TV programs critical of him.”

Thaksin was also widely accused of manipulating the democratic system to make billions for himself and his family. In January 2006, a firm owned by the Singaporean government bought a 49.6 percent

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If Thaksin’s tenure was characterized by undemocratic practices, his opponents are even more openly antidemocratic.

stake in the Shin Corporation for nearly \$2 billion. Because the sale was made through a shell company registered in the British Virgin Islands, the Shinawatra family—one of Thailand’s richest—paid no taxes to the Thai government. After the deal was announced, more than 100,000 protesters gathered near the old Royal Palace in Bangkok to demand Thaksin’s resignation and impeachment. Thaksin responded by busing in nearly

200,000 supporters from the countryside. He accused his opponents of being “stupid” and pledged not to “betray the confidence of 19 million voters,” who had supported the TRT in the 2005 election.

A month after the controversial sale, Thaksin’s opponents formed a loose federation known as the People’s Alliance for Democracy. The PAD brought together a motley crew of various interest groups whose lowest common denominator was opposition to Thaksin’s government: they see Thaksin and his cronies as a threat to the monarchy and the country’s unity. Although Thai sources are reluctant to discuss the role of the monarchy, a taboo subject in Thailand, the PAD is also concerned about the king’s impending succession and wishes to make sure Thaksin is not in power at such a sensitive time.

The PAD’s members are referred to as the Yellow Shirts, after the color associated with the Thai king; Thaksin’s followers, who are known as the Red Shirts, call themselves the United Front for Democracy Against Dictatorship (UDD). But neither side could accurately be described as democratic. If Thaksin’s tenure was characterized by undemocratic practices, his opponents are even more openly antidemocratic. The PAD advocates something it calls “new politics,” whereby



### *The Battle for Thailand*

the elected parliament would be replaced by an assembly consisting of both elected and appointed members. Many of those living in Thailand's rural areas, the PAD believes, are not sophisticated enough to take part in general elections and are likely to sell their votes to the highest bidder.

#### PARTY-HOPPING

THE PAD's rallies in 2006 led to the military's intervention in politics and the ouster of Thaksin. Staged while Thaksin was in New York for a United Nations meeting in September of that year, the coup was swift and bloodless. Since then, Thaksin has been convicted of corruption, and a warrant has been issued for his arrest. He lives in exile, mainly in Hong Kong and Dubai, and his assets in Thai banks—totaling around \$2.2 billion—have been frozen.

Meanwhile, the government that the coup makers installed—led by a former army chief and a member of the king's advisory body—failed to live up to the expectations of the anti-Thaksin movement. It did not purge Thailand of Thaksin's influence. In certain parts of the country, a strong undercurrent of support for Thaksin survived. Following more than a year of rule by a military-appointed government, new elections were held. These resulted in the formation of a coalition government led by the People Power Party (PPP), the successor to Thaksin's TRT. (The TRT had been found guilty of electoral fraud and dissolved by the country's constitutional tribunal seven months before.) But by no means was the election a landslide victory for the PPP; the party was able to form a government only because it allied itself with smaller political parties—some of which later joined the opposition.

The PAD, which had ceased its activities after the coup—its goal of toppling Thaksin had been achieved—reestablished itself in March 2008. It led demonstrations in May 2008 to protest the government's proposal to amend the constitution in a way the PAD thought would benefit Thaksin and perhaps pave the way for his return to power; the PAD believed the PPP government was merely a proxy for Thaksin. In August 2008, tens of thousands of Yellow Shirts occupied the compound around Government House in Bangkok. Soon after, the PPP's first prime minister, Samak Sundaravej, was forced to resign

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when the courts ruled that his participation in a television cooking program violated the Thai constitution. He was succeeded by Somchai Wongsawat, Thaksin's brother-in-law. By the fall, the antigovernment demonstrations were occurring almost daily. They culminated in November 2008 with the PAD protesters' seizure of Bangkok's two airports.

The crisis ended only when the PPP was dissolved by the courts—like the TRT, it was convicted of electoral malfeasance—and Somchai was forced to resign. The protesters vacated the airports. A new coalition headed by the Democrats, which had been the main opposition party during the Thaksin era, took over in December 2008. Led by the 44-year-old Oxford graduate Abhisit Vejjajiva, the new government rests on a fragile alliance between the Democrats and some smaller parties, as well as members of parliament who defected from the dissolved PPP and whose loyalty to the new prime minister cannot be taken for granted.

### MULTIPLE DIVISIONS

THE RECENT restlessness in Thailand is the result of the country's deep fault lines. The Thai imbroglio has often been labeled a struggle for democracy, but this is overly simplistic. Although the PPP and its predecessor, the TRT, won all the elections they participated in, once in power, both parties behaved in an extremely authoritarian manner.

The political crisis has also been described as a battle between the traditional urban elite, represented by monarchic institutions such as the military and the bureaucracy, and the rural poor, whose interests Thaksin supposedly sought to advance. Indeed, what at the beginning was not a social conflict has to some extent become one. The pro-Thaksin UDD has exploited the plight of the poor, whereas the PAD has rejected representative democracy for fear it would give the rural population too much political clout. Speakers at UDD rallies talk of a "class war," sometimes even going as far as advocating a "people's army" to challenge the elite.

But it would be wrong to describe the crisis, as the Western media often do, as just a social conflict between the rich and the poor. For one thing, there are rich and poor in both camps, and Thaksin is a multi-

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billionaire who primarily represents ethnic Chinese business interests, not poor farmers. The PAD, for its part, cannot be described solely as the vanguard of an “urban elite.” Trade unionists, for example, rallied behind it because Thaksin had once tried to privatize state-owned enterprises. When the PAD was formed, its five-person central committee consisted of a media tycoon (Sondhi Limthongkul, the coalition’s founder), a former Bangkok governor and retired major general (Chamlong Srimuang), a social activist and longtime pro-democracy campaigner (Piphob Dhongchai), a labor leader (Somsak Kosaisuk), and an academic who is also a prominent Democrat (Somkiat Pongpaiboon).

The present struggle for Thailand is actually more political and regional in nature than economic. The political crisis is best understood as a simple power struggle between two different groups of elites. According to David Fullbrook, an author and observer of the political scene in Thailand, conflict has been simmering since the rise of “new money”—much of it in the hands of Sino-Thais, such as Thaksin—in the 1960s, thanks to surging exports and modernization. Thaksin and his new-money cronies inevitably came to compete with “old money,” represented by the monarchy and the traditional elite. This conflict pitted Thaksin’s government against the institution that is supposed to bridge such gaps in society, the king’s advisory body—and therefore against the monarchy itself. As the Thailand scholar Kevin Hewison has argued, Thaksin and the palace were competing for the same things: societal supremacy and the hearts and minds of the masses.

The origins of the anti-Thaksin movement thus lie in the old establishment’s desire to keep from power someone they perceived as a manipulative arriviste. But even though Thailand’s political crisis was not at the beginning a social conflict, it became one because of the way in which Thaksin took advantage of the plight of the poor, especially in the impoverished northeast. It is doubtful that the demonstrators who took to the streets in April—who may have genuinely believed they were fighting for democracy and better living conditions—realized that they were little more than pawns in a bigger game.

As a result, the country has become deeply divided, not only between the old and the new elite but also between Thaksin’s strongholds in

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the north and the northeast and his opponents' in Bangkok and the south. Pasuk Phongpaichit and Chris Baker, two of Thailand's leading commentators on social issues, have traced the regional divide to the north's and the northeast's "sense of exclusion and disadvantage, the legacy of a highly centralised state system and persistent neglect."

Although Thailand has experienced some spectacular economic growth over the past few decades, not all regions have benefited equally, and the country has one of Asia's highest Gini coefficients, a measure of income inequality (the higher the coefficient, the greater the inequality). However, Thaksin was successful in portraying himself as a champion of the poor, mainly in the northeast, where he cleverly marketed his rural-development policies, inexpensive health care, generous monetary support for villages, and other populist policies. On the other hand, in the north, where Thaksin comes from, local residents know the Shinawatras as a Sino-Thai business family whose fortunes

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As one analyst put it,  
"This is not a class war  
but a regional conflict."

have waxed and waned over several generations. Thus, the TRT's election campaigns there never focused on poverty elimination but instead focused on provincialism, emphasizing that Thaksin was "a native of the north" and using distinct, northern Thai spelling on election posters and billboards. Clearly, playing on the rich-versus-poor divide has only been a tool for Thaksin's camp to gain support in certain parts of the country. As one Bangkok-based analyst put it, "This is not a class war but a regional conflict."

The present Democratic-led coalition is acutely aware of the opposition's popularity in the north and the northeast, and it has pledged not to abolish any of the populist policies that Thaksin initiated. Still, it will be an uphill battle for the Democrats to win over those regions, where they are seen as representing mainly the upper and middle classes of Bangkok.

#### AN UNCERTAIN DEMOCRACY

DEEP RIFTS such as these are enough to paralyze any country, but in Thailand, the monarchy has historically acted as a bridging institution. It is revered not only by the elite but also in the countryside, where

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the king enjoys an almost divine status. Most Thais think of the monarchy as a sacred institution, and Thailand has some of the world's most stringent *lèse majesté* laws (which criminalize offenses against the monarch). The Ministry of Information and Communication Technology claims to have shut down more than 2,000 Web sites deemed offensive to the monarchy. This drive began well before the Democrats came to power. But Abhisit's justice minister has gone a step further and suggested that the current maximum penalty for *lèse majesté* convictions, 15 years of imprisonment, should be extended to 25 years. This does not tally well with Abhisit's stated commitment to liberal democracy.

In a recent speech before the Foreign Correspondents' Club of Thailand, Abhisit defended these laws, arguing that the monarchy, which is the key to political stability, must be shielded from the country's political turmoil. Near-universal respect for the monarchy is undoubtedly a unifying factor, but it is also closely linked to the present king. Because of the country's *lèse majesté* laws, no one is prepared to talk openly, let alone write, about what may happen when a new monarch takes over. Bhumibol, who ascended to the throne in 1946, is the world's longest-reigning monarch, and the vast majority of Thais have never experienced another king. The trauma that his succession will inevitably entail will be immense. According to Shawn Crispin, the Southeast Asia editor of *Asia Times Online* and a veteran observer of Thai politics, when the king dies it is possible that "the military will invoke the Internal Security Act—which in times of crises gives the army commander more executive power than the prime minister—to ensure a smooth and favorable transition."

Indeed, despite Thailand's democratic institutions, the military is a powerful force, and it is likely to remain so for the foreseeable future. Between 1932, when the absolute monarchy was overthrown, and 2006, when the military ousted Thaksin, Thailand witnessed at least ten successful coups and seven abortive coup attempts. Powerful elements of the military have closely allied themselves with the PAD, which shares their loyalty to the monarchy and their dislike of Thaksin. According to Crispin, the military worked behind the scenes to form Abhisit's coalition. And if it retains such influence, Crispin wrote in *Asia Times Online* in January, Thailand's

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stability will be determined less by how Abhisit deals with the UDD and “more by how Abhisit negotiates power-sharing first with the military and second with his junior coalition partners.” That prediction does not augur well for Abhisit, and it calls into question his progressive credentials.

### FORECAST: FAILURE?

AFTER TAKING power at the end of 2008, the Democrats gained even more seats in parliament and improved their majority in by-elections held this January. But their opponents still feel cheated. They believe that both of Abhisit’s immediate predecessors and Thaksin were toppled by unconstitutional means—Samak and Somchai by politically motivated court decisions and Thaksin by a coup. The new coalition, Thaksin’s followers argue, is the product of behind-the-scenes horse-trading. The UDD has called Abhisit an “illegitimate prime minister.” In April, the opposition’s anger culminated in violent clashes that left two confirmed dead and more than a hundred wounded. In the coastal resort of Pattaya, protesters forced a regional summit to be canceled and its attendees to be evacuated by helicopter.

Most of Thaksin’s closest relatives left the country before and during the April events, but they are still in close contact with supporters in Thailand. Even before April, Thaksin himself—who after his 2006 ouster pledged never to get involved in politics again—repeatedly addressed his followers in Thailand by video from Dubai. During the height of the protests, he told them that he was prepared to come back and lead the country again, if they asked him to do so. In one address, he even urged his followers to stage a “people’s revolution”—a call that cost him his Thai passport. Even in exile, Thaksin remains powerful, and the country has become divided between those who love him and those who loathe him.

The violent clashes in April failed to dislodge the government, and they antagonized residents of Bangkok, whose daily lives were upset by the Red Shirts’ blockades. As a result, the UDD is now in retreat, and Abhisit has strengthened his position. The Red Shirts have been regrouping since the debacle and have vowed to continue their struggle.

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More violence may come. The assassination attempt in April against the PAD's founder, Sondhi, came as a grim reminder of how violent Thai politics has become.

The UDD is still demanding that parliament be dissolved and fresh elections be held. But it remains to be seen if the Puea Thai (For Thais) Party, the successor to the dissolved PPP, will fare as well in an election as Thaksin's supporters believe. The party lacks a coherent leadership and, like the UDD, is disorganized and undisciplined. It is also insular and paranoid: close relatives of Thaksin—trusted but inexperienced—have been appointed to important positions in the party, making it seem like a family-run company.

The crisis is far from over, and it is an open question how long Abhisit's government will last. Abhisit may be one of Thailand's brightest and best-educated politicians, but his coalition remains fragile. The price he and the Democrats had to pay for being able to put together a government was the inclusion of dubious characters, some previously allied with Thaksin, others PAD partisans. For example, Abhisit's choice of foreign minister, Kasit Piromya, was a regular speaker at PAD rallies and once described the group's occupation of Bangkok's international airports as "a lot of fun."

The relationship between the Democrats and the less-than-democratic PAD is one of the most controversial aspects of the new coalition. Abhisit, who has repeatedly said that the law applies to everyone, touts transparency and good governance. But it is unclear whether his administration can afford to go after the PAD, which blatantly disregarded the law and severely tarnished Thailand's international reputation when it occupied the airports.

Thailand can ill afford more turmoil as it begins to feel the effects of the global economic meltdown. For the first time in years, its exports are down and unemployment is rising. In the once-lucrative automotive industry, thousands of jobs are at risk: Toyota Motor Thailand, the country's largest automaker, has already announced that it will cut production to cope with falling demand. Because of the recent turmoil, fewer tourists are visiting the country and fewer foreigners are investing

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Although the last thing Thailand needs is more street politics, they seem likely to return.

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in it. Just a few days after order had been restored in April, Thailand's finance minister forecast that the Thai economy would contract by five percent as a result of the violence. Layoffs could lead to social unrest, and the pro-Thaksin opposition would no doubt accuse the government of ineptitude and incompetence—a charge that could work to the Pua Thai's advantage whenever new elections are held.

In an effort to avert another crisis, outside interlocutors are working behind the scenes to reconcile the opposing sides. Forming a government of national unity has been suggested, but the divide is so deep and antagonistic feelings so strong that it will not be easy to heal the country after three years of turmoil. Although the last thing Thailand needs is more street politics, they seem likely to return: the UDD's Red Shirts have vowed to continue their campaign to oust Abhisit's government.

If Thailand is to become truly stable, its democratic institutions will have to be strengthened through more grass-roots participation in the decision-making process at all levels. More attention will also have to be paid to the grievances of people in the north and the north-east; otherwise, populists like Thaksin will be able to ride a wave of social discontent, and Thailand will remain a political tinderbox. Never before has the country's future seemed as uncertain as it does today. If the confrontation continues and the economic crisis starts to bite in earnest, Thailand, a country seen as a pillar of economic and political stability in Southeast Asia just a few years ago, could become a textbook example of a democracy's collapse. 🌐



# Africa's Capitalist Revolution

## Preserving Growth in a Time of Crisis

*Ethan B. Kapstein*

IN ONE of the great ironies of history, Africa may well emerge from the current global recession as the only region in the world that remains committed to global capitalism. While the tired industrialized nations of the West are nationalizing their banks and engaging in various forms of protectionism, Africa remains open for business—promoting trade, foreign direct investment, and domestic entrepreneurship. Analysts in the industrialized countries are concerned that foreign aid flows to Africa might drop because of the recession, but Africans themselves are much more worried about rising barriers to their exports and diminishing private investment from abroad, which could impede the continuation of the impressive economic progress the continent has made over the past decade.

It is still a well-kept secret that the African continent has been in the midst of a profound economic transformation. Since 2004, economic growth has boomed at an average level of six percent annually, on par with Latin America. This rate will undoubtedly decline as a result of the global financial crisis, but the International Monetary Fund still projects growth of around 1.5 percent for this year and four percent for 2010 throughout Africa—a relatively healthy figure by today's depressing standards. International trade now accounts for nearly 60 percent of

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Africa's GDP (far above the level for Latin America), and foreign direct investment in Africa has more than doubled since 1998, to over \$15 billion per year. Overall, private-sector investment constitutes more than 20 percent of GDP. Furthermore, since 1990, the number of countries with stock markets in sub-Saharan Africa has tripled and the capitalization of those exchanges has risen from virtually nothing to \$245 billion (that is, outside of South Africa, which has long had an active stock exchange). These "frontier" markets have, until recently, given investors huge returns compared to those found in other emerging economies.

But these positive trends may not last. Bad governments in Africa—often tribal in their orientation, with Kenya being a notable example—have long rewarded insiders and engaged in widespread corruption and often even the outright theft of national resources. In such regimes, military officials and dictators have generally monopolized economic activity, providing few, if any, incentives for legitimate entrepreneurs to do business. It comes as no surprise that under these circumstances Africa suffered from low growth rates and high levels of poverty.

Far-reaching political changes since 1990, however, have played a crucial role in Africa's capitalist revolution. With the tragic exception of Zimbabwe, one finds widespread progress alongside the economic transformation. In January 2009, Ghana held a crucial presidential election that led to its second peaceful transfer of power in a decade, an event that was widely celebrated across the continent. Even where democracy remains fragile, as in Kenya, leaders understand that the old patrimonial ways of doing business are becoming increasingly costly to maintain. Anticorruption commissions of varying degrees of effectiveness are springing up in a growing number of countries, with Cameroon being one example. Citizens are also demanding more competent leaders who are capable of governing modern societies integrated into a global economy. For example, after being democratically elected in 2006, the president of Benin, Thomas Yayi Boni, emphasized that his cabinet would consist of "technocrats," recruited from universities and development banks. And in Liberia, a former World Bank official, Ellen Johnson-Sirleaf, became president in 2006.

But given the continent's many chronic problems, these changes are not necessarily durable, and they could easily be reversed by the current

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crisis and rising protectionism in the West. If Africa does not do more to encourage entrepreneurship, and if the current great recession leads to a significant reduction in foreign capital flows and higher trade barriers in the United States and western Europe, then the region's nascent capitalist revolution could meet an untimely demise.

#### THE TWILIGHT OF AFRO-PESSIMISM

DURING THE 1990s, just as Africa was laying the groundwork for its current growth spurt, many Western experts and policymakers were busy writing off the continent's future. But the generalized failure to predict Africa's capitalist revolution should come as no surprise. The end of the Cold War meant that Africa was no longer a focal point for the U.S.-Soviet struggle, and the continent lost the strategic significance it had once enjoyed. Oil prices were low, and the region's economies seemed hopeless. They were commodity- and aid-dependent at a time when the revenue streams from each of these sources were falling, and they were mired in billions of dollars of debt to Western governments and banks. To the extent that anyone cared about Africa, it was the foreign aid community. Donors and humanitarian organizations—driven in part by a desire to ensure continued flows of foreign aid—painted a relentlessly bleak picture of a region beset by hunger, disease, violent civil conflict, huge debt burdens, and corrupt and dysfunctional governments.

Yet behind this façade, Africa's economic potential was stirring. At home, Africa was urbanizing and democratizing, and internationally, the continent was opening up to global trade, forcing its economies to become more competitive. Together, these changes provided the background conditions for the region's capitalist revolution.

Urbanization is one trend that development economists seem to ignore when making their forecasts. That is striking, because more than 30 percent of all Africans now live in cities—up from 15 percent in 1965—a number that should rise to over 50 percent of the population in the next 20 or 30 years (a percentage comparable to that in Asia, a region that most people think of as exceptionally urbanized). The shift from rural to urban life is crucial for galvanizing economic development because cities bring people with goods and ideas together with

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those who have capital. This interaction is the foundation of a market economy. But the pathway to the market requires an additional step beyond mere networking. Trading also requires something that is incredibly risky: engaging in exchanges with people who are not family members or personal friends. In markets, people agree to trade with those they do not know, and that requires a major act of faith.

In Africa, one great virtue of urbanization is that it has forced members of different tribes to interact on a regular basis in ways that

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Since 2000, cell-phone usage has increased tenfold in Africa—more than in any other region of the world.

remain unusual in more rural settings. These continuous interactions, whether in small shops, on buses, in dwellings, or in the workplace, are absolutely crucial to the development of market economies and democratic institutions, because they help break down patrimonial exchange relationships, in which local chiefs basically run a command economy. As economies become more complex

due to urbanization, new skills, such as finance, become valuable; possession of these skills becomes more important than ethnicity when it comes to survival.

These urban areas are also great centers of economic activity, and their citizens naturally seek to stay informed about what is going on around them. Cell phones and the Internet have made the outside world increasingly accessible to Africans, with far-reaching consequences for economic and political life. Since 2000, growth in cell-phone usage has been greater in Africa than in any other region of the world: it has increased tenfold, to about 80 million subscribers. Internet growth has been even more impressive: the number of people with Internet access has quadrupled since 2000. Still, only a small fraction of the African population today has access to cell phones or the Internet. But this “digital divide” is closing fast, and the economic effects in terms of greater opportunity are already being felt by every would-be or already established entrepreneur. The World Bank has shown, for example, how cell phones have helped farmers gain quicker access to market prices, enabling them to sell their crops for a greater profit.

Enhanced communication between Africa and the world at large has had implications for governments as well. For much of the post-

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colonial era, dictatorial African governments implemented extremely severe protectionist trade and investment policies, a practice that was aided and abetted by protectionism in the industrialized world. The African business class was deprived of cutting-edge technology at home and denied access to foreign capital and markets overseas. As a result, the continent was shaken by numerous economic crises during the 1980s. In recent years, however, Africa has been able to reap many of globalization's commercial benefits without paying all the financial costs, because its banking sector has been relatively sheltered from international financial markets. Of course, as the continent becomes more enmeshed in the world economy, it will be less able to isolate itself from future financial shocks.

Throughout the 1990s, as Africa urbanized and adopted modern communications technology, the costs associated with those old policies became increasingly apparent. African entrepreneurs—and there were a few scattered about—came to understand that they simply could not build businesses in the small and primitive markets in their own countries; as Adam Smith taught, sustained growth requires the expansion of the market. During the 1990s, “openness” became a watchword for this small entrepreneurial class: it meant the liberalization and privatization of domestic activities once firmly controlled by governments, along with globalization of the marketplace.

Openness also meant political change, however; in particular, it forced governments to take a fresh look at democratization. Very few people today would opt to live in Zimbabwe over Ghana. Indeed, most Africans who still live in authoritarian countries probably hope for a democratic future, even if its realization may be decades away. Because African societies are generally divided along tribal lines and the dominant tribe tends to monopolize resource wealth, pluralism in African politics—along with a system of effective checks and balances—is essential to sustained growth. In contrast to the countries of East Asia, which have done reasonably well under authoritarian regimes, Africa has generally done poorly, and its unelected rulers now have little credibility left

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Greater openness forced governments to democratize. Very few people today would opt to live in Zimbabwe over Ghana.

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with the majority of the people of their countries. This is because Africa's autocrats are for the most part tribal leaders concerned only with bettering the lives of their kin. The recent election in Ghana, marking one of the very few times in African history in which a peaceful transition of power has taken place, may someday be regarded as the decisive turning point when democracy finally took unshakable root in that country. To be sure, Africa has seen many false dawns when it comes to political reform, but the pressures—both domestic and international—in support of greater democracy are rising. Domestically, political parties are growing stronger, and internationally, numerous foreign aid programs have included funds for democracy building. Additional sources of change from outside the continent have come as a result of greater openness to the world economy. Therefore, Africans are looking at the Western world's response to the financial crisis with a high degree of anxiety.

### GLOBALIZING AFRICA

FOREIGN INTEREST in Africa has been growing. Thanks to the world's portfolio investors, the capitalization of African stock markets jumped to 60 percent of GDP in 2007, up from just 20 percent two years earlier. Foreign direct investment has also risen and now accounts for nearly five percent of sub-Saharan Africa's GDP.

There are several reasons why foreigners have invested in Africa. First, African banks are among the healthier financial companies anywhere in the world, having been relatively shielded from the toxic assets that are now laying waste to U.S. and European financial institutions. (Capital-to-asset ratios, for example, are currently far higher for African than for American banks.) As African savings rates increase and as investment opportunities there expand, these banks will play a much larger role in local economies than they have in the past. Second, robust economic growth and a rise in domestic investment—which means the existence of more major banks and corporations—have presented foreign investors with more serious opportunities there than ever before. Third, the rise of a true African business class, comprised of executives who are often Western-trained, has given foreign investors more confidence in local management. Fourth, many

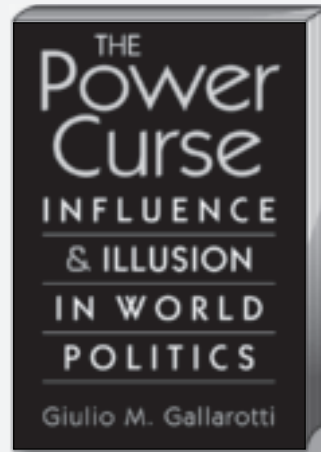
African countries have made tremendous progress with respect to macroeconomic stabilization; in fact, thanks to independent central banks increasingly led by technocrats, the continent has compiled an enviable record on controlling inflation (with Zimbabwe being an awful outlier), one that puts Latin America to shame. Finally, investors have been encouraged by democratization across the continent and the increasing emphasis on good governance.

Foreign investors were not always welcome in Africa. Following independence from the colonial powers, African countries, with their newly established governments, often undertook autarkic industrial policies, for both ideological and economic reasons. Nationalists blamed foreign investors for many of the region's ills, and government bureaucrats did not like to see dividends flowing out of their cash-poor nations.

For their part, because Africa was widely viewed as a politically unstable and generally unhealthy place to do business, foreigners adopted an exploitative view of the continent. Expatriate managers of foreign mining and oil companies—the largest private investors by far—sought to extract as many resources from the ground as they could in



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the shortest period of time possible. As a consequence, they never bothered to invest in Africa's long-term development and instead left gaping craters in the countryside or waste dumps as lingering reminders of their operations.

International criticism of such neocolonial behavior has helped change the attitudes of Western investors, but African consumer spending and public opinion are probably playing an even more important role. As Africa enjoys solid growth and an indigenous middle

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The West gives with one hand by promoting economic development and takes with the other by practicing protectionism.

class begins to emerge in a growing number of African countries, African consumers are beginning to demand that foreign investment be made to serve broad development objectives, rather than simply pillage their wealth. Noting these demands, many Western companies have started to take a radically different approach to this marketplace, hiring and promoting local managers rather than expatriates. Indeed, a frequently heard

criticism about China's investment in Africa—which has for the most part been welcomed with open arms by African governments—is that it contributes little to training and employing locals.

Fortunately, some global corporations are striving to promote local development. For example, SABMiller, one of the world's major breweries—created by the merger of South African Breweries and the Miller Brewing Company—has discovered how to tap the local taste for homemade brews, making them with cheap inputs, such as sorghum (instead of barley), while adapting modern technology and promoting local economic development. By buying homegrown crops instead of importing expensive barley, the company has helped stabilize local commodity prices and increase the incomes of subsistence farmers. And so the result of brewing sorghum beer for domestic consumption is more investment, more growth, and less poverty. Indeed, a recent study commissioned by the company—and carried out by this author—found that for every single job in SABMiller's breweries in Uganda (where it first produced the sorghum beer), the company supported—directly or indirectly—over a hundred other jobs throughout the country, contributing not just to its own bottom line but to Uganda's development as well.



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Despite some progress, very few foreign investors have paid similar attention to their long-term impact on development in Africa. Replicating the success of SABMiller is not impossible, but it would require multinational firms to think about their presence in a self-conscious way and then, for example, make more intensive use of local goods and services and promote exports, training, and job growth. It is the private sector, both domestic and foreign, that is driving, and will continue to drive, the region's economy. Accordingly, most Africans would prefer higher levels of trade, investment, and job creation to increased aid. (Still, as the Zambian economist Dambisa Moyo illustrates in her book, *Dead Aid*, African governments are having a hard time freeing themselves of easy aid "handouts.") The global economy has provided much of the money and technology that has fueled Africa's capitalist revolution. Those flows remain absolutely vital to the region's continued progress.

#### PROTECTION FROM PROTECTIONISM

THE FUTURE of Africa's development hinges on whether the continent will be able to complete its capitalist revolution or the tidal wave of problems created by the global economic crisis will drown the hopes of the region's entrepreneurs. A recent study by the Center for Global Development found that Africa's private sector was all too often impeded by poor infrastructure, small markets, and weak governance. The study also found that ethnic fragmentation remains a divisive factor in economic and political life throughout Africa. However, as mentioned above, Africa is experiencing a major trend toward urbanization, which could help overcome this impediment to growth. But until its ethnic divisions are surmounted, Africa is unlikely to see the rise in productivity that is the sine qua non of income growth.

Despite some recent success stories, democracy also continues to struggle on the African continent. Young democracies in Africa have had a higher failure rate than those in any other developing region, with nearly 30 percent of all cases of democratization between 1960 and 2004 ending in collapse. On a more hopeful note, however, Africa's successful democracies have become increasingly stable, thanks in part to the foreign aid that has been targeted at strengthening nascent

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democratic institutions. This aid has built up the capacity of judiciaries and parliaments and bolstered political parties, universities, and a free press.

Even with strengthened democratic institutions, African countries may not be able to withstand the economic pressure from abroad given Africa's growing dependence on foreign capital and trade. Everywhere, countries are beginning to batten down the economic hatches, closing off their economies to foreign trade through a variety of insidious policy measures. Protectionist policies that currently prevent African farmers from exporting genetically modified crops to the European Union are likely to harden in the months ahead as EU leaders attempt to appease their domestic agricultural sector.

Trade is critical to Africa's economic growth, because Africans' incomes cannot rise if their countries are unable to export goods and services to richer regions. To be sure, African countries themselves must do more to create free-trade zones and promote commerce with other developing nations. But in the end, it is the wealthy consumers of Europe and North America whose buying power will lift Africans out of poverty. For Europe and the United States, protectionism and reduced trade are merely costly, at least for now; but for Africa, with its small domestic markets, they are potentially deadly.

It is hard to imagine Barack Obama—a U.S. president of Kenyan descent—leveling such a cruel blow against his ancestral homeland. Yet although the Obama administration was tireless in warning of a domestic catastrophe if Congress did not pass an economic stimulus package and a bailout for U.S. banks, it has been relatively silent when it comes to warning of the international catastrophe that would accompany a renewed round of protectionist policies. The “Buy American” provision of the stimulus package that President Obama signed into law—which he has defended as being consistent with the rules of the World Trade Organization—exposes the absurdity of developed-world governments that give with one hand by promoting economic development and take with the other by practicing protectionism. Africans have already taken up the shovel to dig themselves out of a half-century-old hole of poor economic management and bad governance. It is now up to the United States and its European allies to help them complete the job. 🌐

# Reviews & Responses



No one-volume or even five-volume  
work could do justice to the  
story of U.S. foreign relations.  
Yet the effort must be made.

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Review Essay

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# Can the Right War Be Won?

## Defining American Interests in Afghanistan

*Steven Simon*

*In the Graveyard of Empires: America's War in Afghanistan.* BY SETH G. JONES.

Norton, 2009, 432 pp. \$27.95.

*The Accidental Guerrilla: Fighting Small Wars in the Midst of a Big One.* BY

DAVID KILCULLEN. Oxford

University Press, 2009, 384 pp. \$27.95.

The Obama administration recently completed its 60-day review of U.S. policy toward Afghanistan and Pakistan. According to the president, "The core goal of the U.S. must be to disrupt, dismantle, and defeat al-Qaeda and its safe havens in Pakistan, and to prevent their return to Pakistan or Afghanistan." The United States will pursue this goal, he explained, by carrying out five tasks: disrupting terrorist networks that are capable of launching international attacks; "promoting a more capable, accountable, and effective

government in Afghanistan"; building up Afghan security forces that are "increasingly self-reliant"; nudging Pakistan toward greater civilian control and "a stable constitutional government"; and getting the international community to help achieve these objectives under UN auspices. The premise of the strategy is that the turbulence in Afghanistan and Pakistan, if untamed, will lead to a nuclear 9/11.

In some ways, the new administration's goals are more modest than those of its predecessor. As President George W. Bush described the U.S. goal, "We have a strategic interest and I believe a moral interest in a prosperous and peaceful democratic Afghanistan, and no matter how long it takes, we will help the people of Afghanistan succeed." President Barack Obama has dismissed this objective as

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### *Can the Right War Be Won?*

unrealistic, stating that the United States was not going to “rebuild Afghanistan into a Jeffersonian democracy.”

In practical terms, however, the Obama commitment is bigger. Whereas the Bush administration put a ceiling on troop deployments to Afghanistan (albeit largely because of Iraq), Obama ordered the deployment of an additional 21,000 troops. General David McKiernan—who in May was replaced by General Stanley McChrystal as U.S. commander in Afghanistan—had asked for 10,000 more; the White House will decide whether to add those in the fall. By the middle of 2010, the U.S. troop presence will have expanded by nearly one-third, to 78,000. Adding NATO troops, including those slated for deployment through the August Afghan elections, would boost the total coalition troop level to approximately 100,000.

During the presidential campaign, Obama emphasized that the war in Iraq was the wrong one; it was the effort in Afghanistan, al Qaeda’s base, that was the right war. “Only a comprehensive strategy that prioritizes Afghanistan and the fight against al Qaeda will succeed,” Obama said, “and that’s the change I’ll bring to the White House.” The notion that Afghanistan was the epicenter of global terrorism and would prove to be an enduring source of danger to the United States unless the Taliban were subdued became a recurring theme. It was therefore unlikely that the administration’s 60-day policy review was going to propose anything but a heightened military and economic investment in Afghanistan’s future.

Now, the transition from Iraq to Afghanistan is well under way. Total annual spending in Afghanistan will soon exceed that in Iraq—\$65 billion versus

\$61 billion in the fiscal year 2010 budget request. This would be an increase of nearly 40 percent for Operation Enduring Freedom, adding nearly \$7.5 billion for the Afghanistan security forces and \$700 million for the Pakistan Counterinsurgency Capability Fund. The administration’s strategy will also necessitate far greater civilian involvement in both Afghanistan and Pakistan, a fact reflected in the \$4.1 billion international affairs portion of the request, which covers the cost of diplomats and technical experts as well as economic assistance to both countries (including a down payment on a five-year \$7.5 billion package for Pakistan).

#### LESSONS OF THE PAST

In 2001, most Afghans welcomed the U.S. troops. Inattention, ineptitude, and a lack of resources squandered this goodwill. Unsurprisingly, the dramatic escalation of the U.S. commitment to Afghanistan has triggered a vigorous debate about whether it will prove to be “Obama’s Vietnam,” as it was framed in *Newsweek*, or a successful effort that finally matches goals to resources and is guided by a counterinsurgency strategy honed in the “Wild West” of Iraq. Two new books contribute to this discussion in different ways. *In the Graveyard of Empires*, by Seth Jones, chronicles the misjudgments and blunders that have characterized the U.S. effort in Afghanistan thus far, intimating that the record does not presage success for Washington’s renewed commitment. *The Accidental Guerrilla*, by David Kilcullen, deals only partly with Afghanistan per se, but it lays out a counterinsurgency strategy that he argues would maximize the chances of success there.

*Steven Simon*

Jones is an analyst at the RAND Corporation and has made Afghanistan his niche. He has been there a number of times and even grew a beard and wore baggy pants for a native's-eye view. Although his book breaks no new ground, it is a useful and generally lively account of what can go wrong when outsiders venture onto the Afghan landscape. Those ventures have generally not turned out well. Alexander the Great met his match there; the British were massacred; the Soviets, humiliated. The title of Jones' book, which focuses mostly on the U.S. effort, seems to impart a glimpse of the author's own assessment of U.S. prospects. This is ominous, because he knows too much about recent interventions for his pessimism to be disregarded.

By 2007, Jones writes, the United States faced a "perfect storm of political upheaval." Al Qaeda bases were embedded in Pakistan, a "cancer of corruption" had undermined the Afghan government's legitimacy, and the U.S. counterinsurgency campaign had been "hamstrung" by the war in Iraq, which had absorbed the troops that would have been needed to quash the growing violence in Afghanistan. The anarchic setting testified to "America's inability to finish the job it had started." The Taliban, Hezb-i-Islami, the Haqqani network, criminal groups, and tribal militias had "beg[un] a sustained effort to overthrow the government." (On this point, Kilcullen disagrees: he was struck by the relative indifference of the Taliban toward Kabul; for the insurgents, he argues, it was the Pashtun countryside that mattered. To the degree that U.S. policy hinges on the expansiveness of the Taliban's goals, it matters greatly whether Jones or Kilcullen has this right.)

The immediate aftermath of the U.S. invasion saw some successes. Jones attributes these to the unique combination of personalities in charge. Zalmay Khalilzad, then the U.S. ambassador, had been born in Mazar-e Sharif. He was personally committed to Afghanistan's recovery, sensitive to its sociocultural idiosyncrasies, and possessed of a knack for working with military counterparts. He meshed well with General David Barno, then the U.S. military commander, who began immediately to put in place a "security halo" around Pashtun villages—what Kilcullen much later called a "population-centric" approach.

This successful duo ended up being a casualty of the Iraq war. Khalilzad was reassigned to Iraq; Barno went to the Pentagon. They were replaced by Ambassador Ronald Neumann and General Karl Eikenberry. According to Jones, these were poor choices. Their shortcomings resulted mainly from their "stovepiped" management styles, which disengaged the political and military gears of the counterinsurgency campaign envisaged by their predecessors. And even if they had had the right intentions, the Iraq war would have starved them of the resources needed to carry them out. "American and other international assistance," Jones writes, "was among the lowest of any state-building mission since World War II." Insurgent attacks increased by 400 percent between 2002 and 2006; deaths rose by 800 percent. The use of improvised explosive devices (IEDs), a tactic imported from Iraq, rose 100 percent.

Jones occasionally reverts to political science jargon, which hobbles an otherwise very readable style. Sometimes, however,

### *Can the Right War Be Won?*

this can work well, as when he reviews various explanations for violence offered by the literature on civil wars—competition for resources, ethnic rivalry—but concludes that these are not at work in Afghanistan. The primary factors, he argues, are bad governance and a mobilizing ideology.

Jones' time spent in Afghanistan also pays dividends. This is less because he was ferried by soldiers to Afghan villages for a bit of authenticity than because it gave him exposure to the soldiers themselves. Here, the anecdotes reveal something important about NATO relationships in the field. U.S. personnel, he reports, have assigned their own meanings to the acronym "ISAF" (for the International Security Assistance Force, which operates under the auspices of NATO): "I saw America fight" and "I suck at fighting."

#### **A SAVAGE WAR OF PEACE**

Kilcullen, a former Australian army officer, is the proverbial man who needs no introduction. A connoisseur of counterinsurgency—with military experience in the field and senior staff and advisory experience with the State Department's Office of the Coordinator for Counterterrorism—he is a man who knows "where the dog is buried." (He is also fond of idioms and proverbs.) His book lurches from graduate-school anthropology to lyrical memoir to policy memo. In places, it is as impenetrable as the Indonesian jungles where he was once deployed and, as a doctoral student, interviewed remote villagers. Nevertheless, there is much that merits close attention.

First, there is Kilcullen's clear and detailed explanation of counterinsurgency tactics, as opposed to strategy. By now, the world understands that at the campaign

level, the priority is supposed to be the nonmilitary sphere, in which the general population must be secured, and that cultural awareness is vital. Kilcullen powerfully describes what this means on the ground. For Afghanistan, the example he chooses is road construction. Far more effective than conducting large-scale search-and-destroy missions—which catch a few insurgents but leave the population defenseless and alienate ordinary people—is building roads in dangerous valleys, which serves the local population and gives it a sense of shared purpose with U.S. troops. Moreover, the cement road shoulders make it hard for insurgents to bury IEDs. In another context, this might look like a retreat to a defensive posture ill suited to the warrior spirit. In Afghanistan, it forces insurgents out into the open and engenders a sense of common cause between civilians and U.S. soldiers.

Kilcullen also mercilessly conveys the cluelessness of those working from sequestered headquarters, drawing on his experience in the Green Zone in Baghdad. An assiduous diarist, Kilcullen kept a record of the official reaction to the Sunni bombing of the Shiite Askariya shrine in February 2006. According to Kilcullen, it took four and a half months for the transformative effect of this atrocity to register within the Green Zone. Yet myriad news stories at the time—*The New York Times* ran the headline "Iraq at the Precipice" that month—were already pointing out that the attack had thrust Iraq into civil war.

Kilcullen's meticulous delineation of the criteria for a successful counterinsurgency, which is intended to show that there is indeed a winning strategy, has the opposite effect. It raises the question of whether

*Steven Simon*

the United States, or any other country, could conceivably wage a successful campaign in a place like Afghanistan today.

### ENDS AND MEANS

The conspicuously odd thing about these books is that neither explores in any depth why the United States is still so involved in Afghanistan at this juncture. Jones notes that he chose “to examine Afghanistan because it is a case of such intrinsic importance to the United States.” Yet sentiment, rather than strategy, seems to have shaped his rationale here. Afghans, he writes, “have longed for security and hope, and perhaps something to make their difficult lives more bearable. After decades of constant war, they deserve it.” Why the United States needs to be their benefactor is unexplained.

Kilcullen makes a few assertions about the United States’ and the international community’s stakes in Afghanistan, but he does not really elaborate on them—which is unfortunate given his genuine thoughtfulness on other matters. He observes that “Afghanistan is one theater in a larger confrontation with transnational *takfiri* terrorism” and that “Pakistan is now, and will be for the foreseeable future, the epicenter of global *takfiri* terrorism, making Afghanistan a frontline state.” But if Pakistan is the epicenter of a worldwide movement, the notion of a “frontline” seems singularly inapt. It is true that links between Pakistan and the United Kingdom are dense and some terrorist conspiracies hatched there have been traced to Pakistan. And it is true that the Pakistani government, motivated by Indo-Pakistani rivalry over Kashmir, may have been involved in terrorism against India. But any broader and more systemic relationship

between Pakistan and global terrorism is not terribly clear.

Kilcullen posits a nightmare scenario that has circulated among analysts and officials: “Given the presence of core [al Qaeda] leaders and nuclear weapons in Pakistan, this makes the Taliban an extremely serious strategic threat to the international community and to our entire strategic position.” Presumably, the switch from al Qaeda to the Taliban is meant to suggest that as long as there are Taliban fighters in Pakistan, nuclear-minded al Qaeda operatives will enjoy safe haven there.

These assertions summarize the new Washington consensus. Yet given the tenuous relationship between instability in Afghanistan and the putatively graver threat posed by instability in Pakistan, the grim record of imperial attempts to intervene in Afghanistan that Jones recounts, the typically long duration of insurgencies and the frequency of indecisive outcomes, and Kilcullen’s daunting list of prerequisites for counterinsurgency success in Afghanistan, the administration might find that the moment to rescue the mission begun by its predecessor has passed. If so, a narrower strategy that focuses on the immediate threats to the United States would be an appropriate fallback.

Thus, if the core concern is terrorism, Washington should concentrate on its already effective policy of eliminating al Qaeda’s leadership with drone strikes. In what amounts to a targeted killing program, the United States uses two types of unmanned aerial vehicles—the Predator and the faster, higher-altitude Reaper, which can carry two Hellfire missiles and precision-guided bombs—to attack individuals and safe houses associated with



al Qaeda and related militant groups, such as the Haqqani network. Most of these strikes have taken place in North or South Waziristan, as deep as 25 miles into Pakistani territory. There were about 36 against militant sites inside Pakistan in 2008, and there have been approximately 16 so far in 2009. Among the senior al Qaeda leaders killed in the past year were Abu Jihad al-Masri, al Qaeda's intelligence chief; Khalid Habib, number four in al Qaeda and head of its operations in Pakistan; Abu Khabab al-Masri, al Qaeda's most experienced explosives expert, who had experimented with biological and chemical weapons; and Abu Laith al-Libi, the al Qaeda commander in Afghanistan. Some 130 civilians have also been killed, but improved guidance and smaller warheads should lead to fewer unintended casualties from now on.

The logic of this strategy is straightforward. "In the past, you could take out the number 3 al Qaeda leader, and number 4 just moved up to take his place," says one official. "Well, if you take out number 3, number 4, and then 5, 6, 7, 8, 9 and 10, it suddenly becomes a lot more difficult to revive the leadership cadre." In consequence, "the enemy is really, really struggling," says one senior U.S. counterterrorism official, who notes "a significant, significant degradation of al Qaeda command and control in recent months." These same officials say that al Qaeda's leadership cadre has been "decimated" and that it is possible to foresee a "complete al Qaeda defeat" in Pakistan. By its third day in office, the Obama administration had decided to press on with this program. Its fiscal year 2010 spending request—which asks for \$79.7 million for 792 Hellfire missiles

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*Steven Simon*

and \$489.4 million for 24 Reapers, nearly double the number requested in fiscal year 2009—points to an increased use of drones.

The program has made life so uncertain for militant leaders within 25 miles of the Afghan border that the survivors have relocated deeper into Pakistan, to the area around Quetta, in Baluchistan. For the administration, the militants' retreat to a safe haven in an area in which the Pakistani government has traditionally held sway, unlike Waziristan, poses a dilemma: Will the effect of these strikes on Pakistani public opinion outweigh the benefits flowing from further attrition of the militants' leaders? Thus far, the administration has decided that the benefits are worth the cost.

It is also important to note that it is now more difficult for attackers to enter the United States than it was in 2001. The U.S. customs and immigration services are more alert. A consolidated, if still flawed, watch list now exists. Both the intelligence agencies and law enforcement agencies are better at sharing information and highly attuned to the threat. This is not to suggest that the United States is invulnerable. Al Qaeda has a well-appreciated protean quality and has reconstituted itself after harsh blows in the past. But it means that the more efficient measures for defending against a devastating terrorist attack are killing al Qaeda's operational leadership in Pakistan and continuing to improve homeland security—as opposed to nation building in Afghanistan.

### **THE HEART OF THE MATTER**

These two books dampen expectations about the prospects of success for the nation-building mission by making several

things clear: Afghans resent occupation and will resist it, large footprints correlate with heavier resistance, the adversary is experienced and resourceful, and the government on whose behalf the United States is fighting is corrupt and unreliable.

Kilcullen proffers a how-to manual and believes that it points the way to a victory in Afghanistan that will take “five to ten years at least” to achieve. It will require “building a resilient Afghan state and civil society” that can sustain “an effective, legitimate government presence into Afghanistan’s 40,020 villages.” Kilcullen is careful to note that this would be not the restoration of the status quo but an entirely new and unprecedented state of affairs for Afghanistan. And if this does not instill a degree of caution, Jones’ recitation of tragic failures in the past surely will.

Still, for U.S. policymakers and strategists, the allure of the right general, or the right strategy, or the right instrument—coupled with the widely held, although unproved, conviction that the “surge” in Iraq worked on a strategic level—will be hard to resist. The differences between Iraq and Afghanistan are large, and the strategies that helped in the former are not necessarily transferable to the latter. Regrettably, there is no gap yet between the “good” Taliban and the “bad” militants to exploit. The population, as Kilcullen emphasizes, is overwhelmingly rural and dispersed; an array of warlords compete with tribal authorities; the structure of the tribal system makes it unlikely that coalitions can be assembled to fight al Qaeda; and, if there is to be bandwagoning, it is likely to be against foreigners. Here arises Kilcullen’s “accidental guerrilla.” The Afghan people have picked up arms to

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get rid of the outsider, not to reestablish the caliphate.

As for Pakistan, the efflorescence of Pashtun nationalism and Taliban prominence has as much to do with the growing weight of the U.S. presence than with anything else. Although it is worth trying to convince Pakistan's leadership that the Taliban, rather than India, are the most salient threat to them, success in this regard is hardly guaranteed. Pakistan has lost wars and territory to an India that is now armed with nuclear weapons, and New Delhi is building up its influence in Afghanistan. The Pakistani military's leadership is unlikely to be persuaded that the best way to protect Pakistan's strategic interest is to abandon the jihadist allies that it has cultivated for decades. In any case, it is the establishment of "mini-Afghanistans" within Pakistan, rather than the Afghan Taliban (who are uninterested in waging expeditionary campaigns against the West), that is the real threat to the United States. The nation-building project in Afghanistan seems largely beside the point.

#### **THE ART OF THE POSSIBLE**

Ultimately, the United States is caught in a vicious circle. In the face of a threatening al Qaeda hosted by the Taliban, the United States deepens its involvement in Afghanistan and Pakistan. Al Qaeda and the Taliban respond to the U.S. presence with destabilizing violence and insurgent activity. The United States, in turn, responds by applying more intense pressure, increasing civilian casualties and general instability—and thus weakening the governments in Kabul and Islamabad, which benefits al Qaeda and the Taliban. This will prove especially true in Pakistan if the government cannot cope with the hundreds

of thousands of Pakistanis displaced by the military campaign in Swat.

Thus far, the Obama administration has prudently insisted that it retain some freedom of maneuver. The president and Defense Secretary Robert Gates have said that they will carefully assess progress before sending more troops. Officials are also exploring ways to win Pakistan's acquiescence and possibly cooperation in the use of aerial strikes, in order to continue bleeding al Qaeda and to keep it off balance.

Anxieties about Pakistan's ability to manage the Taliban are certainly warranted. According to Bruce Riedel, the leader of the 60-day policy review, the Taliban "smell blood, and they are intoxicated by the idea of a jihadist takeover in Pakistan." That idea, however, might be more a delusion than an achievable goal. The Pakistani army is big, is well equipped, obeys orders, and can fight, and the Pakistani intelligence service, notwithstanding its Machiavellian tendencies, is not likely to transfer nuclear weapons to the Taliban. As the United States plans for the next phase of the conflict, these limits on the Taliban's ambitions in Pakistan should be kept in mind. So should the limits on the United States' ability to reengineer Afghanistan's politics and society.🌐

Review Essay

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# A Hegemon's Coming of Age

## A Brief History of U.S. Foreign Relations

*Walter Russell Mead*

*From Colony to Superpower: U.S. Foreign Relations Since 1776.* BY GEORGE C. HERRING. Oxford University Press, 2008, 1,056 pp. \$35.00.

Anyone who has written a one-volume history of U.S. foreign policy deserves the gratitude—and the sympathy—of everyone engaged in the study and teaching of this perplexing subject: possibly the most complex, vital, and, relative to its importance, understudied discipline in world history today. Such authors deserve our gratitude because a one-volume study of the United States' engagement with the world is so necessary to readers and, especially, to teachers. They deserve our sympathy because such a book is difficult, if not impossible, to write well.

George Herring's well-written and lively book, part of the Oxford History of the United States series, may turn

out to be one of the last attempts by a leading scholar to compress a comprehensive and comprehensible account of the United States' foreign relations into a single volume. More than 230 years have passed since the Declaration of Independence; the United States has been the most powerful country in the world since World War I ended, in 1918; and since the end of World War II, it has consciously assumed responsibility for the maintenance of the global economic and political system. A lot of water has passed over the dam.

It gets worse: the story is fiendishly complex. In all the long history of the civilized world, only a few countries and cultures have had anything like the impact of the United States on religion, politics, technology, and culture. Like ancient Egypt, China, Greece, Rome, and Arabia, and like more modern Spain

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### *A Hegemon's Coming of Age*

and the more modern United Kingdom, the United States has shaped the way people have worked, fought, prayed, and played in many places far from its shores. Because the American era coincided with (and indeed helped cause) the technological and economic revolutions of the twentieth century, the impact of the United States has spread faster and deeper than did the impact of its predecessors.

To take only one, little-appreciated statistic: in 1900, approximately nine percent of the population of the global South was Christian. By 2000, 24 percent was Christian. And just as U.S. missionaries have been the primary (although far from the only) agents in spreading this faith, the distinctively American religion of Pentecostal Christianity (born in Los Angeles at the Azusa Street revival of 1906) has been the largest and most energetic element in the greatest expansion of any religious faith in documented history.

The Los Angeles revival that launched Pentecostalism took place a few miles from where, in the next decade, the studios and back lots of Hollywood would touch off another revolution in global culture. And if the Azusa Street and Hollywood revolutions were not enough, Los Angeles was the first great world city shaped by the automobile. Pentecostalism, Hollywood, and drive-in living are all the products of just one U.S. city; to comprehend the global impact of the whole country is more challenging.

No one-volume or even five-volume work could do justice to this story. Yet the effort must be made. Without at least some understanding of the United States' relationship with the world, the history of the twentieth century

makes no sense. Writers must comfort themselves with G. K. Chesterton's observation that anything worth doing is worth doing badly.

#### COMPRESSED VOLUME

Most of the criticisms usually leveled against a book like *From Colony to Superpower* must be set aside. It is pointless to carp that Herring leaves this or that out; ruthlessness is the first quality a U.S. historian must possess, and the essence of the task is to cut. Not enough about religion, not enough about women, not enough about the poor, not enough about intellectuals, not enough diplomatic history, not enough about technology? It is idle to whine. To satisfy one such critic is to make a dozen more; making room for a fuller treatment of one subject means skimping somewhere else. The novel has been defined as a long prose narrative that has something wrong with it; a one-volume history of U.S. foreign relations can be defined as a long prose narrative that omits vital points.

The most successful short accounts of the grand sweep of U.S. foreign relations published in recent years have taken a different path. Walter McDougall's *Promised Land, Crusader State* and John Lewis Gaddis' *Surprise, Security, and the American Experience* concentrate on a handful of themes, using them to illuminate the long-term development of the United States' world role. (So does my own *Special Providence*.) Robert Kagan's *Dangerous Nation* is the first volume of a projected two-volume series; Kagan uses the luxury of the extra space to mix more narrative with what remains, at least in the first volume, a tight and

*Walter Russell Mead*

schematic overview of ideological unities that link the disparate strands of his story into one coherent, if still incomplete and abstracted, chronological account.

Herring has taken a more historically conservative stance than McDougall or Gaddis and produced a book that stays close to the canons of conventional diplomatic history even as it ventures occasionally into broader social themes. The book's subtitle holds the key: this is a history of U.S. foreign relations—broader than a history of U.S. foreign policy, narrower than a history of the United States' foreign engagement.

This approach makes sense. Diplomatic history, a useful genre that is too often neglected, is a necessary precondition for the study of the United States' engagement with the world. But the American state more frequently reflects, rather than shapes, the forces in American civil society. It was not U.S. diplomacy, for example, that determined U.S. policy toward the Indians or expansion into Texas but the demographics and settlement activity of the American people. The people acted; the diplomats followed—often reluctantly. The United States' tradition of a relatively weak and decentralized state combined with an unusually well-organized and dynamic civil and commercial society means that the policies of the state reflect only a small part of the activity of the society. Accordingly, one must go beyond diplomatic history to make sense of the United States' role in the world.

But if diplomatic history is too narrow, a study of U.S. foreign relations that rooted itself entirely in the history of American society would be impossibly broad and unfocused. How much must

a history of U.S. engagement with the world say about Azusa Street, Hollywood, and suburban sprawl? Herring's approach allows him to keep much of the order and economy of a traditional diplomatic narrative history, but he is able to escape the confines of that approach from time to time and launch out into the broader story of the social movements that led U.S. foreign engagement in various ways. The result is a book that never loses its narrative drive, that tacks swiftly and effectively between diplomatic and social history, that covers the topics of traditional diplomatic history well, and that makes it all look easy.

*From Colony to Superpower* has other virtues as well. Like Kagan in *Dangerous Nation*, Herring looks at the United States' relations with Native American peoples as important elements in its encounter with the rest of the world. Neglect of this history has been due to both a general historical amnesia and a Eurocentric view of U.S. foreign policy. In fact, many of the traits, good and bad, that Americans would show in their later dealings with the rest of the world first appeared in their dealings with the native peoples of North America.

Herring also casts light on two eras in U.S. history that are relatively poorly understood, even by well-educated readers: U.S. foreign policy between the American Civil War and the Spanish-American War and U.S. foreign policy between the two world wars. His description of the period between President Woodrow Wilson's retirement in 1921 and President Franklin Roosevelt's inauguration in 1933 is particularly timely and useful today, when the economic

dimensions of U.S. policy have come so vividly to the fore. Policymakers need a much better understanding of the record (including the shortcomings) of U.S. economic diplomacy in the era before Bretton Woods. A sympathetic and well-organized, but not uncritical, account of the arms control diplomacy of the period is another valuable contribution; one cannot but be grateful to a historian who gives Secretary of State Charles Evans Hughes, who presided over the first major naval arms limitation conference, something close to his due.

### TAKING SIDES

If the treatment of the failure of the Treaty of Versailles and of the diplomacy of the 1920s shows Herring at his best, his account of the Truman administration disappoints. Herring clearly sympathizes with the revisionist view that Harry Truman's simplistic and moralistic use of history, erratic judgment, and hard-line diplomacy were partly responsible for the Cold War. This is a respectable, although minority, view among U.S. historians, and virtually all agree that these traits were real and, at times, damaging. But partly, no doubt, because constraints of space prevent Herring from developing his argument fully, his treatment of the Truman administration appears both weak and tendentious.

His treatment of the suppression of the communist insurrection in Greece is particularly troubling. Between 1947 and 1949, the United States, without committing combat troops, helped the Greek army win a brutal civil war against a communist insurrection that was heavily supported by Yugoslav President Marshal Tito and enjoyed occasional

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*Walter Russell Mead*

support from Joseph Stalin. The United States' firmness eventually led Stalin to abandon his support for the Greek Communists. That, in turn, led to one of the great Western successes of the Cold War, when Tito broke with Stalin in part over the Kremlin's failure to back the Greek Communists.

Herring's treatment of this episode is startlingly ungracious. He charges the Truman administration with "ignoring the essentially domestic roots of the insurgency, blurring the authoritarian nature of the Greek government, and greatly exaggerating the Soviet role." Moreover, the victory "came at a great cost": 100,000 people died. And in any case, his indictment continues, the United States' ultimate success was as much due to mistakes made by the insurgents as to anything Truman did.

But this misses many points. The nasty, incompetent, and corrupt Greek regime, for all its many faults, was clearly a better alternative for the Greeks than communist rule. A communist victory in Greece would have been a major victory for the Kremlin, regardless of the insurgency's "domestic roots." Turkey would have been isolated, and Communists in Italy, Germany, and France would have been encouraged at a critical time. People die in wars; a communist victory in Greece would surely have led to more deaths and repression in Greece, and U.S. policymakers at that time could reasonably fear that a lost civil war in Greece would lead to more civil wars and many more deaths in other countries at risk.

The casualty figure for the Greek Civil War is the only such number Herring produces for the period: there

are no statistics given for the deaths and repression in communist Europe during the last, paranoid stage of Stalin's rule. In Herring's bilious estimation, the mistakes the Americans made in Greece undermined the rationale for the war, and the mistakes of their enemies devalued the victory.

That Herring's account of the Red Scare is thin is excusable given the need to compress 230 years of history into one volume; the tendentiousness is less so. It is not just that names such as Alger Hiss do not appear; it is that Herring utterly fails to help readers grasp the sheer horror of totalitarian politics in the middle of the twentieth century. Readers of this book will have no clue as to why so many Americans loathed communism so deeply or feared it so greatly. Without that understanding, they will not be able to assess the accomplishments and the failures of the U.S. leaders who tried to develop strategies to contain it while avoiding a hot war with the Soviet Union.

With more space, Herring could have made a more effective case—and there is certainly much to be said about the excesses, stupidities, and injustices of the anticommunist wave of the early Cold War. But by presenting a simplified and one-sided account of a complicated phenomenon, Herring does a disservice both to his readers and to himself.

### **A VICTIM OF THE FORM**

The greatest shortcoming in the book is due to Herring's regrettable tendency to lapse into the role of a newspaper editorialist. Faced with the need either to curtail his description of past events or to omit his judgment on the wisdom



### *A Hegemon's Coming of Age*

or foolishness of the men and measures at hand, Herring too often saves the editorial comment at the expense of the historical exposition. Much too frequently, and especially as the narrative approaches the present, Herring seems more concerned with telling the reader whom he likes rather than showing the reader what people did.

For some readers, Herring's political stance will appear a bit too reflexively and predictably liberal to be particularly enlightening; others will feel that he gets it mostly right. Even so, there is too much of it, and too much of anything is a grave fault in a book of this type. The fault is especially marked when Latin America comes to the fore. There is something about the region that brings out Herring's worst instincts as a writer—much as, arguably, something in the region seems to bring out the worst in U.S. diplomats.

Unfortunately, although the occasional editorializing does not greatly diminish the value of this book for experienced scholars and advanced students, it does significantly reduce the value of it for use in introductory university courses. Additionally, Herring passes over events since 1989 with a very light hand: he devotes ten pages per year to the period from 1942 to 1952 but drops to only three pages per year once the Berlin Wall is down. For older readers who lived through that history, this makes sense. And intellectually, the choice is defensible; history and current events are not the same thing. For undergraduates, however, most of whom do not remember the debates over the invasion of Iraq, much less know why U.S. troops are in the Balkans, this is a serious gap.

These defects, however annoying, should be kept in perspective. There are great swaths of narrative where they do not appear, and where Herring's scholarship and historical imagination provide real insight into the past. Moreover, Herring is one of a handful of U.S. historians who can write clearly, comprehensibly, and even entertainingly about obscure topics. It is one thing to write a scintillating book about the Founding Fathers and great events; it is much, much harder to guide a reader through the policies and hopes of secretaries of state whose names, to the general reader, are obscure. His observations are often fresh, his research indefatigable.

In the end, one feels that Herring is a victim of the form—that the whole enterprise of condensing U.S. history into a single volume of straight narrative must now be abandoned. At nearly a thousand pages, Herring's account is too long for the casual reader and too short for the specialist. American history gets longer every year; the next writer who undertakes this necessary but thankless task will have an even harder time. 🌐

Review Essay

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# India's Fortune

## The Prospects of a Country on the Rise

*Edward Luce*

*Imagining India: The Idea of a Renewed Nation.* BY NANDAN NILEKANI.

Penguin, 2009, 528 pp. \$29.95.

“Businessmen, after all, do not usually make good public intellectuals,” writes Nandan Nilekani early in his book, as he recalls discussing with a friend whether to put finger to keyboard. A few pages later, he describes himself as an “avid amateur” when it comes to modern India’s political economy. Avid and proficient, it turns out, for his efforts have produced one of the best and most thought-provoking books on India in years. Few Indian, or indeed Western, businesspeople would be capable of drafting such a dispassionate and self-critical account of their country’s prospects. And perhaps no other Indian public intellectual could write across so many disciplines—politics, economics, finance, education, the environment—with as much clarity and acuity.

Nilekani’s book, *Imagining India*, charts how India arrived at the potentially transformative moment it has reached today and describes the gargantuan challenges the country will have to overcome if it is to fulfill that potential. (“Potential” is always a key word with India, which explains why the titles of so many books about this extraordinary country begin with *Imagining . . .* or *The Idea of . . .* or *The Invention of . . .*) Nilekani, one of the most prominent faces of India’s success in information technology (IT), is especially well qualified to write this book. As a co-founder of Infosys, the country’s second-largest IT company and one of its biggest earners of foreign exchange, he both departs from the traditional Indian way of doing business and embodies its recent promise.

First, Nilekani did not inherit his business or his wealth. His father, a

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### *India's Fortune*

smalltime mill manager and a supporter of Jawaharlal Nehru, India's first prime minister, raised him to believe that the state, rather than the private sector, would provide for India's future. Nilekani remembers the logic that dominated in those days: "Why allow wealth to be created in private hands where it would probably be used for nefarious purposes?"

Second, Nilekani is a risk taker. Nobody, including his father, gave him or his company much chance of success when he was talking about launching it in 1981. He remembers one conversation: "Don't be an idiot,' an uncle told me. 'A start-up will find it impossible to do business here.' Two decades later, however, I was being fêted as a first-generation entrepreneur, and my socialist father was in attendance at each of Infosys's shareholder meetings."

Third, Nilekani is a genuine philanthropist. In a country where giving private wealth usually involves building a temple to a Hindu god and receiving pride of honor there for generations, Nilekani is a socially progressive altruist. He has given millions of his own wealth to improve civic governance in his hometown, Bangalore, and education at his alma mater, the renowned Indian Institute of Technology Bombay. (In contrast, Mukesh Ambani, India's richest man and the chief executive of Reliance Industries, a company founded by his late father, is building a \$1 billion home with 27 floors and accommodation for 600 servants on the site of a former orphanage in Mumbai.)

Finally, Nilekani is a meritocrat. This should be unremarkable, but with its caste system, Indian society is entangled in perhaps the world's most binding

network of traditional social ties and obligations. Both in theory, through his stated dislike for kith-and-kin patronage in public life, and in practice, as co-chair of a company that has provided many lower-caste Indians with a ladder to wealth and respectability, Nilekani is an unapologetic modernist.

#### **THE STRENGTH OF WEAKNESSES**

*Imagining India* is essentially divided into two halves. The first explains why democratic, English-speaking India is starting to achieve its potential and how that could lead to a globally influential position for the country. The second catalogs the often-alarming, although never alarmist, reasons why the country could still fall apart.

"India now stands evenly balanced, between [Indians'] reluctance to change in the face of immense challenges and the possibilities we have if we do tackle these issues head-on," Nilekani writes, in reference to the country's dismal public health policies, growing energy deficit, and unwillingness to confront environmental problems. "In the long term we will either become a country that greatly disappoints when compared with our potential or one that beats all expectations."

Nilekani makes a persuasive case that key attributes, some of which were once seen as India's weaknesses, have "matured at the same time" and together have become strengths. For example, although for years after independence many Indians saw the English language as a humiliating reminder of British imperial rule, it has been an essential ingredient of India's growing competitiveness and one of the few decisive advantages India

*Edward Luce*

has over China. (A chapter title of *Imagining India* says it all: “The Phoenix Tongue: The Rise, Fall and Rise of English.”) Whereas India’s state governments were until recently trying to stamp out English in schools—an effort as ineffective, fortunately, as many other misguided policies—nowadays even communist West Bengal and Hindu-nationalist Gujarat have made the teaching of English compulsory starting in the first grade.

Or take two other former “weaknesses”: India’s often-chaotic democracy and its booming population. In the 1970s and 1980s, Indians and foreigners alike bemoaned the fact that New Delhi, unlike Beijing, could not control the country’s galloping population growth. Autocratic China was believed to have a clear advantage over India because it could do things like limit families to one child apiece. No sane Indian politician would propose such a measure; it would have guaranteed defeat at the ballot box, writes Nilekani. Prime Minister Indira Gandhi did attempt draconian population control once during India’s only brief spell of autocracy in the 1970s by imposing a brutal sterilization policy on millions of India’s poor, particularly its Muslim poor. She was booted from power as soon as free elections were restored.

Gandhi’s failure three decades ago has become India’s twenty-first-century “demographic dividend.” Starting in 2015, the ratio of workers to retirees in China will start to drop relentlessly, imposing a large and then growing tax on production and creating a severe policy challenge for a communist state that has yet to devise a modern social safety net. In India, by contrast, the median age is

25 years and falling. India’s increasing youthfulness will boost savings rates and economic growth almost as far as the eye can see. In this respect, at least, India’s “democracy tax” would appear to be an advantage.

Another of India’s great weaknesses historically has been its addiction to bureaucracy: near-infinite paperwork offers the government middlemen who master it many opportunities for corruption. And although much of that remains, large parts of the Indian state, most important, its tax-collection operations, have become IT savvy in recent years thanks to the demonstration effect provided by the extraordinary growth of India’s private sector.

When computer imports were first proposed in the 1960s, Indian parliamentarians described them as “man-eating machines.” Now, computer-related business generates millions of jobs. The communist government of West Bengal has even banned strikes at local call centers—an extraordinary step for authorities backed by trade unions and a far cry from the day, in the 1980s, when a bureaucrat called the first computers to enter Indian government offices “advanced ledger posting machines.”

It is now widely acknowledged that India has benefited from this ALPM revolution. By putting an end to the culture of “export pessimism” and helping create a dynamic private sector, people such as Nilekani have given their country a perfect demonstration of what Indian businesses can achieve overseas. Gone are the days when Indian products were known for their “terrible quality”—“yellow paper, refrigerators that didn’t cool and cars that backfired on their

way off the assembly line,” as Nikelani puts it. Gone, too, are the days when kleptocrats could stuff the ballot boxes. India’s fully electronic and much more tamper-resistant voting system was on full display in India’s general elections in April and May.

### AFTER THE RISE

Challenges—to use a polite word—still loom, of course, and Nilekani’s book really comes into its own in describing those. By far the most worrying ones relate to India’s rapid environmental degradation and shortsighted energy policies. On these issues, it is again Gandhi, that towering figure of strength—“the only man in a cabinet of old women,” according to one wit of her time—who now looks like the leading culprit. By proclaiming “development before environment,” she created a mindset that endures.

She was not alone in endorsing this approach, but governments in the West have gotten away with it more easily. For much of the nineteenth and twentieth centuries, European powers could plunder their resource-rich colonies while exporting any surplus population there. But India today has no such outposts and no possibility of gaining any either. It is four times as populous as the United States with just one-third the territory. And New Delhi cannot plead ignorance of the consequences of environmental degradation at home (brown clouds, chemicals in rivers—holy rivers, no less) or abroad (global warming). After all, the Inter-governmental Panel on Climate Change, which is headed by the Indian scientist Rajendra Pachauri, shared the Nobel Peace Prize with former U.S. Vice President Al Gore in 2007.

## COUNCIL *on* FOREIGN RELATIONS

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*Edward Luce*

Which is why it is particularly vexing to hear Indian leaders declare that global warming is “nothing more than a ‘Western conspiracy’ meant to keep India poor and underdeveloped,” as Nilekani recalls one cabinet minister telling him in an all-too-believable aside. Nilekani argues that given India’s population density and shocking level of deforestation, its government must transcend the dichotomy between development and the environment. Soil degradation has reduced India’s agricultural output by roughly one-fifth, and growing salination caused by poor water usage will cut output further still.

Indeed, India has already suffered so much environmental degradation at such a low level of development that it is now at risk of squandering perhaps its biggest achievement since independence: food security. Today, India has a food surplus: it exports a small amount of food and stores a large quantity in warehouses in case of famine. But according to Nilekani, if current trends continue, by 2030 it will need to import 30 percent of the food it consumes. It is already a prominent victim of global warming, and yet Indian politicians continue to see climate change through the prism of postcolonial rhetoric. The melting of the Himalayan glaciers has turned the once-bounty-providing grand rivers of Asia—the Ganges, the Brahmaputra, the Irrawaddy—into dry riverbeds for much of the year.

Then there is the deteriorating quality of life. India’s biggest cities are grinding to a halt with the rapid rise in private vehicle ownership. There are just two private vehicles for every 100 Indians, compared with more than 80 cars per

100 Americans. An India that advanced even one-tenth of the way toward the United States’ version of a modern lifestyle would be a vision of purgatory. Describing the risk that ever-worsening congestion will lead to ever-tighter economic bottlenecks, Nilekani departs from his usually understated prose: “If we ignore these warnings and eventually see our growth rates tumble as our economy becomes unsustainable, we will have no-one to blame but ourselves.”

Nilekani issues much the same cry of alarm regarding energy. India is blithely spewing out an increasing quantity of coal-fired emissions, exceeded only by China. The story of development is, of course, a story about carbon. As the West developed, its carbon usage grew, and so it is with India today. But it would be absurd for India to cut off its nose to spite its face by following the high-consumption route taken by the United Kingdom, the United States, and other countries as they industrialized simply because that was the route they took. At the moment, India imports 70 percent of its oil; it is expected to be importing 90 percent by 2025. As a result, Nilekani argues, India’s development model now faces the “triple challenge of global warming, rising costs and insecure energy supplies.”

Happily, India’s relatively low level of development offers the country a hidden advantage, namely, the chance to leapfrog intermediary stages of progress. It exploited this advantage during its recent deregulation of the telecommunications sector: the absence of a deeply entrenched network of fixed phone lines enabled it to move directly to mobile telephony. Twenty years ago, it took

### *India's Fortune*

educated city people months, sometimes years, to get a fixed line installed; today, even impecunious villagers can afford to buy a cell phone off the shelf. More than ten million new subscribers sign up for service every month.

If only Indian policymakers would take note, they could also turn the country's relative lag when it comes to energy and the environment into an advantage. Nilekani offers many solutions, including building an integrated national gas grid to transport India's growing supply of relatively clean natural gas. Many of the world's most promising biotechnology and alternative-fuel entrepreneurs are Indians based in Silicon Valley. India could create a more attractive venture-capital sector to lure back more of its own scientists and entrepreneurs from abroad. Examples of potentially transformative Indian products that are already being developed at home include the \$25 laptop and a carbon-positive electric car, which has a photovoltaic sunroof. Many more would be in the pipeline if India had a U.S.-style financial system for start-ups.

#### **IN PRACTICE**

The only area in which Nilekani's solutions come across as either impractical or unrealistic is in his treatment of Indian politics, the necessary vehicle for reform. If Indian politicians were like Nilekani, there would be reason to be optimistic about India's future. India possesses the human know-how and natural resources to surmount its challenges. For example, it could devote much more agricultural land to growing biofuel crops such as switchgrass—a move that would expand its energy stocks and relieve the country's

much-abused water table, which is being drained by water-guzzling crops such as rice and wheat. But reform would mean getting rid of the layer of bureaucrats and the groups of farmers who live off India's lavish and grossly corrupt subsidy system. Maintaining India's existing system of patronage-based subsidies is the *raison d'être* of many lower-caste political parties, which are essential partners for the formation of coalition governments.

Nilekani does spot some hopeful trends in Indian politics, for example, the country's move away from a top-down "cathedral model" of the state toward a more decentralized "bazaar model" that draws on the country's "open source" talents. He is right to identify this. But India is no closer to being a "deliberative democracy," despite what he optimistically avers, than Italy was in the 1950s (or is today, for that matter). That said, as Nilekani rightly points out, China's worse record on some of these issues means that Indian democracy continues to be preferable to Chinese autocracy.

For good or for ill, the decisions of Indians will hold ever greater sway over the fates of other countries, including that of the United States. The solutions to India's enormous problems may not be around the corner, but they deserve very close attention. Nilekani's book is an ideal place to start contemplating India's great challenges and its no-less-breath-taking potential. The world could do with a lot more "avid amateurs" like Nilekani. 🌐

Responses

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# Which Way Is History Marching?

## Debating the Authoritarian Revival

### Democracy's Victory Is Not Preordained

AZAR GAT

Two recent articles in these pages—“The Myth of the Autocratic Revival” (January/February 2009) and “How Development Leads to Democracy” (March/April 2009)—have taken issue with my July/August 2007 essay, “The Return of Authoritarian Great Powers.” In the first, Daniel Deudney and G. John Ikenberry dispute my argument that the authoritarian capitalist great powers Germany and Japan were defeated in both world wars largely because of contingent factors rather than structural inefficiencies. As I have argued, these countries were too small in comparison to the United States. With respect to the challenge posed by China and Russia, Deudney and Ikenberry insist that developed nondemocratic capitalist societies will not be viable in the long run.

They restate modernization theory—most recently amplified by the political scientists Francis Fukuyama and Michael

Mandelbaum—according to which there is only one sustainable route to modernity: the liberal democratic path. Seen in this light, those countries unfortunate enough to have strayed from the path originally taken by the United Kingdom and the United States eventually must converge on the road to liberalism, either because they are inferior to democracies in terms of power or because their intractable internal contradictions will eventually usher in democratic transformation. Liberal democracy is presumed to possess intrinsic advantages, a presumption that confers an air of inevitability on the past as well as on the future. If “world history is the world’s court,” as Hegel put it, then history’s verdict is clear. But is it really? Or might the owl of Minerva, due to its current flight path, be encountering optical illusions?

#### SIZE MATTERS

Deudney and Ikenberry believe—like Hegel—that accidents happen to those who are accident-prone. They insist that Germany and Japan were defeated in World War II due to their deep-seated structural problems. It is true that



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Germany suffered from a critical production failure in 1940–42, but this was remedied from 1942 on. In World War I, it had experienced no similar failure. Nor did Japan's industrial war machine suffer extraordinary failure in World War II. In both world wars, the nondemocratic capitalist great powers performed great feats and initially won shattering victories. On the other side, the democracies repeatedly blundered: they were dangerously late in rising to the challenge; their armed forces, particularly during the 1930s, were ill prepared; their initial defeats were potentially catastrophic; and their conduct thereafter was not free of serious errors.

Contrary to the comforting notion that the democratic system eventually proved superior, the reason for Germany's and Japan's defeats lies in the fact that the two countries were simply smaller than their adversaries and less tolerant of failure. For Germany to have broken out of its limited territorial confines and fatally crippled the superior coalition assembled against it in either of the world wars, it would have needed a consecutive string of major successes. Indeed, it came remarkably close to achieving that goal in both world wars. By contrast, the colossal power of the United States meant that the democracies were able to sustain catastrophic failures—such as the loss of Russia as an ally in World War I and the fall of France and the destruction of the U.S. Pacific fleet at Pearl Harbor in World War II—and still recover.

Thus, without the United States as their ally, France and the United Kingdom would probably have lost to Germany in both world wars. The remainder of the twentieth century would have been

very different, and political scientists would have had a far less rosy story to tell about democracy. The constructed grand narrative of the twentieth century would have emphasized the superior cohesiveness of authoritarian regimes, not the triumph of freedom. For grand narratives, like history, are written by the victors.

Reading Deudney and Ikenberry, it seems that the victory of liberal democracy was virtually inevitable. But in order to make this claim, one must assume that the rise of a huge liberal democratic United States as the paramount political power of the twentieth century was preordained—and that it could only have emerged and evolved in the form that it did (founded on a vast and sparsely populated continent by Englishmen who subsequently achieved independence and unity and then retained this unity after a civil war). Moreover, one would have to assume that there was no way Germany could have won either of the world wars in Europe and that if it had, a victorious Reich (and a victorious imperial Japan) would have inevitably liberalized in due course. None of these assumptions is plausible.

### **GREAT EXPECTATIONS**

Since 1945, nondemocratic capitalist great powers have been absent from the international system, but the recent meteoric rise of China has broken that pattern. Unlike Germany and Japan in the past, China today has the world's largest population, and it is experiencing such spectacular economic growth that it is projected to close the economic gap with the developed world within a generation or two.

### *Gat, Deudney and Ikenberry, and Inglehart and Welzel*

Addressing the rise of China, Deudney and Ikenberry repeat the claim that nondemocratic regimes are necessarily ridden with corruption and cronyism, and so their development is bound to stall once they reach a certain level of growth. But as former U.S. Federal Reserve Chair Alan Greenspan has noted, Singapore—a nondemocratic state with a first-class economy—is one of the least corrupt states in the world. The same was true of imperial Germany and its Prussian predecessor. It has become an axiom that corruption is inevitable in the absence of democratic transparency and accountability. Yet Prussian-German bureaucracy was renowned for its efficiency and clean hands and was put forward as an ideal type by Max Weber. The secret of these model cases lies in the bureaucracy's high social status, strong ethics of duty and public service, and, in Singapore, high pay. China today suffers from pervasive corruption, and it remains to be seen whether its neo-Mandarin rulers can eventually succeed in establishing similar standards.

It is widely argued that the rule of law is essential for an advanced capitalist economy to function and that nondemocratic countries lacking it are at a disadvantage. This argument ignores the fact that Germany was semiauthoritarian until 1918 and yet the rule of law prevailed and a first-class capitalist economy flourished. The same was true of Japan before 1945 and is true of Singapore today.

Although the pure economic argument turns out to be less clear-cut than many believe, proponents of democratic inevitability still contend that sociopolitical transformation generated by economic

development eventually leads to democratization. It is widely believed that economic and social development create pressures for democratization that authoritarian state structures cannot contain. Michael Mandelbaum, for example, argues in his book *Democracy's Good Name* that capitalism is synonymous with individual choice. People who are accustomed to exercising free choice in their personal lives can be expected to demand the same right in the political sphere. Thus, nondemocratic capitalist regimes suffer from an internal contradiction that makes them prone to implosion.

This argument appears very convincing until one remembers that the world is full of contradictions and tensions that do not necessarily lead to implosion. Market democracies themselves have always been plagued by the contradiction between the great economic inequality generated by capitalism (which also biases the democratic political process) and democracy's egalitarian drive. This tension was so stark that socialists throughout the nineteenth and much of the twentieth century regarded it as an irreconcilable contradiction certain to doom capitalist democracy, leading them to argue that socialism—economic democratization—was the inevitable wave of the future. In the meantime, some of this inherent tension has been alleviated by the welfare state in the democratic capitalist countries, although it always remains very close to the surface, occasionally bursting out in anticapitalist demonstrations and other forms of protest.

#### **VALUE CHAINS**

In their article "How Development Leads to Democracy," Ronald Inglehart and Christian Welzel offer a value-centered

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version of modernization theory, based on their important comprehensive surveys of world values. They document clear differences between low- and high-income societies due to shifts from the “survival values” of traditional societies to the individualistic “self-expression values” of more affluent societies. Based on the experience of the twentieth century, Inglehart and Welzel argue that such a transformation of values lays the groundwork for democratization. But like other varieties of modernization theory, their argument overlooks the more fundamental question: Are liberal values an inevitable, universal product of industrialization and greater affluence, or has this particular set of values itself been decisively shaped by the overwhelming political, economic, and cultural liberal hegemony that the United States and western Europe have exercised since the defeat of the nondemocratic capitalist great powers in the first half of the twentieth century?

Inglehart and Welzel stress the persistence of different cultural traditions and significant cultural variations even among societies that have undergone modernization. Indeed, in East Asia, the world’s most populous and fastest-developing region, long-standing cultural traditions emphasize community, social order, and social harmony—but they do not impede growth. Whether an alternative path to modernity will emerge there and prove viable remains to be seen.

Inglehart and Welzel are careful to note that the democratization process is not deterministic but probabilistic. Nevertheless, they leave the strong impression that all that is necessary for it to take its course is time. Undeniably,

there is a strong propensity for industrial capitalist society and liberal democracy to be associated with each other, and this propensity is largely responsible for the spread and success of the liberal democratic model over the past two centuries. Even a strong propensity, however, is just that; whether it triumphs over competing propensities depends on circumstances, countervailing forces, contingent events, and other imponderables.

#### **UNDILUTED OPTIMISM**

When it comes to the question of how to deal with a nondemocratic superpower China in the international arena, Deudney and Ikenberry, as well as Inglehart and Welzel, exhibit undiluted liberal internationalist optimism.

China’s free access to the global economy is fueling its massive growth, thereby strengthening the country as a potential rival to the United States—a problem for the United States not unlike that encountered by the free-trading British Empire when it faced other industrializing great powers in the late nineteenth century. According to Inglehart and Welzel, there is little to worry about, because rapid development will only quicken China’s democratization. But it was the United Kingdom’s great fortune—and liberal democracy’s—that its hegemonic status fell into the hands of another liberal democracy, the United States, rather than into those of nondemocratic Germany and Japan, whose future trajectories remained uncertain at best.

The liberal democratic countries could have made China’s access to the global economy conditional on democratization, but it is doubtful that such a

### *Gat, Deudney and Ikenberry, and Inglehart and Welzel*

linkage would have been feasible or desirable. After all, China's economic growth has benefited other nations and has made the developed countries—and the United States in particular—as dependent on China as China is dependent on them. Furthermore, economic development and interdependence in themselves—in addition to democracy—are a major force for peace. Democracies' ability to promote internal democratization in countries much smaller and weaker than China has been very limited, and putting pressure on China could backfire, souring relations with China and diverting its development to a more militant and hostile path.

Deudney and Ikenberry suggest that China's admission into the institutions of the liberal international order established after World War II and the Cold War will oblige the country to transform and conform to that order. But large players are unlikely to accept the existing order as it is, and their entrance into the system is as likely to change it as to change them.

The Universal Declaration of Human Rights provides a case in point. It was adopted by the United Nations in 1948, in the aftermath of the Nazi horrors and at the high point of liberal hegemony. Yet the UN Commission on Human Rights, and the Human Rights Council that replaced it, has long been dominated by China, Cuba, and Saudi Arabia and has a clear illiberal majority and record. Today, more countries vote with China than with the United States and Europe on human rights issues in the General Assembly of the United Nations.

Critics argue that unlike liberalism, nondemocratic capitalist systems have no universal message to offer the world,

nothing attractive to sell that people can aspire to, and hence no "soft power" for winning over hearts and minds. But there is a flip side to the universalist coin: many find liberal universalism dogmatic, intrusive, and even oppressive. Resistance to the unipolar world is a reaction not just to the power of the United States but also to the dominance of human rights liberalism. There is a deep and widespread resentment in non-Western societies of being lectured to by the West and of the need to justify themselves according to the standards of a hegemonic liberal morality that preaches individualism to societies that value community as a greater good.

Compared to other historical regimes, the global liberal order is in many ways benign, welcoming, and based on mutual prosperity. It is natural for people in the West to believe that everybody else would want to join it. And yet both Germany and Japan had to be pulverized before they could be made to join the liberal order.

Today, nondemocratic capitalist China offers not only a policy of noninterference but also support for state sovereignty, group values, and ideological pluralism within the international system. These are attractive not only to governments but also to peoples, as an alternative to U.S. and Western dominance and as a counterforce to the sweeping, blind forces of globalization. A message need not be formulated in universalistic terms to have a broader appeal, as the great attraction of fascism during the 1920s and 1930s demonstrated.

It is possible that democracy's twentieth-century triumphs have already spread the liberal democratic model so far and so deep that the renewed challenge from the nondemocratic capitalist great

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powers has come too late. But the opposite is also possible. A less teleological and triumphalist reading of twentieth-century history should help guard against the illusion that anybody can read the future like an open book. The democratization of China and Russia and the ultimate triumph of democracy are far from preordained.

AZAR GAT is Ezer Weizman Professor of National Security at Tel Aviv University. His book *Victorious and Vulnerable: Why Democracy Won in the Twentieth Century and How It Is Still Imperiled* will be published in August.

## Deudney and Ikenberry Reply

Nothing is inevitable in history except, perhaps, that proponents of liberal theories of democratization and modernization will be branded as deterministic, “end of history” thinkers. Azar Gat’s main complaint is that we hold the view that history is preordained and unilinear. We do not.

The heart of Gat’s argument is that the vastly greater size of the United States was more decisive than its political system in leading it to victory over its authoritarian adversaries in World War II. Size does matter, but the size of the United States is not the simple, brute contingent fact that Gat portrays; rather, it is intimately related to U.S. political arrangements.

Both liberals and their critics often forget that the problem of small size and its implications for the security of “republics”—as free societies were known in the seventeenth and eighteenth centuries—

was a central topic of early modern political thought. Prior to the founding of the United States, it was universally believed that republics could only be small and hence were destined to be chronically insecure. The United States was seen as a decisive breakthrough because its innovative federal union allowed political freedom to exist in a large country to an extent never before thought possible.

This transformation was widely noted by theorists, commentators, and politicians during the nineteenth century. Indeed, many leading Britons supported the historian Sir John Seeley’s famous call for the United Kingdom to follow the U.S. example and establish an “imperial federation” among its white settler colonies. The importance of political union in expanding a nation’s size underscores the more general fact that democracies and international groupings of democracies are based on consensual agreements that help aggregate geopolitical power.

As for Gat’s examples of authoritarian success, he is right that Second Reich Germany was not corrupt: it benefited from the rule of law and was a leading capitalist economy. However, it also had multiparty competitive elections for parliament and a robust free press, making it at best an ambiguous example of authoritarian competence. Gat’s reference to Singapore’s authoritarian accomplishments cannot matter much if state size is as important as he claims: the country of Singapore is smaller than the city of Berlin.

### **BLINKERED IN BATTLE**

When it comes to World War I and World War II, Gat reminds us about what few would dispute: that the democratic

### *Gat, Deudney and Ikenberry, and Inglehart and Welzel*

great powers made some mistakes and their authoritarian rivals achieved some successes. Gat does not, however, directly engage our key point: that the illiberal regime types of the Axis states hindered the effective formulation of grand strategy.

Gat correctly observes that Germany could have achieved considerable expansion in World War II. But given the daunting odds Germany faced—particularly on the global battlefield—the fact that Adolf Hitler launched an open-ended campaign of aggression against a coalition of states vastly larger and more powerful than his own must be seen as one of the most profound grand strategic blunders of the war. Hitler, like Japan's leaders, believed that democracies would be weak because they were democracies—a view that privileged ideological propaganda over the actual historical record of democracies' wartime successes.

Hitler, sitting atop a ruthless dictatorship, lived in a closed information system where his often ill-informed views were left unchallenged. By contrast, Franklin Roosevelt and Winston Churchill presided over systems with open debate, competitive elections, and a free press, all of which winnowed the good ideas from the bad. Mistakes for Germany and Japan were indeed catastrophic both because of their smaller size and because of the implausibility of the mission they had undertaken.

#### **INCHING TOWARD DEMOCRACY**

Gat concedes that China—his primary example of authoritarian success—is plagued by corruption. Indeed, it is difficult to envision how China could overcome these problems, as well as address a

range of daunting domestic challenges—environmental degradation, an aging population, the difficulty of maintaining public health—without major reforms and new accountability structures that would push it in a more democratic direction. The liberal fear is not that China will get too rich too soon but that it will not get rich enough soon enough to pull its vast and overwhelmingly poor population into middle-class prosperity—particularly given the tightening constraints it faces.

Finally, Gat argues that China might become a recalcitrant or even revisionist state that challenges the U.S.-led liberal international order from within. Gat—and the historian Robert Kagan, whom we also criticize in our piece—fails to appreciate the important role that this liberal international order plays in providing benefits to all states, especially capitalist trading states. China has been a major beneficiary of this order, and in many ways its foreign policy practices have already evolved in fairly radical ways from its Maoist-communist days in order to gain access to it. Furthermore, China has important incentives to increase its participation in this loosely rule-based order. After all, this order respects state sovereignty while providing a variety of services and protections for states operating within it. For China to play a role commensurate with its stakes in the system, the institutions will have to—and should—give China a greater role in their governance.

#### **A LIBERAL FUTURE**

It is unlikely that democratic states will be superior at addressing all the emerging problems that all societies will face in

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the twenty-first century. We do think, however, that there are strong reasons to believe in the generally superior adaptability of liberal democratic regimes. These expectations build on a track record of at least a century of liberal states reconfiguring themselves, often quickly and dramatically, in response to systemic breakdowns and emerging threats.

Looking to the future, Gat's vision is remarkably devoid of reference to the myriad growing problems associated with globalization: rising interdependence, the growing mobility of labor, and environmental deterioration being just a few. Both theory and history suggest that liberal democratic states and the liberal international order are best equipped to grapple with these problems and seize the opportunities ahead.

## Inglehart and Welzel Reply

Azar Gat's *War in Human Civilization* is one of the most insightful interpretations of history we have read in the past decade. It is therefore surprising that Gat seems to have misread our work on modernization and democracy. Despite a passing comment that our analysis is probabilistic, Gat attributes a simplistically deterministic view to it. From his title to his conclusion, he implies that we hold the victory of democracy to be preordained.

In fact, our article explicitly rejects such deterministic assumptions. Its opening paragraph notes the recent retreat of democracy in many countries, and then its second paragraph states that "although the outlook is never hopeless, democracy

is most likely to emerge and survive when certain social and cultural conditions are in place." This tone continues to our article's final page, where we argue that democratic institutions will not emerge in China or Iran so long as the current regimes continue to control the security forces but that popular pressure for political liberalization is growing in these countries and long-term repression will hinder the emergence of successful knowledge societies in them.

Clearly, we do not view democracy's victory as preordained. We do, however, hold that modernization is conducive to democracy—and that the emergence of a knowledge society makes successful democratization increasingly probable. Knowledge societies bring high levels of existential security, which in turn lead to a growing emphasis on self-expression values. Likewise, the experience of thinking for oneself in one's daily work tends to spill over into the political realm. Democracy and a knowledge society are therefore mutually reinforcing: a knowledge society functions best with the free information flows and the nonhierarchical organizational structure of democracy.

Industrialization, urbanization, and mass literacy transform illiterate peasants into relevant political actors. This can lead to fascism, communism, or representative democracy, as the sociologist Barrington Moore pointed out long ago. But the rise of postindustrial society is linked with specific changes in social structure and mass values that make democracy increasingly likely, and the functional requisites of a successful knowledge society make democratic institutions almost mandatory.

### *Gat, Deudney and Ikenberry, and Inglehart and Welzel*

Gat seems to have missed this crucial distinction, assuming instead that our revised version of modernization theory implies that any highly industrialized society must be democratic. Thus, he cites China's spectacularly rapid industrialization as proof that authoritarian institutions are perfectly compatible with economic development. They are—at China's current stage of development as a rapidly industrializing but still largely agrarian society. (The Soviet Union also experienced much more rapid economic growth than the West during the 1930s and then again during the 1950s and 1960s.)

Gat believes that democracy does not have a competitive advantage over authoritarian systems, contending that fascism might have triumphed if Germany and Japan had possessed an industrial base equivalent to that of the United States during World War II. This argument is interesting, but it overlooks the crucial distinction between industrial societies and postindustrial societies, which emerged well after 1945.

Authoritarian regimes can be quite effective at promoting rapid industrialization so long as that industrialization is largely dependent on massive inputs and marching large numbers of disciplined workers to the factories. As long as authoritarian regimes are importing technology that was developed abroad, they can play catch-up even faster than democratic ones. Thus, by 1980 the Soviet Union was producing more steel, concrete, and electricity than the United States. (It also had a substantially larger population.) The Soviet Union had a larger industrial base than the United States and hence, by Gat's standard,

should have won the Cold War. But it was unable to compete in the realm of high technology, which had become crucial to military power. Its inability to do so, coupled with internal demoralization, led to its collapse. A successful knowledge society requires open communication flows and an innovative and autonomous work force; for China to attain these will require substantial liberalization.

Unlike China, virtually all postindustrial societies have democratized. Singapore is the one striking exception, illustrating the fact that sociopolitical development does not follow iron laws. For several decades, Singapore enjoyed the world's highest economic growth rate, attaining a high level of prosperity, which helped legitimate continued authoritarian rule, just as a high level of prosperity once did in South Korea and Taiwan. (Singapore's exceptionally efficient and corruption-free civil service helped as well.) But Singapore is not immune to liberalizing pressures. It already has relatively high levels of civil liberties, and in the long run, we would expect growing mass pressures for political liberalization to emerge.

Rising educational levels and employment in the knowledge sector make people increasingly articulate and accustomed to thinking for themselves. And as empirical data from the World Values Survey and the European Values Study demonstrate, rising levels of existential security bring value changes in which people give increasingly high priority to free choice and self-expression. Both changes bring growing demands for democracy. This is why the correlation between a country's level of self-expression values and its level of effective democracy is astonishingly strong.



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Industrialization is conducive to modern democracy. Surprising as it may seem, Gat himself endorses this half of our interpretation in his brilliant book, *War in Human Civilization*, in which he argues that both democracy and the democratic peace phenomenon are largely consequences of modernization. But in his response to our *Foreign Affairs* article, Gat overlooks the fact that modern societies are not all alike. Industrialization makes modern democracy possible, and it also makes possible authoritarian forms of mass mobilization; the emergence of postindustrial society makes the democratic alternative increasingly probable.

Each major surge of democracy has been followed by a decline that led many people to believe that the spread of democracy had ended. The wave of democratization that followed World War II led to widespread expectations that the emerging nations would become democratic as well. By the 1970s, these expectations had been dashed and a bureaucratic authoritarianism thesis emerged, holding that democracy was unlikely to emerge in Latin America. Subsequently, South Korea and Taiwan were held up as proof that high levels of economic development are fully compatible with authoritarian regimes. Yet both countries have since become democracies. In a 1984 *Political Science Quarterly* article, the political scientist Samuel Huntington doubted whether more countries would become democratic, but he also argued that Czechoslovakia, Hungary, and Poland had attained high enough levels of socioeconomic modernization that they would already be democracies were it not for the threat of

Soviet military intervention. That threat was withdrawn in 1988, and within two years, all three nations had democratized—partly in response to growing popular pressure.

We would certainly not claim that democracy is preordained, and we cannot imagine where Gat got the idea that we think we “can read the future like an open book.” But we do claim that democratic systems have a competitive advantage when it comes to building successful knowledge societies—which is increasingly crucial for achieving economic and political power. 🌐

Response

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Get Smart

Combining Hard and Soft Power

*Joseph S. Nye, Jr.*

In her confirmation hearings, U.S. Secretary of State Hillary Clinton said, “America cannot solve the most pressing problems on our own, and the world cannot solve them without America. . . . We must use what has been called ‘smart power,’ the full range of tools at our disposal.” Since then, editorial pages and blogs have been full of references to “smart power.” But what does it mean?

“Smart power” is a term I developed in 2003 to counter the misperception that soft power alone can produce effective foreign policy. Power is one’s ability to affect the behavior of others to get what one wants. There are three basic ways to do this: coercion, payment, and attraction. Hard power is the use of coercion and payment. Soft power is the ability to obtain preferred outcomes through attraction. If a state can set the agenda for others or shape their preferences, it can save a lot

on carrots and sticks. But rarely can it totally replace either. Thus the need for smart strategies that combine the tools of both hard and soft power.

In an otherwise estimable new book, *Power Rules: How Common Sense Can Rescue American Foreign Policy*, Leslie Gelb argues that “soft power now seems to mean almost everything” because both economic and military resources can influence other states. (Gelb’s recent article in these pages, “Necessity, Choice, and Common Sense” [May/June 2009], is drawn from the book.) But Gelb confuses the actions of a state seeking to achieve desired outcomes with the resources used to produce those outcomes. Military and economic resources can sometimes be used to attract as well as coerce—witness the positive effect of the U.S. military’s relief efforts in Indonesia following the 2004 tsunami on Indonesians’ attitudes toward the United States.

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This means that many different types of resources can contribute to soft power, not that the term “soft power” can mean any type of behavior.

In his book, Gelb defines power too narrowly, as “getting people or groups to do something they don’t want to do.” He ignores a long literature on the other facets of power that are used to persuade others to do what is in fact in their own interests. As U.S. President Dwight Eisenhower put it, leadership is about getting people to do something “not only because you tell them to do so and enforce your orders but because they instinctively want to do it for you.” Sometimes that is possible, and sometimes not, but it is certainly an important aspect of power. Even if soft power is rarely sufficient, it can help create an enabling or disabling context for policy.

The major elements of a country’s soft power include its culture (when it is pleasing to others), its values (when they are attractive and consistently practiced), and its policies (when they are seen as inclusive and legitimate). Over the past decade, public opinion polls have shown a serious decline in the United States’ popularity in Europe, Latin America, and, most dramatically, the Muslim world. Poll respondents have generally cited the United States’ policies, more than its culture or values, to explain this decline. Since it is easier for a country to change its policies than its culture, U.S. President Barack Obama should focus on choosing policies that can help recover some of the United States’ soft power.

Of course, soft power is not the solution to all problems. The fact that the North Korean dictator Kim Jong Il likes to watch Hollywood movies is unlikely

to affect his country’s nuclear weapons program. And U.S. soft power got nowhere in drawing the Taliban government away from al Qaeda in the 1990s; it took hard military power in 2001 to end that alliance. But broader goals, such as promoting democracy, protecting human rights, and developing civil society, are not best handled with guns.

### **CONTEXTUAL INTELLIGENCE**

In 2007, former U.S. Deputy Secretary of State Richard Armitage and I co-chaired a bipartisan commission at the Center for Strategic and International Studies that helped popularize the concept of smart power. It concluded that the Pentagon is the best-trained and best-resourced arm of the government but that there are limits to what hard power can achieve on its own and that turning to the Pentagon because it can get things done will lead to an overmilitarized foreign policy. Gelb criticizes us in *Power Rules* for “a mechanical combining rather than a genuine blending of the two ideas,” but we never proposed a mechanical formula for smart power. Figuring out how to combine the resources of both hard and soft power into smart-power strategies requires what I call “contextual intelligence” in my book *The Powers to Lead*. In foreign policy, contextual intelligence is the intuitive diagnostic skill that helps policymakers align tactics with objectives to create smart strategies. Of recent U.S. presidents, Ronald Reagan and George H. W. Bush had impressive contextual intelligence; the younger Bush did not.

Academics and pundits have often been mistaken about the United States’ power. Just two decades ago, the conven-

*Joseph S. Nye, Jr.*

tional wisdom was that the United States was in decline, suffering from so-called imperial overstretch. International relations theory at the time suffered from a materialist bias that truncated conceptions of power and ignored the full range of factors that can influence behavior through attraction. This is what I tried to recover in 1990 with the idea of soft power.

A decade later, with the Cold War rivalry over, the new conventional wisdom was that the world was characterized by unipolarity and U.S. hegemony. Some neoconservative pundits drew the conclusion that the United States was so powerful that it could decide what was right and others would have no choice but to follow. This new unilateralism heavily influenced the George W. Bush administration even before the shock of 9/11 produced the Bush doctrine of preventive war and coercive democratization.

Contextual intelligence must start with an understanding of not just the strengths but also the limits of U.S. power. The United States is the only superpower, but preponderance does not constitute empire or hegemony. The United States can influence, but not control, other parts of the world. World politics today is like a three-dimensional chess game. At the top level, military power among states is unipolar; but at the middle level, of interstate economic relations, the world is multipolar and has been so for more than a decade. At the bottom level, of transnational relations (involving such issues as climate change, illegal drugs, pandemics, and terrorism), power is chaotically distributed and diffuses to nonstate actors.

Military power is a small part of any response to these new threats; these

necessitate cooperation among governments and international institutions. Even at the top level (where the United States represents nearly half the world's total defense expenditures), the U.S. military may be supreme in the global commons of air, sea, and space, but it is much less able to control nationalist populations in occupied areas.

Contextual intelligence is needed to produce an integrated strategy that combines hard and soft power. Many official instruments of soft power—public diplomacy, broadcasting, exchange programs, development assistance, disaster relief, military-to-military contacts—are scattered across the U.S. government. There is no overarching policy that even tries to integrate them with hard power into a comprehensive national security strategy. The United States spends about 500 times as much on the military as it does on broadcasting and exchange programs. Is this the right proportion? And how should the U.S. government relate to the generators of soft power in civil society—including everything from Hollywood to the Bill and Melinda Gates Foundation?

### **SUCCESS IN THE INFORMATION AGE**

Despite its numerous errors, the United States' Cold War strategy involved a smart combination of hard and soft power. The U.S. military deterred Soviet aggression, while American ideas undercut communism behind the Iron Curtain. When the Berlin Wall finally collapsed, it was destroyed not by an artillery barrage but by hammers and bulldozers wielded by those who had lost faith in communism.

In today's information age, success is the result not merely of whose army

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wins but also of whose story wins. The current struggle against Islamist terrorism is much less a clash of civilizations than an ideological struggle within Islam. The United States cannot win unless the Muslim mainstream wins. There is very little likelihood that people like Osama bin Laden can ever be won over with soft power: hard power is needed to deal with such cases. But there is enormous diversity of opinion in the Muslim world. Many Muslims disagree with American values as well as American policies, but that does not mean that they agree with bin Laden. The United States and its allies cannot defeat Islamist terrorism if the number of people the extremists are recruiting is larger than the number of extremists killed or deterred. Soft power is needed to reduce the extremists' numbers and win the hearts and minds of the mainstream.

The United States can become a smart power by once again investing in global public goods—providing things that people and governments in all quarters of the world want but cannot attain on their own. Achieving economic development, securing public health, coping with climate change, and maintaining an open, stable international economic system all require leadership from the United States. By complementing its military and economic might with greater investments in its soft power, the United States can rebuild the framework it needs to tackle tough global challenges. That would be true smart power. 🌐

# Letters to the Editor

*Thomas Culora and Andrew Erickson on Indian Ocean rivalry,  
Russell Seitz on forecasting doomsday, and others*

## ARMS AND INFLUENCE AT SEA

*To the Editor:*

Robert Kaplan (“Center Stage for the Twenty-first Century,” March/April 2009) correctly underscores the Indian Ocean’s strategic importance. But in envisioning “dynamic great-power rivalry” between Beijing and New Delhi there, he is too pessimistic about the United States’ ability to maintain influence, too optimistic about China’s ability to exert influence rapidly, and too dismissive of India’s inherent regional advantages.

Kaplan contends that the United States must skillfully manage an inevitable decline by leveraging the support of allies. But the U.S. military has successfully sustained its level of operations in the region while expanding its range of missions. Washington is working intently with its partners to support cooperative maritime activities globally, as expressed in the maritime strategy released in October 2007.

The United States is shaping itself into an indispensable maritime balancer by deploying the right number and right kind of naval forces and establishing task forces and maritime headquarters that

bring diverse partners together. These activities efficiently act as a tipping weight in the Indian Ocean, allowing the United States’ other forces to be used elsewhere.

Kaplan’s “elegant decline” argument also gives more weight to the number of U.S. ships, submarines, and aircraft than is warranted. The current versatility and capabilities of U.S. naval platforms, coupled with their useful employment in specific scenarios, is a clearer measure of their effectiveness than numbers alone.

Kaplan is correct that the United States must strive to be “continually useful,” and the U.S. Navy is doing so. Under U.S. leadership, the multinational naval coalition Combined Task Force 151 conducts counterpiracy operations in the Indian Ocean region, most recently rescuing a U.S. merchant captain taken hostage by pirates.

Moreover, the United States’ systemic indispensability is being nurtured through two key initiatives. First, the United States has established regional “maritime operations centers” around the world, partnering with other countries to plan, coordinate, and execute a wide range of mutually beneficial naval actions. Second, the U.S.

With *Foreign Affairs’* expanded Web site, ForeignAffairs.com, readers can now join the discussion by posting comments on any article online.

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Coast Guard, in concert with the U.S. Navy, has closely collaborated with interested nations through the Maritime Domain Awareness project to study the global maritime factors that affect collective security, safety, trade, and environmental interests. U.S. energy and leadership is essential here. This is not decline but preeminence (without domination).

Taiwan's status, combined with other territorial and resource interests on China's maritime periphery, will leave China's navy primarily focused on Taiwan for the foreseeable future. Moreover, deploying a sustainable out-of-area expeditionary capability requires not only ships and ports but also extensive logistical support and high levels of training and experience. Ship steaming times to the Arabian Gulf from Chinese and Indian naval ports are 13 days and three days, respectively, making it comparatively easier for India to secure the sea-lanes there and respond to a crisis. India, which clearly enjoys a home-court advantage in the Indian Ocean, neither needs to solve the expeditionary problem nor possesses a strategic imperative similar to Taiwan that would bind its naval operations. No matter how much access to Indian Ocean ports China may gain, it cannot trump geography without a revolution in capabilities and strategic interests.

THOMAS CULORA

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### REFORMING STATE

*To the Editor:*

J. Anthony Holmes ("Where Are the Civilians?" January/February 2009) makes a number of persuasive points concerning the military's domination of U.S. foreign policy. Indeed, fixing U.S. foreign policy requires a comprehensive, long-term approach. An excellent beginning would be to implement fully the proposals contained in a recent joint report by the American Academy of Diplomacy and the Henry L. Stimson Center. They are ambitious enough to make rapid implementation hard work, but they are probably only the minimum necessary to meet today's requirements.

In the longer term, consideration should be given to an even more ambitious reform of the State Department and related agencies and programs. The Project on National Security Reform (PNSR) has analyzed the flawed national security system and made recommendations pertinent to the problems Holmes identifies.

The PNSR's final report, *Forging a New Shield*, recommends that Congress prescribe in statute the national security roles of each executive-branch department and agency, including the non-traditional components of the national security system, such as development. It also recommends consolidating within the State Department all functions related to the conduct of foreign affairs that are now assigned elsewhere.

These steps would produce a better-organized and better-coordinated U.S. government effort overseas. They would also have the desirable result of enabling policymakers to avoid burdening the

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Pentagon with responsibilities that properly lie with other departments.

EDWARD MARKS

*Former U.S. Ambassador to Cape Verde and Guinea-Bissau, and Working Group Chair, Project on National Security Reform*

ROBERT B. OAKLEY

*Former U.S. Ambassador to Somalia, Zaire, and Pakistan, and Working Group Chair, Project on National Security Reform*

#### **LOGIC, NOT LOBBIES**

*To the Editor:*

We are troubled by the assertions made by John Newhouse (“Diplomacy, Inc.,” May/June 2009) about NATO enlargement—an initiative in which we both played direct roles—as well as by his broader thesis about the role of ethnic population groups in shaping U.S. foreign policy.

The idea of adding central and eastern European states to NATO garnered strong congressional and public support because of its moral and strategic merits. Yet many critics of enlargement have long consoled themselves with the assertion that enlargement only prevailed because of the perverse influence of Americans of central and eastern European descent, an argument Newhouse now revives.

It is time to bury this canard once and for all. The problem is not just that it insults and strangely disqualifies the views of millions of Americans whose roots are traced to the eastern half of Europe. It is also simply erroneous. From direct experience, we can testify that the support of central and eastern European ethnic groups for NATO enlargement, although certainly welcome, was not decisive. What was decisive was the wide, bipartisan array of serious figures—from then Secretary of State Madeleine Albright to then Senator

Jesse Helms (R-N.C.), from former Chairman of the Joint Chiefs of Staff Colin Powell to AFL-CIO President John Sweeney—who thought this policy was morally right and good for the security of the United States and its allies.

Newhouse writes that there was “an assumption” that the Clinton administration saw enlargement as a way to woo ethnic eastern European voters ahead of the 1996 presidential election but never attributes this assumption to anyone or provides any evidence that it existed. He ignores surveys showing that the idea had strong support from all segments of the public—not just ethnic minorities. He implies that the policy was aimed solely against Russia, ignoring the views of distinguished figures, such as Czech President Václav Havel, who argued that NATO enlargement would help anchor democracy in the region, solve regional disputes, and erase Europe’s historical division.

Newhouse may believe that “by the mid-1990s, the risks of expanding NATO were clear”—as if it were accepted wisdom that anchoring central and eastern Europe to the West was a mistake—but the past decade tells another story. Just imagine what Europe might look like today had NATO not been enlarged. The continent would likely be far less stable and prosperous, and the Obama administration would have one more major foreign policy challenge on its hands. Instead, Europe today enjoys more democracy and security than at any time in history, and the United States has new NATO allies fighting alongside it in places such as Afghanistan.

We heartily agree with Newhouse’s call to strengthen the Foreign Agents Registration Act and the Lobbying Disclosure Act, so that Congress, the media, and the public can have full information about



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which foreign and domestic groups are lobbying for which interests and policies. But we are offended by the implication that when one's own foreign policy views fail to prevail in the democratic process, the result can only be explained by the nefarious influence of "foreign agents."

RONALD D. ASMUS

*U.S. Deputy Assistant Secretary of State for European Affairs, 1997–2000*

JEREMY D. ROSNER

*Special Adviser to the President and Secretary of State for NATO Enlargement Ratification, 1997–98*

#### **THE NECESSARY AND THE CHOSEN**

*To the Editor:*

I want to express my appreciation to Zbigniew Brzezinski for his generous review of my book *War of Necessity, War of Choice: A Memoir of Two Iraq Wars* ("A Tale of Two Wars," May/June 2009). Praise from someone of Brzezinski's stature is praise indeed.

I do, however, want to make sure that two matters central to the book are clear. The first concerns the Iraq war initiated in 2003. It is true that my opposition to this second Iraq war was not fundamental, largely because I assumed (along with virtually everyone else) that Iraq possessed at least some weapons of mass destruction. But even so, and as I note more than once in the book, I was "60/40" against the decision to go to war. (I go on to say that had I known then what is known now, that Iraq no longer possessed weapons of mass destruction, my stance would have been 90/10 against.) My position at the time (one expressed in many memos I wrote as director of the State Department's policy planning staff) was one of skepticism about the need to go to war given all the United

States and the Bush administration then had on their plate, all the likely problems a war would trigger, and the absence of a compelling answer to the question, Why now?

The second clarification involves just what is meant by "war of necessity" and "war of choice." Wars of necessity are essentially unavoidable. They involve the most important national interests, a lack of promising alternatives to the use of force, and a certain and considerable price to be paid if the status quo is allowed to stand. Examples include World War II and the Korean War.

By contrast, wars of choice tend to involve interests that are less vital and the existence of viable alternative policies, be they diplomacy, inaction, or something else. The wars in Vietnam, Bosnia, and Kosovo (and the Spanish-American War a century before) were all wars of choice.

To be sure, there is unavoidable subjectivity in these characterizations. That said, the distinction between wars of necessity and wars of choice is not one between wars that are judged to have been good and wars that are judged to have been bad or between those seen as successes and those seen as failures. History's judgment as to whether a war was worth fighting or fought well has no bearing on what kind of war it was. Thus, the first Iraq war, undertaken by President George H. W. Bush in 1991, would have remained a war of necessity even if it had proved to be far more costly or less successful. It just would have been a costly war of necessity. Similarly, the second Iraq war, initiated by George W. Bush just over a decade later, would have remained a war of choice even if the human and economic costs had proved to be more

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## *Letters to the Editor*

modest and the accomplishments greater. It just would have been a relatively inexpensive war of choice. Outcomes and the balance between results and costs shape our verdict of policies, but hindsight is not required to understand what was done and why.

Why does all this matter? When it comes to wars of necessity, it does not. By definition, such wars must be fought. But wars of choice place added burdens on decision-makers because of the often-considerable human, military, and economic costs associated with going to war. Such wars should be fought only after the most rigorous assessments of the likely costs and benefits of action—as well as of the likely costs and benefits of implementing other policies. The right answer is not to rule out all wars of choice but to understand that they need to be rare so as to ensure that there is still the adequate will and ability to fight wars of necessity when they materialize.

RICHARD N. HAASS

*President, Council on Foreign Relations*

Although Benjamin Franklin wrote in 1751, “We are, as I may call it, scouring our planet, by clearing America of woods, and so making this side of our globe reflect a brighter light,” little credit is due to young George Washington’s hatchet work. Fire in the hands of Neolithic man had already transformed the ecology—and the albedo—of Australia and the Americas eons before.

In recent decades, *Foreign Affairs’* readers (and editors) have seen the nuclear winter melt down, the energy crisis metastasize into an oil glut, and the population bomb implode. This breathtaking string of global systems modeling fiascos leaves some analysts asking why climate models are deemed sacrosanct when variables as critical as the sensitivity of the climate to the doubling of carbon dioxide in the atmosphere have failed to converge on uncontroversial values.

RUSSELL SEITZ

*Cambridge, Massachusetts*

### THE NEXT TOP MODEL?

*To the Editor:*

David Victor, M. Granger Morgan, Jay Apt, John Steinbruner, and Katharine Ricke (“The Geoengineering Option,” March/April 2009) date geoengineering to the twentieth century, but it has been an integral part of the landscape of history.

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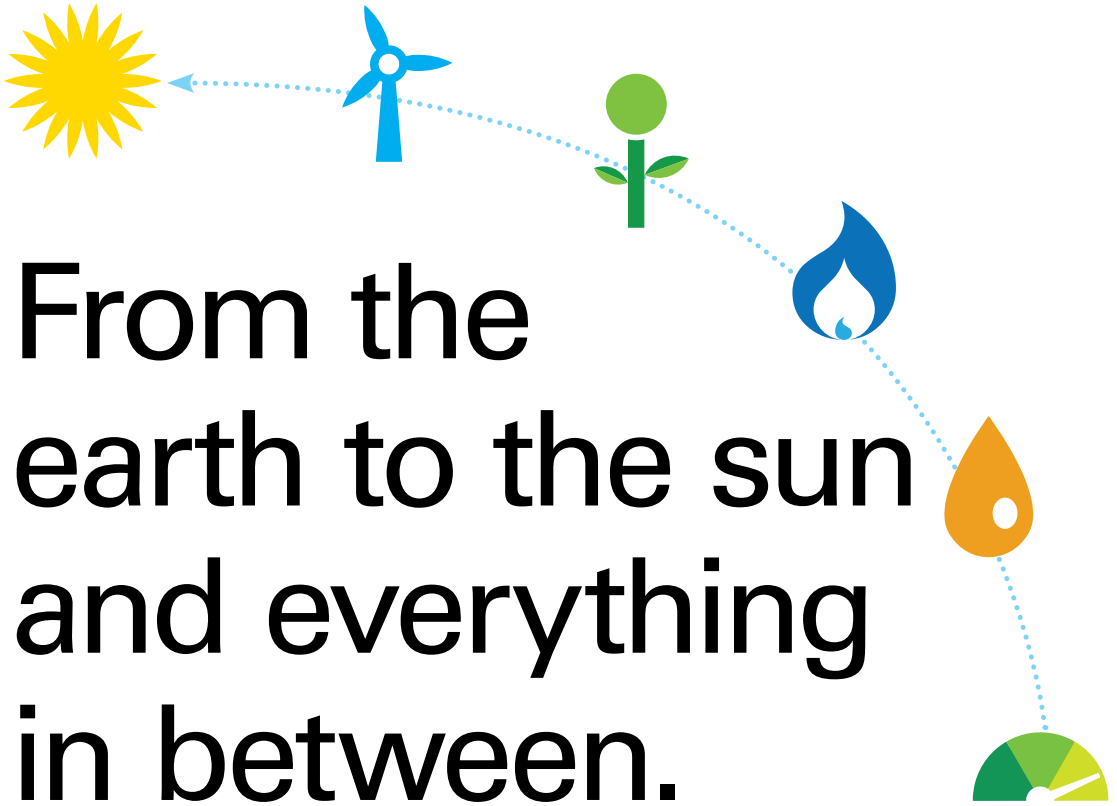
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