



NOVEMBER/DECEMBER  
2010

# FOREIGN AFFAIRS

## SPECIAL ISSUE

### **The New Diplomacy**

Hillary Clinton

### **American Power and Profligacy**

Roger Altman &  
Richard Haass

### **The Primacy of Economics**

Leslie Gelb

### **The Digital Transformation**

Eric Schmidt &  
Jared Cohen

### **Cyberspace and Security**

Ian Bremmer

### **Pivotal Powers**

China, Russia,  
Turkey & Brazil

## MUST-READ BOOKS

Selected by *Foreign  
Affairs* Authors

# The World Ahead

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Scott Thomas

### **Clean Energy's Future**

Michael Levi et al.

### **The Twentieth Century in Retrospect**

Richard Betts

### **The Education Gap**

Arne Duncan

### **Feeding the World**

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### **The Demographic Implosion**

Nicholas Eberstadt

**Power in the Twenty-first Century**  
Nye, Patrick, Pfaff, Crawford & Miscik

# FOREIGN AFFAIRS

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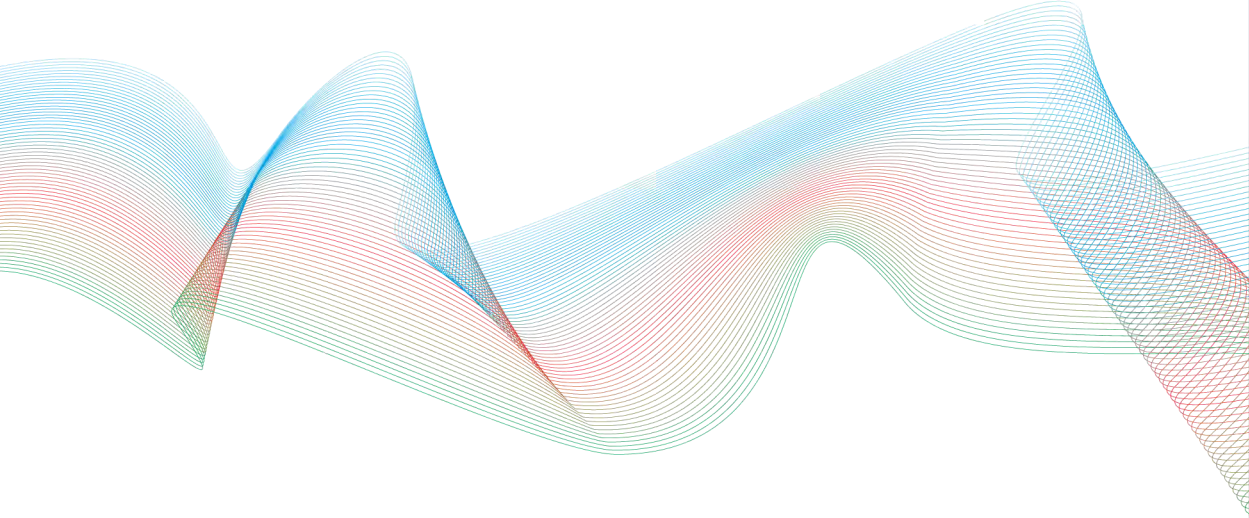
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### The Demographic Implosion

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**Power in the Twenty-first Century**  
Nye, Patrick, Pfaff, Crawford & Miscik

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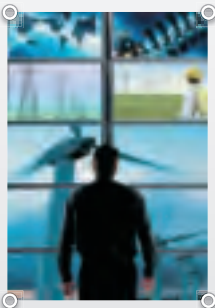
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Editor's Note

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## The World Ahead

The Future of American Power *Joseph S. Nye, Jr.*

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It is currently fashionable to compare the United States' power to that of the United Kingdom a century ago and to predict a similar hegemonic decline. But the United States is not in absolute decline, and in relative terms, there is a reasonable probability that it will remain more powerful than any other state in the coming decades.

Leading Through Civilian Power *Hillary Rodham Clinton*

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To meet the range of challenges facing the United States and the world—from violent extremism to global recession—Washington will have to strengthen and amplify its civilian power abroad. Diplomacy and development must work in tandem, offering countries the support to craft their own solutions, while addressing the needs of citizens and governments alike.

American Profligacy and American Power

*Roger C. Altman and Richard N. Haass*

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The U.S. government is incurring debt at an unprecedented rate. If U.S. leaders do not act to curb their debt addiction, then the global capital markets will do so for them, forcing a sharp and punitive adjustment in fiscal policy. The result will be an age of American austerity. Not only will Americans be worse off, but so will U.S. foreign policy and the coming era of international relations.

GDP Now Matters More Than Force *Leslie H. Gelb*

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Most nations have adjusted their foreign policies to focus on economic security, but the United States has not. Washington still thinks of its security in traditional military terms and responds to threats with military means. Today's leaders should adapt to an economic-centric world and look to Presidents Harry Truman and Dwight Eisenhower for guidance.



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The growth of Brazil, China, and India—and the rise of middle-tier economic powers such as Indonesia and Turkey—is transforming the geopolitical landscape. These emerging powers often oppose the political and economic ground rules of the post-World War II liberal order. To hold this order together, the United States will have to embrace multilateral cooperation more itself.
- The Demographic Future** *Nicholas Eberstadt* 54  
If the twentieth century was marked by vast improvements in public health, then the twenty-first century is likely to be defined by steep declines in fertility rates. Populations in many countries will shrink and age, posing additional challenges for governments. Relatively high fertility rates and immigration levels in the United States, however, may mean that it will emerge with a stronger hand.
- Back to School** *Arne Duncan* 65  
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- The Digital Disruption** *Eric Schmidt and Jared Cohen* 75  
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- Democracy in Cyberspace** *Ian Bremmer* 86  
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- The Fertile Continent** *Roger Thurow* 102  
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- The Rise of the Mezzanine Rulers *Michael Crawford and Jami Miscik* 123

Governments across the Middle East and South Asia are increasingly losing power to substate actors that are inserting themselves at a mezzanine level of rule between the government and the people. Western policymakers must address the problem systematically, at both a political and a legal level, rather than continue to pursue reactive and disjointed measures on a case-by-case basis.

- Manufacturing Insecurity *William Pfaff* 133

The United States has built an all-but-irreversible worldwide network of more than 1,000 military bases. This militaristic system was created to enhance U.S. national security, but it has done the opposite. U.S. security is far more likely to emerge from a speedy negotiated military withdrawal from both Afghanistan and Iraq and disengagement from military interference in the affairs of other societies.

## Pivotal Powers

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For years, China's leaders lay low; they now realize that fulfilling their needs at home demands a more activist global strategy. As China's economic and military power grow, the country will transform the world. In setting U.S. policy toward China, Washington must abandon old buzzwords and recognize China for the revolutionary power that it is.

- Moscow's Modernization Dilemma *Walter Laqueur* 153

Over the last year, Russia has begun to display some subtle signals that it may be ready for détente with the West, and with the United States in particular. Moscow would like to trade its compliance on a range of international issues for technology and investment, both of which it needs for domestic growth and stability.

- Pax Ottomana? *Hugh Pope* 161

Turkey's ruling party is sometimes criticized for being Islamist or ideological, but its policies remain essentially nationalist and commercially opportunistic. Turkey's principal relationships are still with Europe and the United States, and Ankara has made great progress, or at least great efforts, in resolving old disputes with its neighbors.



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# Editor's Note

## The World Ahead

Two decades ago, the Soviet empire and its ideological engine, communism, simultaneously died. Thus ended the Cold War, with unexpected suddenness. Looking forward at the time, many observers foresaw a placid future with few challenges to approximate the hot and cold wars that had so scarred the twentieth century. Peace and prosperity were predicted. In fact, peace did not break out. The last decade of the twentieth century and the first decade of the twenty-first century were full of challenges and surprises, including several long and debilitating wars that are not yet over.

As the post-Cold War world unfolded, *Foreign Affairs* addressed some of the discernible changes just getting under way. It was an early witness to the rise of Asia, the growth of globalization, and the emergence of economics and environmental issues as primary concerns in international relations. One essay, published in 1993, sounded a much-noted alert that conflict would still be a central concern. It was Samuel Huntington's "The Clash of Civilizations?" which predicted that the fundamental source of conflict would be not ideological or economic but cultural, consisting of clashes "between nations and groups of different civilizations."

Today, unlike 20 years ago, there is widespread recognition of a long list of simmering conflicts, unsettling trends, and mounting global problems. Mindful that the unexpected is always lurking in the future, the contributors to this special issue of *Foreign Affairs* address a broad range of challenges that are likely to arise in the world ahead. In general, the subjects break down into three categories: the changing balance of power among states and peoples, the urgency of planetary issues, and the role of the United States.

Here are a few of the notes struck by our authors:

- The return of Asia to the world stage will define the era.
- The chasm between the United States and China could widen as their differing interests become more pronounced.
- Emerging powers, even democratic ones, will have separate agendas, making international integration more difficult.
- Cooperative approaches to an array of global issues, such as climate change, will be difficult to accomplish.
- Nonstate actors, ranging from unofficial governing entities to terrorist organizations, will grow, particularly in weak states.

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*James F. Hoge, Jr.*

- The United States' influence, diminished by the rise of other states and nonstate actors, will be fatally undercut if the country does not curb its unsustainable reliance on debt.
- Avoiding famine will depend on a vast expansion of Africa's lagging agricultural productivity.
- The resurgence of all the major religions will be marked by post-Western versions of Christianity and a return of religious practice to secular Europe.
- Half the world will experience "fertility implosions," thus leading to shortages of working-age populations, with only sub-Saharan Africa producing a surplus of working-age men.
- The technology revolution, epitomized by the Internet, will empower both people yearning for democracy and repressive tyrants.
- The United States will remain the primary source of clean-energy innovation.
- Those states that best educate their citizens will win the economic competition.

This special issue also contains capsule reviews of books about one aspect or another of the world ahead. The section opens with an essay by Richard Betts that sets the stage for the forward-looking reviews by looking backward at three seminal books that defined in different ways the post-Cold War era: Francis Fukuyama's *The End of History and the Last Man*; Samuel Huntington's *The Clash of Civilizations and the Remaking of World Order*, based on his *Foreign Affairs* article; and John Mearsheimer's *The Tragedy of Great Power Politics*.

With this issue, I complete 18 rewarding years of editing *Foreign Affairs*. During that time, I have had the good fortune of working with two managing editors, first Fareed Zakaria and then Gideon Rose; a host of associate editors; and the publisher David Kellogg and his able staff. All have applied skill and dedication to enhancing the magazine's mission of informing the public of world affairs and enriching the debate on foreign policy. I am confident that my successor, Gideon Rose, will build on *Foreign Affairs*' strong position to, as he puts it, "thrive in a new global environment and a new publishing environment."

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# The World Ahead



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*A helicopter leaving Baghdad's Green Zone, January 2005*

It would be counterintuitive to believe that the United States will have a preponderant share of power resources forever.

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# The Future of American Power

## Dominance and Decline in Perspective

*Joseph S. Nye, Jr.*

The twenty-first century began with a very unequal distribution of power resources. With five percent of the world's population, the United States accounted for about a quarter of the world's economic output, was responsible for nearly half of global military expenditures, and had the most extensive cultural and educational soft-power resources. All this is still true, but the future of U.S. power is hotly debated. Many observers have interpreted the 2008 global financial crisis as the beginning of American decline. The National Intelligence Council, for example, has projected that in 2025, "the U.S. will remain the preeminent power, but that American dominance will be much diminished."

Power is the ability to attain the outcomes one wants, and the resources that produce it vary in different contexts. Spain in the sixteenth century took advantage of its control of colonies and gold bullion, the Netherlands in the seventeenth century profited from trade and finance, France in the eighteenth century benefited from its large population and armies, and the

United Kingdom in the nineteenth century derived power from its primacy in the Industrial Revolution and its navy. This century is marked by a burgeoning revolution in information technology and globalization, and to understand this revolution, certain pitfalls need to be avoided.

First, one must beware of misleading metaphors of organic decline. Nations are not like humans, with predictable life spans. Rome remained dominant for more than three centuries after the peak of its power, and even then it did not succumb to the rise of another state. For all the fashionable predictions of China, India, or Brazil surpassing the United States in the next decades, the greater threat may come from modern barbarians and nonstate actors. In an information-based world, power diffusion may pose a bigger danger than power transition. Conventional wisdom holds that the state with the largest army prevails, but in the information age, the state (or the nonstate actor) with the best story may sometimes win.

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JOSEPH S. NYE, JR., is University Distinguished Service Professor at Harvard University. Parts of this essay are drawn from his forthcoming book, *The Future of Power* (PublicAffairs, 2011).

### *The Future of American Power*

Power today is distributed in a pattern that resembles a complex three-dimensional chess game. On the top chessboard, military power is largely unipolar, and the United States is likely to retain primacy for quite some time. On the middle chessboard, economic power has been multipolar for more than a decade, with the United States, Europe, Japan, and China as the major players and others gaining in importance. The bottom chessboard is the realm of transnational relations. It includes nonstate actors as diverse as bankers who electronically transfer funds, terrorists who traffic weapons, hackers who threaten cybersecurity, and challenges such as pandemics and climate change. On this bottom board, power is widely diffused, and it makes no sense to speak of unipolarity, multipolarity, or hegemony.

In interstate politics, the most important factor will be the continuing return of Asia to the world stage. In 1750, Asia had more than half the world's population and economic output. By 1900, after the Industrial Revolution in Europe and the United States, Asia's share shrank to one-fifth of global economic output. By 2050, Asia will be well on its way back to its historical share. The rise of China and India may create instability, but this is a problem with precedents, and history suggests how policies can affect the outcome.

#### **HEGEMONIC DECLINE?**

It is currently fashionable to compare the United States' power to that of the United Kingdom a century ago and to predict a similar hegemonic decline. Some Americans react emotionally to the idea of decline, but it would be counterintuitive and ahistorical to believe that the United States will have a preponderant share of power resources

forever. The word "decline" mixes up two different dimensions: absolute decline, in the sense of decay, and relative decline, in which the power resources of other states grow or are used more effectively.

The analogy with British decline is misleading. The United Kingdom had naval supremacy and an empire on which the sun never set, but by World War I, the country ranked only fourth among the great powers in its share of military personnel, fourth in GDP, and third in military spending. With the rise of nationalism, protecting the empire became more of a burden than an asset. For all the talk of an American empire, the United States has more freedom of action than the United Kingdom did. And whereas the United Kingdom faced rising neighbors, Germany and Russia, the United States benefits from being surrounded by two oceans and weaker neighbors.

Despite such differences, Americans are prone to cycles of belief in their own decline. The Founding Fathers worried about comparisons to the Roman republic. Charles Dickens observed a century and a half ago, "If its individual citizens, to a man, are to be believed, [the United States] always is depressed, and always is stagnated, and always is at an alarming crisis, and never was otherwise." In the last half century, belief in American decline rose after the Soviet Union launched Sputnik in 1957, after President Richard Nixon's economic adjustments and the oil shocks in the 1970s, and after the closing of rust-belt industries and the budget deficits in the Reagan era. Ten years later, Americans believed that the United States was the sole superpower, and now polls show that many believe in decline again.

Pundits lament the inability of Washington to control states such as Afghanistan



*Joseph S. Nye, Jr.*

or Iran, but they allow the golden glow of the past to color their appraisals. The United States' power is not what it used to be, but it also never really was as great as assumed. After World War II, the United States had nuclear weapons and an overwhelming preponderance of economic power but nonetheless was unable to prevent the "loss" of China, to roll back communism in Eastern Europe, to overcome stalemate in the Korean War, to stop the "loss" of North Vietnam, or to dislodge the Castro regime in Cuba. Power measured in resources rarely equals power measured in preferred outcomes, and cycles of belief in decline reveal more about psychology than they do about real shifts in power resources. Unfortunately, mistaken beliefs in decline—at home and abroad—can lead to dangerous mistakes in policy.

### **CHINA ON THE RISE**

For more than a decade, many have viewed China as the most likely contender to balance U.S. power or surpass it. Some draw analogies to the challenge that imperial Germany posed to the United Kingdom at the beginning of the last century. A recent book (by Martin Jacques) is even titled *When China Rules the World: The End of the Western World and the Birth of a New Global Order*. Goldman Sachs has projected that the total size of China's economy will surpass that of the United States in 2027.

Yet China has a long way to go to equal the power resources of the United States, and it still faces many obstacles to its development. Even if overall Chinese GDP passed that of the United States around 2030, the two economies, although roughly equivalent in size, would not be equivalent in composition. China would still have

a vast underdeveloped countryside, and it would have begun to face demographic problems from the delayed effects of its one-child policy. Per capita income provides a measure of the sophistication of an economy. Assuming a six percent Chinese GDP growth rate and only two percent American GDP growth rate after 2030, China would probably not equal the United States in per capita income until sometime around the middle of the century. In other words, China's impressive economic growth rate and increasing population will likely lead the Chinese economy to pass the U.S. economy in total size in a few decades, but that is not the same as equality.

Moreover, linear projections can be misleading, and growth rates generally slow as economies reach higher levels of development. China's authoritarian political system has shown an impressive capability to harness the country's power, but whether the government can maintain that capability over the longer term is a mystery both to outsiders and to Chinese leaders. Unlike India, which was born with a democratic constitution, China has not yet found a way to solve the problem of demands for political participation (if not democracy) that tend to accompany rising per capita income. Whether China can develop a formula that manages an expanding urban middle class, regional inequality, rural poverty, and resentment among ethnic minorities remains to be seen.

Some have argued that China aims to challenge the United States' position in East Asia and, eventually, the world. Even if this were an accurate assessment of China's current intentions (and even the Chinese themselves cannot know the views of future generations), it is doubtful that China will have the military capability



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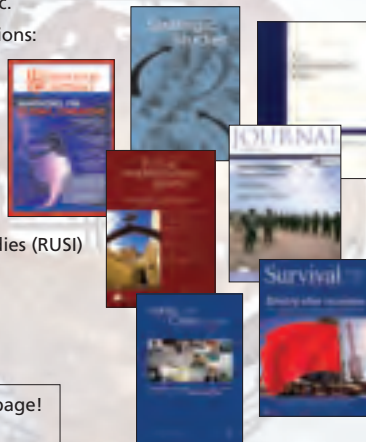
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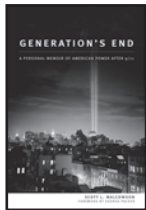
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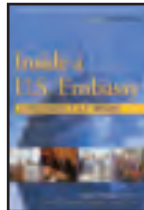
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### *The Future of American Power*

to make this possible anytime soon. Moreover, Chinese leaders will have to contend with the reactions of other countries and the constraints created by China's need for external markets and resources. Too aggressive a Chinese military posture could produce a countervailing coalition among China's neighbors that would weaken both its hard and its soft power.

The rise of Chinese power in Asia is contested by both India and Japan (as well as other states), and that provides a major power advantage to the United States. The U.S.-Japanese alliance and the improvement in U.S.-Indian relations mean that China cannot easily expel the Americans from Asia. From that position of strength, the United States, Japan, India, Australia, and others can engage China and provide incentives for it to play a responsible role, while hedging against the possibility of aggressive behavior as China's power grows.

#### **DOMESTIC DECAY?**

Some argue that the United States suffers from "imperial overstretch," but so far, the facts do not fit that theory. On the contrary, defense and foreign affairs expenditures have declined as a share of GDP over the past several decades. Nonetheless, the United States could decline not because of imperial overstretch but because of domestic underreach. Rome rotted from within, and some observers, noting the sourness of current U.S. politics, project that the United States will lose its ability to influence world events because of domestic battles over culture, the collapse of its political institutions, and economic stagnation. This possibility cannot be ruled out, but the trends are not as clear as the current gloomy mood suggests.

Although the United States has many social problems—and always has—they do not seem to be getting worse in any linear manner. Some of these problems are even improving, such as rates of crime, divorce, and teenage pregnancy. Although there are culture wars over issues such as same-sex marriage and abortion, polls show an overall increase in tolerance. Civil society is robust, and church attendance is high, at 42 percent. The country's past cultural battles, over immigration, slavery, evolution, temperance, McCarthyism, and civil rights, were arguably more serious than any of today's.

A graver concern would be if the country turned inward and seriously curtailed immigration. With its current levels of immigration, the United States is one of the few developed countries that may avoid demographic decline and keep its share of world population, but this could change if xenophobia or reactions to terrorism closed its borders. The percentage of foreign-born residents in the United States reached its twentieth-century peak, 14.7 percent, in 1910. Today, 11.7 percent of U.S. residents are foreign born, but in 2009, 50 percent of Americans favored decreasing immigration, up from 39 percent in 2008. The economic recession has only aggravated the problem.

Although too rapid a rate of immigration can cause social problems, over the long term, immigration strengthens U.S. power. Today, the United States is the world's third most populous country; 50 years from now, it is likely to still be third (after India and China). Not only is this relevant to economic power, but given that nearly all developed countries are aging and face the burden of providing for the older generation, immigration

*Joseph S. Nye, Jr.*

could help reduce the sharpness of the resulting policy problem. In addition, there is a strong correlation between the number of H-1B visas and the number of patents filed in the United States. In 1998, Chinese- and Indian-born engineers were running one-quarter of Silicon Valley's high-tech businesses, and in 2005, immigrants were found to have helped start one of every four American technology start-ups over the previous decade.

Equally important are the benefits of immigration for the United States' soft power. Attracted by the upward mobility of American immigrants, people want to come to the United States. The United States is a magnet, and many people can envisage themselves as Americans. Many successful Americans look like people in other countries. Rather than diluting hard and soft power, immigration enhances both. When Singapore's Lee Kuan Yew concludes that China will not surpass the United States as the leading power of the twenty-first century, he cites the ability of the United States to attract the best and brightest from the rest of the world and meld them into a diverse culture of creativity. China has a larger population to recruit from domestically, but in his view, its Sinocentric culture will make it less creative than the United States, which can draw on the whole world.

On the other hand, a failure in the performance of the U.S. economy would be a showstopper. Keeping in mind that macroeconomic forecasts (like weather forecasts) are notoriously unreliable, it appears that the United States will experience slower growth in the decade after the 2008 financial crisis. The International Monetary Fund expects U.S. economic growth to average about two percent in

2014. This is lower than the average over the past several decades but roughly the same as the average rate over the past ten years.

In the 1980s, many observers believed that the U.S. economy had run out of steam and that Germany and Japan were overtaking the United States. The country seemed to have lost its competitive edge. Today, however, even after the financial crisis and the ensuing recession, the World Economic Forum has ranked the United States fourth (after Switzerland, Sweden, and Singapore) in global economic competitiveness. (China, in comparison, was ranked 27th.) The U.S. economy leads in many new growth sectors, such as information technology, biotechnology, and nanotechnology. And even though optimists tend to cite the United States' dominance in the production and use of information technology, that is not the only source of U.S. productivity. The United States has seen significant agricultural innovation, too, and its openness to globalization, if it continues, will also drive up productivity. Economic experts project that American productivity growth will be between 1.5 and 2.25 percent in the next decade.

In terms of investment in research and development, the United States was the world leader in 2007, with \$369 billion, followed by all of Asia (\$338 billion) and the European Union (\$263 billion). The United States spent 2.7 percent of its GDP on research and development, nearly double what China spent (but slightly less than the three percent spent by Japan and South Korea). In 2007, American inventors registered about 80,000 patents in the United States, or more than the rest of the world combined. A number

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of reports have expressed concern about problems such as high corporate tax rates, the flight of human capital, and the growing number of overseas patents, but U.S. venture capital firms invest 70 percent of their money in domestic start-ups. A 2009 survey by the Global Entrepreneurship Monitor ranked the United States ahead of other countries in opportunities for entrepreneurship because it has a favorable business culture, the most mature venture capital industry, close relations between universities and industry, and an open immigration policy.

Other concerns about the future of the U.S. economy focus on the current account deficit (whose current level indicates that Americans are becoming more indebted to foreigners) and the rise in government debt. In the words of the historian Niall Ferguson, "This is how empires decline. It begins with a debt explosion." Not only did the recent bank bailout and Keynesian stimulus package add to U.S. debt, but the rising costs of health care and entitlement programs such as Social Security, along with the rising cost of servicing the debt, will claim large shares of future revenue. Other observers are less alarmist. The United States, they claim, is not like Greece.

The Congressional Budget Office calculates that total government debt will reach 100 percent of GDP by 2023, and many economists begin to worry when debt levels in rich countries exceed 90 percent. But as *The Economist* pointed out last June, "America has two huge advantages over other countries that have allowed it to face its debt with relative equanimity: possessing both the world's reserve currency and its most liquid asset market, in Treasury bonds." And contrary to fears of a collapse of confidence in the dollar,

during the financial crisis, the dollar rose and bond yields fell. A sudden crisis of confidence is less the problem than that a gradual increase in the cost of servicing the debt could affect the long-term health of the economy.

It is in this sense that the debt problem is important, and studies suggest that interest rates rise 0.03 percent for every one percent increase in the debt-to-GDP ratio over the long term. Higher interest rates mean lower private-sector investment and slower growth. These effects can be mitigated by good policies or exacerbated by bad ones. Increasing debt need not lead to the United States' decline, but it certainly raises the long-term risk.

A well-educated labor force is another key to economic success in the information age. At first glance, the United States does well in this regard. It spends twice as much on higher education as a percentage of GDP as do France, Germany, Japan, and the United Kingdom. The London-based *Times Higher Education's* 2009 list of the top ten universities includes six in the United States, and a 2010 study by Shanghai Jiao Tong University places 17 U.S. universities—and no Chinese universities—among its top 20. Americans win more Nobel Prizes and publish more scientific papers in peer-reviewed journals—three times as many as the Chinese—than do the citizens of any other country. These accomplishments enhance both the country's economic power and its soft power.

American education at its best—many universities and the top slice of the secondary education system—meets or sets the global standard. But American education at its worst—too many primary and secondary schools, especially in less affluent districts—lags badly behind. This means

*Joseph S. Nye, Jr.*

that the quality of the labor force will not keep up with the rising standards needed in an information-driven economy. There is no convincing evidence that students are performing worse than in the past, but the United States' educational advantage is eroding because other countries are doing better than ever. Improvement in the country's K-12 education system will be necessary if the country is to meet the standards needed in an information-based economy.

### **POLITICS AND INSTITUTIONS**

Despite these problems and uncertainties, it seems probable that with the right policies, the U.S. economy can continue to produce hard power for the country. But what about U.S. institutions? The journalist James Fallows, who spent years in China, came home worried less about the United States' economic performance than the gridlock in its political system. In his view, "America still has the means to address nearly any of its structural weaknesses. . . . That is the American tragedy of the early 21st century: a vital and self-renewing culture that attracts the world's talent and a governing system that increasingly looks like a joke." Although political gridlock in a period of recession looks bad, it is difficult to ascertain whether the situation today is much worse than in the past.

Power conversion—translating power resources into desired outcomes—is a long-standing problem for the United States. The U.S. Constitution is based on the eighteenth-century liberal view that power is best controlled by fragmentation and countervailing checks and balances. In foreign policy, the Constitution has always invited the president and Congress to

compete for control. Strong economic and ethnic pressure groups struggle for their self-interested definitions of the national interest, and Congress is designed to pay attention to squeaky wheels.

Another cause for concern is the decline of public confidence in government institutions. In 2010, a poll by the Pew Research Center found that 61 percent of respondents thought the United States was in decline, and only 19 percent trusted the government to do what is right most of the time. In 1964, by contrast, three-quarters of the American public said they trusted the federal government to do the right thing most of the time. The numbers have varied somewhat over time, rising after 9/11 before gradually declining again.

The United States was founded in part on a mistrust of government, and its constitution was designed to resist centralized power. Moreover, when asked not about day-to-day government but about the underlying constitutional framework, Americans are very positive. If asked where the best place to live is, the overwhelming majority of them say the United States. If asked whether they like their democratic system of government, nearly everyone says yes. Few people feel the system is rotten and must be overthrown.

Some aspects of the current mood probably represent discontent with the bickering and deadlock in the political process. Compared with the recent past, party politics has become more polarized, but nasty politics is nothing new—as John Adams, Alexander Hamilton, and Thomas Jefferson could attest. Part of the problem with assessing the current atmosphere is that trust in government became abnormally high among the generation that survived the Depression and won

World War II. Over the long view of U.S. history, that generation may be the anomaly. Much of the evidence for a loss of trust in government comes from modern polling data, and responses are sensitive to the way questions are asked. The sharpest decline occurred more than four decades ago, during the Johnson and Nixon administrations.

This does not mean that there are no problems with declining confidence in government. If the public became unwilling to pay taxes or comply with laws, or if bright young people refused to go into public service, the government's capacity would be impaired, and people would become more dissatisfied with the government. Moreover, a climate of distrust can trigger extreme actions by deviant members of the population, such as the 1995 bombing of a federal office building in Oklahoma City. Such results could diminish the United States' hard and soft power.

As yet, however, these fears do not seem to have materialized. The Internal Revenue Service has seen no increase in tax cheating. By many accounts, government officials have become less corrupt than in earlier decades, and the World Bank gives the United States a high score (above the 90th percentile) on "control of corruption." The voluntary return of census forms increased to 67 percent in 2000 and was slightly higher in 2010, reversing a 30-year decline. Voting rates fell from 62 percent to 50 percent over the four decades after 1960, but the decline stopped in 2000 and returned to 58 percent in 2008. In other words, the public's behavior has not changed as dramatically as its responses to poll questions indicates.



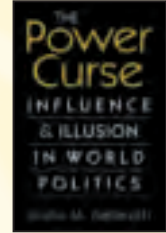
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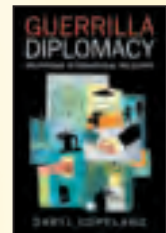


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*Joseph S. Nye, Jr.*

How serious are changes in social capital when it comes to the effectiveness of American institutions? The political scientist Robert Putnam notes that community bonds have not weakened steadily over the last century. On the contrary, U.S. history, carefully examined, is a story of ups and downs in civic engagement. Three-quarters of Americans, according to the Pew Partnership for Civic Change, feel connected to their communities and say that the quality of life there is excellent or good. Another of the group's polls found that 111 million Americans had volunteered their time to help solve problems in their communities in the past 12 months and that 60 million volunteer on a regular basis. Forty percent said working together with others in their community was the most important thing they could do.

In recent years, U.S. politics and political institutions have become more polarized than the actual distribution of public opinion would suggest. The situation has been exacerbated by the recent economic downturn. As *The Economist* noted, "America's political system was designed to make legislation at the federal level difficult, not easy. . . . So the basic system works; but that is no excuse for ignoring areas where it could be reformed." Some important reforms—such as changing the gerrymandered safe seats in the House of Representatives or altering Senate rules about filibusters—would not require any constitutional amendment. Whether the U.S. political system can reform itself and cope with the problems described above remains to be seen, but it is not as broken as implied by critics who draw analogies to the domestic decay of Rome or other empires.

### DEBATING DECLINE

Any net assessment of American power in the coming decades will remain uncertain, but analysis is not helped by misleading metaphors of decline. Declinists should be chastened by remembering how wildly exaggerated U.S. estimates of Soviet power in the 1970s and of Japanese power in the 1980s were. Equally misguided were those prophets of unipolarity who argued a decade ago that the United States was so powerful that it could do as it wished and others had no choice but to follow. Today, some confidently predict that the twenty-first century will see China replace the United States as the world's leading state, whereas others argue with equal confidence that the twenty-first century will be the American century. But unforeseen events often confound such projections. There is always a range of possible futures, not one.

As for the United States' power relative to China's, much will depend on the uncertainties of future political change in China. Barring any political upheaval, China's size and high rate of economic growth will almost certainly increase its relative strength vis-à-vis the United States. This will bring China closer to the United States in power resources, but it does not necessarily mean that China will surpass the United States as the most powerful country—even if China suffers no major domestic political setbacks. Projections based on GDP growth alone are one-dimensional. They ignore U.S. advantages in military and soft power, as well as China's geopolitical disadvantages in the Asian balance of power.

Among the range of possible futures, the more likely are those in which China

### *The Future of American Power*

gives the United States a run for its money but does not surpass it in overall power in the first half of this century. Looking back at history, the British strategist Lawrence Freedman has noted that the United States has “two features which distinguish it from the dominant great powers of the past: American power is based on alliances rather than colonies and is associated with an ideology that is flexible. . . . Together they provide a core of relationships and values to which America can return even after it has over-extended itself.” And looking to the future, the scholar Anne-Marie Slaughter has argued that the United States’ culture of openness and innovation will keep it central in a world where networks supplement, if not fully replace, hierarchical power.

The United States is well placed to benefit from such networks and alliances, if it follows smart strategies. Given Japanese concerns about the rise of Chinese power, Japan is more likely to seek U.S. support to preserve its independence than ally with China. This enhances the United States’ position. Unless Americans act foolishly with regard to Japan, an allied East Asia is not a plausible candidate to displace the United States. It matters that the two entities in the world with per capita incomes and sophisticated economies similar to those of the United States—the European Union and Japan—both are U.S. allies. In traditional realist terms of balances of power resources, that makes a large difference for the net position of U.S. power. And in a more positive-sum view of power—that of holding power with, rather than over, other countries—Europe and Japan provide the largest pools of resources for dealing with common transnational problems. Although their

interests are not identical to those of the United States, they share overlapping social and governmental networks with it that provide opportunities for cooperation.

On the question of absolute, rather than relative, American decline, the United States faces serious problems in areas such as debt, secondary education, and political gridlock. But they are only part of the picture. Of the multiple possible futures, stronger cases can be made for the positive ones than the negative ones. But among the negative futures, the most plausible is one in which the United States overreacts to terrorist attacks by turning inward and thus cuts itself off from the strength it obtains from openness. Barring such mistaken strategies, however, there are solutions to the major American problems of today. (Long-term debt, for example, could be solved by putting in place, after the economy recovers, spending cuts and consumption taxes that could pay for entitlements.) Of course, such solutions may forever remain out of reach. But it is important to distinguish hopeless situations for which there are no solutions from those that could in principle be solved. After all, the bipartisan reforms of the Progressive era a century ago rejuvenated a badly troubled country.

#### **A NEW NARRATIVE**

It is time for a new narrative about the future of U.S. power. Describing power transition in the twenty-first century as a traditional case of hegemonic decline is inaccurate, and it can lead to dangerous policy implications if it encourages China to engage in adventurous policies or the United States to overreact out of fear. The United States is not in absolute decline, and in relative terms, there is a

*Joseph S. Nye, Jr.*

reasonable probability that it will remain more powerful than any single state in the coming decades.

At the same time, the country will certainly face a rise in the power resources of many others—both states and nonstate actors. Because globalization will spread technological capabilities and information technology will allow more people to communicate, U.S. culture and the U.S. economy will become less globally dominant than they were at the start of this century. Yet it is unlikely that the United States will decay like ancient Rome, or even that it will be surpassed by another state, including China.

The problem of American power in the twenty-first century, then, is not one of decline but what to do in light of the realization that even the largest country cannot achieve the outcomes it wants without the help of others. An increasing number of challenges will require the United States to exercise power with others as much as power over others. This, in turn, will require a deeper understanding of power, how it is changing, and how to construct “smart power” strategies that combine hard- and soft-power resources in an information age. The country’s capacity to maintain alliances and create networks will be an important dimension of its hard and soft power.

Power is not good or bad per se. It is like calories in a diet: more is not always better. If a country has too few power resources, it is less likely to obtain its preferred outcomes. But too much power (in terms of resources) has often proved to be a curse when it leads to overconfidence and inappropriate strategies. David slew Goliath because Goliath’s superior power resources led him to pursue an inferior

strategy, which in turn led to his defeat and death. A smart-power narrative for the twenty-first century is not about maximizing power or preserving hegemony. It is about finding ways to combine resources in successful strategies in the new context of power diffusion and “the rise of the rest.”

As the largest power, the United States will remain important in global affairs, but the twentieth-century narrative about an American century and American primacy—as well as narratives of American decline—is misleading when it is used as a guide to the type of strategy that will be necessary in the twenty-first century. The coming decades are not likely to see a post-American world, but the United States will need a smart strategy that combines hard- and soft-power resources—and that emphasizes alliances and networks that are responsive to the new context of a global information age. 🌐



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# Leading Through Civilian Power

## Redefining American Diplomacy and Development

*Hillary Rodham Clinton*

Today's world is a crucible of challenges testing American leadership. Global problems, from violent extremism to worldwide recession to climate change to poverty, demand collective solutions, even as power in the world becomes more diffuse. They require effective international cooperation, even as that becomes harder to achieve. And they cannot be solved unless a nation is willing to accept the responsibility of mobilizing action. The United States is that nation.

I began my tenure as U.S. Secretary of State by stressing the need to elevate diplomacy and development alongside defense—a “smart power” approach to solving global problems. To make that approach succeed, however, U.S. civilian power must be strengthened and amplified. It must, as U.S. Secretary of Defense Robert Gates has argued in these pages, be brought into better balance with U.S. military power. In a speech last August, Gates said, “There has to be a change in attitude in the recognition of the critical role that agencies like [the] State [Department] and AID [the U.S. Agency for International Development] play . . .

for them to play the leading role that I think they need to play.”

This effort is under way. Congress has already appropriated funds for 1,108 new Foreign Service and Civil Service officers to strengthen the State Department's capacity to pursue American interests and advance American values. USAID is in the process of doubling its development staff, hiring 1,200 new Foreign Service officers with the specific skills and experience required for evolving development challenges, and is making better use of local hires at our overseas missions, who have deep knowledge of their countries. The Obama administration has begun rebuilding USAID to make it the world's premier development organization, one that fosters long-term growth and democratic governance, includes its own research arm, shapes policy and innovation, and uses metrics to ensure that our investments are cost-effective and sound.

But we must do more. We must not only rebuild—but also rethink, reform, and recalibrate. During my years on the Senate Armed Services Committee, I saw how the Department of Defense

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HILLARY RODHAM CLINTON is U.S. Secretary of State.

*Hillary Rodham Clinton*

used its Quadrennial Defense Review to align its resources, policies, and strategies for the present—and the future. No similar mechanism existed for modernizing the State Department or USAID. In July 2009, I launched the first Quadrennial Diplomacy and Development Review (QDDR), a whole-sale review of the State Department and USAID to recommend how to better equip, fund, train, and organize ourselves to meet current diplomatic and development priorities and how to begin building the people, structures, processes, and resources today to address the world's challenges in the years ahead.

The QDDR is not simply a review. It defines how to make diplomacy and development coordinated, complementary, and mutually reinforcing. It assesses what has worked in the past and what has not. And it forecasts future strategic choices and resource needs.

Although the State Department and USAID have distinct roles and missions, diplomacy and development often overlap and must work in tandem. Increasingly, global challenges call for a mix of both, requiring a more holistic approach to civilian power.

Diplomatic objectives are often secured by gains in development. The resumption of direct talks between the Israelis and the Palestinians over the summer was the handiwork of talented and persistent diplomacy. But progress at the negotiating table will be directly linked to progress in building strong and stable institutions for a Palestinian state and providing Israel with the security it needs. And development objectives are often secured by diplomatic engagement. The impact of the Feed the Future global hunger program and the Global Health Initiative will turn in part

on the promotion of policy reforms in partner countries; the Millennium Challenge Compacts are in part the product of sustained political engagement designed to create positive conditions for development. In many places, including Afghanistan and Iraq, the need for mutually reinforcing diplomatic and development strategies stems from the combined causes and effects of violent conflict, instability, and weak states.

The two Ds in the QDDR reflect the world as the State Department sees it today and as it envisions it in the future. The review process relied on the wisdom and talent of exceptional people in the State Department and USAID who worked tirelessly to produce a blueprint for reforms that will be implemented over the next four years and will have an impact for much longer. This year's inaugural QDDR identifies new approaches and skill sets for diplomats and development experts, sets budget priorities, establishes planning procedures, revises promotion incentives, and recommends organizational reforms. It focuses on three main areas: modernizing and coordinating diplomacy across U.S. government agencies, ensuring that development work creates a lasting and sustainable impact, and creating a stronger nexus between diplomacy and development, as well as better coordination with partners in the military, in conflict zones and fragile states.

### **A GLOBAL CIVILIAN SERVICE**

Diplomacy has long been the backbone of U.S. foreign policy. It remains so today. The vast majority of my work at the State Department consists of engaging in diplomacy to address major global and regional challenges, such as confronting Iran's nuclear ambitions, facilitating negotiations

### *Leading Through Civilian Power*

between the Israelis and the Palestinians, enhancing stability on the Korean Peninsula, and working with other governments to bring emergency relief to Haiti. And President Barack Obama and I certainly relied on old-fashioned diplomatic elbow grease to hammer out a last-minute accord at the Copenhagen conference on climate change last December.

In annual strategic dialogues with a range of key partners—including China, India, Indonesia, Nigeria, Pakistan, Russia, and South Africa—the United States aims to deepen and broaden its relationships and to establish a stronger foundation for addressing shared problems, advancing shared interests, and managing differences. The United States is investing in strengthening global structures such as the G-20 and regional institutions such as the Organization of American States and the Association of Southeast Asian Nations. This is part of a commitment to building a new global architecture of cooperation that includes not only the East and the West but also the North and the South.

Although traditional diplomacy will always be critical to advancing the United States' agenda, it is not enough. The State Department must expand its engagement to reach and influence wider and more diverse groups using new skills, strategies, and tools. To that end, the department is broadening the way it conceives of diplomacy as well as the roles and responsibilities of its practitioners.

The original Foreign Service, as its name implies, consisted of people trained to manage U.S. relations with foreign states, principally through consultations with their counterparts in government. This has been the main function of U.S. ambassadors and embassies, as well as

the staff at the State Department. But increasing global interconnectedness now necessitates reaching beyond governments to citizens directly and broadening the U.S. foreign policy portfolio to include issues once confined to the domestic sphere, such as economic and environmental regulation, drugs and disease, organized crime, and world hunger. As those issues spill across borders, the domestic agencies addressing them must now do more of their work overseas, operating out of embassies and consulates. A U.S. ambassador in 2010 is thus responsible not only for managing civilians from the State Department and USAID but also for operating as the CEO of a multiagency mission. And he or she must also be adept at connecting with audiences outside of government, such as the private sector and civil society.

Consider the U.S. embassy in Islamabad. The mission includes 800 staff members; about 450 are diplomats and civil servants from the State Department, and 100 are from USAID. A large portion of the work there consists of traditional diplomacy—Foreign Service officers helping Americans traveling or doing business in the region, issuing visas, and engaging with their Pakistani civilian and military counterparts. But the U.S. ambassador there also leads civilians from 11 other federal agencies, including disaster relief and reconstruction experts helping to rebuild after last summer's historic floods; specialists in health, energy, communications, finance, agriculture, and justice; and military personnel working with the Pakistani military to bolster Pakistani capacities and to help in the fight against violent extremists.

Back in Washington, my responsibility as secretary is to ensure that the Foreign Service and Civil Service personnel within



*Hillary Rodham Clinton*

the State Department and USAID are working together and with their colleagues across the federal government. The United States' strategic dialogue with Pakistan involves ten separate working groups that bring together cabinet secretaries and experts from a range of agencies in both governments. The U.S. dialogue with India engages 22 different agencies; and when U.S. Treasury Secretary Timothy Geithner and I traveled to Beijing in May for the second round of the Strategic and Economic Dialogue, our delegation included civilians from over 30 agencies.

Foreign Service officers, Civil Service personnel, and local staff at the State Department and USAID form the backbone of our global engagement. By drawing on the pool of talent that already exists in U.S. federal agencies and at overseas posts, the United States can build a global civilian service of the same caliber and flexibility as the U.S. military. With staff members and experts from a variety of institutions—including the State Department, USAID, the Millennium Challenge Corporation, the Overseas Private Investment Corporation, the Export-Import Bank, the Department of Justice, the Department of the Treasury, the Department of Agriculture, the Centers for Disease Control and Prevention, the Peace Corps, and many others—the U.S. foreign policy apparatus must reward teamwork, promote collaboration, and support interagency rotations.

Engagement must go far beyond government-to-government interactions. In this information age, public opinion takes on added importance even in authoritarian states and as nonstate actors are more able to influence current events. Today, a U.S. ambassador creates ties not only with the host nation's government but

also with its people. The QDDR endorses a new public diplomacy strategy that makes public engagement every diplomat's duty, through town-hall meetings and interviews with the media, organized outreach, events in provincial towns and smaller communities, student exchange programs, and virtual connections that bring together citizens and civic organizations. Indeed, in the twenty-first century, a diplomat is as likely to meet with a tribal elder in a rural village as a counterpart in a foreign ministry, and is as likely to wear cargo pants as a pinstriped suit.

Public diplomacy must start at the top. In Indonesia and Turkey, I conducted bilateral meetings with government officials, but I also met with civil-society leaders and appeared as a guest on popular television talk shows. I have held town-hall meetings with diverse groups of citizens on every continent I have visited, as I have done throughout my career. Public events such as these are as much a part of my job as secretary of state as my meetings in foreign ministries, because the durability of the United States' partnerships abroad will depend on the attitudes of the people as well as the policies of their governments.

In Washington, too, the State Department is streamlining and modernizing the way it conceives of and conducts public diplomacy. We are shifting away from traditional platforms and instead are building connections to foreign publics in regions once considered beyond the United States' reach. It makes no sense to allocate the greatest amount of resources to parts of the world where the United States' ties are already strong and secure and to minimize efforts where engaging the public is critical to success.



GRIGORY DUKOR/REUTERS

*U.S. Secretary of State Hillary Clinton in Moscow, March 2010*

We can also leverage civilian power by connecting businesses, philanthropists, and citizens' groups with partner governments to perform tasks that governments alone cannot. Technology, in particular, provides new tools of engagement. One great success this year was a partnership forged almost overnight among U.S. and Haitian cell-phone companies, the Red Cross, social entrepreneurs, the U.S. Coast Guard, and, eventually, the U.S. Marines to create a platform that used text messaging to broadcast the locations of earthquake victims in need of rescue. The State Department also launched a program to facilitate the texting of \$10 donations to the Red Cross for Haiti, which drew contributions from 31 million Americans. At the State Department and USAID, we continue to develop new ways to use the world's 4.6 billion cell phones to improve

the lives of people living in remote areas and arduous circumstances.

Foreign trips by delegations of Americans with expertise in technology have also produced promising avenues for innovative partnerships in fields such as agriculture and health. One such visit to Russia, for example, helped pave the way for a public-private partnership called "text4baby," which will provide a mobile application for pregnant women and new mothers to get health tips through their cell phones and to allow them to monitor their own pregnancies.

Looking down the road to the forces that will shape global politics tomorrow, it becomes clear how the material conditions of people's lives can affect U.S. national security objectives. While USAID leads U.S. development work overseas, State Department employees today—from

*Hillary Rodham Clinton*

ambassadors to Civil Service experts—must be better versed and more engaged in development issues. For this reason, I called for a broad review of U.S. aid programs in Afghanistan and Pakistan to ensure that they were aligned with U.S. strategic objectives and sent two experienced ambassadors to coordinate foreign assistance in Kabul and Islamabad.

This comprehensive approach is essential to U.S. engagement in many regions. In Mexico, for example, the United States continues to support law enforcement efforts to arrest and prosecute members of drug cartels, but it has also begun the next phase of the Merida Initiative, working with Mexican partners—in government, business, and civil society—to strengthen justice systems and promote a “culture of legality” in local communities.

When the diverse elements of U.S. civilian power work cohesively—as in many embassies around the world, and on the best days in Washington—the potential impact of a global civilian service becomes evident. There is no guarantee that this comprehensive approach will achieve every goal, especially where the challenges are as entrenched and complex as they are in places such as Haiti, Pakistan, or Yemen. But it is the best alternative we have, and one we must pursue.

### **HIGH-IMPACT DEVELOPMENT**

I am sometimes asked why development matters to U.S. foreign policy and why the United States should spend money on people overseas when it has economic challenges at home. As counterintuitive as it may seem, the answer is that development, when done effectively, is one of the best tools to enhance the United States’ stability and prosperity. It can strengthen

fragile or failing states, support the rise of capable partners that can help solve regional and global problems, and advance democracy and human rights.

At the same time, it is important to acknowledge that although the world’s problems are vast, the United States’ resources are not. As stewards of American taxpayer dollars, the State Department and USAID must be strategic in pursuing the most critical needs and in making decisions based on hard evidence to ensure that investments deliver results. And we must also stay focused on the long term—not simply addressing the urgent needs of people today but also building the foundations for a more prosperous future. With this in mind, the Presidential Policy Directive on Development that President Obama issued in September—the first by a U.S. president—emphasizes the importance of targeting countries with responsible governments and favorable conditions for development and working in a smaller number of targeted sectors in each country for maximum impact. It affirms that assistance must be coordinated with trade, finance, investment credits, and other economic policies to bolster emerging markets and to foster widespread and sustainable economic growth. Economic growth is the surest route out of poverty, and expanding and strengthening middle classes around the world will be key to creating the just and sustainable international order that lies at the heart of the United States’ national security strategy.

The QDDR embraces development as a process of assisted self-help in the furtherance of American interests and values. A developing country must be in charge and set its own goals for meeting the needs of its people. The U.S. government comes



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### *Leading Through Civilian Power*

to the table as a partner, not a patron, lending resources and expertise and, eventually, putting itself out of business when a host country is self-sustaining.

Today, the Obama administration is putting that partnership model into practice in two signature initiatives that it announced over the past year: the Global Health Initiative and Feed the Future, part of the administration's broader global food-security initiative.

The Global Health Initiative recognizes that the landscape for health in many developing countries has improved over the years, due in part to George W. Bush's President's Emergency Plan for AIDS Relief (PEPFAR), his President's Malaria Initiative (PMI), and the contributions of many other countries and organizations. But this more crowded landscape does not necessarily improve health outcomes efficiently or for the long term.

The fundamental purpose of the Global Health Initiative is to put an end to isolated and sporadic care by tying individual health programs—PEPFAR; the PMI; and programs regarding maternal and children's health, family planning, neglected tropical diseases, and other critical health areas—together in an integrated, coordinated, and sustainable system of care, with the affected countries themselves in the lead.

The Feed the Future initiative is based on the same principles. To give one example, Bangladesh is developing its own food-security investment plan based in part on consultations in a public forum with more than 500 representatives from civil society, academia, think tanks, and the private sector. The strategy has been reviewed by independent technical experts and is being further refined by national leaders and other experts. The U.S. government

is now developing an investment plan in support of Bangladesh's strategy, in full collaboration with other governments and international donors.

This is what partnership looks like in practice. Partner governments will almost certainly choose to do things differently from how the United States might, or they might outline different priorities. Vetting and investing in these governments' plans may take longer than delivering services ourselves. But the result promises a sustainable strategy that will continue even after U.S. assistance has ended.

The QDDR also focuses on the diplomatic side of effective development policy, arguing for building much stronger and more systematic links between the State Department and USAID both in Washington and in the field.

Diplomacy can support development policy in different ways. The United States' most important diplomatic effort with China in recent years—the Strategic and Economic Dialogue—includes high-level discussions about development and about what it means to the two countries' respective and collective efforts in Africa and elsewhere. Before the 2009 meeting of the G-8 in L'Aquila, Italy, high-level engagement with partner governments enabled the United States to secure a \$20 billion international commitment to promoting food security, building a coalition of countries willing to contribute. And at the 2009 Summit of the Americas, President Obama launched the Energy and Climate Partnership of the Americas, bringing together all the democratically elected governments in the hemisphere to work toward a shared goal of clean, renewable, and inexpensive energy sources. As part of that effort, the United States and

*Hillary Rodham Clinton*

Brazil are helping seven energy-poor Central American and Caribbean countries develop their own biofuels. This will promote sustainable economic development and regional integration and help reduce dependence on imported Venezuelan oil.

But diplomacy and development can only be mutually reinforcing if the U.S. government also get its own house in order. The first step is to move beyond agency “stovepiping” and use all the talent and expertise within the federal government. The Global Health Initiative, for example, is jointly led by the USAID administrator, the U.S. global AIDS coordinator, and the director of the Centers for Disease Control and Prevention. Their agencies, along with the Department of Health and Human Services, the National Institutes of Health, and the Peace Corps, work together under my overall guidance and direction. This unique leadership structure strengthens coordination at every level, from the White House down.

The QDDR also recommends specific internal reforms within USAID, some of which have already begun. USAID Administrator Rajiv Shah has laid out an aggressive set of operational priorities called USAID Forward, which are designed to make the agency more effective, accountable, and transparent. In coordination with other QDDR recommendations, USAID Forward concentrates on procurement, people, and policy.

Procurement reform has as its goal the building of local capacities in the countries where the United States works by drawing on the talent and expertise of small businesses and nongovernmental organizations. Senegal, for example, has more than 1,400 so-called health huts, where local health workers trained by USAID

provide basic and often lifesaving treatments, lowering costs and moving the country closer to the day when U.S. aid will no longer be necessary.

To reform policy, USAID has already created the new Bureau of Policy, Planning and Learning. Evidence-based development must be more than a notion; it must become reality. We will measure our investments not by the number of programs run but by the number of children nourished or vaccinated and by the number of people benefiting from clean water, electricity, teachers, medicine, or jobs. We will also make sure that taxpayer dollars are well spent, by gathering baseline data, surveying development indicators before projects are launched, and then measuring those same indicators over the lives of the projects. Where our approaches are successful, we will replicate them and scale them up. Where they are not, we will admit it, learn from our failures, and come up with a better idea.

USAID will also rely on the innovations of science and technology to help it work better, cheaper, and faster in the pursuit of high-impact development. Cell phones have already transformed the lives of countless people in sub-Saharan Africa. Imagine what the world would look like if off-grid renewable energy provided illumination to billions of people now living in the dark or if more kinds of drought-resistant seeds existed for farmers in the developing world. The QDDR endorses USAID’s creation of Development Innovation Ventures, by which creative solutions will be funded, piloted, and brought to scale.

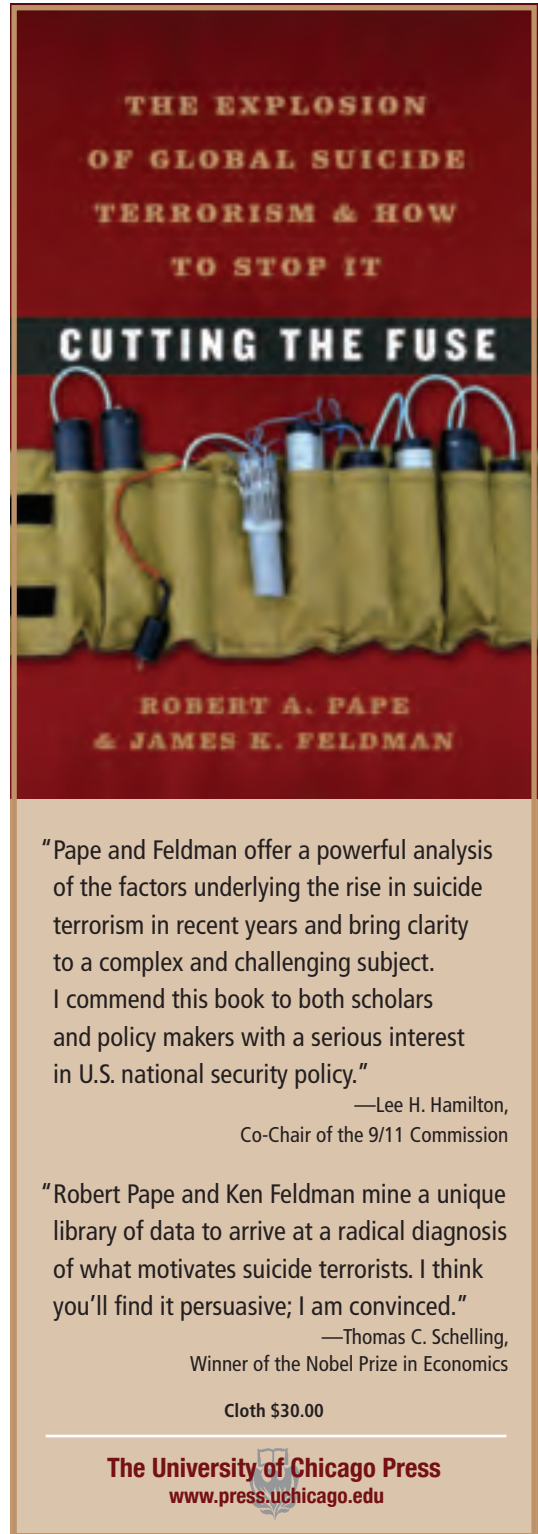
Just recently, USAID funded the trial of a vaginal microbicide that reduces the transmission of HIV/AIDS by 30 percent, a major breakthrough in preventing HIV

transmission that will give women more control over their health. USAID and the Bill & Melinda Gates Foundation joined forces recently to create mobile banking in Haiti, building on effective programs in Africa, Asia, and Latin America. USAID is also inviting top scientists and entrepreneurs to help it find cost-effective, simple ways to provide clean water, vaccines, inexpensive but durable computers, micro-generators, medical kits, and applications for cell phones.

As the State Department and USAID undertake these efforts, we will broaden our partnerships. Twenty years ago, the development community did not exist far beyond the walls of USAID. Today, it includes corporate leaders, philanthropists, foundations, and advocates, all of whom add new skills and perspectives. Equally important are the grass-roots leaders: the religious groups, the students, and other activists who lend their passion and energy to humanitarian efforts. These advocates and entrepreneurs are willing to challenge old orthodoxies and bring a new mindset to their work. We will partner with them to get results.

### **BUILDING PEACE AND STABILITY**

American civilians have long operated in conflict zones and fragile states. But now, U.S. diplomats and development experts are being asked to undertake missions of a scale and a scope never seen before. The United States' task in Iraq is to lead a broad mission in support of the Iraqi people as they build a multiethnic democratic state. At the same time, the United States is responsible in Afghanistan for helping reduce the strength of the insurgency there, improve governance, and promote stability that will last after U.S. troops





*Hillary Rodham Clinton*

return home. In Pakistan, Washington is assisting a government and a society buffeted by the global economic recession, natural disasters, and regional instability, while supporting a counterterrorism and counterinsurgency campaign. Today, 20 percent of the U.S. diplomatic corps and nearly ten percent of U.S. development professionals are stationed in these three countries—where democracy is young, institutions are struggling to serve local populations, society is ethnically or religiously divided, and security is an ongoing challenge. Beyond those countries, the United States is working to stabilize fragile states from Somalia and Sudan to Haiti and Kyrgyzstan.

Given this unprecedented situation, the State Department needs to ask unprecedented questions: As we plan for the transition in Iraq, how will we protect our embassy in Baghdad and our consulate in Basra? How will we ensure the security of reconstruction experts who must work alongside Iraqi colleagues in villages and towns across the country? How will we generate the sustained manpower to fulfill our many ongoing and diverse commitments in Iraq?

The United States had 170,000 troops in Iraq during the surge in 2007; today, there are 50,000 U.S. troops assigned to support Iraqi government forces. On the ground are about 1,600 civilians—diplomats, stabilization and reconstruction experts, and development professionals in charge of helping Iraq transition to a stable and prosperous democracy. Similarly, in Afghanistan, the U.S. contribution to reconstruction and redevelopment is now led by about 1,100 diplomats and civilian experts who will remain there after U.S. troops are gone.

These numbers say something important about civilian power and leadership. Properly trained and equipped, civilians are force multipliers. One effective diplomat or development expert can leverage as many as ten local partners, and when local partners build their own capacities and networks, communities become stronger and more resilient.

Civilian leadership in addressing conflict and instability also depends on marshaling and leveraging the varied assets of the U.S. government as a whole. Under the leadership of strong ambassadors and agency representatives, collaboration among American civilians from across the government has reached new levels in Afghanistan, Haiti, Iraq, Pakistan, and elsewhere. Washington is pooling the expertise of civilians at the State Department and USAID, as well as at the Departments of Justice, Commerce, the Treasury, Homeland Security, and Health and Human Services; the Centers for Disease Control and Prevention; and other agencies. The United States cannot succeed in these fragile states if these agencies are not working together. That means organizing the internal branches of the U.S. government with a focus on integration, cohesion, and problem solving. For example, the Office of the Special Representative for Afghanistan and Pakistan—in which 16 agencies are represented—was created to overcome agency compartmentalization and achieve a comprehensive strategy.

The QDDR also draws on the talents of the Civilian Response Corps, which has identified hundreds of civilian experts across the government who can be quickly deployed to conflict zones or fragile states. I sent the CRC's expeditionary conflict and security experts to Southern Sudan,

### *Leading Through Civilian Power*

where the United States is mounting a civilian surge around the southern capital of Juba to prepare for the January 2011 referendum that will determine whether Southern Sudan secedes from the North.

The QDDR recommends building rapid-response diplomatic teams and cultivating specially trained experts who can operate effectively over the longer term amid conflict and instability. Since the end of the Cold War, the State Department and USAID have steadily taken on more missions in difficult and dangerous places, from Lebanon to Bosnia to East Timor. Moving forward, both agencies will create a joint operating framework and response plan that will allow them to work more effectively together and with other agencies. Within this framework, the State Department will lead in complex political crises, and USAID will lead in disaster response, building on its ability to get relief supplies and recovery workers into the field within 24 hours after a disaster strikes.

In Yemen, the U.S. embassy is working to address poor economic conditions and the ravages of poverty in a country that has recently faced a secessionist movement in the south, a rebellion in the north, and a persistent threat from al Qaeda on the Arabian Peninsula. Through the Friends of Yemen—a forum of countries and multilateral organizations working with the government of Yemen to identify practical solutions to the country's problems—and through concentrated efforts to stabilize fragile local communities and to create opportunities for economic growth, the United States is trying to help the Yemeni government provide better services for its citizens and to prevent conflict. The QDDR anticipates more situations requiring rapidly deployable civilian teams of

diplomats, stabilization and reconstruction experts, and development professionals that can meet U.S. needs in places such as Sudan or Yemen while also mounting larger efforts in other countries at the same time.

Poverty and repression do not automatically engender terrorism, but countries that are impoverished, corrupt, lawless, or mired in recurring cycles of conflict are more prone to becoming havens for terrorists and other criminals. Al Qaeda first operated out of Sudan and bombed U.S. embassies in Kenya and Tanzania before migrating to Afghanistan, then a country notable for its poverty, high infant mortality, and repressive Taliban government. It is no coincidence that al Qaeda is most active today in underdeveloped nations such as Mali, Mauritania, Niger, Pakistan, Somalia, and Yemen. Beyond terrorism and violent extremism, drug cartels, criminal gangs funded by the illicit exploitation of natural resources, and gender-based sexual violence can also dramatically undermine governments in ways that can have dangerous consequences for an entire region.

On the positive side, civilian power has worked effectively with military forces to impede conflict and to contribute to stability. In Liberia, as fighting between rebel groups and government forces under the leadership of Charles Taylor intensified and as the humanitarian situation deteriorated, the United States undertook intense diplomatic efforts, including public calls for Taylor's resignation, as well as military deployments to the region, to help shore up the peacekeeping efforts of the Economic Community of West African States. Taylor's resignation paved the way for a comprehensive peace agreement that

*Hillary Rodham Clinton*

led to the end of Liberia's conflict and set the stage for Liberia's stabilization and reconstruction efforts. Both the United Nations and the United States continue to partner with Liberia as it rebuilds social and economic infrastructure destroyed by years of conflict. Achieving a more stable and peaceful world depends on the success of all these types of missions—from Iraq and Afghanistan to West Africa—and on the United States' and other countries' ability to mount more of them.

The American people must understand that spending taxpayer dollars on diplomacy and development is in their interest, especially when those investments support missions in conflict zones, fragile states, and states that can play a responsible role in their regions and in the world. And Congress, which has a long tradition of bipartisan support for traditional diplomacy and development, must appreciate the scale and scope of the reconstruction and stabilization missions that U.S. civilians are being asked to undertake.

The House and the Senate have appropriated hundreds of billions of dollars for the military missions in Afghanistan and Iraq. The diplomatic and development activities there represent a fraction of that cost, yet the funding often gets bogged down in old debates over foreign aid. It is time to move beyond the past and to recognize diplomacy and development as national security priorities and smart investments in the United States' future stability and security. These missions can succeed, but only with the necessary congressional leadership and support. Congress must provide the necessary funding now.

### **THE DIVIDENDS OF CIVILIAN POWER**

An emphasis on civilian power is in keeping with America's history and traditions. The Marshall Plan was a civilian development initiative undertaken with European governments. Eleanor Roosevelt chaired the drafting committee that produced the Universal Declaration of Human Rights. Decades before the term "soft power" was coined, President John F. Kennedy founded the Peace Corps to show the world a different face of the United States. The American scientist Norman Borlaug was responsible for the "green revolution" that fed millions of hungry people. U.S. diplomats helped negotiate the reunification of Europe in 1991 without a shot fired. Meanwhile, Americans have enjoyed the world's admiration because of their spirit of innovation, their abundant goodwill, and their audacious belief that technological, social, and political advances can and must be used to improve the lives of human beings around the world.

The men and women who volunteer for the United States armed forces exemplify this spirit. So do the growing number of people who work for the civilian agencies that advance U.S. interests around the world. With the right balance of civilian and military power, the United States can advance its interests and values, lead and support other nations in solving global problems, and forge strong diplomatic and development partnerships with traditional allies and newly emerging powers. And we can rise to the challenges of the world in the twenty-first century and meet the tests of America's global leadership. 🌐

November 1, 2010

## Cyberterrorism: The Invisible Threat Stealth Cyber Predators in a Climate of Escalating Risk

*In the span of the last year, al Qaeda launched two separate, well-orchestrated attacks against the United States homeland that would likely have been devastating had they not been stopped. Nahjibullah Zazi, an Afghan raised in New York, admitted to a federal court that he conspired to detonate a bomb in the New York subway system around the eighth anniversary of September 11, 2001 — and was just days from putting his plot into motion. Zazi pleaded guilty to charges of conspiracy to use weapons of mass destruction, commit murder and provide material support to al Qaeda. This planned attack, had it occurred, would have been even deadlier than the July 7, 2005, attacks on the London Underground that killed 52 innocent people and injured 700, due to the larger, more lethal explosive devices that were to be used. The same could be said about Umar Abdulmutallab's al Qaeda-inspired plot to blow up Northwest Flight 253 on December 25, 2009.*

*The dangerous new phase in the fight against al Qaeda is, unfortunately, not limited to attacks on our transportation systems. Rather, the increasing globalization of our world, with its greater reliance on the Internet and heightened dependence on computerized automated systems, represents a massive and escalating vulnerability — particularly in light of al Qaeda's intention to harm the American economy. The Google attacks of December 2009 were a shocking breach of online security, while in late February 2010, a new "botnet" — a software agent that runs automatically, normally for malicious purposes — called the "Kneber botnet," was discovered to have infected more than 74,000 computer systems worldwide, compromising data from nearly 2,500 corporate and government networks in 196 countries. America now confronts a dangerous combination of known and unknown cyber vulnerabilities, rapidly expanding adversary capabilities, and — unfortunately — a lack of comprehensive threat awareness. This issue of The Lipman Report® will explore this new threat of cyberterrorism, analyze its methods and dangers and offer recommendations on how we can best protect ourselves.*

### **How Vulnerable Are We?**

In February 2010, America's top intelligence officials warned lawmakers that the threat of a crippling attack on telecommunications and computer networks was growing; an increasingly sophisticated group of enemies "severely threaten" the sometimes-fragile systems guarding the country's information infrastructure. These experts warned that, "Malicious cyber activity is

occurring on an unprecedented scale, with extraordinary sophistication." This threat illuminates the rising concern among American intelligence officials over the potentially catastrophic results of a coordinated attack on the nation's technology apparatus — appropriately called a "cyber-Pearl Harbor."

The threat of cyberterrorism to our technical infrastructure is real and immediate. Computers and servers in the United States are the most aggressively targeted information systems in the world, with attacks increasing in severity, frequency and sophistication each year. As our nation's critical infrastructure grows more reliant on information technologies, it has become more exposed to attackers, both foreign and domestic. These cyber-aggressors can threaten our nation's economy, public works, communication systems and computer networks.

Concerns over cyberterrorism arise from the fact that al Qaeda has expressed interest in devastating the United States economy — which is computer dependent — while Osama bin Laden has spoken of "bleeding America to the point of bankruptcy." Some experts feel that al Qaeda is not currently in a position to exploit this vulnerability; however, they allow that as with any developing technology, the costs and deterrents for developing an advanced cyber offensive are declining each year. Naysayers should also remember that the idea of using airliners as missiles to take down skyscrapers was also deemed unlikely and dismissed by authorities before the carnage actually occurred.

It is ironic that the Internet — a symbol to many of the open communication of our American culture — has evolved into a powerful tool for terrorists, who use online message boards and chat rooms to share information, coordinate attacks, spread propaganda, raise funds and recruit. The number of terrorist sites has increased exponentially over the last decade, from under 100 in the mid-to-late 90s to more than 4,800 over the last few years. Terrorist websites can serve as virtual training grounds, offering tutorials on building bombs, surface-to-air missile operation, surveillance, intelligence gathering and operational security. Terrorists have also developed sophisticated encryption tools and creative techniques that render the Internet an efficient and relatively secure means of correspondence.

If the pace of technology continues at this rate, greater technological change will occur in the next 20 years than occurred in the whole of the 20th century. The

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## Cyberterrorism: The Invisible Threat

### Stealth Cyber Predators in a Climate of Escalating Risk

cyber domain is rapidly expanding the ability to create and share knowledge, but it is also enabling those who aim to steal, corrupt, harm or destroy public or private assets vital to national interests. The same technological advances that are benefitting us are also increasing the arsenal of our opponents. A wide spectrum of disparate groups is targeting American computer networks, including curious programmers, criminal outfits motivated by money, nation states, and terrorist and military organizations seeking to exfiltrate vast amounts of data from the United States public and private sectors.

In the recent “Kneber Botnet,” hackers gained access to a wide array of data, from credit card transactions to intellectual property. In more than 100 cases, they also infiltrated corporate servers that store large quantities of business data, such as company files, databases and e-mail. The computer systems of more than a few Fortune 500 firms were compromised. The damage is still being assessed, and affected companies are still being notified. According to experts, this grand-scale cyber operation began in Germany in 2008, with a familiar type of “phishing” attack designed to get corporate insiders to click on phony links that would ultimately install malware on the PCs, granting the hackers remote control access to their computers, and ultimately to their networks.

The national security of the United States — its economic prosperity and the daily functioning of its government — are dependent on a dynamic public and private information infrastructure of increasingly broad and complex telecommunications and computer networks. Even more worrisome, network technology favors the malicious actors over the protective systems we have in place, allowing the attackers to control open access to the Internet and establishing, in effect, an information-age Berlin Wall.

#### Cyberterrorism

One of the most alarming incidents in the last year was the July 4 assault on United States government sites — including the White House, the New York Stock Exchange and NASDAQ — followed a few days later by similar attacks on websites in South Korea. According to a research paper by a leading antivirus maker, both attacks were made by the same botnet of 50,000 computers, which spammed targets with such a large number of e-mails that their IT systems were simply overwhelmed. In his “Annual Threat Assessment of the United States Intelligence Community,” Director

of National Intelligence Dennis Blair postulated that this attack might have been a cyber “dry-run” to test the impact of flooding South Korean networks and transcontinental communications on the part of North Korea — as previously occurred in Estonia in 2007 and the Republic of Georgia in 2008 — giving them significant advantage in the event of a surprise attack. Experts need to remain aware of this type of “trial” threat from state-sponsored actors — who are just seeking out vulnerable points and analyzing responses in preparation for the next, larger-scale operation.

It is clear that terrorist groups and their sympathizers intend to use cyber means to target the United States and its citizens. The initial, limited success of these groups may serve to embolden future hackers to attack critical infrastructure — such as power generators or air-traffic control systems — with devastating consequences for the United States economy and national security. As their skills naturally sharpen, cyberterrorists will begin to attack high-value targets, through the interception of confidential communications and modification of critical data, resulting in both physical harm and denial of resources in times of crisis. Since terrorists groups such as al Qaeda have demonstrated they are capable of thinking outside the periphery of our mental boxes, the weapon of choice by governments, corporations and individuals must be a well-prepared security plan, one that includes risk assessments, physical surveys and business continuity elements, to both prevent and minimize the consequences of cyberattacks.

#### Dangerous Scenarios

Somewhere in the United Arab Emirates, Iran, Indonesia or Malaysia, it is likely that there are technical computer specialists working towards mastery of the global information infrastructure. Malaysia, for example, is emerging as a cyber-sanctuary for pro-al Qaeda hackers and virus writers. **Their goals are simple: to bring down high-value targets that represent Western power and so-called Western aggression over Muslims. Possible targets might be regional power grids or the stock exchange, anything that relies on a computer network infrastructure for its continued operations.** Then, when a physical attack — such as a bomb — occurs immediately after, the fatalities and damages that ensue in the face of these heightened system vulnerabilities would be that much worse. Such is the raw potential to attack individuals, organizations, infrastructures and key economic sectors in a modern digital world — with a few keystrokes aiding physical aggression.

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## Cyberterrorism: The Invisible Threat

### Stealth Cyber Predators in a Climate of Escalating Risk

The emergence of a cyberterrorist facilitating physical acts of violence brings a host of implications about the future of electronic security. The vulnerabilities that continue to exist throughout the telecommunications system — such as telephone, mobile access, cable, satellite and the Internet — are tempting targets. Sectors such as public and private facilities, banking and finance, transportation, manufacturing, medical, education and government are all dependent on the global information infrastructure for daily operations and may easily fall victim to cyberterrorists.

#### How it Works

Cyberterrorism is a controversial term, but can be defined generally as the premeditated use of disruptive activities — or threat thereof — against computers or networks, with the intention to cause harm, intimidate, or further social, ideological, religious or political objectives. To qualify as cyberterrorism, an attack should result in violence against persons or property, or at least cause sufficient harm to generate fear. The attack need not be merely the theft of information, but can — through the manipulation of computer systems — lead to death or bodily injury, explosions, plane crashes, water contamination or severe economic loss. Globally, widespread cyber-facilitated bank and credit card fraud has serious implications for economic and financial systems, along with the national security, intelligence, and law enforcement communities charged with protecting them.

While providing greater efficiency and services to users, two global trends within the information technology environment potentially increase the vulnerabilities and consequences of security failures. The first is network convergence — the merging of distinct voice and data technologies to a point where all communications: voice, facsimile, video, computers, control of critical infrastructure and the Internet, are transported over a common network structure. This convergence amplifies both the opportunity for and consequences of disruptive cyberattacks. The second is channel consolidation, the concentration of data captured on individual users by service providers through e-mails or instant messaging, Internet search engines and Web social networking, which all increase the potential exploitation of personal data by malicious entities. The heightened interconnection of information systems and data inherent in these trends pose great threats to the confidentiality, integrity and availability of critical infrastructures, and to secret credentialing and identification technologies.

#### Cyber Shock Wave

Recently, a mock exercise developed by former CIA Director, General Michael Hayden, and the Bipartisan Policy Center's National Security Preparedness Group — titled Cyber Shock Wave — was held in Washington, D.C. The fictitious Cyber Shock Wave scenario was a simulation that took the form of an attack in a single day, via a malware program on 20 million smartphones. The simulation predicted a disruption of mobile service that would spread to take down the Eastern seaboard power grid and an energy-trading platform. In this imaginary attack, spyware used to funnel millions of dollars to banks overseas would be loaded onto smartphones. The malicious application would then add the infected phones to a telecommunications botnet, which would then in turn flood data networks of major carriers, slowing them to a crawl before disabling them completely. To make matters worse, the malware on the smartphones would begin to replicate, infecting all connected computers. In the end, all communications systems would be crippled. If this weren't enough, weather patterns resulting in a heat wave and hurricane were built into the simulation, to further add confusion and to stress the electrical system.

A malicious application causing harm to telecom and computer systems is one scenario that is highly likely, as more applications emerge in the market and more people switch to smartphones. Unfortunately, however, the former top United States officials role-playing in this mock scenario were virtually clueless, and after extensive debate had no real answers to prevent this impending disaster. This simulated large-scale attack revealed that the United States is ill-prepared to deal with such a threat and urgently calls for a solid level of cooperation inside the government, as well as between the government and the private sector.

#### Wake-Up Calls

This recent surge in cyberattacks was a “wake-up call” to those who dismiss the threat of computer warfare and cyberterrorism. Sensitive information is stolen daily from both government and private-sector networks, undermining confidence both in our online communication systems and in the very information these systems were intended to convey.

In a statement reported in an internationally published Pakistani newspaper following the September 11 attacks, Osama bin Laden said that thousands of Muslim scientists were using their knowledge in chemistry, biology, computers and electronics to wage war against



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the infidels. The Osama bin Laden Crew (OBL Crew), a group of self-proclaimed cyber jihadists, was reportedly founded in 2000 by Abdullah Qureshi, an al Qaeda member last reported to be living in Germany. The group's activities have consisted of the creation of dozens of websites and forums that provided information on weapons and explosives and facilitated large-scale recruitment efforts and propaganda.

Other cyberterrorism "wake-up calls" include:

- The terror alert in August 2004 detailing al Qaeda's plans to attack financial institutions in New York and New Jersey. This came after the arrest in Pakistan of Muhammad Naem Noor Khan, a computer engineer.
- Abu Anas al-Liby, one of al Qaeda's ranking computer experts, trained agents in computer surveillance techniques, according to testimony in 2001 in the Nairobi embassy bombing trial.
- Encrypted, detailed plans for destroying airliners were found on Ramzi Yousef's laptop computer. He helped to plan the 1993 World Trade Center bombing.
- Osama bin Laden's aides utilized encrypted e-mail to transmit the 9/11 attack instructions to Mohammed Atta.
- Supervisory control and data acquisition (SCADA) system websites have been accessed by al Qaeda members in order to gather intelligence on these potential targets. SCADA systems are used to monitor and control utility equipment, such as power and water distribution systems.
- Al Qaeda-owned computers were found to have structural and engineering data associated with dams.
- Khalid Ibrahim, a member of the Pakistani terrorist group Harkat Ul Ansar, is known to use social engineering methods to gain information on hacking into United States military networks.
- Al Qaeda prisoners, during interrogations, have stated their intentions to use computer network tools to further their goals.
- Many of the actors in recent foiled plots were discovered to have been radicalized online, on terrorist websites and in al Qaeda chat rooms.

Jihadist terror is becoming a wide-open field, as witnessed by the almost daily carnage throughout the world caused by suicide bombers in the cause of Islamic extremists. After September 11, many experts were skeptical about the threat of jihadist cyberattacks aimed at disrupting key sectors of the economy that are driven by computers, such as banking or telecommunications. Their belief was that this type of attack would not interest jihadists

because of the lack of direct bloodshed — bloodshed that seemed a prerequisite of the new terror. But that judgement was — unfortunately — premature. Current online forums appear devoted to "e-jihad." There has been some hacking of websites by Islamic extremists, and those who frequent Islamic message boards express a desire to improve jihadist cyber skills.

**Computers and servers in the United States are the most aggressively targeted information systems in the world, with attacks increasing in severity, frequency and sophistication each year. As our nation's critical infrastructure grows more reliant on information technologies, it also becomes more exposed to attackers, both foreign and domestic. These attacks can threaten our nation's economy, public works, communication systems, and computer networks — and a computer and a connection to the Internet are all that is really needed to wreak havoc. Compounding the problem is that both the public and private sectors remain relatively ignorant of their rising dependence on computer systems.**

*Cyberterrorism is a real, often stealth danger that needs to be examined, not only by information technology officials, but by anyone who uses a computer network of any kind. To stay ahead of al Qaeda and other malicious actors, the United States needs to make targeted investments to bolster the security of its critical infrastructure — starting with government and military systems, but extending into the private sector, particularly into the electric grid and financial community. What is required today is a sense that individually, we need to secure ourselves first, then rely on others for security. We should not assume that we live in a protected American cyber enclave; cyberterrorism must be treated as a threat equal to that of weapons of mass destruction, and given the same priority attention. We need to respond with a full understanding of the cyber threat, a proactive defense posture and strategic efficient preparedness plans that take into account the ever-changing nature of this new menace. **The time for urgency is now.***



The Lipman Report Editors

# American Profligacy and American Power

## The Consequences of Fiscal Irresponsibility

*Roger C. Altman and Richard N. Haass*

The U.S. government is incurring debt at a historically unprecedented and ultimately unsustainable rate. The Congressional Budget Office projects that within ten years, federal debt could reach 90 percent of GDP, and even this estimate is probably too optimistic given the low rates of economic growth that the United States is experiencing and likely to see for years to come. The latest International Monetary Fund (IMF) staff paper comes closer to the mark by projecting that federal debt could equal total GDP as soon as 2015. These levels approximate the relative indebtedness of Greece and Italy today. Leaving aside the period during and immediately after World War II, the United States has not been so indebted since recordkeeping began, in 1792.

Right now, with dollar interest rates low and the currency more or less steady, this fiscal slide is more a matter of conversation than concern. But this calm will not last. As the world's biggest borrower and the

issuer of the world's reserve currency, the United States will not be allowed to spend ten years leveraging itself to these unprecedented levels. If U.S. leaders do not act to curb this debt addiction, then the global capital markets will do so for them, forcing a sharp and punitive adjustment in fiscal policy.

The result will be an age of American austerity. No category of federal spending will be spared, including entitlements and defense. Taxes on individuals and businesses will be raised. Economic growth, both in the United States and around the world, will suffer. There will be profound consequences, not just for Americans' standard of living but also for U.S. foreign policy and the coming era of international relations.

### **THE ROAD TO RUIN**

It was only relatively recently that the United States became so indebted. Just 12 years ago, its national debt (defined as

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federal debt held by the public) was in line with the long-term historical average, around 35 percent of GDP. The U.S. government's budget was in surplus, meaning that the total amount of debt was shrinking. Federal Reserve officials even publicly discussed the possibility that all of the debt might be paid off.

At that time, the United States had no history of excessive federal debt. This was not surprising since, on fiscal matters, it has always been a conservative nation. The one exception was the special and sudden borrowing program to finance U.S. participation in World War II, which caused debt to briefly exceed 100 percent of GDP in the mid-1940s, before beginning a steady return to traditional levels.

But over the first ten years of this century, a fundamental shift in fiscal policy occurred. When the George W. Bush administration took office, it initiated, and Congress approved, three steps that turned those budget surpluses into large deficits. The 2001 and 2003 tax cuts, which will reduce federal revenue by more than \$2 trillion over ten years, had the biggest impact. But adding the prescription-drug benefit to Medicare also carried a huge cost, as did the war in Afghanistan and, even more so, the war in Iraq.

These steps were also accompanied by the outbreak of an especially partisan period in American politics. In Congress, the Democratic center of gravity moved left, and the Republican one moved right. This caused the historically bipartisan support for fiscal restraint to vanish. In particular, both the individuals and groups working to lower taxes and those working to expand entitlements were strengthened.

These anti-tax and pro-spending forces joined with President George W. Bush

to terminate the strict budget rules of the 1990s. The result was a swelled deficit. Because there was no longer a requirement that any spending increase or tax cut be paid for by a corresponding and deficit-neutralizing budget action, the giant tax cuts were not offset. The "hard cap" on non-defense domestic discretionary spending (which limited increases in such spending to the rate of inflation) also disappeared.

The consequences were predictable. Federal spending grew at two and a half times the rate it did during the 1990s. Two large rounds of tax cuts substantially reduced the ratio of federal revenue to GDP. The overall budget shifted dramatically, from a surplus representing one percent of GDP in 1998 to a deficit equal to 3.2 percent of GDP in 2008. Public debt per capita rose by 50 percent, from \$13,000 to more than \$19,000 over this period. The eight years of the Bush administration saw the largest fiscal erosion in American history.

Then, on top of this, the financial and economic crisis struck in 2008, and the United States confronted the possibility of a 1930s-style depression. Washington correctly chose to enact a large stimulus program and rescue tottering financial institutions. So far, such efforts have worked, at least to the degree that a depression was averted. A recovery (albeit one that is halting and weak by historical standards) is under way. But the gap between spending and revenues has widened much further. Revenues, which had averaged 20 percent of GDP during the 1990s, fell to nearly 15 percent, while spending reached 25 percent in 2009. The deficit for fiscal year 2009 hit a staggering \$1.6 trillion, or nearly 12 percent of a GDP of just over \$14 trillion. In nominal terms, it was by far the largest in U.S. history. The deficit

### *American Profligacy and American Power*

for 2010, at \$1.3 trillion and nine percent, was nearly as huge.

The medium-term outlook is poor. The Congressional Budget Office forecasts \$9.5 trillion of cumulative deficits through 2020—in other words, roughly \$1 trillion per year. The deficit-to-GDP ratio should decrease briefly during the middle of this period, as modest economic growth boosts revenues. But as 2020 approaches, it will rise again, back to nearly six percent, the consequence of sharply higher entitlement costs and slow GDP growth. President Barack Obama's own budget shows this same trend—the first time a U.S. president has ever projected deficits that go back up.

Federal debt is the dollar-for-dollar result of deficits, and it has essentially tripled over this past decade, from \$3.5 trillion in 2000 (35 percent of GDP) to \$9 trillion in 2010 (62 percent of GDP). The Congressional Budget Office now sees it reaching 90 percent by 2020.

#### **THE BIGGEST BORROWER**

It is important to understand the impact of all this debt. As it grows, interest rates inevitably rise. As they do, the U.S. government's annual interest expense—the cost of borrowing money—will rise from one percent of GDP to four percent or more. At that point, interest expense would rival defense expenditures. And it would exceed all domestic discretionary spending, a category that includes spending on infrastructure, education, energy, and agriculture—in effect, anything other than entitlements and national security. The U.S. Treasury would need to borrow a staggering \$5 trillion every single year, both to finance deficits and to refinance maturing debt.

Yet the real outlook for deficits and debt is much worse than these forecasts. For

one thing, the debt that the United States effectively guarantees but that is not included in official totals is almost equal to the Treasury Department's stated \$9 trillion total. In particular, the debt of government-sponsored enterprises is another \$8 trillion. The biggest of these are the essentially bankrupt housing finance agencies, Fannie Mae and Freddie Mac. They have been placed into federal conservatorship, and for all practical purposes, their debt is equivalent to U.S. Treasury debt. The American taxpayer stands fully behind it.

State and local governments also owe huge amounts, on the order of \$3 trillion. And again, Washington indirectly stands behind much or all of it. This sector is deeply distressed, with the largest state, California, recently issuing 100s. Moreover, many state and municipal pension systems use an antiquated pay-as-you-go funding approach, which has left them underfunded by another \$1 trillion.

The post-2020 fiscal outlook is downright apocalyptic, for two reasons. First, the aging of the U.S. population will drive sharp increases in health care costs (and at the same time, more Americans will be retired). Second, federal interest expense will rise exponentially, as the Treasury's borrowing costs grow with the debt. The Congressional Budget Office projects that official federal debt (excluding government-sponsored enterprises) could hit 110 percent of GDP by 2025 and 180 percent by 2035. Adjusting these forecasts for the inevitably slower growth that would accompany such quickly rising debt levels means hitting those stratospheric ratios sooner.

Why is this scenario so dangerous? One reason is that a large amount of federal borrowing would eat up the stock of private capital that is available to finance

*Roger C. Altman and Richard N. Haass*

investment. A higher and higher percentage of personal savings would be diverted to purchasing government debt and away from productivity-enhancing investments in equipment and technology. This would shrink the base of productive capital and flatten GDP and family incomes. As more and more debt piled up, growth would slow and Americans' standard of living would fall.

In addition, interest expense would become so large as to crowd out whole categories of federal spending. Budgets for research, education, and infrastructure, to name but three examples, would inevitably decline in inflation-adjusted terms. Washington's capacity to respond to domestic crises, such as the recent recession, would also fade. All of this would further undermine families' incomes.

Another problem is the inherent instability associated with the world's largest economy being the world's biggest borrower. This has turned the global dynamic of savings and borrowing on its head. For decades, most developed nations generated current account surpluses, or near surpluses, consistent with their export and investment strength. The poorer nations, for their part, ran deficits, as they imported capital to finance development.

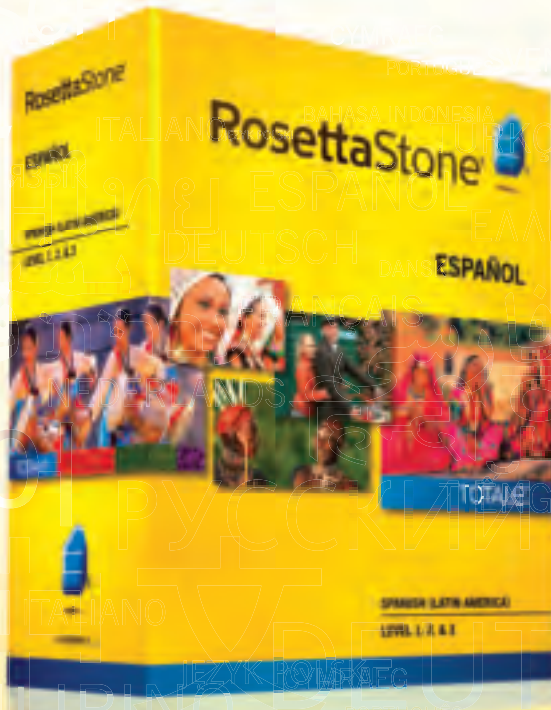
But today, the United States is the biggest borrower, and developing nations are its biggest lenders. The data are imperfect but suggest that the central banks of emerging countries have been adding between \$700 billion and \$900 billion to their dollar portfolios in each of the past three years. Most of these additions have taken the form of U.S. Treasury securities. In other words, these central banks are lending to the United States. The biggest lender by far has been China.

Some argue that the United States' ability to borrow such vast amounts is a strength, but that view is misguided. China and the other lenders have no strategic reason to continue holding U.S. dollars. And even though they would suffer losses if, for example, the dollar fell sharply, the consequences of a much weaker dollar would be far worse for the United States. The longer Washington borrows from these countries, the greater the likelihood that they will purchase fewer U.S. Treasuries or even stop adding to their holdings of them altogether. At that point, presumably, the terms of U.S. borrowing would become increasingly onerous, causing a rise in interest rates and thus further slowing down the U.S. economy.

But it is precisely because this fiscal outlook is so frightening that the very prospect of it could trigger actions that would interrupt what is in train. Two scenarios are the most likely. The desirable one would involve proactive intervention by U.S. politicians. Realizing the dangers, Obama and leaders in Congress would negotiate a deficit-reduction package that pulls the country out of its fiscal slide. Such an intervention happened in 1990 and again in 1993 but on a much smaller scale and in a less partisan age.

This time, politicians could take the initiative on their own, or more likely, be pressed to do so by an unhappy electorate. Recent polls indicate that public discontent over deficits and debt is sharply rising, but it is not clear that this translates into support for specific tax and spending changes. Indeed, the magnitude of the tax increases and spending cuts required makes such a voluntary deal unlikely. This judgment is only underscored by the fact that a sufficient number of Democrats

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and Republicans in Congress could not agree on the structure of the National Commission on Fiscal Responsibility and Reform—a body created to identify fiscally sustainable policies. In the end, it had to be created by executive order. (The commission is due to report December 1, 2010.)

The more likely path, however, is a solution imposed on the United States by global capital markets. Such market forces have descended on Washington before, during the 1979 energy crisis, and have repeatedly rejected the financial policies of other countries over the ensuing 30 years, including those of the United Kingdom, Russia, Mexico, and, most recently, much of southern Europe.

There is no evidence of such an advancing storm today. Dollar interest rates are near record lows, and the currency itself is trading relatively calmly. Futures markets are not sending any disconcerting signals either. The weak outlook for growth and inflation, the euro's own troubles, the reserve status of the dollar, and the safe-haven character of Treasury bonds all may conspire to maintain this calm for some time, possibly for two or three years. But history strongly suggests that today's calm will not last in the face of the United States' disastrous fiscal outlook.

The events of 1979 are instructive. That was the time of President Jimmy Carter, stagflation, and the Iranian oil embargo. The value of the dollar had been slowly weakening over several months. Amid all that, Carter introduced his new budget, which contained a larger deficit than markets expected (although tiny by today's standards). That was the last straw. The dollar plunged, triggering an international financial crisis. Within one week, markets

had forced the Federal Reserve to raise interest rates sharply and Carter to retract his budget, generating a U-turn in U.S. economic policy.

Despite the size of its economy and the reserve status of its currency, the United States was not immune from global financial rejection then. And it is not immune now. One way or the other, by action or reaction, there will be a profound shift in U.S. fiscal policy if the U.S. government continues to overspend. Deficits will be cut sharply through a combination of big spending cuts, tax increases, and, quite possibly, re-imposed budget rules. No category of spending or taxpayers will be spared.

#### **DEBT AND CONSEQUENCES**

It makes a big difference whether the new fiscal rectitude in the United States arises from domestic leaders making difficult decisions themselves or from international pressures imposing these decisions. The proactive approach would allow the United States to manage its transition into austerity, avoiding both severe disruption at home and a sudden reduction in its position abroad.

The forced result would be ugly and punitive. Collapsing confidence in Washington's ability to control its debt could trigger a dollar crisis among global financial markets, as there was in 1979, with the Federal Reserve compelled to raise interest rates way beyond what domestic needs alone would require. And the spending and tax adjustments might be sudden and indiscriminate, with little warning to the countless injured parties.

Furthermore, the absence of a proactive solution would expose the United States to exploitation by the foreign governments

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lending to it. Approximately 50 percent of U.S. Treasury debt is now held abroad—22 percent of it by China alone. In normal times, China would have a stake in U.S. economic success, both to prop up a large market for Chinese exports (central to avoiding the potentially destabilizing political effects of rising Chinese unemployment that would result from a decline in exports) and to maintain the value of its vast dollar holdings.

But what if times were not normal? During a crisis over Taiwan, for example, Chinese central bankers could prove more dangerous than Chinese admirals. A simple announcement that China was cutting back its dollar holdings could put huge pressure on the U.S. dollar and/or interest rates. This would be similar to the way the United States used economic pressure against the United Kingdom during the 1956 Suez crisis, when Washington refused to support an IMF loan to the British government unless it agreed to withdraw its military forces from Egypt. That threat worked, as an overextended United Kingdom could not sustain its currency against foreign pressure. What goes around could easily come around.

But the impact of the United States' skyrocketing debt will not be limited to the behavior of markets or central bankers. Federal spending will decrease once the inevitable fiscal adjustment occurs, and defense spending will go down with it. Long insulated from economic considerations, defense spending now stands at \$550 billion a year. (It comes to \$700 billion when the costs of the wars in Iraq and Afghanistan are included.) This total represents some 15 percent of all federal spending and approximately five percent of GDP. The latter ratio is not high by

historical standards; at the height of the Cold War, for example, defense spending amounted to a considerably higher percentage of GDP. But the defense budget will be cut because every category of spending (other than interest expense) will be cut. Politics will dictate that the pain be shared. In other words, cuts in entitlements and domestic discretionary spending will only be achievable if they are coupled with reductions in defense expenditures.

The good news is that total defense spending could be reduced by five percent or even ten percent without materially weakening the United States' security if (and admittedly it is a big if) the cuts are done intelligently and are applied to current operations as well as the procurement of weapons. The United States continues to develop and procure expensive advanced conventional combat arms beyond what is justified by its commitments, likely scenarios, and the gap in defense capabilities between it and potential adversaries. The United States spends more on defense than China, Russia, Japan, India, and the rest of NATO combined. The question is whether congressional politics (often distorted by the dispersing of weapons factories across different congressional districts) will allow the reductions to be done correctly.

Military operations need to be subject to cuts, too, if defense spending is to come down significantly without reducing the number of people in uniform. Together, the wars in Iraq and Afghanistan cost more than \$150 billion a year. The combat role of U.S. forces in Iraq has ended, and only 50,000 troops remain there. Additional savings can be found as the U.S. military withdraws from Iraq. But there is a

strategic argument for maintaining some U.S. forces in Iraq beyond December 2011, the date the two countries agreed would mark the end of any armed U.S. presence there. Such a presence would lessen the odds that Iraq's internal security situation would dramatically erode, and it would deter foreign intervention—namely, by Iran. Nevertheless, the new fiscal order in Washington could require Iraq to pay for all or at least part of that presence, or go without it.

Shrinking budgets are likely to have an even greater impact on the future of the U.S. role in Afghanistan. The war there is now more than twice as expensive as the war in Iraq, and the U.S. commitment to Afghanistan has been increasing. Obama has pledged to begin drawing down U.S. forces there this coming July, but the signs are growing that any initial drawdown in U.S. force levels may be a token one.

Unknown are the pace of any subsequent reductions and the scale of any residual force. But a U.S. military presence in Afghanistan at or close to 100,000 soldiers will cost around \$100 billion a year. The coming fiscal austerity and the need to find cost savings in the defense sphere argue against maintaining that expense. Indeed, economic and strategic arguments both call into question the counterinsurgency approach of fighting the Taliban and the nation-building approach of investing heavily in the development of the Afghan government's capabilities and institutions. They suggest a more modest counterterrorism approach: going after the terrorists directly with drones, cruise missiles, and special forces, much as the United States is doing in Yemen and Somalia.

The new budgetary reality will also alter U.S. defense policy beyond these two

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conflicts. There will be fewer resources available to undertake wars of choice along the lines of Iraq and what has become a war of choice in Afghanistan. Nation building is a time-consuming, labor-intensive, and expensive exercise, and for these and other reasons, it is unlikely to be repeated on a scale approximating that of Iraq or Afghanistan for the foreseeable future. This does not mean that there will not be wars of choice—a conflict with Iran is a possibility given its nuclear ambitions—but rather that such wars will be both less common and more limited in their aims. Rarer still will be large-scale humanitarian interventions similar to those the United States conducted in Somalia and the Balkans in the 1990s.

The coming budgetary pressures will also affect spending on foreign aid, intelligence, and homeland security. The \$30 billion foreign assistance account will be one target for cuts, as will the \$15 billion State Department budget. Intelligence (estimated to cost more than \$40 billion annually) and homeland security (above \$50 billion annually) will also face increased scrutiny. The consequences of any reductions will vary. As with defense, when it comes to intelligence and homeland security capabilities, it matters less how much is cut than what is cut.

More than just financial resources will be affected. The United States' global influence, in all of its facets, will suffer. Washington's ability to lead on global economic matters, such as its recent urgings in the G-20 for more stimulus spending, will be compromised by the coming plunge into austerity. Similarly, the United States' voice within the IMF and other multilateral financial institutions will be weakened. Nor will Washington

have the capacity to engineer direct financial interventions, as it did with the 1994 rescue of Mexico.

A related cost of the United States' debt has even greater consequences: the diminished appeal of the American model of market-based capitalism. Foreign policy is carried out as much by a country's image as it is by its deeds. And the example of a thriving economy and high living standards based on such capitalism was a powerful instrument of American power, especially during the Cold War, when the American model was competing with Soviet-style communism around the world.

Now, however, the competition comes from Chinese-style authoritarianism: a top-heavy political system married to a directed and hybrid form of capitalism. The recent stellar performance of China's economy in the midst of Western economic troubles has enhanced the appeal of its system. Reinforcing this trend is the reality that the U.S. approach (one associated with a system of little oversight and regulation) is widely seen as risk-prone and discredited after the recent financial crisis. If the United States is unable to address its own debt crisis and a solution is forced on it, then the appeal of democracy and market-based capitalism will take a further blow.

This shift in power from the United States, Europe, and Japan will accelerate the emergence of a nonpolar world, in which power is widely diffused among numerous states and nonstate actors. In particular, it will raise the global clout of the major emerging nations, including China, Brazil, India, and others. The relative position of the United States will inevitably decline, as will its ability to lead and shape international relations. No one else appears willing and able to assume

### *American Profligacy and American Power*

this role. The result of reduced U.S. power will be a world that is messier and, in the end, less safe and less prosperous.

#### **THE WAY AHEAD**

How can the United States avoid a type of rejection by global financial markets that would cause a truly sharp decline in its global role? The answer is conceptually simple but, in domestic political terms, acutely difficult to implement.

The only way to stabilize the U.S. debt-to-GDP ratio is to move the budget into primary balance—in other words, a position where revenues match spending, except for interest expense. Since the prospect of debt's reaching 90 percent of GDP by 2020 or sooner is far too risky, primary balance should be achieved well before that date, say, by 2015. This would mean that debt would likely peak at around 70 percent of GDP and gradually come down as deficits were cut and growth (ideally at more robust levels) was compounded.

That, however, will require reducing Washington's budget deficits by approximately \$300 billion a year—a large amount by any standard. What makes this plan even more challenging is the reality that it must occur in a time of high unemployment. Economics and politics may come together to argue for a comprehensive package: any stimulus, including tax cuts, provided for near-term economic growth must be paired with medium- and long-term reductions in the deficit. There should also be a place for policies—such as expanding trade—with the potential to augment growth and, as a result, increase revenues and employment without raising taxes or increasing the deficit. But the politics are difficult. And even if they could be overcome, the budgetary effect,

while helpful, would not be enough to reduce the deficit substantially.

Realistically, a responsible budgetary trajectory cannot be achieved through spending cuts alone. Since interest expense cannot be reduced, and since entitlements for the truly needy should not be, a spending-only strategy would have a brutal effect on all other categories of spending. Both defense spending and all aspects of domestic discretionary spending would need to be reduced dramatically.

The only sound approach, then, is a mix of spending reductions and tax increases. It would be wise to rely on spending adjustments, including entitlement reform, for a substantial part of the total. The new British government, to provide one guideline, is aiming for a three- or four-to-one ratio of spending cuts to tax increases. Some would argue that such ratios rely too much on reducing spending, but whatever the ratio, raising taxes is unavoidable.

Unfortunately, the politics of tax policy have become deeply partisan in the United States, where tax increases are now debated in theological terms. In historical terms, this is odd, since federal income-tax rates were consistently higher throughout the twentieth century than they are now. During the 1960s, for example, the top bracket was nearly twice today's level. That said, there is no reason that tax increases should come about through income taxes alone; there are many other options, including introducing a value-added tax, adjusting business and investment-related taxes, restoring an estate tax, and reducing certain exemptions.

The bottom line is that it will be extraordinarily difficult to pass a deficit-reduction program of the required

*Roger C. Altman and Richard N. Haass*

magnitude. Obama and congressional leaders appointed the Bipartisan Budget Commission several months ago to recommend a program for achieving primary balance in the federal budget. Whether its conclusions are well received will say much about the prospects for a proactive solution, as will the extent to which Obama makes deficit and debt reduction a priority in the run-up to the 2012 election.

### **AT HOME AND ABROAD**

The United States is fast approaching a historic turning point: either it will act to get its fiscal house in order, thereby restoring the prerequisites of its primacy in the world, or it will fail to do so and suffer both the domestic and the international consequences. It is not completely surprising that the United States is at such a juncture; other great powers throughout history have seen their circumstances reduced. But the reasons for this situation are different from what many anticipated.

Just over two decades ago, the historian Paul Kennedy published his influential study of the rise and fall of great powers. His thesis of “imperial overstretch” was simple but important: the costs of carrying out an ambitious and expensive overseas policy can undermine the economic foundations of a state. His warning bears some relevance to the position of the United States today, in that the wars in Afghanistan and Iraq have contributed to the economic pressures it faces.

But imperial overstretch is not the real issue here. The combined cost of the two wars accounts for only 10–15 percent of the country’s annual deficit and much less than that of its cumulative debt, and the principal reasons for questioning the Iraq war several years

ago and for questioning the war in Afghanistan today are more strategic than economic. It is fiscal, economic, and political failures at home that are threatening the ability of the United States to exert the global influence that it could and should. In other words, it is not reckless American activity in the world that jeopardizes American solvency but American profligacy at home that threatens American power and security. The American people and their elected representatives postpone solving the country’s debt addiction at their great peril. 🌐



# OPEN FOR BUSINESS

By Manuel L. Quezon III

**The People Power Revolution of February 1986 broke the political evolutionary logjam that followed the proclamation of martial law by Ferdinand Marcos on September 21, 1972.**

That was how the late Corason C. Aquino viewed her role in the restoration of democracy after the assassination of her husband, Benigno S. Aquino Jr. on August 21, 1983 and it is what brought her to the fore, when her successors attempted to revise the constitution and eradicate all provisions on term limits.

This sense of democratic commitment propelled, in turn, the candidacy of their son, Benigno S. Aquino III, to restore equilibrium to this young and underdeveloped democracy.

In the past decade, the prospects for democracy in the Philippines were put into question again under Gloria Macapagal-Arroyo when she endorsed several plans to amend the constitution that would have extended her term beyond the mandated six years.

Each time, the public rendered a mixed verdict. While Arroyo had enough control over local governments to stay in power, she failed to earn the support of the nationally elected Senate and other institutions, including the Supreme Court, to amend the constitution.

Limits on domestic support for a winner-take-all outcome led foreign governments to look askance at the direction the Philippine government was heading.

The Philippine record vis-à-vis the United States, ASEAN and China was perceived as inconsistent under Arroyo. In 2004, the country, an avowed and long-time ally of the United States, withdrew its soldiers from Iraq following the abduction of a Filipino truck driver



Philippine President Benigno S. Aquino III

just outside Baghdad.

To compensate for this, Arroyo focused on trade ties with China to prop up her flagging popularity. The move undermined ASEAN's position on the South China Sea, which the Philippines, during the Ramos administration, had helped form.

But allegations of corruption over concessional Chinese loans in turn imperiled any public goodwill Beijing hoped to gain from Manila.

Meanwhile, Arroyo may have missed an opportunity to resolve the long-running Muslim insurgency in Mindanao and instead used the situation to advance proposals to amend the constitution.

In May 2010, more than 40 million Filipinos voted in the country's swiftest ever elections and granted Benigno S. Aquino III the largest mandate conferred on a presidential candidate under the present constitution.

In broad strokes, President Aquino III is undertaking the most thorough and comprehensive review of government priorities and programs

in a generation, employing a zero-based approach: allocating substantial increases for safety net programs, cutting funding for non-performing programs, and freeing up resources for infrastructure. Aquino has also focused on so-called public-private partnerships as a key to bringing in much-needed investments for major infrastructure projects, which will allow the government to focus on modernization programs for food and national security.

Securing such partnerships, however, depends on the administration's ability to guarantee that all proposals will be reviewed professionally and in a timely manner.

The president is working with congress to review the Joint Venture Guidelines and the Build Operate Transfer Law to increase transparency and accountability on both the national and provincial levels and ensure that the new framework encourages, instead of hampers, investments.

With the economic outlook positive, the local business community is looking forward to increasing their investments and expanding their businesses. GDP growth is forecast to reach seven percent this year.

"With the new government, there are a lot of people looking at the Philippines. Maybe it will entice other foreign corporations that are interested in doing these developments to come and partner with us," said Katrina Ponce Enrile, CEO of JAKA Investments Corp, a conglomerate engaged in property development, among other things.

Supported by its unquestionable legitimacy, the Aquino administration can turn its back on political adventurism and extremism and dismantle the equivalent of the License Raj and replace it with a regime of laws that embraces the free market.

"We see lots of opportunities here in the Philippines. We're not here just to write a check and come back in a few years. We are here to partner with business and government in a manner that helps the Philippines to grow," said Mark Williams, investment director of Kuwait-based equity firm KGL Investments.

"This new administration has been very proactive if you hear them talking about the public-private partnerships they want to implement. Investment in infrastructure and investment in education are the cornerstones for this country to continue to grow and develop," Williams also said.

At the same time, the Aquino administration is committed to reducing poverty through tried-and-tested programs: increased investments in public health and education, and conditional cash transfers as an incentive for the poor to participate in these programs.

The Philippines is, once more, open for business.

*Manuel L. Quezon III was a TV presenter, radio talk show host, editorial writer and columnist, and blogger before joining the government of President Aquino in July 2010 as Undersecretary for Presidential Communications Development and Strategic Planning.*

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*“Come to the country, see it for yourself, and let’s talk business.”*

### Sparking growth in the Philippine economy

Since it was founded, JAKA Investments Corp. has imposed an indelible imprint on Philippine business, managing about 22 companies active in five core business areas: Distribution & Logistics; Lights & Woods; Food; Property & Security; and Investment Management.

JAKA’s success story began with the acquisition in 1977 of a debt-ridden match factory, which has since been rehabilitated and consolidated under JAKA Equities Corp.

“That’s how the manufacturing side of JAKA started,” recalled JAKA Investments President and CEO Katrina Ponce Enrile, daughter of company founder Juan Ponce Enrile, who is currently president of the Philippine Senate.

“This company, although privately owned, is run by a team of dedicated, professional individuals who are experts in their particular fields,” added Ponce Enrile, who attributes the conglomerate’s excellent performance to its 1,500 employees.

As a fully diversified group, JAKA Investments has sought partners in some of their ventures.

#### A New Dawn in a Sunset Industry

While JAKA Equities Corp. is still the country’s largest match producer, company officials are looking beyond the manufacturing of matches, seeing sustainable forest management as a natural offshoot of the business.

“The company dove headfirst into intensive tree plantation, initially planting 3,470 hectares of trees specifically for matchwood manufacturing. Today, that area has grown to 23,000 total hectares. And it is located in an area free from typhoons and has no pronounced dry season, thereby allowing trees to grow all year round,” said Jose A. Yap, head of the lights and woods division.

“To fully utilize the excess harvest, we went into veneer manufacturing, which serves as raw material for plywood. We are also now looking at different species of bamboo as well,” added Ponce Enrile.

While the match industry is seen as sunset industry, sustainable forestry has emerged a burgeoning industry in a world more conscious about the environment. And the company takes forest management very seriously.

“We are into intensive tree plantation today. We accommodate as many as 1.6 million seedlings to fully utilize our resources,” said Yap.

#### A Finger on the Pulse of the Nation

Born out of the need to distribute the matches, JAKA set up its distribution and logistics division 20 years ago.

With its 7,107 islands, the Philippines poses a huge challenge to logistics companies, but JAKA has built a nationwide

infrastructure that can access every point in the country.

“We have warehouses in every key city to make it more strategic,” said Ariel Villaseñor, head of JAKA’s distribution and logistics side.

That network provides JAKA with a huge competitive edge — consumer feedback on its various products and also those on third-party companies that have utilized JAKA Distribution Inc.’s services in the past, such as

Gatorade, British American tobacco, Kraft Foods and Ovaltine.

Aside from distribution, the company offers warehousing and inventory management as well.

“If you look at it, the backbone of JAKA is fully utilized in terms of our own needs and what others need. We are very bullish about the opportunities in the coming years, and we invite other companies to come in and look at what we have to offer in distribution and logistics,” said Villaseñor.

#### Splendido — Designed with the golfer in mind

After four years in development, JAKA unveiled its first property project in 2000 — the Splendido Taal Golf and Country Club, located beside the picturesque Taal Lake, less than an hour from the capital, Manila.

Determined to provide a world-class development, JAKA commissioned golf legend Greg Norman to design the 18-hole championship golf course as well as highly regarded local architect R.R. Payumo to design the Spanish mission-inspired clubhouse.

Apart from the golf club, JAKA is developing residential estates and luxury condominiums within the gated 250-hectare property.

A self-confessed “foodie,” Ponce Enrile keeps a close eye on Splendido’s two restaurants — La Esquina, which serves Spanish food, and the Ladera Lounge.

While Splendido is the first major development for the JAKA Group, Ponce Enrile stressed that it certainly won’t be the last.

“We have land-banked many of our properties near Manila and in other beachfront areas, and we are looking for strategic partners to help us develop those areas,” Ponce Enrile said.

With aggressive tactics and fundamental business sense, JAKA will surely be well positioned to be on the forefront of the Philippine market for many years to come.

“Come to the country, see it for yourself, and let’s talk business,” she added.



JAKA Investments Corp. President and CEO Katrina Ponce Enrile



Juan Ponce Enrile, company founder and president of the Philippine Senate

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# Business picks up in special economic zones

Following the withdrawal of American forces from Subic Bay Naval Base and Clark Air Base in 1992, the Philippine government converted the two sprawling military facilities into special economic zones, which would offer foreign companies tax incentives to set up operations in those areas.

The task was Herculean as the two bases had suffered huge damage from the massive eruption of neighboring Mount Pinatubo the previous year.

But with its deep-sea port and existing runway, Subic Bay Freeport soon attracted the first wave of foreign investors, which included global giants FedEx, Acer and Thomson SA. In 2008, South Korea's Hanjin unveiled a \$1.4 billion dollar shipbuilding facility, which has generated about 15,000 jobs.

Close by, Clark Freeport Zone has attracted its fair share of foreign investors. It has since caught up with the neighboring economic zone with the opening of the Diosdado Macapagal Interna-

tional Airport (DMIA).

"The country's population is approaching 100 million and over 20 percent of that is clustered around one urban area. There is only one airport servicing that area so, as Manila grows, the need for a secondary airport is more urgent," said Mark Williams, the investment director of Kuwait-based private equity firm KGL Investment Co.

The airport, once designated an alternative landing site for NASA space shuttles, is located only 50 miles from Manila and has two parallel runways with space for expansion.

To complement the new infrastructure and attract even more foreign capital, the government also constructed the Subic-Clark-Tarlac Expressway, which reduced travel time between Subic and Clark from three hours to thirty-five minutes.

The government is also building a high-speed rail link between Manila and Clark. The North Rail Line will speed up travel to DMIA and ease the transport of goods

to the free zone.

KGL Investment, with partners Peregrine Development International, has recognized the opportunities arising from the developments in Clark Freeport Zone, believing that it will grow into a major logistics hub in Southeast Asia.

Earlier this year, KGL Investment and Peregrine inaugurated Global Gateway Logistics City (GGLC), a 177-hectare property adjacent to DMIA that will be made into "a fully integrated, mixed-use, multi-disciplinary development."

Called the Philippines' first "aerotropolis," GGLC will contain four million square meters of floor space when completed. The project is in line with KGL's Port Fund mandate to invest in port and port-related businesses.

"This is larger than Metro Manila in terms of floor space. We're excited for this development because we have rail, we have air, we have land, and we have sea," said Williams.

GGLC will be divided into the

following: a Logistics Park for warehousing, distributorships and light manufacturing; a Business Park for companies looking for offices inside Clark; an Aero Park for aviation research and development, modeling and simulation; and a Town Center with stores and restaurants.

KGL Investment, which also has a stake in local shipping company Negros Navigation, is very satisfied with its two investments in the Philippines, according to Williams.

"What we're trying to do is not just make an investment. We're trying to add value. We are here to partner with business and government in a manner that will help the Philippines grow," said Williams.

Affirming the foresight of KGL Investment and Peregrine, FDI Magazine, published by the Financial Times Business Group, has classified Clark as the "most cost effective" among 700 other economic zones worldwide and ranked it seventh in terms of "economic potential."



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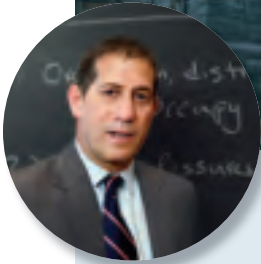



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# GDP Now Matters More Than Force

A U.S. Foreign Policy for the Age of Economic Power

*Leslie H. Gelb*

Most nations today beat their foreign policy drums largely to economic rhythms, but less so the United States. Most nations define their interests largely in economic terms and deal mostly in economic power, but less so the United States. Most nations have adjusted their national security strategies to focus on economic security, but less so the United States. Washington still principally thinks of its security in traditional military terms and responds to threats with military means. The main challenge for Washington, then, is to recompose its foreign policy with an economic theme, while countering threats in new and creative ways. The goal is to redefine “security” to harmonize with twenty-first-century realities.

The model already exists for such an economic-centric world and for a policy to match: the approach of U.S. Presidents Harry Truman and Dwight Eisenhower. They understood that a strong economy

is the basis of both a vibrant democracy at home and U.S. military might abroad. They also knew that no matter how strong the U.S. economy and military, Washington would need a lot of help in checking communism. Accordingly, they bolstered U.S. power by resurrecting the economies of Western Europe and Japan, and they added legitimacy to that power by establishing international institutions such as the World Bank and NATO. To respond to threats from the Soviet Union and communism, Truman and Eisenhower fashioned the policies of containment and deterrence, backed up by military and economic aid. The idea was to check Soviet military power without bankrupting the United States. Today, of course, any U.S. approach must account for the complexity of the global economy as well as new threats from terrorists and weapons of mass destruction. All this can be done—but

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not without causing some intellectual and political mayhem.

The most ferocious fight will be over how to rejuvenate the U.S. economy. Everyone agrees that it must be fixed, lest the nation face further decline and more dangers. But few agree on how. The basic must-do list is lengthy, unforgiving, and depressingly obvious: improve public schools to sustain democracy and restore global competitiveness; upgrade the physical infrastructure critical to economic efficiency and homeland security; reduce public debt, the interest on which is devouring revenue; stimulate the economy to create jobs; and promote new sources of energy and freer trade to increase jobs, lower foreign debt, and reduce dependence on Middle Eastern oil.

Even as politicians and experts do their war dances on these do-or-die domestic issues, they will grapple over foreign policy, as they should. The United States is less and less able to translate its economic strength into influence abroad, even though it will remain for some time the world's largest economy. Why this gap between U.S. power and results? In part, it is because many problems internal to states today are beyond all external ministrations. It is also because U.S. power has been squandered and employed inefficiently. Having overlooked profound changes in the world, U.S. leaders have done little to modernize their national security strategy. Present U.S. strategy offers too little bang for its buck because there is not enough buck in the strategy. A new way of thinking about U.S. interests and power must aim for a foreign policy fitted to a world in which economic concerns typically—but not always—outweigh traditional military imperatives.

### **A UNIQUE ERA IN WORLD AFFAIRS**

The modern world has experienced two periods of globalization, both of which brought about new highs in trade and investment. Both sparked hopes that the common pursuit of riches would overshadow traditional military rivalries and sustain peace. The dreams of the first era, which lasted from 1880 to 1914, drowned in the blood of World War I, then World War II, and finally the Cold War—close to a century of war. Many expect that the current era of globalization, which began as the Cold War faded, will also end unhappily. Yet the current era differs from the past in three crucial ways: unlike the German empire of yesteryear, today's surging power, China, is unlikely to act as a spoiler; major powers and emerging powers today are less likely than ever to fight one another; and, consequently, nations can pursue their economic interests without the traditional overriding military worries.

In the pre-World War I era, Germany had the world's most dynamic economy, and the ambitions of German leaders greatly exceeded creating domestic wealth. They aimed to dominate the European landmass and beyond. The same was largely true of the Japanese empire before World War II, as it sought to rule Asia and much of the Pacific. Whereas most nations preferred to increase their wealth, Germany and Japan fixated on world domination and did not flinch from using force to achieve it. They were the world's most dynamic economies and also its spoilers.

Skeptics today argue that China could be the second coming of those old and strategically greedy empires, but that argument is a stretch. The argument goes

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that contemporary China, like the Germany and Japan of old, will seek to dominate by money and trade if possible, and by force if not. To begin with, China today is far behind the former Germany and Japan in possessing the military wherewithal necessary to conquer, occupy, and command the resources of other states. Germany and Japan were able to fight most of the rest of the world for years. China is still decades away from having the capacity to project force—and sustain it—beyond its borders. In any event, worried nations, such as India, Japan, and the United States would have plenty of time to react to and counter an aggressive China.

Germany and Japan placed their industrialized economies at the disposal of their military ambitions. For them, the military domination of others was a cost-effective way to control resources, and it did not strain their internal control. China could not afford such an aggressive military strategy, as Beijing has to subordinate almost everything to upgrading its economy. Because half of China's population is still poverty-stricken—a reality with explosive, revolutionary possibilities—the Communist Party feels that it must produce economic growth to stay in power.

Also reducing the likelihood of conflict today is that there is no arena in which the vital interests of great powers seriously clash. Indeed, the most worrisome security threats today—rogue states with nuclear weapons and terrorists with weapons of mass destruction—actually tend to unite the great powers more than divide them. In the past, and specifically during the first era of globalization, major powers would war over practically nothing. Back then, they fought over the Balkans, a region devoid of resources and geographic

importance, a strategic zero. Today, they are unlikely to shoulder their arms over almost anything, even the highly strategic Middle East. All have much more to lose than to gain from turmoil in that region. To be sure, great powers such as China and Russia will tussle with one another for advantages, but they will stop well short of direct confrontation.

To an unprecedented degree, the major powers now need one another to grow their economies, and they are loath to jeopardize this interdependence by allowing traditional military and strategic competitions to escalate into wars. In the past, U.S. enemies—such as the Soviet Union—would have rejoiced at the United States' losing a war in Afghanistan. Today, the United States and its enemies share an interest in blocking the spread of both Taliban extremism and the Afghan-based drug trade. China also looks to U.S. arms to protect its investments in Afghanistan, such as large natural-resource mines. More broadly, no great nation is challenging the balance of power in either Europe or Asia. Although nations may not help one another, they rarely oppose one another in explosive situations.

Given the receding threat of great-power war, leaders around the world can afford to elevate economic priorities as never before. To be sure, leaders throughout history have pursued economic strength as the foundation of state power, but power itself was equated with military might. Today, the prevailing idea is that economic strength should be applied primarily toward achieving economic—not military—ends. Money is what counts most, so most nations limit their spending on standing armies and avoid military interventions. What preoccupies most leaders is trade,

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investment, access to markets, exchange rates, additional riches for the rich, and a better life for the rest.

This trend is plain among the rising regional powers known as the BRIC countries (Brazil, Russia, India, and China) and among such others as Indonesia, Mexico, South Africa, and Turkey. Although these countries' leaders have major security concerns—such as India with regard to Pakistan—their paramount objective has become economic strength. For most, economic growth is their prime means of fending off internal political opposition.

China makes perhaps the best case for the primacy of economics. Although it might emerge as a spoiler decades hence, Beijing currently promotes the existing economic order and does not threaten war. Because Beijing has been playing the new economic game at a maestro level—staying out of wars and political confrontations and zeroing in on business—its global influence far exceeds its existing economic strength. China gains extra power from others' expectations of its future growth. The country has become a global economic giant without becoming a global military power. Nations do not fear China's military might; they fear its ability to give or withhold trade and investments.

And yet, for all the novel characteristics of the present era, there is one stunning constant: the national security strategy of the United States. Whereas other countries have adjusted to the new economics-based order, Washington has been tardy. This should not be surprising. For over half a century, U.S. foreign policy had to give priority to stemming real and serious threats. No other nation could or would shoulder the responsibilities. Even now, no other nation or group of nations can

lead coalitions against terrorists and nuclear proliferation threats. The United States cannot ignore these burdens, but it must adjust its approach to recognize that economics is now at the center of geopolitics. Washington's failure to do so has already cost it in blood, treasure, and influence. Now, in the second decade of the twenty-first century, leaders in Washington proclaim their awareness of the new economic order but lack any semblance of a new national security strategy to embrace it.

### **UPDATING TRUMAN AND EISENHOWER**

The best U.S. strategy for this new era is to update the approach taken by Truman and Eisenhower during the early Cold War. Its underlying principles were to make the American economy the top priority, even if it meant tamping down military spending and military interventions; to strengthen the economies of key allies, especially in Western Europe and Japan, to lessen their vulnerability to Soviet pressure and increase their value as allies; and to fend off threats by means of containment, deterrence, and a policy of providing military and economic assistance to partners worldwide.

To strengthen the economy, Truman and Eisenhower leveraged foreign threats to initiate economic projects at home. Eisenhower used the Soviets' launching of Sputnik to advocate crash programs in math and science, for example, and he convinced Congress to build the national highway system in order to strengthen the country against the Soviet military threat. Similarly, leaders today could press for more math and science education to restore U.S. trade competitiveness and could leverage the threat of terrorism to provide

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more money for building physical infrastructure, which would increase U.S. resiliency against terrorist attacks and enhance the country's overall economic efficiency.

Truman and Eisenhower carried out their reforms while holding military spending in check—Pentagon budgets came last, not first. Both presidents allocated defense outlays using the “remainder method,” whereby they subtracted necessary domestic spending from tax revenues and gave the leftovers (the “residual,” as Eisenhower called it) to defense. Presidents could not repeat that math given today's politics, but they could approach Pentagon requests more skeptically and lower them accordingly. Eisenhower and Truman were particularly conscious of the ill effects of being a debtor nation. As such, they both essentially balanced the federal budget. This course still represents the right direction, especially at a time when 40 cents of every federal dollar spent is borrowed from abroad.

Today, the Truman and Eisenhower approach would almost certainly revolutionize basic priorities—for example, by elevating Mexico far above Afghanistan as a national priority. The fact is that Mexico could damage or help the United States profoundly and inescapably—just consider illegal immigration, drugs, crime, as well as the trade and investment potential. By contrast, the war in Afghanistan will have little lasting effect on the United States, whatever the outcome, except for the incredible cost in lives and dollars. Terrorists will still find homes in Pakistan and many other locales. In the face of all this, Washington nonetheless showers its attentions on Afghanistan and virtually ignores Mexico.

By following a second basic principle—to not just strengthen the United States but also bulk up its key allies—Truman and Eisenhower constructed an impregnable wall against communist encroachment while nurturing mutual trade and investment. The main beneficiaries were Western Europe (through the brilliance of the Marshall Plan) and Japan. By the late 1950s, this triangle of allies—the United States, Western Europe, and Japan—constituted the bulk of the world's economic, military, and diplomatic punch. Together, they could not be defeated, whatever the setbacks. Even today, this triangle represents the world's greatest commonality of interests and values and, as such, is the best place to start constructing twenty-first-century coalitions. Such coalitions would, however, have to include a number of other nations, as situations required.

Of course, the present-day U.S. economy barely resembles that of the Truman and Eisenhower days. Today, trade accounts for about one-quarter of U.S. GDP, more than double its share during the early Cold War years. Trillions of dollars cross national boundaries daily, mostly unconstrained by governments. The World Bank and the International Monetary Fund, which Truman essentially created, now occupy a much smaller place in the global economy. The United States is still the beacon for world trade, but its power has declined from the days when Truman created the General Agreement on Tariffs and Trade, which was the precursor to the World Trade Organization. The reason for the United States' decline in trade power is that the U.S. economy is relatively weaker than before. The country's past trade power rested largely on the size and vitality of its economy.

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Thus, in trade talks, the United States could give more access to markets than it got, confident that it would recoup more than its fair share in the long run.

No matter how compelling the case for an economic focus to U.S. strategy, the effort will falter unless Washington makes clear that first, focusing on economics will not weaken national security and, second, it is constantly developing new ways to confront today's threats. The starting point is to reassure the public about China and, to a far lesser extent, Russia. Neither country can seriously challenge U.S. military power beyond its borders. Moscow's conventional military forces are weak and in decline, and its army counts only near home. China's military is indeed increasing in strength, but it will take decades before it approaches parity with the United States', if then.

Moreover, both Russia and China are unlikely to launch an unprovoked attack and risk the unpleasant consequences. To be sure, Beijing could bring military tensions to a boil over Taiwan or the resource-abundant South China Sea. Washington has to maintain naval and air capability in those regions to make such ventures too risky for China. As with the Berlin airlift in Truman's day, the White House has to place the burden of risk and escalation on potential aggressors, such as Beijing. In a larger sense, China is contained and deterred by its vast trade with and huge investments in the United States. Although hawks in the United States may denigrate the power of money, the Chinese do not.

The most serious threats to U.S. security come from rogue states with or in the process of acquiring nuclear capabilities, failed and failing states that could breed

or house terrorists, and international terrorists themselves. The strategic question here is whether to combat these dangers with substantial military interventions or to rely on deterrence, containment, and aid. Land wars should be undertaken if and only if the following criteria are met: the threat is unique to the country posing it and clearly a danger to U.S. security; only land forces can neutralize that threat, and they can do so within a few years and at a reasonable cost; and the local population will fight for itself, fully supporting the effort and understanding from the outset that it will be its own prime defender. Short of that, the United States should stick to aid and diplomacy to combat threats. The wars in Afghanistan and Iraq have a combined tab of almost \$3 trillion and counting. Although the overall utility of these wars will be debated forever, the costs to the U.S. economy have been clear and horrendous.

Regarding rogue states such as Iran and North Korea, conservatives generally contend that deterrence and containment cannot work. Rogue leaders are crazy, they argue, and cannot be deterred by expectations of retaliatory death and destruction. That was the contention during the Cold War, as conservatives maintained that Soviet and Chinese leaders were ready to sacrifice half their people in order to "win" a nuclear war. In time, however, Moscow and Beijing lost the Cold War without resorting to nuclear weapons. Similarly, although the rhetoric of leaders in Tehran and Pyongyang is often psychedelic, their actions are largely careful and fall short of provoking a military response. Their apocalyptic rhetoric mostly targets their domestic constituents (a tactic not unfamiliar to Washington



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politicians). Iran and North Korea are troublemakers that are dangerous but deterrable. They know that they would risk putting U.S. nuclear missiles on hair-trigger alert if they fully activated a nuclear capability. The regimes in Tehran and Pyongyang are governments that run countries, and they have everything to lose if they attack the United States and its allies and invite devastating retaliation. As for the serious problem of Iran's supplying arms to terrorists in Lebanon and elsewhere, even hawkish U.S. experts do not advocate obliterating Tehran to stop such activity.

Terrorists willing to commit suicide are another proposition entirely. They are not at all likely to be deterred. They can destroy ports and trade towers with conventional means and could inflict untold damage if they acquired nuclear material for a so-called dirty bomb. And they can do so irrespective of the outcomes of the U.S. land wars in Afghanistan and Iraq. In the absence of a magic policy bullet to vanquish terrorists, the most prudent and effective antiterrorist strategy is a varied formula: improving police and intelligence operations at home and abroad, hunting terrorists in rogue states with air and missile strikes and commando raids, helping friendly states battle terrorists, and greatly upgrading homeland security. Future attacks on the United States are almost certain, and immediate preparations are essential to bolster the United States' ability to respond and recover.

Truman and Eisenhower did not have to contend with these threats in their modern forms. In their time, rogues and terrorists could largely be controlled by Moscow and Beijing. But it is fair to say that Truman and Eisenhower would have

sidestepped major land wars and opted instead for containment, deterrence, and aid. Truman did not intervene with U.S. troops in Greece and Turkey to implement his new containment doctrine; he gave them military and economic aid and strong, but never open-ended, rhetorical promises.

Truman accepted the Korean War for unique and justifiable reasons. North Korea blatantly attacked South Korea across a generally accepted international border, and Truman reckoned that a failure to respond with force would invite Soviet and Chinese attacks elsewhere. But he kept the war limited to the peninsula, and once in power, Eisenhower stopped it almost immediately.

Truman and Eisenhower most likely would have responded to 9/11 by allying with Afghan neighbors to contain the Taliban, deterring the Taliban by threatening to punish them if they provided safe haven for al Qaeda, dividing the Taliban with diplomatic offers, encouraging the formation of a new government in Kabul, and bolstering this new government and tribal leaders with military and economic aid, backed by training for friendly forces.

Today, the United States continues to be the world's power balancer of choice. It is the only regional balancer against China in Asia, Russia in eastern Europe, and Iran in the Middle East. Although Americans rarely think about this role and foreign leaders often deny it for internal political reasons, the fact is that Americans and non-Americans alike require these services. Even Russian leaders today look to Washington to check China. And Chinese leaders surely realize that they need the U.S. Navy and Air Force to guard the world's sea and trading lanes. Washington should not be embarrassed



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to remind others of the costs and risks of the United States' security role when it comes to economic transactions. That applies, for example, to Afghan and Iraqi decisions about contracts for their natural resources, and to Beijing on many counts. U.S. forces maintain a stable world order that decidedly benefits China's economic growth, and to date, Beijing has been getting a free ride.

### **A NEW APPROACH**

In this environment, the first-tier foreign policy goals of the United States should be a strong economy and the ability to deploy effective counters to threats at the lowest possible cost. Second-tier goals, which are always more controversial, include retaining the military power to remain the world's power balancer, promoting freer trade, maintaining technological advantages (including cyberwarfare capabilities), reducing risks from various environmental and health challenges, developing alternative energy supplies, and advancing U.S. values such as democracy and human rights. Wherever possible, second-tier goals should reinforce first-tier ones: for example, it makes sense to err on the side of freer trade to help boost the economy and to invest in greater energy independence to reduce dependence on the tumultuous Middle East. But no overall approach should dictate how to pursue these goals in each and every situation. Specific applications depend on, among other things, the culture and politics of the target countries. An overarching vision helps leaders consider how to use their power to achieve their goals. This is what gives policy direction, purpose, and thrust—and this is what is often missing from U.S. policy.

The organizing principle of U.S. foreign policy should be to use power to solve common problems. The good old days of being able to command others by making military or economic threats are largely gone. Even the weakest nations can resist the strongest ones or drive up the costs for submission. Now, U.S. power derives mainly from others' knowing that they cannot solve their problems without the United States and that they will have to heed U.S. interests to achieve common goals. Power by services rendered has largely replaced power by command.

No matter the decline in U.S. power, most nations do not doubt that the United States is the indispensable leader in solving major international problems. This problem-solving capacity creates opportunities for U.S. leadership in everything from trade talks to military-conflict resolution to international agreements on global warming. Only Washington can help the nations bordering the South China Sea forge a formula for sharing the region's resources. Only Washington has a chance of pushing the Israelis and the Palestinians toward peace. Only Washington can bargain to increase the low value of a Chinese currency exchange rate that disadvantages almost every nation's trade with China. But it is clear to Americans and non-Americans alike that Washington lacks the power to solve or manage difficult problems alone; the indispensable leader must work with indispensable partners.

To attract the necessary partners, Washington must do the very thing that habitually afflicts U.S. leaders with political hives: compromise. This does not mean multilateralism for its own sake, nor does it mean abandoning vital

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national interests. The Obama administration has been criticized for softening UN economic sanctions against Iran in order to please China and Russia. Had the United States not compromised, however, it would have faced vetoes and enacted no new sanctions at all. U.S. presidents are often in a strong position to bargain while preserving essential U.S. interests, but they have to do a better job of selling such unavoidable compromises to the U.S. public.

U.S. policymakers must also be patient. The weakest of nations today can resist and delay. Pressing prematurely for decisions—an unfortunate hallmark of U.S. style—results in failure, the prime enemy of power. Success breeds power, and failure breeds weakness. Even when various domestic constituencies shout for quick action, Washington's leaders must learn to buy time in order to allow for U.S. power—and the power of U.S.-led coalitions—to take effect abroad. Patience is especially valuable in the economic arena, where there are far more players than in the military and diplomatic realms. To corral all these players takes time. Military power can work quickly, like a storm; economic power grabs slowly, like the tide. It needs time to erode the shoreline, but it surely does nibble away.

To be sure, U.S. presidents need to preserve the United States' core role as the world's military and diplomatic balancer—for its own sake and because it strengthens U.S. interests in economic transactions. But economics has to be the main driver for current policy, as nations calculate power more in terms of GDP than military might. U.S. GDP will be the lure and the whip in the international affairs of the twenty-first century. U.S. interests abroad

cannot be adequately protected or advanced without an economic reawakening at home.

U.S. leaders forever swear their allegiance to making the tough choices to restore the U.S. economy. But they never deliver. Equally often, they appear to grasp the need for a new foreign policy for the age of economic power. But that, too, they fail to deliver. President Barack Obama, in particular, has often struck just the right themes, only to let them fizzle in the din. In the meantime, Americans of nearly every political stripe are waiting and wondering whether their leaders are prepared to let the nation that saved the world in the twentieth century sink into history in the twenty-first. 🌐

# Irresponsible Stakeholders?

## The Difficulty of Integrating Rising Powers

*Stewart Patrick*

A major strategic challenge for the United States in the coming decades will be integrating emerging powers into international institutions. The dramatic growth of Brazil, China, and India—and the emergence of middle-tier economies such as Indonesia and Turkey—is transforming the geopolitical landscape and testing the institutional foundations of the post–World War II liberal order. The Obama administration promotes developing cooperative relations with emerging powers, believing that countries with a stake in world affairs will become responsible global actors. But the United States should be under no illusions about the ease of socializing rising nations. Emerging powers may be clamoring for greater global influence, but they often oppose the political and economic ground rules of the inherited Western liberal order, seek to transform existing multilateral arrangements, and shy away from assuming significant global responsibilities.

Over the next ten years and beyond, the United States will have to accommodate

new powers in reformed structures of global governance while safeguarding the Western liberal order it helped create and defend. The world is entering a chaotic era. Global visions will compete, norms will shift, and yesterday’s rule takers will become tomorrow’s rule makers. The United States will have to make both practical and psychological adjustments. U.S. officials need to recalibrate their aspirations for multilateral cooperation and reexamine long-standing assumptions about the United States’ role in the world.

### TESTING OBAMA’S AMBITIONS

U.S. President Barack Obama’s approach to rising powers builds on that of George W. Bush, who encouraged China to become a “responsible stakeholder” in the international system. The Bush administration called on China to embrace established standards of behavior and accept new regional and global obligations, asking Beijing to abandon its mercantilist policies

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and press North Korea to relinquish its nuclear program.

Obama has extended this “responsible stakeholder” principle to all rising nations, linking it to a broader agenda of global institutional reform. The May 2010 National Security Strategy envisions integrating emerging powers into the world order as pillars of a rule-bound international system. The premises of the document are striking. “Power, in an interconnected world, is no longer a zero-sum game,” it declares. In the past, the objective of statecraft was to manage the balance of power; today, it is to manage global interdependence. Although the United States remains committed to “underwriting global security,” as the document says, and renovating international institutions, it cannot do so alone. “New and emerging powers who seek greater voice and representation will need to accept greater responsibilities for meeting global challenges,” the strategy paper argues.

There is much to applaud here. Practically speaking, none of today’s international problems can be resolved in a conference room with representatives from the West alone. Complex challenges—from energy insecurity to financial instability, climate change, terrorism, and infectious diseases—require input from established and emerging powers alike.

There is also a powerful geopolitical logic. Historically, power transitions have been fraught with danger. Status quo states resist accommodating new powers. By giving emerging nations a greater stake in today’s order, the Obama administration is hoping to increase the legitimacy of existing arrangements and discourage assaults on prevailing liberal norms. At the policy’s core sits Lyndon Johnson’s

rule. As Johnson once said about FBI Director J. Edgar Hoover—albeit in saltier language—it is better to bring difficult players inside the tent than leave them outside where they can make mischief. Rejecting the notion of a competitive, multipolar world, Secretary of State Hillary Clinton has advanced the vision of a “multipartner” one, in which major states (as well as nonstate actors) cooperate to pursue their shared interests in global security, stability, and prosperity. The Obama administration has launched bilateral dialogues with the world’s main non-Western powers, including Brazil, China, India, Indonesia, Russia, South Africa, and Turkey.

Yet Brazil and Turkey demonstrated this past spring why Obama’s integration effort may prove turbulent. The two countries’ leaders suddenly injected themselves into the long-running negotiations over Iran’s nuclear ambitions, seeking to broker an agreement on Iranian enrichment activities that would have allowed Iran to reprocess its low-enriched uranium abroad. In Washington, Paris, and London, voices across the political spectrum called the initiative amateurish and ill timed. Although the Brazilian-Turkish gambit failed to halt UN Security Council action against Iran, Brazil and Turkey defied the United States and the other permanent members of the council by voting against additional sanctions. The episode shows that integrating new powers as responsible stakeholders will be far trickier than the Obama administration presumes.

#### **MULTIPOLARITY WITHOUT MULTILATERALISM**

The world remains more Hobbesian than the White House cares to admit. Global interdependence is increasing,

*Stewart Patrick*

but fundamental interests still collide and strategic rivalries persist. The Obama administration appears to regard the decline of U.S. hegemony with equanimity, anticipating that shared national interests and mutual security dilemmas will permit the established and the emerging powers to pursue collective goals, such as arresting nuclear proliferation, mitigating climate change, combating terrorism, and preserving an open, liberal international economic system. But it has left a darker scenario unexplored: What if the new global order leads to an era of multipolarity without multilateralism?

On balance, the diffusion of power is likely to exacerbate the strategic rivalry between the established and the emerging powers, and among the emerging powers themselves. The world's major nations, after all, are playing more than one game. They may cooperate on financial reform or antiterrorism but also may compete vigorously for market share, strategic resources, political influence, and military advantage. The question for the United States is how to manage relationships with rising powers that contain elements of both partnership and rivalry.

Consider U.S.-Chinese relations. The Obama administration seeks "strategic reassurance" about China's intentions in East Asia—that is, indications from Beijing that it will not imperil the security of its neighbors or challenge existing U.S. alliances as it increases its global role. Although China has economic incentives not to rock the boat in the near term, the United States' and China's long-term objectives may be less compatible. The United States wants a stable balance of power in East Asia, a region that China seeks to dominate. It also wants China to

become a pluralist democracy—something the Chinese Communist Party presumably opposes.

Rivalry among the emerging powers may also complicate multilateral cooperation. This is most obvious between China and India, which share a disputed border extending over 2,000 miles, compete for regional influence and natural resources, and remain acutely sensitive to changes in their relative military capabilities. China's cultivation of India's neighbors is making New Delhi afraid of strategic encirclement, and maritime competition between the two powers is increasing in the Indian Ocean.

Finally, even on those issues on which the basic interests of the established and the emerging powers align—terrorism, climate change, nuclear proliferation, or global financial stability—these states' priorities may differ. The issue of North Korea is an obvious example. Both the United States and China want the North Korean nuclear program eliminated. But whereas Washington places a high priority on this objective, Beijing seeks above all to preserve cordial relations with Pyongyang. It fears the anarchy of a failed state on its borders and would rather maintain the status quo than see the Korean Peninsula reunified under a democratic government that might prove hostile to Chinese interests. Beijing had these motives in mind when it ensured that a UN Security Council resolution in July addressing the sinking of a South Korean naval vessel earlier this year offered only a tepid condemnation, failing to indict by name the obvious perpetrator, North Korea.

### **COMPROMISE MAY COME SECOND**

The emerging non-Western powers do not share the United States' view on global governance. The ideal scenario

### *Irresponsible Stakeholders?*

for Washington would be for the rising powers to embrace Western principles, norms, and rules, just as entrants to the European Union adopt its *acquis communautaire*, the whole body of EU laws. But the emerging nations are intent on altering existing rules, not adopting them hook, line, and sinker. These countries do not grant the United States the sole authority to define the limits of responsible sovereignty. They believe that they are entitled to reshape international arrangements to suit themselves. This shared aspiration has been on display at the annual BRIC summits, at which Brazil, Russia, India, and China have (among other things) challenged the dollar's role as the world's reserve currency and demanded a greater voice in international financial institutions.

Another important source of tension between the established and the rising powers concerns the limits of national sovereignty. Most of the emerging powers are skeptical of the belief, common in Western circles, that sovereignty is contingent and that international intervention is justified against states that commit mass atrocities, sponsor terrorism, or pursue weapons of mass destruction. This skepticism extends to democracies such as Brazil, India, and South Africa, which have opposed vigorous UN Security Council action in response to human rights violations in places such as Myanmar (also known as Burma), Sri Lanka, Sudan, and Zimbabwe.

Principled differences between the established and the emerging powers extend to other realms. Progress on preventing nuclear proliferation, including an agreement on the Additional Protocol to the Nuclear Nonproliferation Treaty, has been stymied by disputes over the relative responsibilities of the nuclear weapons

states and the nonnuclear weapons states. Brazil, for instance, insists that all weapons-holding states must make significant progress on their obligations to disarm before it will accept additional controls on its own nuclear facilities.

Similar disputes arise in economic relations. All of today's emerging players seek to have greater weight in global governance, but they do not necessarily seek more global governance. Their views on the International Monetary Fund's reform agenda are a case in point. Many Western countries in the G-20 want the IMF to assume a more overt surveillance role and to monitor the macroeconomic policies of member states, the status of their regulatory efforts, and the risks these states pose in terms of spawning international financial crises. China, India, and Saudi Arabia, in contrast, oppose a larger role for the IMF; they want larger voting shares at the organization without any additional infringement on their prerogatives.

The Obama administration often insists that international rules, such as those regarding nonproliferation or trade, must be enforced. It assumes that the world's major players will naturally prioritize global security and economic and environmental challenges just as it does. But the emerging powers do not accept all the current international rules, and the White House has provided little insight into what it can or will do to persuade these powers to cooperate in cases in which their preferences are not, in fact, aligned with those of the United States.

#### **POWER WITHOUT RESPONSIBILITY**

Rising powers are often inclined to enjoy the privileges of power without assuming its obligations. They prefer to free ride on the

*Stewart Patrick*

contributions of established nations. This instinct is reinforced by the anxiety that accepting international commitments could jeopardize their domestic development.

Emerging countries wrestle with conflicting identities. They seek a louder voice in global affairs, but as self-identified developing countries, they remain committed to alleviating poverty within their own borders. Thus, they resist global initiatives that would hamper their domestic growth.

This dual identity can sometimes allow rising powers to bridge North-South divides. But it can also leave them whip-sawed between global ambitions and solidarity with other developing nations. Obama administration officials speak wryly of emerging powers cross-dressing as developed countries within the G-20 only to invoke long-standing developing-country grievances in other forums.

Some of the most prominent rising powers are ringleaders of developing-country blocs. Brazil, India, Indonesia, and South Africa, for example, are all leaders of the Group of 77 (G-77), and the last three are members of the Non-Aligned Movement—both groups that impede multilateral cooperation by reinforcing obsolete ideological divisions between the North and the South. Despite strong bilateral ties to the United States, these rising players have a penchant for playing to the gallery and voting against U.S. preferences in the UN General Assembly, the Human Rights Council, and other multilateral forums. Obama has spoken wistfully of the need to abandon “outdated” bloc mentalities, but the emerging powers show little inclination to do so.

Internal political dynamics make integration efforts difficult. Leaders of both the established and the emerging powers

must reconcile an increasingly complicated and intrusive multilateral agenda with political realities at home. These pressures are likely to constrain partnership between them.

Regime type, for example, is limiting U.S.-Chinese cooperation on cybersecurity. The United States has promoted a vision of cyberspace that is open, global, and relatively anonymous, whereas China’s vision is predicated on state control. Both countries are interested in keeping the Internet safe from criminal activities, but it is hard to see how they can agree on any multilateral system as long as Beijing insists on censorship and persecutes online dissidents.

And yet Obama’s engagement strategy pragmatically recognizes that addressing global problems such as climate change, nuclear proliferation, and financial instability calls for meaningful cooperation, not only with democracies but also with nondemocracies. Global governance requires collaboration among the unlike-minded. But partnership among the like-minded cannot be assumed, either. Democracy is an unreliable predictor of allegiance to U.S. interests. Some of the United States’ recent diplomatic tussles have been with big emerging democracies. Brazil, under its flamboyant president, Luiz Inácio Lula da Silva, has assumed a prominent global profile thanks to its criticism of the United States’ international role, ranging from the U.S. military presence in Colombia to Washington’s alleged pro-Israel bias. Turkey, for decades a reliable U.S. ally, has staked out an independent posture on Middle East policy under Prime Minister Recep Tayyip Erdogan, abandoning its historical neutrality and making its relations with Israel contingent on the latter’s policy toward Gaza.

### CHANGE FROM WITHIN

The world today is not a blank slate, as it was after World War II, when, as the Obama administration frequently notes, a farsighted generation of U.S. leaders laid the foundations of a Western liberal international order. They left many institutional products—international and regional, formal and informal, general purpose and issue specific. Absent a cataclysm such as a world war, reallocating influence within existing bodies will be an uphill struggle. The more important the institution, the more its powerful members will resist diluting their authority within it.

China and Russia, for example, oppose allowing any new permanent members to join the UN Security Council. None of the council's permanent five nations will countenance either limiting its veto power or extending that power to others. And consider the International Energy Agency. It excludes major energy consumers such as China and India, as well as major energy suppliers such as Russia. Ostensibly, the reasoning behind this is that IEA members must belong to the Organization for Economic Cooperation and Development. But there is another, more self-interested explanation: voting at the IEA is weighted based on each country's share of global oil consumption in 1974, and its current members want to retain this arrangement even though oil consumption has remained essentially static in North America and Europe while increasing eight- and sixfold in China and India, respectively. Vested interests also plague ongoing debates about governance of the World Bank, the IMF, and other international financial institutions.

To be sure, the shock of the recent global economic downturn has driven some

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degree of change. The G-20 has become the principal forum for international economic coordination, the first major adaptation in multilateral cooperation to reflect dramatic shifts in global power. The G-20 created the Financial Stability Board in April 2009 to strengthen international standards for global finance. The resources of the IMF have expanded. And the members of both the IMF and the World Bank have agreed to adjust those organizations' voting weights and quotas by several percentage points in favor of emerging-market economies. But the overall impact of these reforms is modest. This is not a global constitutional moment akin to the one 65 years ago.

In any event, even more ambitious efforts to bring rising powers into existing institutions will be limited by the prospect of tradeoffs between effectiveness and legitimacy. This concern is at the core of the debates over UN Security Council expansion. As Susan Rice, the U.S. ambassador to the UN, explained to the UN General Assembly in February 2009, "The United States believes that the long-term legitimacy and viability of the United Nations Security Council depends on its reflecting the world of the twenty-first century." At the same time, she continued, any expansion must "not diminish its effectiveness or efficiency." A larger, more inclusive Security Council could complicate U.S. efforts to garner sufficient votes for critical resolutions.

Expanding existing forums can also harm consensus. This is most obvious in the shift from the G-8—still a cozy Western-dominated forum despite Russia's presence—to the G-20, a much more diverse body. Given its heterogeneity, the G-20 is unlikely in the short term to become

a venue for addressing sensitive security and political issues, such as Iran's nuclear program or the violence in Sudan.

### **A GRAND BARGAIN**

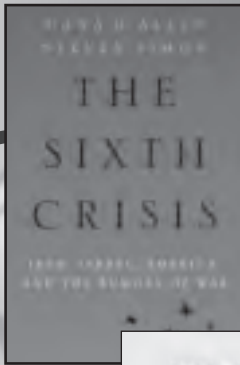
The United States has no choice but to rely on rising powers to help address today's global challenges. But it must engage these countries in a way that preserves the core of the postwar order. The political scientist G. John Ikenberry has argued that the time is ripe for an "institutional bargain": by ceding influence within multilateral frameworks while it remains dominant, the United States might lock in support from the rising powers for an international order based on the Western model.

But how should the United States go about doing this? Should the rising powers be integrated quickly on the assumption that giving them a stake soon will make them responsible faster? Or would it be wiser to adopt an incremental approach, one that conditioned the rising powers' entry into the club on their demonstrated willingness to play by global rules and shoulder new burdens? Both approaches could entail frustrations.

There is no guarantee that the world's rising powers will become the United States' strategic partners. Washington may want them to do more on the world stage, but it cannot control their choices and it will not always like the results of their participation.

There is, of course, no common worldview among today's emerging countries. But as U.S. power declines, the rising powers will seek to test, dilute, or revise existing institutions to suit their purposes. The United States will need to decide when to stand firm, when to engage, and when simply to agree to disagree. This will likely produce ongoing debates about the

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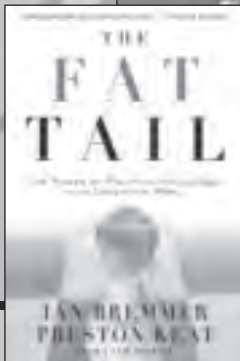
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### *Irresponsible Stakeholders?*

appropriate boundaries of national sovereignty, the desirable balance between the state and the market, and the proper foundations of political legitimacy.

During the Cold War, the United States could count on solidarity among the capitalist democracies. In the twenty-first century, the normative foundations for multilateral cooperation will be weaker. An imperfect historical parallel might be the Concert of Europe of the early 1800s. That arrangement leavened the traditional balance of power with a balance of rights, which helped bridge differences between the Western powers (France and the United Kingdom) and the authoritarian monarchies (Austria, Prussia, and Russia) of the Holy Alliance. Global cooperation today may follow a similar logic. The United States may need to pay less attention to regime type and tolerate nations in which democracy is lacking or absent. It must be attuned to nationalist sensitivities in the rising powers—including those linked to the United States' perceived interventionism, unilateralism, or militarism—and to the temptation of all governments to harness these grievances for their own political purposes. Accommodating new powers while retaining as much of the old order as possible will be a constant balancing act, much like the Concert of Europe was two centuries ago.

Yet as Thomas Wright of the Chicago Council on Global Affairs has observed, the Obama administration has done little serious thinking about how to foster cooperation when the United States' interests diverge from those of other countries. The brief discussion of potentially clashing interests with rising powers in the National Security Strategy document of May 2010 seems too limited: "And when

national interests do collide—or countries prioritize their interests in different ways—those nations that defy international norms or fail to meet their sovereign responsibilities will be denied the incentives that come with greater integration and collaboration with the international community." The warning clearly applies to Iran, North Korea, and Venezuela but may or may not also apply to those emerging countries that fall short of being "rogue." What if Brazil, China, or Turkey simply prioritizes its interests differently from the United States on critical issues?

In this complex international reality, fixed alliances and formal organizations may count for less than shifting coalitions of interest. Fortunately, the United States is well positioned to exploit these dynamics, since it will remain for the foreseeable future the hub for most agreements that will be discussed in the G-20 and other major forums. But to make the most of this advantage, U.S. officials will need to be un sentimental about forming partnerships of convenience. They will need to convene different clubs for different purposes, balancing encompassing arrangements such as the G-20 with smaller affinity groupings such as the G-8, which permit the United States to collaborate with longtime partners that broadly share its fundamental political and economic values.

Meanwhile, the United States must not allow the emerging powers to avoid contributing to global public goods. At times, these contributions might follow the notion of "common but differentiated responsibility." Adopted at the 1992 Earth Summit in Rio and incorporated into the 1997 Kyoto Protocol, this principle establishes different obligations for developed and developing countries, based on their

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internal capacities. But the United States should resist the promiscuous invocation by fast-growing economies of internal development constraints and insist on clear benchmarks for balancing the responsibilities of the established and the emerging powers over time. More generally, the United States must link any extension of international status, voice, and weight to the emerging powers to their concrete contributions to world stability.

Reform of the increasingly outdated UN Security Council is an area in which the United States must insist on ground rules for inclusion. Any new permanent seats should be granted only to those states that make tangible efforts to foster international peace and security. Reasonable criteria for measuring such efforts could include whether a state has military (as well as civilian) capabilities that could be deployed globally or regionally on behalf of the UN; significantly supports the UN's regular and peacekeeping budgets; is willing to use enforcement tools under Chapter 7 of the UN Charter, authorizing sanctions and the use of military force; is able to help broker political solutions; and has a record of conforming to and enforcing security regimes. The United States can provide incentives for aspiring states to meet Western expectations by proposing concrete benchmarks for eligibility.

Any adjustment to the UN Security Council will take time. In the meantime, the United States should use the G-20 framework to anchor emerging powers such as Brazil, China, India, Indonesia, and South Africa in the current world order and forge understandings with them on issues such as currency imbalances, climate change, peacekeeping, development cooperation, and nonproliferation.

By investing the G-20 with real influence and gradually expanding its agenda, the established nations may encourage the rising powers to jettison outmoded positions held by the G-77 regarding sovereignty, nonintervention, and economic development in favor of more pragmatic policies. A dynamic G-20 would also provide a valuable testing ground for the emerging powers to demonstrate their credentials for Security Council membership.

U.S. officials must make peace with incrementalism. They need to be flexible in accommodating the institutional aspirations of the emerging powers. Cooperation will arise through the gradual updating of existing multilateral architecture, ad hoc arrangements, and bargaining. Where possible, the United States should use flexible approaches not simply to sidestep international organizations but also to drive reform efforts within them. Multilateral cooperation within large groups will increasingly rest on "minilateral" agreements, that is, agreements among a subset of key states, beforehand. This is the lesson of the Copenhagen accord of December 2009, which was reached in the waning days of the 15th Conference of the Parties to the UN Framework Convention on Climate Change (UNFCCC). The United States brokered a last-minute deal with the so-called BASIC countries (Brazil, South Africa, India, and China) that, even though it was nonbinding, set the stage for tangible global action to mitigate and adapt to climate change. Additional progress on climate change will depend heavily on the 17-nation Major Economies Forum—an informal body comprised of the world's major emitters of greenhouse gases. This forum will not replace the UNFCCC, but it can galvanize progress within it.

### *Irresponsible Stakeholders?*

#### **PRESERVATION THROUGH COOPERATION**

In the end, the biggest obstacle to integrating rising powers into the world order may come from within the United States. Making room for emerging players will require psychological adjustments on the part of U.S. officials. They will have to reevaluate the touchstones that have defined U.S. foreign policy since 1945. For more than half a century, the United States has served as the chief architect and ultimate guarantor of an open, liberal international political and economic order. This role has become embedded in U.S. political culture and national identity. But as global power becomes diffuse, the United States' long-standing habits of mind may be more limiting than helpful.

By the 1960s, as former U.S. Secretary of State Dean Acheson cruelly noted, the United Kingdom had lost an empire but not yet found a new role. The erosion of U.S. hegemony, although less stark, poses its own challenges. As the United States sheds its primacy, it will need to adopt a more inclusive form of leadership. Compromise will be the order of the day.

The U.S. public may be prepared to make this shift: a comprehensive digest of recent polling data compiled by the Council on Foreign Relations and World Public Opinion suggests that Americans are willing to share the world's burdens. Yet at a minimum, multipolarity will test the assumptions of American exceptionalism. The United States has long taken an à la carte approach to its international commitments: picking and choosing among multilateral treaties, institutions, and initiatives and occasionally acting

alone or opting out to preserve its sovereignty or freedom of action. But as the U.S. National Intelligence Council's report *Global Trends 2025* suggests, "Such a selective approach is . . . running into trouble because those powerful enough to afford picking and choosing are growing more numerous." As today's rising powers avail themselves of the same privilege, such exceptionalism may fray the fabric of the international system. To hold the postwar order together, the United States will have to become a more consistent exemplar of multilateral cooperation. 🌐



# Guatemala: Land of Possibility

International investors are flocking to Central America's rising star, as economic diversification and record tourism fuel solid growth.

Rich in untapped potential and boasting the region's best-performing economy, the Republic of Guatemala is making steady progress towards its socioeconomic goals, as political and social stability entice high levels of foreign direct investment (FDI).

Blessed with outstanding natural resources, this country of 13.5 million people is a world-class coffee grower—Starbucks is a major buyer of its superb coffee beans—and leading exporter of agricultural produce such as fresh fruit, sugar, rum, and flowers.

Called the “Land of Trees” by the ancient Mayan civilizations that roamed its tropical rainforests and magnificent mountains more than a thousand years ago, Guatemala is firmly focused on the future as it builds a thriving pro-business environment.

Since President Álvaro Colom took office in January 2008, the government's legislative and fiscal reforms have gained plaudits from independent international organizations like the International Monetary Fund (IMF) and the World Bank.

In a further sign of the solid progress being made in the region's largest economy, in June of this year Moody's, a U.S. credit ratings agency, raised Guatemala's credit rating to Ba1 from Ba2, citing a “stable macroeconomic environment supported by prudent fiscal and monetary policies.”

That hugely positive development followed a promising review compiled by experts from the IMF which confirmed that Guatemala had emerged from the global financial crisis in good shape. More recently, the IMF reported that “Guatemala's economic recovery is firming up. The authorities' strong policy response to



Álvaro Colom  
President

the global crisis ... has provided a solid foundation for the recovery. With a more benign global outlook, real GDP growth is expected to exceed 2 percent, in 2010, which is significantly higher than envisaged in the previous review.”

President Colom's business-friendly administration has created a more prosperous and transparent economic climate that has, in turn, attracted more than \$1.8 billion in FDI since he came to power.

According to forecasts by the Central Bank of Guatemala (Banco de Guatemala), that impressive figure is expected to surge by an additional \$1.5 billion over the next three years as foreign companies take advantage of the nation's huge resources. “Guatemala is a magic country with a very stable economy,” states President Colom, an experienced businessman who enjoyed a successful career in the private sector before entering politics.

“Guatemala has significant potential to accelerate economic growth and alleviate its poverty through trade, regional integration, and tourism. In the middle of the global financial crisis, Guatemala was one of the few Latin American nations to record positive GDP growth [it is up 0.6 percent in 2009]. Public debt remains one of the lowest in the region and the investment climate remains healthy.”

A former professor and vice-dean of the economics faculty at Rafael Landívar University in Guatemala City, President Colom is also a former executive director of the National Fund for Peace (Fonapaz).

Against a backdrop of civil conflict that ended in 1996 with the



**President Colom and First Lady Sandra Torres de Colom are tackling social issues with health and education programs**

signing of a peace accord, Fonopaz supported and re-housed tens of thousands of former refugees and worked hard to eradicate poverty. The organization generated 75 new businesses, creating an estimated 23,000 direct jobs and more than 100,000 indirect jobs.

A member of the National Unity of Hope, President Colom has used his role as head of state to continue his humanitarian mission and raise living standards throughout the country.

#### **Clinton praises tax reforms**

As Guatemala's main trade partner, the United States is a key commercial and political ally and major source of foreign exchange revenue. Following the signing of a major free trade agreement with the U.S. in 2006, United States investment in Guatemala jumped 22 percent in three years by 2009.

The ambitious republic is easily accessible from major U.S. cities, with Miami only three hours away by plane, and New York, Chicago, Los Angeles and Washington D.C., all within five hours. The two countries enjoy cordial bilateral relations and ties that are strengthened by regular talks and exchange visits between trade executives, government officials, and specialist investment advisors.

These strong bonds were illustrated in March of this year when U.S. Secretary of State, Hillary Clinton, visited Guatemala City for talks with President Colom. The high-profile meeting came shortly after similar talks in Washington D.C. during President Colom's visit to the United States.

During her trip to Guatemala City, Clinton noted: "The U.S. supports fiscal reform based on a broad consensus to increase transparency in public spending and to strengthen enforcement of tax laws. We want to work with partners like Guatemala to pursue these reforms for the benefit of all citizens.

"We strongly support the tax reform efforts being discussed, as Guatemala deserves better investment in public institutions like education, health, and housing. Transparency and enforcement of tax laws are essential for the future prosperity and progress of the Guatemalan people."

With a competitive business climate and modern infrastructure,

Guatemala is the region's leading destination for FDI as investors capitalize on its natural and human resources, low business costs, and secure regulatory environment.

Foreign investors are granted total freedom of movement for capital and dividend distribution. A crackdown on corruption has resulted in higher levels of public- and private-sector transparency.

**"Guatemala deserves better investment in public institutions, like education, health and housing."**

Hillary Clinton, U.S. Secretary of State

This progress was recognized by Transparency International, the global anti-corruption organization, during its annual survey of 180 countries and territories around the world. Global rankings from lowest to highest perceived levels of public-sector corruption, saw Guatemala rise an impressive 12 places as transparency measures introduced by President Colom generated immediate results.

#### **Outstanding FDI opportunities**

Potentially lucrative FDI opportunities are found throughout the country's diverse economy, but particularly in the agribusiness, manufacturing, mining, business process outsourcing (BPO), and tourism sectors.

Many U.S. companies—such as Citigroup, GE Finance and Wal-Mart—already have operations in Guatemala as they take advantage of its low-cost climate, close proximity to major markets, modern infrastructure, and excellent Information and Communications Technologies (ICT) networks.

Official figures show that resource-rich Guatemala produces more than 4,000 types of goods that are sold in more than 130 markets around the world. The country is also the gateway to the vast Meso-America market—a region of nearly 70 million inhabitants and an economy estimated at around U.S.\$260 billion a year. "Guatemala's strategic location is the perfect platform to the





**President Colom and José Roberto Alejos, Pres. of Congress**

world's largest markets," says Virgilio Córdón, executive director of the government's official investment agency, Invest in Guatemala.

"We have privileged access to both the Atlantic and the Pacific Oceans, facilitating direct commerce with North America, Asia, and Europe through modern ports. Our legal framework does not discriminate between foreign and local investment, with freedom to move capital and repatriate dividends."

### **Strong social cohesion**

One of President Colom's first priorities was to establish the Council for Social Cohesion (Consejo de Cohesión Social) to build a fairer, more equal country, and attend to the needs of the half of the population that lives in poverty.

"Ours is the first government in 50 years to tackle social issues, and there have already been dramatic changes in the education and health sectors," says the 59-year-old.

This firm commitment to current and future Guatemalan generations extends to numerous medium and long-term socioeconomic development programs in the health, education, and welfare sectors. The initiatives offer greater access to health care, new housing, and financial incentives for parents who ensure that their children attend school regularly—a conditional cash transfer program called *Mi Familia Progresiva* (My Family Progresses).

Other successful projects include the *Escuelas Abiertas* (Open Schools) program—a nationwide initiative in which 200 schools open on weekends to offer youngsters additional educational, social, and sporting opportunities within a safe environment.

Launched in 2008, *Escuelas Abiertas* provides children with free food and drinks, and gives the youngsters responsibility for organizing their own games, shows, events, and activities in a supervised arena. "We have received many ratings [from independent organizations] and all the indicators related to education and health have increased," President Colom states. "We are in the process of setting up a system that will give people free access to health services around the clock which is helping to reduce neonatal mortality rates."

Other flagship projects coordinated by the Council for Social Cohesion include food and nutrition programs, health strategies to reduce deaths during childbirth, better access to basic education and scholarships, and greater availability of drinking water.

As a founder of several social welfare organizations, Sandra Torres de Colom, Guatemala's first lady, has traveled the country to support the broad range of projects aimed at boosting socioeconomic conditions for tens of thousands of ordinary citizens.

With an emphasis on improving the quality of life for all Guatemalans, she plays a prominent part in the fight against social ills such as poverty, malnutrition, and hunger.

Like her husband, the first lady enjoyed a successful career in the private sector. Since entering the political arena, she has utilized her business knowledge to drive health and welfare programs. "Babies and young people represent the hope and future of Guatemala," she says. "This is why we are committed to taking action to improve the lives of our people through greater access to higher standards of health care."

Since President Colom established the organization, the Council for Social Cohesion has helped millions of families, directly and indirectly, through food packages and general improvements to infrastructure. Major achievements in the health sector include a reduction in the deaths of mothers during childbirth, greater vaccine protection, and lower rates of infections and respiratory disease.

While most of the success has been achieved in poorer rural areas, the launch of a sister organization aimed at supporting people in urban areas is a further sign of the government's pledge to raise living standards across the country.

The majority of these projects are managed by the *Secretaría de Planificación y Programación de la Presidencia* (Secretary of Planning and Programming of the Presidency). With an emphasis on assisting youngsters and poor families living in Guatemala's 22 regional areas, the program aims to provide short and long-term sustainable solutions that benefit current and future generations.

### **Political powers drive growth**

In addition to an enviable strategic location, a major factor in the ambitious nation's socioeconomic success is the political stability generated by a series of legislative reforms approved by the Congress of the Republic of Guatemala.

Led by President José Roberto Alejos, the Congress of Guatemala has helped strengthen democracy and the rule of law and played a key role in the country's emergence as a leading destination for FDI.

A dynamic politician who studied law and business administration in the U.S. before becoming a businessman and entering mainstream politics, Alejos is a key figure in his country's



**José Roberto Alejos**  
President  
of the Congress



**Guatemala's breathtaking Mayan structures are a big draw for tourists**

rise to prominence.

He has taken part in a broad range of political forums and conferences for more than 20 years. As director of several businesses, Alejos has gained valuable insights into the industrial and commercial sphere, which he is now using to benefit his country.

In July of this year, during a high-profile speech in Switzerland at the third meeting of the World Conference of Speakers of Parliament, Alejos highlighted Guatemala's solid socioeconomic progress.

"In the last 20 years, Guatemalan society has made a great effort to develop a true democracy based on the rule of law," he said. "Institutional normalization has given way to a full respect for freedom of organization and political and social participation. It closed the chapter of social exclusion and enabled the signing of peace accords."

"It has been easier to dispose of dictatorial, authoritarian structures and build strong, democratic institution... One of our biggest successes has been to eliminate the specter of electoral fraud."

### **Tourism at record high**

Tourism is one of Guatemala's most important and successful economic sectors, with increasing numbers of visitors from the United States, and the rest of the world experiencing the country's breathtaking range of natural and cultural attractions.

Now hailed the "Land of the Eternal Spring," thanks to its year-round, temperate climate, Guatemala boasts an array of lush tropical rainforests, gold and black sand beaches, majestic mountains and volcanoes, ancient Mayan ruins, and eye-catching colonial architecture.

These wonderful attractions drew more than 1.8 million visitors in 2009, with the revenue generated from their trips worth an estimated \$1.1 billion. Latest estimates forecast that more than two million foreign visitors will arrive this year, providing further evidence of the country's growing popularity and highlighting the

many FDI opportunities present.

According to the Guatemalan Tourism Institute (INGUAT), demand for luxury hotel and resort accommodation far outstrips supply, and the agency is keen for investors to develop and expand the sector through the construction of new three, four, and five-star hotels.

This aim is in line with the National Policy for the Development of Sustainable Tourism, which affords priority to projects and initiatives centered on its outstanding portfolio of national treasures. These include tourist attractions like the mysterious Mayan temples at Petén surrounded by tropical rainforests teeming with exotic animals, as well as Lake Atitlán—the deepest lake in Central America—and the ancient city of Antigua Guatemala.

**"Our society has made a great effort to develop a true democracy."**

José Roberto Alejos, President of the Congress of Guatemala

Located just 45 kilometers from the republic's capital and awarded World Heritage status by UNESCO in 1979, Antigua Guatemala is considered the best preserved colonial city in the Spanish-speaking Americas. Featuring cobbled streets and plazas, attractive parks and churches, and museums dating back nearly 500 years, the city offers plenty of FDI opportunities in the tourism sector.

Meanwhile, as the gateway to Guatemala, the country's bustling capital, Guatemala City, is the regional leader of the fast growing business-travel market, due to the large number of international conferences and conventions.

In 2007, the global spotlight fell on the modern metropolis of around three million people when it played host to the International Olympic Committee. In February this year, the city hosted the third meeting of the World Coffee Conference. In a short time, Guatemala City has become the regional leader in the fast-growing business travel market.

# The Demographic Future

## What Population Growth—and Decline—Means for the Global Economy

*Nicholas Eberstadt*

It is already possible to draw a reasonably reliable profile of the world's population in 2030. This is, of course, because the overwhelming majority of those who will inhabit the world 20 years from now are already alive. As a result, one can make some fairly confident estimates of important demographic trends, including manpower availability, the growth in the number of senior citizens, and the resulting support burden on workers.

Overall, it is apparent that the future global economy will not be able to rely on the kind of demographic inputs that helped fuel growth in the era before the current global recession. For today's affluent Western economies, the coming demographic challenge of stagnant and aging populations combined with mounting health and pension claims on a shrinking pool of prospective workers is already generating concern, especially in Europe and Japan. But at the same time, demographic constraints in the rising economies that are expected to fuel future global

growth are more serious and intractable than generally recognized.

When the current painful and protracted economic crisis is eventually resolved, the global economy will likely embark again on a path of sustained long-term growth—but at a slower pace, because of new demographic realities. These demographic pressures can be substantially offset only if both rich and poor countries undertake profound and far-reaching changes in working arrangements, lifestyles, business practices, and government policies.

### **MORE HEALTH, FEWER BABIES**

The twentieth century was an era of unprecedented population growth. Between 1900 and 2000, the world's population almost quadrupled, from about 1.6 billion people to around 6.1 billion. This huge expansion did not occur because people suddenly began reproducing at higher rates; instead, population surged because humans finally stopped dying like flies. Over the course of the twentieth century,

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### *The Demographic Future*

global life expectancy at birth more than doubled, soaring from about 30 years in 1900 to about 65 years in 2000. This global population explosion was, in reality, a health explosion: the entirety of the enormous increase in human population over the past several generations was due to dramatic declines in mortality and improvements in general health conditions.

If the twentieth century's revolutionary demographic trend was a health explosion, the twenty-first century's hallmark trend appears to be a fertility implosion. A dramatic, far-reaching, and, as yet, unremitting global reduction in childbearing and birth-rates is now under way. Sustained and deliberate reductions in family size through birth control began to lower national fertility levels in certain European countries long ago. But sustained fertility decline only became a worldwide phenomenon after the end of World War II. Over the past half century, according to the United Nations Population Division (UNDP) and the U.S. Census Bureau, the number of births per woman dropped by almost half, from 4.9 in the early 1960s to an estimated 2.5 today, with the steepest decline occurring in less developed countries.

Close to half of the world's population now lives in countries with fertility rates below the replacement level, which, as a rough rule of thumb, is 2.1 births per woman. In these states—absent steady compensatory immigration—current childbearing patterns will lead to an eventual and indefinite depopulation. Almost all of the world's developed countries have sub-replacement fertility, with overall birth-rates more than 20 percent below the level required for long-term population stability. But developed countries account for less than a fifth of the world's population; the

great majority of the world's populations with sub-replacement fertility in fact reside in low-income societies.

China is one such low-income society with sub-replacement fertility. It may seem exceptional, given Beijing's one-child policy. Yet sub-replacement fertility is also the norm today in many low-income countries without coercive population controls. Strikingly, some of these are countries with predominantly rural populations where educational opportunities for women remain limited and health conditions are still poor. One such case may be Myanmar (also called Burma), an impoverished and isolated country where, according to the UNDP, birth levels have fallen below the replacement rate.

The U.S. Census Bureau and the UNDP both estimate that sub-replacement fertility is the norm in every East Asian country and in much of Southeast Asia, including Vietnam and Thailand; in most of the Caribbean islands; and, increasingly, throughout Latin America. What is no less striking, sub-replacement fertility has also come to parts of the great Islamic expanse that stretches from northern Africa through the Middle East and into Asia.

Much remains unexplained about the continuing march toward ever-lower levels of fertility. For example, there are few socioeconomic preconditions for rapid and pronounced fertility decline or even for slides into sub-replacement fertility, as the case of Myanmar underscores. Furthermore, it is not known how long a society that has entered into sub-replacement-fertility mode will stay there: Japan, for example, began reporting sub-replacement fertility in the 1950s and has had uninterrupted sub-replacement fertility since the early 1970s. Demographers, it should

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be emphasized, still have no reliable techniques for making accurate long-term fertility forecasts. Nevertheless, some specialists argue that ultralow fertility rates may be but a harbinger of future—and currently unimaginable—fertility declines.

Although little is conclusively known about the underlying causes of the fertility revolution, some of its consequences are discernable. First, pronounced fertility declines today imply a slowdown in the growth of the working-age population tomorrow. Second, low fertility today leads to population aging tomorrow—a process that becomes turbocharged if sub-replacement birthrates are sustained over time.

### **MEN AT WORK**

On a global level, returning to pre-crisis economic growth rates will be complicated by the impending—and inalterable—trends in worldwide manpower availability. Between now and 2030, the global supply of potential workers is set to grow much more slowly than in the previous two decades. According to U.S. Census Bureau projections, the absolute increase in the world's working-age (between 15 and 64) population between 2010 and 2030 will be around 900 million people, 400 million fewer than over the past two decades. The projected average rate of global manpower growth for the coming decades is 0.9 percent per year, only half the rate for the period between 1990 and 2010.

Complicating matters still further is the prospective regional distribution of the coming growth in global manpower. Over the past 20 years, the two greatest centers of manpower growth have been China and India, which also happened to be two of the world's most rapidly

growing economies. Over the next 20 years, however, the largest share of growth in the world's working-age population—well over a third of the total—will take place in sub-Saharan Africa, the region with the worst record of long-term economic performance. Bangladesh and Pakistan will account for nearly another eighth of the world's manpower growth. In other words, over the next two decades, sub-Saharan Africa, Bangladesh, and Pakistan will generate nearly half the growth in the world's working-age population.

At the same time, most of the current advanced economies of the Organization for Economic Cooperation and Development (OECD) and many promising emerging economies are set to experience shrinkage in their working-age populations. This group includes China, Japan, the countries of eastern and western Europe, and the former Soviet states.

The prospect of shrinking manpower does not look any better when broken down into subsidiary age-group components. Younger workers are important for growth, because they typically have higher levels of education and better knowledge of the latest technology. But over the next 20 years, growth in the worldwide pool of young manpower will undergo a severe deceleration. According to U.S. Census Bureau projections, total young manpower—defined here as men and women between the ages of 15 and 29—will increase by just four percent, or 70 million people, between today and 2030, representing barely a fifth of the increase over the past two decades. Only the countries of sub-Saharan Africa will see appreciable growth in young manpower. Japan and the states of western Europe are on course for significant prospective drops in this



PAWAN KUMAR/REUTERS

*Newborn babies resting inside a hospital ward in Lucknow, India, July 2009*

key manpower pool over the next 20 years (in the case of Japan, by almost 25 percent). But by far the most massive falloff in young manpower is set to take place in China: over the next 20 years, this working-age group will fall in China by around 100 million people, or about 30 percent.

Yet as young manpower grows relatively scarcer, older manpower is becoming increasingly abundant. Over the next 20 years, the oldest segment of the conventionally defined working-age population—men and women between 50 and 64 years of age—is projected to account for nearly half of all global manpower growth, nearly twice the share for the period between 1990 and 2010.

China will face a particularly huge increase in older manpower; the working-age population will also age in many other emerging markets, as well as in all the developed Western economies. Older workers do bring some particular skills, based on experience, but they also tend to be less educated and less healthy than younger workers. Furthermore, labor-force participation rates for older workers tend to be lower, and in some affluent societies, much lower.

The prospective global work force of 2030 is on track to being more educated and healthier than previous generations of workers, which should increase overall labor productivity. But the economic

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potential of such prospective benefits should not be exaggerated. Projections by the International Institute for Applied Systems Analysis, in Austria, and the Vienna Institute of Demography suggest that improvements in educational levels for the world's working-age population stand to be slower over the next 20 years than they were over the past 20 years. For example, the proportion of global manpower with no education at all is projected to drop by less than five percentage points, compared to an eight-point drop in the past 20 years. And the share of the working-age population with secondary schooling or better is estimated to increase by ten points, three points fewer than in the previous two decades.

Taken as a whole, these manpower trends point to mounting demographic pressures—and, quite possibly, a slowdown in the rate of long-term economic growth. All other factors being equal, these trends also suggest a slowdown in consumer spending, which could perhaps lead to a slowdown in business profits, as well.

### **AGING UNGRACEFULLY?**

The economic performance of the world's six major economies will largely determine growth patterns for the world as a whole over the next 20 years. China, India, Japan, Russia, western Europe, and the United States account for over half of the world's current population and over 70 percent of the world's GDP, adjusted for purchasing power parity. And over the decade before the current financial crisis, they accounted for about 70 percent of global economic growth.

No major economy has more radiant prospects for the coming decades than China. Its economic transformation has

been nothing less than dazzling—according to World Bank estimates, in the three decades following Deng Xiaoping's 1978 moves toward systemic reform, China's GDP grew by almost ten percent a year. (Other sources suggest a slightly slower rate of growth but still one that is historically unprecedented.) Beijing officially forecasts annual growth rates of roughly seven percent per year between now and 2030. But this rosy prognosis does not take into account China's looming demographic tempests. Population specialists believe that China became a sub-replacement-fertility society about two decades ago and that since then, birthrates have fallen far below the replacement level. For example, the U.S. Census Bureau puts China's total fertility rate at about 1.5 children per woman, or 30 percent below the level required for long-term population stability.

Persistent, and now extreme, sub-replacement fertility is the demographic driver shaping the China of tomorrow. Given current trends, U.S. Census Bureau projections anticipate fewer people under the age of 50 in China in 2030 than today and many fewer Chinese in their 20s and early 30s. These same projections foresee many more elderly Chinese in their 60s, 70s, and 80s. China's older workers are much less educated than their youthful successors—nearly half of today's working-age population between the ages of 50 and 64 has not completed primary school. Educational levels for older workers will improve in the decades ahead but will still lag behind Chinese national averages. And China will be experiencing a population explosion of senior citizens over the next 20 years; they are the progeny of the pre-population-control era. In 2010, about 115 million people in China were

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65 or older. By 2030, this number is projected to approach 240 million people—meaning that China’s cohort of senior citizens would be soaring at an average rate of 3.7 percent per year.

How Beijing will support this coming tsunami of senior citizens remains an unanswered question. As yet, China has no national public pension system and only the most rudimentary provisions for rural health care. Meeting the needs of its rapidly growing elderly population will place economic and social pressures on China that no country of a comparable income level has ever had to confront.

Moreover, in the decades ahead, China will face a growing number of young men who will never marry due to the country’s one-child policy, which has resulted in a reported birth ratio of almost 120 boys for every 100 girls (most societies report the births of 103 to 105 boys for every 100 girls). This imbalance is setting the stage for a “marriage squeeze” of monumental proportions. By 2030, projections suggest that more than 25 percent of Chinese men in their late 30s will never have married. The coming marriage squeeze will likely be even more acute in the Chinese countryside, since the poor, uneducated, and rural population will be more likely to lose out in the competition for brides. Beijing will have to determine how it will cope with a growing demographic of unmarried, underprivileged, and, quite possibly, deeply discontented young men.

China still has potential sources for enhancing productivity, including the migration of rural workers to more productive urban jobs, the wider application of currently underutilized technical know-how, improved financial intermediation for the country’s high savings rates, and

broader institutional and policy reforms to enhance efficiency. Such untapped potential can fuel future growth, but nevertheless, China’s serious demographic challenges could slow economic growth more than is currently expected.

Russia is another emerging-market country widely regarded as holding immense economic promise, not least by the leaders in the Kremlin. Despite the current economic downturn, official Russian plans envision economic growth of six percent a year through 2020 and continuing rapid growth thereafter. But these ambitious visions seem to ignore the fact that the country has been in the grip of a protracted demographic crisis since the end of communist rule. Since 1992, Russia’s deaths have outnumbered births by roughly 50 percent, or about 13 million, and official figures suggest that the country’s population has shrunk by about five percent—nearly seven million people—from 148.6 million in 1993 to 141.9 million today. Immigration has helped slow the country’s population decline but has not been able to prevent it. The outlook is for further depopulation: medium variant projections by the Kremlin’s official statistical service envision ten million more deaths than births over the next two decades.

Even more troubling for Russia is the country’s disastrous public health situation. In 2009, as hard as it may be to believe, Russia’s overall life expectancy was a bit lower than it had been in 1961, almost half a century earlier. To make matters worse, at least from an economic standpoint, Russia’s health crisis is concentrated in its working-age population. Over the 40 years between 1965 and 2005, for example, the death rates for men between their late

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20s and their mid-50s virtually doubled. Death rates for women in that same age group generally rose by about 50 percent. Public health experts do not entirely understand the reasons for this death spiral—although poor diet, smoking, sedentary lifestyles, and, above all, Russia's deadly romance with vodka can explain much of the deterioration, the actual decline is worse than what these risk factors alone would suggest. In some respects, contemporary health levels for Russian adults are akin to those for adults in the world's most impoverished states. According to estimates by the World Health Organization, life expectancy for a 15-year-old man in 2008 would have been lower in Russia than in Cambodia, Eritrea, or Haiti. Between now and 2030, the U.S. Census Bureau projects that Russia's working-age population will fall by nearly 20 percent, and Russia's work force will almost surely suffer more ill health than its counterparts in the OECD and than the work forces of the other BRIC countries (Brazil, India, and China). In 2008, according to World Health Organization estimates, mortality levels for Russia's working-age population were 25 percent higher than those for India's.

Urban centers are typically the hubs of economic growth, but Russia's urban population is smaller today than it was at the end of the communist era, and the UN projects that there will be even fewer inhabitants in Russia's cities 20 years from now. In addition, Russia's old-age burden will be steadily increasing—whereas 13 percent of the Russian population today is 65 or older, the projected proportion for 2030 is 21 percent. Taking all the above into account, it is difficult to see how Russia can hope to generate sustained and rapid economic growth on the basis of

its human resources. Natural resources may offer the country economic opportunities in the years ahead, but these opportunities should not be exaggerated. Despite all of Russia's energy and mineral wealth, its annual export earnings have never exceeded those of Belgium, not even at the height of the pre-crisis oil boom.

India's GDP growth has averaged an impressive 6.5 percent a year since the economic reforms that began in 1991. Recently, the economy has been humming along at eight percent growth per year. Not a few observers think the best may be yet to come. In just one example, a member of India's Planning Commission suggested in 2008 that India's economy would be growing at eight to nine percent a year for the next quarter century. In the same time frame, India's total population is set to grow by just over one percent per year, and about five-sixths of that growth will be in its working-age population. Thanks to the disproportionate growth of India's manpower pool, the country's dependency ratio (the ratio of children under 15 and persons over 65 to the working-age population) will be falling, and the society will remain relatively youthful. Such changes in population structure could facilitate higher levels of national savings and investment—and, thus, economic growth. In short, India appears to be a poster child for a potential demographic dividend.

But India has striking regional disparities in population profiles. India is bisected by a great north-south fertility divide: in much of the north, including parts of the Ganges river belt and some of the country's westernmost districts, fertility levels remain quite high, at four, five, or more children per woman; in much

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of the Indian south, however, fertility levels are at, or already below, the replacement level. In effect, this means that two very different Indias are being born today—a youthful, rapidly growing northern India whose future population structure will be akin to that of a traditional Third World society and a southern India whose population growth will be slowing or ceasing, where manpower growth will be coming to an end, and where pronounced population aging will be taking hold.

This demographic divergence could make sustaining rapid economic growth a trickier proposition than it might seem at first. India's engines of economic growth are mainly its sub-replacement-fertility areas, which include much of the south and practically all its major urban centers: Bangalore, Chennai, Kolkata, and Mumbai. But its demographics mean that the country's future workers will increasingly come from the high-fertility areas of the north. This reveals a fundamental mismatch: India's continued economic growth requires workers who are relatively well educated, but India's mostly rural high-fertility areas are producing a rising generation with woefully low levels of schooling.

India, it is true, can boast of a cadre of millions of highly trained engineers, scientists, researchers, and professionals. But in a country of well over a billion people, these specialists compose only a tiny fraction of its overall manpower. In the country as a whole, educational levels are still remarkably limited, and remedial efforts will take generations to achieve substantial improvement. Currently, about a third of India's working-age population has no education at all; 20 years from now, a sixth of the country's work force

may still be totally unschooled. These educational shortfalls place material constraints on the prospects for sustaining rapid rates of economic growth.

Broadly speaking, all the developed economies will face demographic slowdowns and population aging in the coming decades, but Japan stands to be the most heavily burdened by the looming trends. It has had the steepest and longest fertility falloff in modern history. In 2008, the country recorded around 40 percent as many births as it had 60 years earlier. Japanese childbearing is currently estimated to be nearly 35 percent below the replacement level. But Japan has also enjoyed rapid and continuing improvements in public health since the end of World War II. The Japanese have an average life expectancy of 83 years, higher than any other country in the world. Taken together, the country's fertility, migration, and mortality trends are propelling Japan into demographic decline, and into a degree of aging thus far contemplated only in science fiction.

Over the next two decades, according to U.S. Census Bureau estimates, the surfeit of deaths as compared to births is expected to drive Japan's total population down from 127 million to 114 million, a ten percent decrease. The relative decline in the working-age population is projected to be even steeper, from 81 million to 67 million, or a 17 percent decrease. All the while, the number of Japanese senior citizens would be rising—and by 2030, the country's median age will be above 52 years, with 30 percent of the total population 65 or older. The economic implications of these impending changes are far from positive. Even with healthy aging and later retirement, these trends suggest a

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marked contraction in the country's labor supply. Moreover, the social and economic strains from Japan's looming old-age boom could further complicate efforts to maintain even the country's current sluggish rates of economic growth.

Western Europe, for its part, can expect population stagnation, according to the U.S. Census Bureau—its population may grow by just three percent over the next two decades, with near-zero growth projected by 2030. Germany and Italy are expected to experience population decline. A stagnating Europe will also be a graying Europe. The U.S. Census Bureau estimates that western Europe's median age would rise from 42 years today to nearly 46 years by 2030. Despite overall population stagnation, western Europe's 65-and-older population is set to rise by nearly 40 percent, while its manpower pool is slated to shrink by 12 million people. And these projections are premised on a net inflow of approximately 20 million immigrants, mainly of working age.

Two unanswered demographic questions loom over the future of the western European economy. First, can the countries in the region succeed in attracting and incorporating the foreign workers their economies will need in the coming decades? Thus far, western Europe's record on the social inclusion of immigrants may have been somewhat better than many appreciate; however, there have been increasing assimilation problems, which, if left unattended, could impinge on economic growth, as well as social cohesion. Second, can the countries of western Europe translate public health improvements into longer working lives for progressively aging populations? At the moment, overall life expectancy at birth in western Europe is

about two years higher than in the United States (80 years compared to 78 years). But the average retirement age in western Europe is lower than it is in the United States, even despite recent increases in the labor-force participation of older workers in northern Europe. This summer's public protests in France against a proposed increase in the French retirement age from 60 to 62 shows how tough it may be to achieve political consensus.

### **THE DEMOGRAPHIC EXCEPTION**

The United States will avoid the demographic stagnation and decline that faces most other OECD countries. The U.S. population, according to U.S. Census Bureau projections, is set to grow by 20 percent, or over 60 million people (from 310 million to 374 million), between 2010 and 2030. By such projections, the United States' population growth rate will nearly match India's. According to these calculations, the United States' rate of population growth approximates that of the world's average, meaning that the U.S. share of global population is not set to shrink. Virtually every age group in the United States is set to increase in size over the next 20 years. Unlike all other affluent countries, the United States can expect a growing pool of working-age people (a moderate but steady rise averaging 0.5 percent per year over the next 20 years), and it can expect a slower pace of population aging than virtually any other state in the OECD.

The United States' demographic exceptionalism is explained by the country's relatively high fertility rate and its continuing influx of immigrants. Over the past generation and a half, while fertility rates in most other Western countries were



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### *The Demographic Future*

plunging, the fertility rate in the United States was actually increasing, and unlike that of any other large rich country, its rate has been hovering just around the replacement level for the past generation. If fertility and immigration in the United States remain more or less at their current rates, as U.S. Census Bureau projections assume they will, the United States will enjoy a surplus of births over deaths of nearly 35 million and will tally a net inflow of almost 30 million immigrants over the next 20 years. Both factors would keep the nation growing and relatively young, shaping a distinctly more auspicious outlook for economic growth in the United States than exists for Japan or western Europe.

Nevertheless, there are also clouds on the U.S. demographic horizon, all of them regarding the quality of future U.S. human resources. The United States has a relatively good record when it comes to assimilating immigrants as productive newcomers, but resistance to continued immigration, or unexpected new problems in absorbing immigrant inflows, could limit future success. Furthermore, the United States' primary and secondary public education system produces uneven results that are mediocre in comparison to other affluent societies. The percentage of Americans graduating from high school has been slowing and could possibly plateau in the years ahead. And advances in health in the United States do not compare well with those under way in other affluent states. Education and health will be key to enhancing the productivity and wealth of the U.S. population in the decades ahead, which means there are few grounds for complacency when contemplating these challenges.

Despite the particular differences in their demographic outlooks, Japan, western Europe, and the United States share a common fiscal problem: the relationship between population aging and public-debt obligations. Over the past two decades, a striking feature has emerged in the macroeconomies of the OECD countries. The gross burden of public debt as a proportion of GDP has come to correspond with the proportion of the population that is 65 or older. Very roughly speaking (as my colleague Hans Groth and I have shown), costs associated with population aging are estimated to account for about half the public-debt run-up of the OECD economies over the past 20 years. In the next two decades, the increase in the 65-and-older population will be about twice as great as it was in the decades just past. Coping with the fiscal and public-debt implications of the pressures that population aging places on macroeconomic performance may not be an entirely new challenge for affluent societies, but it promises to become an ever more salient one over the next 20 years.

#### **HUMANITY'S SECRET WEAPONS**

Left unattended, the global demographic trends outlined above suggest serious and gradually mounting pressures on global economic development and may lead to downward revisions of worldwide material expectations. But feasible options do exist to alleviate some of these pressures—and to capitalize on new demographic opportunities that may arise. Addressing these new demographic challenges will require deliberate, concerted, and sustained efforts. Such an approach must focus on augmenting human capital by expanding education, improving health conditions, and creating



*Nicholas Eberstadt*

an economic environment in which greater returns can be generated by the world's precious human resources.

Improving educational opportunity and quality in low-income areas, for example, should figure centrally in enhancing prospects for local and global growth. Better-educated workers tend to be not only more productive but also healthier and better placed to lead longer working lives. Simply put, populations in developing countries cannot hope to generate First World income levels with Third World educational profiles. Improving health status should also be a central objective, since health advances could prove critical to maintaining or increasing long-term economic growth rates in an ever-grayer world.

For affluent, graying societies, taking economic advantage of healthy aging will become ever more crucial to the quest for higher national income levels. This suggests that the existing disincentives in so many rich countries to continuing to work at older ages should be reexamined and ultimately eliminated. At the same time, governments should consider careful incentives for the voluntary extension of working life. More generally, in both rich and poor countries, governments should enact business and economic policies that enhance the efficiency of manpower resources, thereby eliciting higher productivity and faster economic growth.

Humanity has one additional "secret weapon" in accelerating growth in the years ahead: knowledge production and technological innovation. The revolutions of the past generation in health and life sciences, information technology, and materials science point to the sorts of

opportunities that may lie ahead for improving productivity. More than ever before, research and development must be incentivized to reward risk takers.

For the sake of the world's future prosperity, reforms and innovations must be pursued with urgency. Demographic changes unfold slowly from month to month, but the cumulative impact can be staggering. It is not alarmist to warn that there is no time to lose in recognizing—and adapting to—the enormity of the world's unavoidable demographic challenges. 🌐

# Back to School

## Enhancing U.S. Education and Competitiveness

*Arne Duncan*

During his trip to Asia last November, U.S. President Barack Obama sat down to a working lunch with South Korean President Lee Myung-bak in Seoul. In the space of little more than a generation, South Korea has developed one of the world's best-educated work forces and fastest-growing economies—and President Obama was curious about the South Korean miracle. “What is the biggest education challenge you have?” he asked Lee. Without hesitating, Lee replied, “The biggest challenge I have is that my parents are too demanding.”

That anecdote usually makes Americans chuckle—and wince. It highlights how U.S. students are falling behind their peers in advanced nations in the global race for economic competitiveness. Most South Korean parents, even the poorest, insist that their children learn English starting in elementary school. As a result, South Korea has had to bring in thousands of foreign-language teachers. I wish the United States shared South Korea's challenge. Americans have good reason to be concerned: young adults in eight other nations, including South Korea, are more

likely to have college degrees than those in the United States.

Yet the relationship between education and international competitiveness is a subject rife with myth and misunderstanding. There is a paradox at the heart of the United States' efforts to bolster international competitiveness: to succeed in today's knowledge economy, the United States will have to become both more economically competitive and more collaborative. For too long, policymakers, lawmakers, and voters have treated competitiveness as a zero-sum game, in which another nation's gain is necessarily the United States' loss. In fact, enhancing educational achievement and economic viability—at home and abroad—is more a win-win game, one with enormous benefits for the world and for the United States.

### **MUTUAL ASSURED PROGRESSION**

The belief that another country's gain in economic competitiveness is the United States' loss is a remnant of the Cold War mentality, a protectionist ethic, according to which prosperity depends on a state's ability to preserve a finite amount of goods and

*Arne Duncan*

human capital. As former U.S. Secretary of Education Richard Riley put it, “For much of the last 50 years, international education was often defined by Cold War imperatives.” Rival nations’ education programs were often seen more as national tools for winning hearts and minds than as mutually beneficial engines for economic growth and democracy.

In the last decade, international competition in higher education and the job market has grown dramatically because, as the *New York Times* columnist Thomas Friedman would say, the world has “flattened”: companies can now digitize, automate, and outsource work to the most competitive individuals, companies, and countries.

The information age has wrought ubiquitous and irreversible changes. In 2008, the Commission on Growth and Development reported that since 1950, 13 economies around the world had grown at unprecedented average annual rates of seven percent or more for 25 years or longer—a feat made possible, the commission argued, “only because the world economy is now more open and integrated.”

In practical terms, globalization means that U.S. students will have to compete throughout their careers with their peers in Canada, China, India, European countries, and other rapidly developing states. As President Obama has warned, “The nation that out-educates us today is going to out-compete us tomorrow.” And students in other countries are already catching up with or surpassing U.S. students, especially in the critical STEM fields: science, technology, engineering, and mathematics. This year, according to a study from the National Bureau of Economic Research, China will award more Ph.D.’s in

engineering and the sciences than any other country in the world, including the United States, the current titleholder.

At the same time, international competition has increased international collaboration. In the new knowledge economy, education is a public good unconstrained by national boundaries. The U.S. economy, for example, benefits enormously from the inflow of foreign products and well-educated immigrants. Ben Wildavsky writes in *The Great Brain Race* that immigrants in the United States made up just 12 percent of the U.S. work force in 2000 but nearly 50 percent of the country’s Ph.D.-holding scientists and engineers. From 1995 to 2005, moreover, immigrants started one-quarter of all engineering and technology companies in the United States, including half of those in Silicon Valley. One of Google’s co-founders, Sergey Brin, for example, was born in Moscow and educated in the United States.

Even when products are manufactured overseas by foreign companies, U.S. entrepreneurs are well positioned to benefit through innovation. A 2007 study by the Sloan Foundation found that although Apple outsourced abroad the manufacturing of the parts that make up the 30-gigabyte video iPod, 55 percent of the product’s \$299 retail price was captured by U.S. companies and workers. Most of the iPod’s value lies in its development and design. Apple’s engineers in the United States were the ones who figured out how to combine the device’s 451 parts into a prized commercial product.

U.S. businesses benefit from the knowledge economy in other ways, too. The borderless nature of innovation,



JEFF HAYNES/REUTERS

*U.S. President Barack Obama and U.S. Secretary of Education Arne Duncan talking to students at the Dodge Renaissance Academy in Chicago, December 2008*

manufacturing, and research and development has made national economies far more interdependent than in the past. Better-educated populations overseas mean greater markets abroad for U.S. goods: the millions of young adults in China and India who complete college will demand high-status imports, such as iPods, from the United States. Ultimately, the United States will not thrive unless progress is shared worldwide. As President Obama pointed out in his June 2009 speech in Cairo, “Any world order that elevates one nation or group of people over another will inevitably fail.”

Not surprisingly, interdependence also comes with a slew of global challenges. Reducing poverty and disease, developing sustainable sources of energy, controlling nuclear proliferation, fighting terrorism, curbing global warming and air pollution—the United States cannot meet any of

these challenges without collaborating with other countries. These partnerships will require U.S. students to develop better critical thinking, cross-cultural understanding, and language skills.

#### **WINNERS AND LOSERS**

Not everyone will share equally in the benefits of the new knowledge economy. Those with the most to gain will be college-educated workers. Over the last 35 years, the share of jobs in the U.S. economy that require a postsecondary education rose from 28 percent to 59 percent, and that figure is expected to rise to 63 percent by the end of the decade, according to Georgetown University’s Center on Education and the Workforce. The widening gap between the economic fates of workers with college degrees and the fates of those without underscores that knowledge today is an international public good.

*Arne Duncan*

Wage trends for well-educated workers offer still more evidence of this shift. If innovation and human capital were finite resources limited by national borders, one would expect the huge expansion of college-educated workers around the world to depress the wages of highly educated workers in the United States compared to the wages of less-educated workers everywhere. In fact, the opposite has occurred. Data compiled by the Organization for Economic Cooperation and Development show that in most OECD countries, where more students are completing college than ever before, the difference in earnings between college graduates and nongraduates is growing. As the OECD analyst Andreas Schleicher points out, a dramatic global increase in the supply of knowledge workers “does not necessarily lead to a decrease in their pay.”

U.S. workers will be comparatively better off if they lead the world in educational attainment, but advancing education everywhere brings benefits to everyone. Education has immeasurable power to promote growth and stability around the world. Educating girls and integrating them into the labor force is especially critical to breaking the cycle of poverty. It is hard to imagine a better world without a global commitment to providing better education for women and youth—including the 72 million children today who do not attend primary school. It would be a safer world, too. As several cross-country studies have shown, low educational attainment is one of the few statistically significant predictors of violence. Ultimately, education is the great equalizer; it helps overcome differences in background, culture, and privilege and opens up economic opportunities.

OECD countries, including the United States, benefit from increased educational skills as well. Earlier this year, the economists Eric Hanushek and Ludger Woessmann asked what would happen if students from the OECD countries scored higher on the Program for International Student Assessment (PISA), which tests 15-year-olds in reading, mathematics, and science literacy. They found that if scores increased modestly from the current average of around 500 to 525 over a 20-year period, the aggregate GDP of these countries would rise by \$115 trillion over the lifetime of the generation born in 2010. More than one-third of that increase—\$41 trillion—would accrue to the U.S. economy. Even allowing for the uncertainty of long-term economic projections, the effects of a sustained bump in student performance could be huge, dwarfing the swings of the regular economic cycle. And a better-educated work force would be more resilient in economic downturns. Education, in short, is the new game changer driving economic growth. The United States must educate its way to a better economy.

### **INCOMPLETION RATES**

A generation ago, the United States had the highest proportion of college graduates in the world. Now, it ranks fifth among developed nations and is tied for ninth for rates of college completion among those aged 25 to 34. Although 58 percent of South Korean young adults and 56 percent of Canadian ones have earned at least an associate's degree, only 42 percent of young adults in the United States have achieved the same milestone. And unlike in many other developed countries, where the proportion of young adults



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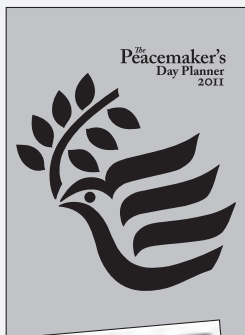
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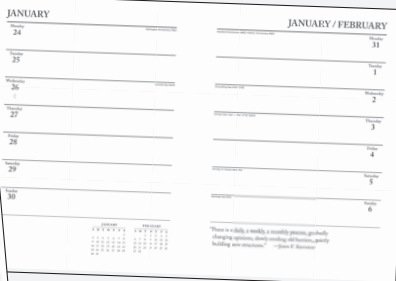
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### *Back to School*

with associate's or bachelor's degrees has soared over the last decade, the figure has flatlined in the United States. Young Americans have almost identical college completion rates as their parents.

This stagnation could cripple the U.S. economy and limit the chances of success for millions of U.S. workers and their families. With that in mind, President Obama, speaking at a joint session of Congress in February 2009, called for the nation to set the goal that "by 2020, America will once again have the highest proportion of college graduates in the world." Reaching this benchmark is the objective that guides and aligns the rest of the Obama administration's education reforms.

This goal is ambitious: to meet it, an additional eight million people will have to graduate from higher-education institutions in the United States over the next nine years. But it is also crucial for U.S. economic competitiveness. In June, the Center on Education and the Workforce projected that by 2018, the U.S. economy will need about 22 million more college-educated workers but that, at current graduation rates, it will be short by at least three million. With not enough Americans completing college, the center warned, the United States is "on a collision course with the future."

U.S. colleges and universities must do a much better job of getting students to graduation day. The United States still has one of the highest college enrollment rates in the world—nearly 70 percent of U.S. high school graduates enroll in college within one year of earning their diplomas. But only about 60 percent of students who enroll in four-year bachelor's programs graduate within six years, and only about

20 percent of students who enroll in two-year community colleges graduate within three years.

Even with progress on this front, post-secondary institutions will not be able to reach President Obama's 2020 goal unless more adults with little or no college education complete college and more students graduate from high school. Currently, about one-fourth of ninth graders fail to graduate high school within four years. Among the OECD countries, only Mexico, Spain, Turkey, and New Zealand have higher dropout rates than the United States. Most U.S. students who do earn high school diplomas, moreover, are unprepared for college-level work; college entrance exams suggest that merely one-quarter of graduating high school seniors are ready for college, and 40 percent of incoming freshmen at community colleges have to take at least one remedial class during their first semester.

#### **COMING UP SHORT**

In this globalized economy, how well U.S. students perform compared to their peers in other high-achieving nations is a critical yardstick. Unfortunately, just as the United States falls behind these nations in college attainment rates, the academic achievement of younger U.S. students is also mediocre by comparison.

In a 2006 study of 30 OECD nations, 15-year-old Americans ranked 23rd on the PISA test for math and 25th on its assessment for science. Fifteen-year-old Canadians were on average well over one school year ahead of their U.S. peers in these subjects. U.S. students fared better in the 2007 Trends in International Mathematics and Science Study (TIMSS), which assessed the performance of secondary



*Arne Duncan*

school students in 48 countries: eighth graders in the United States tied for sixth place in math and tenth in science. Still, the United States is nowhere near the top of the pack.

Some try to downplay U.S. students' lackluster performance by noting that the United States has a disproportionate number of low-performing, disadvantaged students. The 2007 TIMSS scores of eighth graders in Massachusetts, a high-performing state, would have tied for first in science with students from Japan, Singapore, South Korea, and Taiwan. U.S. students compare well as a whole with their OECD peers in elementary school, but once in middle school and high school, they slip behind their OECD counterparts. Instead of reducing achievement gaps between advantaged and disadvantaged students over time, public schools in the United States widen them.

These disparities are not primarily a matter of money. With the exception of Luxembourg, the United States spends more on a student in his or her elementary school years than any other OECD nation. As for secondary education, only Luxembourg, Norway, and Switzerland spend more per student. At the college level, U.S. spending per student (from both public and private sources) exceeds that of any other nation in the world.

Yet those developed nations that spend less per student than the United States typically channel more of their spending toward the most challenged students and to providing incentives to attract the best teachers to the most difficult classrooms. In the United States, in contrast, school funding is contingent in part on local tax levies that reflect the wealth of the surrounding community.

Public schools must do much more to reduce achievement gaps, both to enhance U.S. economic competitiveness and to fulfill education's promise as the great equalizer. There are more examples of schools closing achievement gaps today than ever before. But most schools in impoverished districts have not adopted the practices of high-performing schools. Isolated pockets of achievement are not enough. Success across entire districts needs to become the norm.

### **COLLEGE BOUND**

While the challenges to making U.S. public-school students more competitive are considerable, the American system of higher education is still in many respects the envy of the world. Its blend of top-ranked research universities, liberal arts colleges, comprehensive state universities, and a robust community-college system provides unparalleled access to students of all socioeconomic backgrounds.

In addition, the tradition of research universities was perfected in the United States, where they are leading centers of medical, technological, and scientific advancement. Unlike in many Asian and European countries, research funding in the United States is typically awarded to universities through a competitive peer-review process that is relatively free of political interference. The culture of academic freedom helps incubate the knowledge economy. It is no coincidence that major tech companies—Cisco, Yahoo!, and Facebook—began on U.S. college campuses. University graduates, moreover, provide the new economy's professional work force, and graduates of community colleges and technical schools fill jobs in high-demand fields, such as nursing,

### *Back to School*

information technology, medical technology, Web design, and alternative energy development.

For all their strengths, however, U.S. postsecondary institutions will need to adapt to cope with new demographic realities. The days of the storied four-year residential college experience—filled with dorm living and fraternity keggers—are fading fast. Today, greater numbers of older students are pursuing retraining or lifelong learning, and most students work at least part time. At community colleges, almost half of the students are over the age of 24, and more than 40 percent work full time. And today's students, who grew up with cell phones, Kindles, iPads, and laptops, will seek technology-rich learning environments, online classes, distance learning, and electronic instruction. If U.S. postsecondary institutions can meet these demands, they would strengthen U.S. competitiveness in educational technology and electronic curriculum use, the STEM fields, and preparedness for the multicultural, multilingual economy. But many institutions have struggled to modernize and adapt, especially when it comes to assisting low-income students.

Technology has a vast untapped capacity to improve higher education and the K-12 system. The use of online courses, on-demand learning, digital simulations, three-dimensional modeling, visual aids, team teaching, and videoconferencing is expanding in U.S. schools, notably in community colleges. High-quality online instruction and tutoring, which are available to anyone in the world with an Internet connection, will break down silos among postsecondary institutions, expand personalized learning, and dramatically increase access to college-level education. One

day, a young man on an impoverished reservation in Montana and a young woman in a remote village in Pakistan will both be able to access—for little or no fee—the same course in civil engineering.

To take advantage of new technologies, higher-education institutions will need to revamp a number of policies. The century-old practice of awarding degrees based on seat time in a classroom, rather than on demonstrated competence in a subject, is at odds with a world in which the Internet offers perpetual opportunities for learning. Many of the United States' four-year institutions, particularly the most selective, still rely too heavily on traditional academic practices. Few institutions give professors incentives to share teaching notes, lectures, research, or other pedagogic tools online. In western Europe, by contrast, a program called eTwinning pairs schools in different countries to facilitate peer-to-peer learning. A class in Germany studying French might be paired with one in France studying German. This is a classic example of how competitiveness can create mutually beneficial situations, since both France and Germany will gain from greater collaboration.

#### **SKILL RESET**

Few reforms are more necessary for reaffirming the United States' role as the world's engine for scientific discovery and technological innovation than strengthening education in the STEM fields, and President Obama has set a goal for U.S. students to move from the middle to the top of international rankings in science and math over the next decade. High school seniors in the United States are already earning more STEM credits than a decade ago, and many more college

*Arne Duncan*

students are matriculating in these fields than 15 years ago. Last year, one-third of all white, Asian, black, Hispanic, and Native American full-time first-year college students reported that they planned to major in one of these fields, compared with less than one-quarter two decades ago. Still, students who indicate a desire to major in STEM disciplines are less likely to graduate than other students. And minority students in these fields have especially low success rates: only about 20 percent of black and Hispanic first-year students at four-year colleges who plan to major in a STEM field graduate with a related degree within five years.

Just as boosting the scientific and technological knowledge of students is an important step, strengthening their communication skills, creativity, and problem-solving capability is crucial. Employers repeatedly report that they seek college graduates with the ability to adapt, innovate, synthesize data, communicate effectively, learn independently, and work in teams. Just as regularly, they complain that U.S. postsecondary institutions fail to adequately develop these skills in students.

One such necessary skill is the ability to work with colleagues who speak other languages. Developing multicultural understanding requires students to study a well-rounded curriculum in history, the arts, and foreign languages—and not just concentrate on English, math, and science.

In many developed countries, college students are fluent in two or more languages. In the United States, foreign-language instruction is inconsistent and on the decline. (The study of Chinese and Arabic languages is expanding but from a small base.) Only one in four elementary schools

in the United States currently offers foreign-language instruction of any kind, and foreign-language study is a requirement for high school graduation in only ten states. Low-income and minority students in the United States particularly lag behind their peers abroad in their knowledge of languages, geography, and culture.

Even if public schools sought to offer foreign-language courses, a dearth of qualified instructors would hinder their efforts. During the 2007–8 school year, three-fourths of U.S. states reported shortages in foreign-language teachers. Teacher preparation programs at postsecondary institutions are failing to train enough new foreign-language instructors. In 2007–8, only 136 bachelor's degrees, 188 master's degrees, and 14 doctorates were awarded in foreign-language instruction nationwide.

“If you talk to a man in a language he understands,” Nelson Mandela has said, “that goes to his head. If you talk to him in his language, that goes to his heart.” U.S. schools and universities are doing far too little to teach students how to speak to the hearts of foreign neighbors and prepare them for work with colleagues from diverse cultural backgrounds. In 2002, just months after 9/11, U.S. postsecondary institutions nationwide awarded only six bachelor's degrees in Arabic language and literature. By 2008, the total had risen to 57—still far short of the nation's needs.

### **GROWING THE PIE**

In the coming decade, the United States has a unique opportunity to reverse its declining economic competitiveness. The American Recovery and Reinvestment Act of 2009, the stimulus package enacted

### *Back to School*

by Congress in February 2009, included nearly \$100 billion for education, the largest investment of its kind by the U.S. federal government in history. It also granted the secretary of education more than \$5 billion in competitive discretionary funding—more than the total of all such funding provided to the Department of Education since it was established 30 years ago. Discretionary monies fund programs such as Race to the Top, Investing in Innovation, and School Improvement Grants, which help boost K–12 student achievement and readiness for college and careers and help turn around the nation's lowest-performing schools. The Obama administration has also sought unprecedented funding for STEM education. The 2011 budget proposed investing \$3.7 billion in federal STEM education programs, including \$1 billion for improving math and science achievement among K–12 students—a funding increase of over 40 percent.

By ending subsidies to banks that had brokered student loans, the Health Care and Education Reconciliation Act of 2010 freed up more than \$40 billion that will go to the Pell Grant scholarship program, which provides need-based grants to low-income undergraduates. This is the biggest increase in student aid since the 1944 GI bill. The act also granted \$2 billion to community colleges to help them produce millions more graduates.

In addition to better funding, another transformational reform is the voluntary adoption by at least 35 states and the District of Columbia of the Common Core State Standards, which measure K–12 students' readiness for college or careers. For the first time in history, rigorous, internationally benchmarked standards

for math and English will be applied to more than three-fourths of all U.S. public-school students. This will end some states' notorious practice of dumbing down academic standards to make students who are far from ready to enter college or start a career appear proficient.

But the federal government cannot revitalize U.S. education and the United States' economic competitiveness alone. More than 90 percent of spending for primary and secondary school education typically comes from state and local governments. They, along with businesses, higher-education institutions, and philanthropists, must all do their part to prepare U.S. students to compete in the knowledge economy. State policies and institutional practices in higher education are especially ripe for reform. Postsecondary institutions can no longer blame low graduation rates of minority students solely on socioeconomic factors when graduation rates for similar cohorts of minority students vary widely among institutions. For example, black first-year students at community colleges in Maryland are twice as likely as those in Louisiana to earn an associate's degree within three years. Demography is not destiny.

More than anything, strengthening the United States' economic competitiveness will require a sea change in the prevailing mindset among the politicians and voters who treat international competition exclusively as a threat. Economic competition should be a healthy inducement to learn from and collaborate with other nations. One of PISA's most encouraging lessons is that, over time, other nations have significantly narrowed achievement gaps and boosted educational achievement

*Arne Duncan*

nationwide. Two generations ago, South Korea had the economic output of Afghanistan today and, if PISA had existed, would have ranked 24th in educational attainment among the OECD nations. Today, South Korea has the highest college attainment rate in the world among young adults.

In truth, the United States has much to learn from foreign competitors. Dennis Van Roekel, the president of the National Education Association, has noted that other developed nations are more successful at recruiting talented teachers, providing first-rate teaching preparation and professional development, and honoring the teaching profession. Unlike in the United States, in South Korea teachers come from the top ten percent of graduates—and those who teach are viewed as making an important contribution to building their nation.

Learning from high-achieving countries is a two-way street. Chinese officials, frustrated with the relative lack of Nobel Prizes and patents obtained by Chinese, are seeking to emulate the creativity and innovation of U.S. institutions of higher education. The American tradition of free inquiry and peer-reviewed research is itself a winning advertisement overseas for American education and a tool for spreading democracy. As Tony Wagner, an education professor, points out in *The Global Achievement Gap*, there is a happy “convergence between the skills most needed in the global knowledge economy and those most needed to keep our democracy safe and vibrant.” Asking good questions, solving problems, seeking to understand cultural differences—all these civic traits are prized by employers, too.

The economic future of the United States rests not only on its ability to strengthen its education system but also on citizens in other states raising their living standards. Thinking of the future as a contest among states vying to get larger pieces of a finite economic pie for themselves is a recipe for protectionism and global strife. Instead, Americans must realize that expanding educational attainment everywhere is the best way to grow the pie for all. The virtuous cycle, not the vicious cycle, is the pathway to prosperity. 🌐

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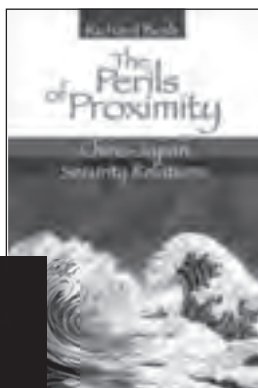


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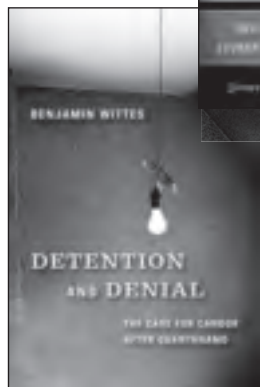


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# The Digital Disruption

## Connectivity and the Diffusion of Power

*Eric Schmidt and Jared Cohen*

The advent and power of connection technologies—tools that connect people to vast amounts of information and to one another—will make the twenty-first century all about surprises. Governments will be caught off-guard when large numbers of their citizens, armed with virtually nothing but cell phones, take part in mini-rebellions that challenge their authority. For the media, reporting will increasingly become a collaborative enterprise between traditional news organizations and the quickly growing number of citizen journalists. And technology companies will find themselves outsmarted by their competition and surprised by consumers who have little loyalty and no patience.

Today, more than 50 percent of the world's population has access to some combination of cell phones (five billion users) and the Internet (two billion). These people communicate within and across borders, forming virtual communities that empower citizens at the expense of

governments. New intermediaries make it possible to develop and distribute content across old boundaries, lowering barriers to entry. Whereas the traditional press is called the fourth estate, this space might be called the “interconnected estate”—a place where any person with access to the Internet, regardless of living standard or nationality, is given a voice and the power to effect change.

For the world's most powerful states, the rise of the interconnected estate will create new opportunities for growth and development, as well as huge challenges to established ways of governing. Connection technologies will carve out spaces for democracy as well as autocracy and empower individuals for both good and ill. States will vie to control the impact of technologies on their political and economic power.

Some countries, primarily major connected powers such as the United States, EU member states, and the Asian

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*Eric Schmidt and Jared Cohen*

economic powerhouses (led by China and to a lesser extent India) will manage to regulate the interconnected estate within their own borders in ways that strengthen their respective values. But not all states will be able to control or embrace the empowerment of the individual. Connection technologies will add to the strains of less developed societies—forcing them to become more open and accountable while also giving governments new tools to constrain opposition and become more closed and repressive. There will be a constant struggle between those striving to promote what U.S. Secretary of State Hillary Clinton has called “the freedom to connect” and those who view that freedom as inimical to their political survival.

Dealing with this dilemma will pose particular challenges for democratic nations that share common principles of openness and freedom. Their ideals will clash with well-founded concerns about national security. In order to avoid yielding the advantage to countries such as China, which seek to extend their values of control and censorship, countries such as the United States and the EU member states will have to hold tightly to freedom and openness.

Democratic governments will most likely be tempted to further their national interests through the same combination of defense, diplomacy, and development on which they relied during the Cold War and the decades after. But these traditional tools will not be enough: although it remains uncertain exactly how the spread of technology will change governance, it is clear that old solutions will not work in this new era. Governments will have to build new alliances that reflect the rise in citizen power and the changing nature of the state.

Those alliances will have to go far beyond government-to-government contacts, to embrace civic society, nonprofit organizations, and the private sector. Democratic states must recognize that their citizens’ use of technology may be a more effective vehicle to promote the values of freedom, equality, and human rights globally than government-led initiatives. The hardware and software created by private companies in free markets are proving more useful to citizens abroad than state-sponsored assistance or diplomacy.

Although it is true that governments and the private sector will continue to wield the most power, any attempts to tackle the political and economic challenges posed by connection technologies will fail without the deep involvement of the other rising powers in this space—namely, nongovernmental organizations and activists. The real action in the interconnected estate can be found in cramped offices in Cairo, the living rooms of private homes throughout Latin America, and on the streets of Tehran. From these locations and others, activists and technology geeks are rallying political “flash mobs” that shake repressive governments, building new tools to skirt firewalls and censors, reporting and tweeting the new online journalism, and writing a bill of human rights for the Internet age. Taken one by one, these efforts may be seen as impractical or insignificant, but together they constitute a meaningful change in the democratic process.

### **THE REVOLUTION WILL BE PODCAST**

The idea of technology empowering citizens for good or for ill is not a new phenomenon, nor is there a lack of precedents of governments dealing with

### *The Digital Disruption*

how to react to this phenomenon. The arrival of the printing press in the fifteenth century is an interesting case in point. Although Johannes Gutenberg's invention was truly revolutionary, its promise of increased access to information was limited by those who owned the presses and decided what to publish and where it could be distributed. Repressive governments or other institutions, moreover, had the power to use the printing press as a tool for control (by generating propaganda) or oppression (by outlawing anti-government or antichurch writings).

In the twentieth century, with the advent of radio and television, nations—and those wealthy or powerful enough to gain access to the airwaves—could control and even dictate much of what was heard and seen. Radio and television proved to be powerful propaganda tools for states that knew what to do with them. North Korea—where people can only watch state-sponsored channels—is a modern-day version of what was common in Eastern Europe before the fall of the Berlin Wall. Even when unlicensed radio emerged in the first half of the Cold War, and satellite television began to spread during the second half, few people had the hardware, knowledge, or expertise to develop their own programs, let alone to secure a broadcast studio or airtime.

Despite these limits, many people chose to watch and listen to information broadcast through independent sources, which had previously been unavailable to the masses. These listeners and viewers included many who worked in governments—often putting themselves at significant risk of getting caught, losing their livelihood, or worse. A similar phenomenon is occurring today in places such as Iran and Syria,

where government officials seeking unvarnished news of the world beyond their borders use so-called proxy servers and circumvention technology to access their own Facebook or e-mail accounts—platforms their governments regularly block.

The Iranian Revolution of 1979 illustrates the shift from broadcast media to another set of communications tools. To be sure, huge social forces were at work in Iran in the 1970s, including unhappiness with the shah's corrupt and repressive regime and pressure from the international community. But many historians believe that one of the keys to the revolution was the ability of Ayatollah Ruhollah Khomeini to spread his message using a simple device: the cassette tape. Using an extensive network, Khomeini distributed tapes of his speeches to more than 9,000 mosques. As *Time* magazine wrote, the “78-year-old holy man camped in a Paris suburb [and] direct[ed] a revolution 2,600 miles away like a company commander assaulting a hill.”

The U.S. government was wary of the power of the cassette tape in Iran, both because this new technology was too difficult to control and because Washington's eyes were fixed on the Soviet bloc and the cassette tape's possible use as a tool for spreading communist propaganda. In not using this technology, the United States missed out on a powerful opportunity to promote its values and policies and empower lesser-known democratic leaders. By the mid-1970s, cassette manufacturers had broken into emerging markets, and suddenly what had begun as a new entertainment device had become an effective communications tool.

In the decade that followed, technology helped achieve another significant step

*Eric Schmidt and Jared Cohen*

in reducing the power of intermediaries and in short-circuiting regimes bent on silencing opposition voices. Activists and human rights campaigners in the Soviet Union and Eastern Europe used photocopiers and fax machines to spread their own messages and foment unrest. The technology of today holds even more promise: comparing the uncertain dial tone of the fax machine with the speed of today's handheld devices is like comparing a ship's compass to the power of global positioning systems.

### **ECLIPSE OF THE INTERMEDIARIES**

Today, people are far more likely to complain about having to sort through too much information than to have none at all. Perhaps the most revolutionary aspect of this change lies in the wealth of platforms that allow individuals to consume, distribute, and create their own content without government control.

This does not mean that intermediaries have suddenly become irrelevant, of course. Companies that provide access to the Internet or software applications are critical for exchanging information, and governments or state-owned companies retain the power to block access. But this power is diminishing, because not even governments can stop, control, or spy on all sources of information all the time. Meanwhile, the involvement of diaspora communities in bringing change to their homelands has vastly increased, creating new sources of financial support and international pressure. And an entire cottage industry has emerged with the goal of finding and creating holes in porous firewalls.

The combination of these new technologies and the desire for greater freedom

is already changing politics in some of the world's most unlikely places. In Colombia in 2008, an unemployed engineer named Oscar Morales used Facebook and the free Internet-based telephone service Skype to orchestrate a massive demonstration against the Revolutionary Armed Forces of Colombia. He was able to muster the largest protest against a terrorist group in history and the sort of high-profile blow to militants that no Colombian president has been able to achieve in the past 40 years. In Moldova in 2009, young people, frustrated and angry over a collapsing economy and fraying society, gathered in the streets of Chisinau after a rigged election. They used messages on Twitter to turn a small protest of 15,000 people into a global event. As international and internal pressure continued to rise, the rigged election was overturned, and a new election brought to power the first non-communist government in Moldova in more than 50 years. And in Iran last year, YouTube videos, Twitter updates, and Facebook groups made it possible for activists and citizens to spread information that directly challenged the results of the country's flawed presidential election.

Yet for all the inspiring stories and moments of hope abetted by the use of connection technologies, the potential of such technologies to be manipulated or used in dangerous ways should not be underestimated. The world's most repressive regimes and violent transnational groups—from al Qaeda and the Mexican drug cartels to the Mafia and the Taliban—are effectively using technology to bring on new recruits, terrify local populations, and threaten democratic institutions. The Mexican drug cartels, in order to illustrate the consequences of opposition,



REUTERS

*Customers at an Internet café in Taiyuan, China, June 2009*

spread graphic videos showing decapitations of those who cooperate with law enforcement, and al Qaeda and its affiliates have created viral videos showing the killings of foreigners held hostage in Iraq.

The same encryption technologies used by dissidents and activists to hide their private communications and personal data from the state are used by would-be terrorists and criminals. As relatively inexpensive encryption technology continues to proliferate on the commercial market, there is little doubt that autocrats and hackers will make use of it, too. Finding the balance between protecting dissidents and enabling criminals will be difficult at best.

Afghanistan's telecommunications networks provide a useful case study in how connection technologies can both help and harm a nation. Since U.S. and

NATO forces first launched military operations there in 2001, cell-phone access in Afghanistan has grown from zero to 30 percent. This growth has had clear positive effects: mobile-based programs enable women to run call centers from their cell phones, provide access to remote medical diagnoses, and give farmers real-time information on commodity prices. And the 97 percent of Afghans who do not have bank accounts can save and access money with their cell phones through mobile money transfers. The salaries for 2,500 Afghan National Police officers in Wardak Province are transmitted through this technology, which allows them to then transfer money to their families using text messaging.

At the same time, the Taliban have become increasingly savvy about using mobile technology to malicious and

*Eric Schmidt and Jared Cohen*

deadly effect. Taliban militants have used cell phones to coordinate attacks, threaten local populations, and hold local businesses hostage, either by blowing up cell towers or by forcing them to power down between 6 PM and 8 AM, the period when Taliban militants carry out evening operations. In February 2009, Taliban inmates in Kabul's Policharki prison used cell phones to orchestrate a number of coordinated attacks on Afghan government ministries. In Afghanistan—and Iraq, too—it is not uncommon for insurgents to use cell phones to detonate roadside bombs remotely.

### **CATS AND MICE**

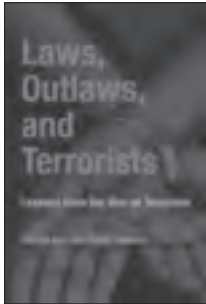
Realists describe international relations as anarchic and dominated by self-interested states. Although there is little doubt about the dominant role states will and should play in the world, there is a great deal of debate about exactly how dominant they will be going forward. In these pages in 2008, Richard Haass, the president of the Council on Foreign Relations, described a “nonpolar world” that is “dominated not by one or two or even several states but rather by dozens of actors possessing and exercising various kinds of power.” In the interconnected estate, a virtual space that is constrained by different national laws but not national boundaries, there can be no equivalent to the Treaty of Westphalia—the 1648 agreement that ended the Thirty Years' War and established the modern system of nation-states. Instead, governments, individuals, nongovernmental organizations, and private companies will balance one another's interests.

Not all governments will manage the turbulence left in the wake of declining

state authority in the same way. Much remains uncertain, of course, but it seems clear that free-market and democratic governments will be the best suited to manage and cope with this maelstrom. The greatest danger to the Internet among these countries—perhaps best defined as the members of the Organization for Economic Cooperation and Development—will be the overregulation of the technology sector, which has thus far thrived on entrepreneurial investment and open networks.

Perhaps no country has more carefully considered the implications of allowing its citizens access to connection technologies than China. The regime's goals are clear: to control access to content on the Internet and to use technology to build its political and economic power. Beijing has arrested online activists and used the country's thriving online bulletin boards to spread its propaganda. All of this is part of a strategy to ensure that the technology revolution extends, rather than destroys, the one-party state and its value system. Around the world, the Chinese model of Internet control has been copied by nations such as Vietnam and actively promoted in Asian and African countries where China is investing heavily in natural resources. And Beijing has moved to co-opt international institutions, such as the International Telecommunications Union, in order to gain global credibility and rally allies behind its efforts to control its citizens' communication.

But thanks to the work of activists and nongovernmental organizations operating inside and outside China, Beijing has learned that its attempts to establish total control of the Internet will not always



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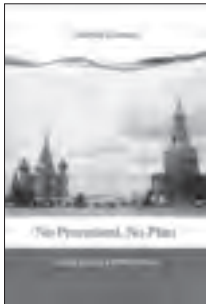


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### *The Digital Disruption*

work. The regime has recently been caught off-guard by the use of cell phones, blogs, and uploaded videos to encourage labor protests and report on industrial accidents, environmental problems, and incidents of corruption. The July 2009 demonstrations by ethnic Uighurs in Xinjiang drew international media attention even after Beijing completely shut down all Internet connections in the region; Uighur activists used social networks and so-called microblogs to spread news among targeted audiences abroad, including the Uighur diaspora. These kinds of cat-and-mouse games will no doubt continue, but in the short run there is doubt that Beijing's attempts to control access to information will largely succeed.

The intersection of connection technologies and state power is also playing out in the other BRIC nations: Brazil, India, and Russia. In each of these states, the willingness to welcome new technology in the service of economic growth has generally prevailed over fears about how the Internet can be used by criminals, terrorists, or political troublemakers—but not always. Last spring, for example, Alexei Dymovsky, a police officer in southern Russia, was arrested after he posted a tell-all video on YouTube exposing corruption in Russia's police force.

The acceptance, or lack thereof, of connection technologies can also vary within the governments of democracies. Turkey is a case in point. The country's judiciary has blocked YouTube, but the president has spoken out against the ban. The court ruling was prompted by a series of blogs and videos that depicted the founder of the Turkish state, Kemal Atatürk, in a potentially offensive man-

ner. This internal dispute in Turkey raises the question about whether countries can continue to protect their version of historical events in the age of the interconnected estate.

International observers should also keep their eyes on a small group of hyperconnected states—Finland, Israel, and Sweden, among others—that have relatively strong central governments, stable economies, and vibrant technology and innovation sectors. These nations have already demonstrated their ability to embrace technology and the good sense to invest in broadband and research. Their governments' research and development budgets represent an exceptionally high percentage of GDP. States that invest in research and infrastructure stand to benefit down the road.

#### **RIDING THE TSUNAMI**

States in the developing world—grouped here as “partially connected” nations—face a different set of opportunities and challenges in incorporating connection technologies. The stakes are especially high for those with weak or failed central governments, underdeveloped economies, populations that are disproportionately young and unemployed, and cultures that lend themselves to opposition and dissent, and also for those contending with outside pressures from large and engaged diasporas living in technologically advanced nations. The sudden influx of connection technologies into these societies will threaten the status quo, leaving fragile governments in potentially unstable positions.

On the bright side, the spread of technology in partially connected nations such as Egypt is breaking down traditional barriers of age, gender, and socioeconomic



*Eric Schmidt and Jared Cohen*

status. Most of this is due to the rise of cell phones, which have the potential to create the twenty-first-century equivalent of last century's green revolution, a movement that used advanced agricultural technologies and processes to increase food yields worldwide. In Pakistan, for example, there were only 300,000 cell-phone users in 2000; in August 2010, that number was closer to 100 million. Such dramatic changes in connectivity are having an impact on the ground. In Kenya, for example, a company called Safaricom has developed a program to transfer money using cell phones, which has lowered the transaction costs for remittances, expanded access to bank accounts for underserved populations, and streamlined the microfinance process.

In some partially connected countries, such as Côte d'Ivoire, Guinea, Kyrgyzstan, and Pakistan, connection technologies are shifting, albeit slowly, the nature of civil society. A growing number of activists work anonymously and part time; Web sites are replacing physical offices, with followers and members instead of paid staff; and local groups use free, open-source platforms instead of having to rely on foreign donors. At the same time, homegrown companies are filling gaps left by governments, offering language and job-skills training, financial services, health care, and the pricing of commodities. Today's activists are local and yet highly global: they import tools from abroad for their own purposes while exporting their own ideas.

As technology continues to spread, many governments in partially connected societies are seeing more costs than benefits. This is particularly true for

those that struggle to maintain their political legitimacy. Anything that questions the status quo, the party in power, or the façade of stability poses a threat. For such governments—including the autocratic, the corrupt, and the unstable—the potential of quick and unexpected mini-rebellions is particularly worrisome. In many cases, the only thing holding the opposition back is the lack of organizational and communications tools, which connection technologies threaten to provide cheaply and widely.

Over the last several years, regimes that carried out ham-handed crackdowns have grown more subtle and sophisticated. The actions of the Iranian government surrounding the country's 2009 elections are a case in point. In the weeks leading up to the vote, Tehran sporadically blocked certain Web sites, prevented access to text messaging, and slowed down Internet connection speeds. On the day of the election itself, the regime turned off all forms of digital connectivity and kept them down for days and even weeks (although a number of activists were able to use proxy and circumvention technology to get around the stoppage). Members of the country's Revolutionary Guards posed as virtual activists and tried to catch online dissenters in the act. What is perhaps most ominous, Iranian communications officials—employing anonymous engineers and addresses—created Web sites encouraging people to post pictures of the protests. They then used the sites to identify, track, and, in some cases, detain protesters.

Whether or not partially connected countries follow the Iranian example may depend on the balance between internal political stability and the need

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for economic growth. Those nations faced with the task of restarting or maintaining stagnant or slowly growing economies are more likely to allow their citizens and businesses to adopt new technologies and to maintain the free flow of information that is vital to foreign investment.

#### **TECHNOLOGY, ON THE EDGE**

A second and equally large group of developing countries are the “connecting nations”—places where technological development is still nascent and where both governments and citizens are testing out tools and their potential impact. In these states, connection technologies are not yet sufficiently prevalent to present major opportunities or challenges. Although these states will invariably rise into the ranks of the partially connected, it is too early to determine what this will mean for the relationship among citizens, their governments, and neighboring nations.

Some of these states, such as Cuba, Myanmar (also called Burma), and Yemen, have tried to wall off access to certain technologies entirely. For example, they have confined access to cell phones to the elite; this, however, has led to a communications black market, which is most often used for daily communication but harbors the capacity to foment opposition. Activists in these states and in their diasporas—such as those working along Myanmar’s border with Thailand—try daily to break the information blockade. In the short term, the regimes that govern these nations will do their best to maintain monopolies on the tools of communication.

An even larger group of these connecting states can be called “open by default”—

that is, states that are, in principle, open to the import and use of connection technologies but whose governments might periodically introduce restrictive controls, whether fueled by a paranoid elite class, bureaucratic corruption, perceived security threats, or other factors. These countries, which are found across Africa, Central America, and Southeast Asia, are potential agricultural exporters and havens for light industry. For the ruling governments in these states, one imagines that the drive to create sustainable, diverse, and more open economies will often take precedence over fears that opponents armed with cell phones will threaten the regime’s survival.

Finally, there is a small but globally significant group of nations—the so-called failed states—that are characterized by chaos and an inability to act consistently even on the most important issues. Such states are natural havens for criminal groups and terrorist networks that may have local grievances but harbor regional and global ambitions. Somalia is one notable example of this dynamic. Although much of the activity of the country’s rebels and insurgents is directed at targets within Somalia’s borders, some offer international terror networks, arms traffickers, and drug lords undisturbed territory for recruiting followers or spreading their ideology. Although connection technologies can serve as creative outlets for citizen innovation in such countries, they also offer the opportunity to export terrorist and criminal behavior.

#### **TEAR DOWN THIS WALL**

Efforts by democratic governments to foster freedom and opportunity will be far stronger if they recognize the vital

*Eric Schmidt and Jared Cohen*

role technology can play in enabling their citizens to promote these values—and that technology is overwhelmingly provided by the private sector.

Companies whose products or services revolve around information technology—be they producers of cell-phone handsets, manufacturers of routers that are the building blocks of firewalls, or providers of Internet platforms—deal in a commodity that is inherently political. In the interactive world of Web 2.0, the prime mission of some of the technology sector's fastest-growing corporations is to provide cross-border connections. Little wonder that the old-guard officials who dominate repressive regimes see these companies as little more than the arms dealers of the information age. That said, although the United States and other countries can publicly warn Chinese officials to abide by international human rights agreements, companies can actually act—by publicizing how governments around the world censor content or simply cut off their citizens from the world. Cell-phone companies play a particularly important role in this effort, because in many parts of the world the cell phone is one of the few resources local populations can use to stand up to abuses.

The nonprofit sector and individual activists around the globe also face new opportunities. In the interconnected estate, they will continue to shape government and corporate behavior by promoting freedom of expression and by protecting citizens from threatening governments. But at times, they will have to adjust their tactics to reflect the new environment in which they operate. This means, among other things, ensuring that efforts

to expose wrongdoing do not strengthen governments apt to make nationalistic appeals; working behind the scenes when that route will produce better, faster results; and using the technology that the private sector creates for their own ends. A Web site called Herdict, for example, collects data on blocked sites in real time, creating a public log of disruptions to the free flow of online information and enabling an unprecedented level of user-generated transparency.

For both companies and the nonprofit sector, the interconnected estate provides a place where they can join together in new alliances to multiply their impact. One example is the Global Network Initiative, an organization that brings together information technology companies, human rights groups, socially responsible investors, and academics in an effort to promote free expression online and protect privacy. (Google is one of the founding corporate members.) GNI has issued specific guidelines for companies and other groups forced to confront governments that censor content or ask for information about users. Under this arrangement, companies agree to let outside assessors determine their compliance with the guidelines and all members agree to promote common goals.

### **COALITIONS OF THE CONNECTED**

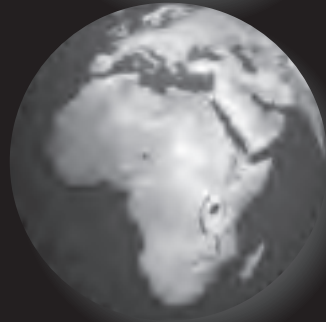
Continuous innovation—and the increasing population of the interconnected estate—will pose new, difficult challenges for people and governments the world over. Even the best-informed and most active users of technology will find themselves caught in a blur of new devices and services. In an era when the power of the individual and the group

grows daily, those governments that ride the technological wave will clearly be best positioned to assert their influence and bring others into their orbits. And those that do not will find themselves at odds with their citizens.

Democratic states that have built coalitions of their militaries have the capacity to do the same with their connection technologies. This is not to suggest that connection technologies are going to transform the world alone. But they offer a new way to exercise the duty to protect citizens around the world who are abused by their governments or barred from voicing their opinions.

Faced with these opportunities, democratic governments have an obligation to join together while also respecting the power of the private and nonprofit sectors to bring about change. They must listen to those on the frontlines and recognize that their citizens' use of technology can be an effective vehicle to promote the values of freedom, equality, and human rights globally. In a new age of shared power, no one can make progress alone. 🌐

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# Democracy in Cyberspace

## What Information Technology Can and Cannot Do

*Ian Bremmer*

“Information technology has demolished time and distance,” Walter Wriston, the former CEO of what is now Citigroup wrote in 1997. “Instead of validating Orwell’s vision of Big Brother watching the citizen, [it] enables the citizen to watch Big Brother. And so the virus of freedom, for which there is no antidote, is spread by electronic networks to the four corners of the earth.” Former Presidents Ronald Reagan, Bill Clinton, and George W. Bush have articulated a similar vision, and with similarly grandiose rhetoric. All have argued that the long-term survival of authoritarian states depends on their ability to control the flow of ideas and information within and across their borders. As advances in communications technology—cellular telephones, text messaging, the Internet, social networking—allow an ever-widening circle of people to easily and inexpensively share ideas and aspirations, technology will break down barriers between peoples and nations. In this view, the spread of the “freedom virus” makes it harder and costlier for autocrats to isolate their people from the rest of the world and gives ordinary

citizens tools to build alternative sources of power. The democratization of communications, the theory goes, will bring about the democratization of the world.

There seems to be plenty of evidence to support these ideas. In the Philippines in 2001, protesters sent text messages to organize the demonstrations that forced President Joseph Estrada from office. In the lead-up to the 2004 presidential election in Ukraine, supporters of Viktor Yushchenko, then the leader of the opposition, used text messaging to organize the massive protests that became the Orange Revolution. In Lebanon in 2005, activists coordinated via e-mail and text messaging to bring one million demonstrators into the streets to demand that the Syrian government end nearly three decades of military presence in Lebanon by withdrawing its 14,000 troops. (Syria complied a month later, under considerable international pressure.) Over the past few years, in Colombia, Myanmar (also known as Burma), and Zimbabwe, demonstrators have used cell phones and Facebook to coordinate protests and

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transmit photographs and videos of government crackdowns. The flood of words and images circulated by protesters following Iran's bitterly disputed 2009 presidential election—quickly dubbed the “Twitter revolution”—seemed to reinforce the view that Tehran has more to fear from “citizen media” than from the U.S. ships patrolling the Persian Gulf.

But a closer look at these examples suggests a more complicated reality. Only in democracies—the Philippines, Ukraine, Lebanon, and Colombia—did these communications weapons accomplish an immediate objective. In Myanmar, Zimbabwe, and Iran, they managed to embarrass the government but not to remove it from power. As Wriston acknowledged, the information revolution is a long-term process, cyberspace is a complex place, and technological advances are no substitute for human wisdom. Innovations in modern communications may help erode authoritarian power over time. But for the moment, their impact on international politics is not so easy to predict.

There are many reasons why the optimistic view of the relationship among communications, information, and democracy has taken root in the United States. First, these communications tools embody twenty-first-century innovation, and Americans have long believed in the power of invention to promote peace and create prosperity. And with good reason. Admirers of Reagan argue that the United States' ability to invest in strategic missile defense sent the Soviet leadership into a crisis of confidence from which it never recovered. The light bulb, the automobile, and the airplane have changed the world, bringing greater personal autonomy to many

Americans. Similarly, Americans believe that the millions of people around the world who use the Internet, an American invention, will eventually adopt American political beliefs, much like many of those who wear American jeans, watch American movies, and dance to American music have. Champions of the Internet's power to promote pluralism and human rights point to bloggers in China, Russia, and the Arab world who are calling for democracy and the rule of law for their countries, sometimes in English.

But of the hundreds of millions who blog in their own languages—there are more than 75 million in China alone—the vast majority have other priorities. Many more of them focus on pop culture rather than on political philosophy, on pocket-book issues rather than political power, and on national pride rather than cosmopolitan pretensions. In other words, the tools of modern communications satisfy as wide a range of ambitions and appetites as their twentieth-century ancestors did, and many of these ambitions and appetites do not have anything to do with democracy.

#### **NET NEUTRALITY**

A careful look at the current impact of modern communications on the political development of authoritarian states should give pause to those who hail these technologies as instruments of democratization. Techno-optimists appear to ignore the fact that these tools are value neutral; there is nothing inherently pro-democratic about them. To use them is to exercise a form of freedom, but it is not necessarily a freedom that promotes the freedom of others.

In enabling choice, the introduction of the Internet into an authoritarian country shares something fundamental with the

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advent of elections. Some have argued that promoting elections in one country in the Middle East will generate demand for elections elsewhere there. "A free Iraq is going to help inspire others to demand what I believe is a universal right of men and women," Bush said in July 2006; elections in Iraq would prompt the citizens of Iraq's neighbors to ask why Iraqis were now free to choose their leaders whereas they were not. Similarly, some have argued that the freedom that comes with the Internet will inevitably democratize China. Once Chinese people read about the freedoms of others, the thinking goes, they will want the same for themselves. The tools of modern communications will reveal to Chinese citizens the political freedoms they do not yet have and provide the means to demand them.

But the limited history of elections in the Middle East shows that people do not always vote for pluralism. Sometimes, they vote for security or absolutism, sometimes to express outrage or defend local interests. The same pattern holds true for the Internet and other forms of modern communications. These technologies provide access to information of all kinds, information that entertains the full range of human appetites—from titillation to rationalization, from hope to anger. They provide the user with an audience but do not determine what he will say. They are a megaphone, and have a multiplier effect, but they serve both those who want to speed up the cross-border flow of information and those who want to divert or manipulate it.

Cyberspace can be a very dark place. In *You Are Not a Gadget*, Jaron Lanier argues that the anonymity provided by the Internet can promote a "culture of sadism," feeding an appetite for drive-by

attacks and mob justice. In China, the Internet has given voice to wounded national pride, anti-Western and anti-Japanese resentment over injuries both real and imagined, and hostility toward Tibetans, Muslim Uighurs, and other minority groups. It has also become a kind of public square for improvised violence. In an article for *The New York Times Magazine* earlier this year, Tom Downey described the "human-flesh search" phenomenon in China, "a form of online vigilante justice in which Internet users hunt down and punish people who have attracted their wrath." The targets of these searches, a kind of "crowd-sourced detective work," as Downey put it, can be corrupt officials or enemies of the state, or simply people who have made other people angry.

These problems are hardly unique to China. In Russia, skinheads have filmed murderous attacks on dark-skinned immigrants from the Caucasus and Central Asia and posted the footage online. Also in Russia—and in the United States and Europe—hate groups and militants of various kinds use the Internet to recruit new members and disseminate propaganda. Of course, beyond all this fear and loathing, many more people around the world use the Internet as a global shopping mall and a source of entertainment. The Internet makes it easier for users with political interests to find and engage with others who believe what they believe, but there is little reliable evidence that it also opens their minds to ideas and information that challenge their worldviews. The medium fuels many passions—consumerism and conspiracy theories, resentment and fanaticism—but it promotes calls for democracy only

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where there is already a demand for democracy. If technology has helped citizens pressure authoritarian governments in several countries, it is not because the technology created a demand for change. That demand must come from public anger at authoritarianism itself.

#### **STATESIDE**

Citizens are not the only ones active in cyberspace. The state is online, too, promoting its own ideas and limiting what an average user can see and do. Innovations in communications technology provide people with new sources of information and new opportunities to share ideas, but they also empower governments to manipulate the conversation and to monitor what people are saying.

The collapse of Soviet communism a generation ago taught authoritarian leaders around the world that they could not simply mandate lasting economic growth and that they would have to embrace capitalism if they hoped to create the jobs and the higher standards of living that would ensure their long-term political survival. But to embrace capitalism is to allow for dangerous new freedoms. And so in order to generate strong growth while maintaining political control, some autocrats have turned to state capitalism, a system that helps them dominate market activity through the use of national oil companies, other state-owned enterprises, privately owned but politically loyal national champions, state-run banks, and sovereign wealth funds.

Following precisely the same logic, authoritarian governments are now trying to ensure that the increasingly free flow of ideas and information through cyberspace fuels their economies without threatening

their political power. In June, the Chinese government released its first formal statement on the rights and responsibilities of Internet users. The document “guarantee[d] the citizens’ freedom of speech on the Internet as well as the public’s right to know, to participate, to be heard, and to oversee [the government] in accordance with the law.” But it also stipulated that “within Chinese territory, the Internet is under the jurisdiction of Chinese sovereignty.” That caveat legitimates China’s “great firewall,” a system of filters and re-routers, detours and dead ends designed to keep Chinese Internet users on the state-approved online path.

The Chinese leadership also uses more low-tech means to safeguard its interests online. The average Chinese Web surfer cannot be sure that every idea or opinion he encounters in cyberspace genuinely reflects the views of its author. The government has created the 50 Cent Party, an army of online commentators that it pays for each blog entry or message-board post promoting the Chinese Communist Party’s line on sensitive subjects. This is a simple, inexpensive way for governments to disseminate and disguise official views. Authoritarian states do not use technology simply to block the free flow of unwelcome ideas. They also use it to promote ideas of their own.

#### **NONALIGNED MOVEMENT**

The techno-optimists who hope that modern communications tools will democratize authoritarian states are also hoping that they will help align the interests of non-democracies with those of democracies. But the opposite is happening. Efforts by police states to control or co-opt these tools are inevitably creating commercial



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conflicts that then create political conflicts between governments.

In January, Google publicly complained that private Gmail accounts had been breached in attacks originating in China—attacks that Chinese officials appeared to tolerate or even to have launched themselves. In protest, Google announced that it would no longer censor the results of users' searches in mainland China, which it had reluctantly agreed to do when it entered the Chinese market in 2006. Beijing refused to back down, and Google automatically redirected searches by Chinese users to the uncensored Hong Kong version of the site. But much to the relief of mainland users, mostly students and researchers who prefer Google's capabilities to its main domestic rival, Baidu, Chinese officials eventually announced the renewal of Google's operating license. (It is possible that they backtracked because they believed that they could control Google or use it to monitor the online activities of political dissidents.)

As Chinese technology companies begin to compete on a par with Western ones and the Chinese government uses legal and financial means to more actively promote domestic firms that see censorship as a routine cost of doing business, there will be less demand for Google's products in China. In August 2010, the state-run Xinhua News Agency and China Mobile, the country's largest cell-phone carrier, announced plans to jointly build a state-owned search-engine and media company. In response to these developments, U.S. technology companies will undoubtedly turn to U.S. lawmakers for help in creating and maintaining a level commercial playing field in China. Far from aligning American and Chinese political values and bringing

the citizens of the two countries closer together, conflicts over the flow of information through cyberspace will further complicate the already troubled U.S.-Chinese relationship.

Signs of strife are already visible. When Google first went public with its complaints about cyberattacks and censorship, Beijing looked past the company, which it sees as a high-tech arm of the U.S. government, and addressed its response directly to Washington. A Chinese Communist Party tabloid ran an editorial under the headline "The World Does Not Welcome the White House's Google"; it argued, "Whenever the U.S. government demands it, Google can easily become a convenient tool for promoting the U.S. government's political will and values abroad." In response, U.S. Secretary of State Hillary Clinton urged companies such as Google not to cooperate with "politically motivated censorship," further emphasizing the difference, not the convergence, of political values in the United States and China.

Revealing similar fears about the future of its political control, the United Arab Emirates and Saudi Arabia took action earlier this year against Research in Motion (RIM), the Canadian company that makes the BlackBerry, for equipping its devices with encryption technology that authorities cannot decode. Arguing that terrorists and spies could use BlackBerries to communicate within the UAE without fear of being detected, Emirati officials announced in August that they would soon suspend BlackBerry service unless RIM provided state officials with some means of monitoring BlackBerry messaging. Within two days, Saudi Arabia announced a similar shutdown, although Riyadh and RIM have since reached a compromise that requires

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RIM to install a relay server on Saudi territory, which allows Saudi officials to monitor messages sent from and within the country. The UAE will probably also make a deal with RIM: there are half a million BlackBerry users in the UAE (about ten percent of the population), and the country wants to remain the Arab world's primary commercial and tourist hub. Yet far from promoting Western values in non-Western police states, the BlackBerry has sparked a new round of debate over the willingness of Western technology companies to protect their market shares by making concessions that help authoritarian governments spy on their citizens.

In fairness to these governments, the world's leading democracies are no less concerned about potential terrorist threats posed by unmonitored messaging. The Indian government has also threatened to ban BlackBerries unless RIM gives it access to certain data, and counterterrorism officials in the United States and Europe are considering the option as well. Via efforts to amend the Electronic Communications Privacy Act, the Obama administration has already taken steps to help the FBI gain access to "electronic communication transactional records"—recipients' addresses, logs of users' online activities, browser histories—without a court order if investigators suspect terrorism or espionage. Politicians and technology companies such as Google and RIM will be fighting these battles for years to come.

Of course, authoritarian governments, unlike democracies, also worry that individuals who are neither terrorists nor spies will use new communications tools to challenge their political legitimacy. China, Iran, Myanmar, North Korea, Saudi Arabia, and other authoritarian states cannot

halt the proliferation of weapons of modern communications, but they can try to monitor and manipulate them for their own purposes. That struggle will continue as well, limiting the ability of new technologies to empower the political opposition within these countries and creating more conflicts over political values between democratic and authoritarian states.

#### **FEEDBACK LOOPS**

The Internet may have changed the world, but now the world is changing the Internet. For 30 years, new communications technologies have driven globalization, the defining trend of the times. The companies that created these products made long-term plans based on the wants and needs of consumers, not governments. Their profits rose as they connected billions of customers with one another; borders became increasingly less important.

But now, the pace of technological change and the threat of terrorism are forcing policymakers to expand their definitions of national security and to rethink their definitions of "critical infrastructure." As a result, governments are turning to high-tech communications firms to help shore up emerging security vulnerabilities, and high-tech communications firms have begun to think more like defense contractors—companies whose success depends on secrecy, exclusivity, political contacts, and security clearances.

As a result, political borders, which the rise of information technology once seemed set to dissolve, are taking on a new importance: if greater openness creates new opportunities, it also creates new worries. Unable to match U.S. defense spending, China and Russia have become adept at information warfare. The Pentagon

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reported last August that China continues to develop its ability to steal U.S. military secrets electronically and to deny its adversaries “access to information essential to conduct combat operations.” In 2007, a massive cyberattack launched from inside Russia damaged digital infrastructure in neighboring Estonia. The United States’ vulnerabilities range from its nuclear power plants and electrical grids to the information systems of government agencies and major U.S. companies. Despite their political and commercial rivalries, the United States, China, Russia, India, and many other states also share a vulnerability to cyberattacks, and they have pledged to work together to build a joint cybersecurity strategy. But when it comes to espionage, governments can never fully trust one another. And of course the Obama administration does not want to share technologies that would make it easier for security officials in Beijing or Moscow to track the online activities of political dissidents.

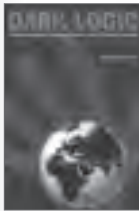
Other problems will exacerbate international tensions. Technology firms in the United States and Europe, mindful of Google’s recent troubles in China, will increasingly turn to their governments for help with their own security needs. As cyberthreats become ever more sophisticated, these companies will collaborate more actively with national security agencies on developing new technologies. This will pull more technology companies into the orbit of the military-industrial complex. That, in turn, will make them even more suspect to authoritarian regimes and likelier targets for hackers and spies of all kinds. Borders are about to become much more important.

The result will be a world that has not one Internet but a set of interlinked

intranets closely monitored by various governments. The Internet is not about to disappear, but the prediction that a single Internet could accommodate both the West and the evolving demands of authoritarian states was never realistic. American and European users will access the same Internet as before, but the Chinese government has already made clear its intention to declare sovereignty over an Internet of its own. Other authoritarian states have every incentive to follow its lead.

There are far too many variables at work to predict with confidence the full, long-term impact of modern tools of communications on the political development of authoritarian states. But it seems safe to expect that their effects will vary as widely as the motives of the people and the states that use them. 🌐

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# A Globalized God

## Religion's Growing Influence in International Politics

*Scott M. Thomas*

Around the world—from the southern United States to the Middle East—religion is on the rise. It is growing in countries with a wide variety of religious traditions and levels of economic development, suggesting that neither poverty nor social exclusion is solely responsible. The religious resurgence is not simply defined by the growth of fundamentalism—rigid adherence to a particular set of rituals and doctrines—but is occurring through a variety of renewed rituals and practices, both public and private.

Demographics are reinforcing this trend. The global religious landscape in the coming years will be affected by the massive shift in population growth from the developed countries of the North—predominantly in western Europe and the former Soviet republics—to the developing countries of the so-called global South. The North accounted for 32 percent of the world's population in 1900, 25 percent in 1970, and about 18 percent in 2000. By 2050, it will likely account for just 10 percent. Religion has emerged as a driving factor in this redistribution. Religiosity is

now one of the most accurate indicators of fertility, far more telling than denominational or ethnic identity, since religious people tend to have more children than their secular counterparts.

Religion will also increasingly be an urban phenomenon. The growing population in the developing nations will mostly settle in vast, burgeoning, and largely impoverished metropolises—areas where religion is spreading. According to conventional wisdom, secularization became an inevitable part of modernization with the spread of education, science, technology, and prosperity. But these new megacities are havens for religious revivals. Historically, religions have been adept at gaining adherents in urban environments; Christianity formed as an urban religious movement in the cities of the Roman Empire, and the Franciscans began as an urban reform movement in medieval Europe in response to the poverty and inequality accompanying the rise of the market economy. Islam may follow the same path by expanding in urban environments. Although urbanization can lead to civil unrest and cities

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can provide cover for criminal and terrorist networks, urbanization also offers well-meaning religious institutions opportunities for urban ministry that could help prevent such threats in the first place.

Another aspect of the religious resurgence is the disintegrating relationship between the West and Christianity. Traditionally seen as a Western or European religion steeped in that continent's culture, Christianity evolved from its Jewish origins in Palestine, conquered the pagan world, and spread east to Iraq, India, and China before the Mongol invasions reduced it to its European setting. It is now returning to its roots by becoming a post-Western religion dominated by the peoples, cultures, and countries of the global South. For U.S. policymakers—many of whom currently consider Islamism to be the most urgent religious challenge to Washington's foreign policy—the politics of global Christianity may soon prove just as pivotal.

A variety of trends, including demographic shifts, urbanization, and the global transformation of religion, indicate that religion will help shape the dynamics of existing, new, and emerging great powers, influencing U.S. attempts to promote freedom, civil society, democracy, social cohesion, and economic development across the world. Globalization's transformational effect on religion will also play a key role in the prevalence of global terrorism, religious conflict, and other threats to international security.

### **CHRISTIAN AND ISLAMIC RESURGENCE**

The most dramatic religious explosion in the world today is the spread of Pentecostalism and evangelical Protestantism. It is part of the demographic shift toward the global South and a key factor in

Christianity's worldwide transition. Pentecostals and evangelicals share many of the same core beliefs: they subscribe to the authority of the Bible (often interpreting it literally) and believe in the need to proselytize to non-Christians.

According to a 2006 report by the Center for the Study of Global Christianity, the number of evangelicals worldwide, including Pentecostals, is estimated to range from 250 million to 688 million. After Catholics, Pentecostals represent the largest single group of Christians. They live predominantly in Brazil, China, India, Indonesia, Nigeria, the Philippines, and the United States, but they also enjoy a presence in Chile, Ghana, Guatemala, South Africa, and South Korea.

The explosion of Pentecostalism and evangelical Christianity has collided with entrenched religious communities. Three countries with substantial Muslim communities—India, Indonesia, and Nigeria—also have large Pentecostal populations and sizable minorities of Christians more broadly. Muslim-Christian tensions have recently arisen in those nations, most notably in Nigeria, where sectarian violence erupted earlier this year and left over 500 people dead.

Pentecostalism and evangelical Christianity appeal across class lines. Their message of God's love, hope, and consolation attracts the occupants of shantytowns in many megacities, and their inspiring themes of forgiveness and personal transformation through a sober, frugal lifestyle blends with middle-class values around the world. Once thought of as highly personal religions with little interest in politics, Pentecostalism and evangelical Christianity have become more politically active—particularly in Latin

### *A Globalized God*

America, where Pentecostal and evangelical candidates largely support democracy and lobby for religious freedom in heavily Catholic countries. But their biblical literalism can also motivate religious intolerance. Either way, Pentecostals and evangelicals will be a major religious, social, and political force in the coming century.

Islam is also experiencing a genuine revival, one that extends beyond the more extreme Islamic fundamentalist movements. More Muslim women are wearing the veil, more Muslim men are growing beards, and more Muslims are attending mosques more often. According to the Gallup Center for Muslim Studies, Islam is thriving, with 86 percent of Turks, 90 percent of Indonesians, and 98 percent of Egyptians surveyed reporting that religion plays an important part in their lives.

The Islamic world extends far beyond the Arab world. It is therefore difficult to generalize about Islam's position regarding women, democracy, capitalism, or terrorism. Yet much as Westerners must attempt to understand the facets of Pentecostal and evangelical Christian growth, they will need to make the same effort in striving to understand the global spread of Islam.

#### **RELIGIOUS RENEWAL IN ASIA**

Remarkably, given its Marxist past, China is experiencing a tremendous expansion of Pentecostalism and evangelical Christianity. The Center for the Study of Global Christianity projects that there may be 218 million Christians in China by 2050, perhaps 16 percent of its total population. The current Pentecostal and evangelical populations are concentrated among the growing middle class. Protestantism spread rapidly in China only after the communist government expelled foreign missionaries

between 1949 and 1953, making its spread almost entirely indigenous. Now primarily concerned with its economic development, China tacitly allows established religions—Christianity and neo-Confucianism—to operate relatively freely, believing that they can promote social harmony amid rapid social changes. The question for China is whether this domestic tranquility will continue. If Christianity achieves the kind of cultural permeation of China that it has in South Korea—where it has reached over a quarter of the population—it could fundamentally alter China's political fabric.

Meanwhile, northwestern China is home to over 20 million Muslims and is now in the grip of an Islamic reawakening. Chinese authorities are concerned about the young Chinese Muslims now studying across the Middle East, and especially in Saudi Arabia, whose rigid Wahhabi institutions are offering educational scholarships and bringing Chinese Muslims under their influence. Ethnic minority Uighur Muslims and Han Chinese have clashed violently in the western province of Xinjiang. Deeply concerned about their country's fragmentation, China's leaders are adamant about preventing a separate Islamic enclave from gaining autonomy in the western half of the country. The rise of Christianity and Islam in China, then, will color discussions about political stability, democracy, human rights, and foreign policy there for years to come.

The rest of Asia is also experiencing dynamic religious changes. In contrast to religion in the West, religion in Asia is less individualistic, more communal, and more socially embedded. Thus, religious vitality appears consistent with secular politics in a variety of politically modernizing states—China, Indonesia, Japan,



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South Korea, and Taiwan. The same religious diversity is spreading to India. Although over 80 percent of Indians are Hindus, this dominance masks considerable religious variation across India's states. Muslims comprise 67 percent of the population of Jammu and Kashmir. Christians predominate in India's small eastern states of Nagaland (90 percent), Mizoram (87 percent), and Meghalaya (70 percent) and are significant minorities in two southern states, Kerala (25 percent) and Tamil Nadu (6 percent). Sikhs make up nearly 60 percent of the population in Punjab.

Long-standing social tensions within India—most notably in relation to the country's caste system—also have a significant interreligious dimension. In particular, the movement for the rights of Dalits, the country's lowest caste, known as “untouchables,” has long been complicated by Dalit religious conversions, often from Hinduism to evangelical Christianity. This has angered Hindu nationalists, leading to Hindu-Christian tensions. Despite these internal conflicts, India remains a model of a large, vibrant, successful, deeply religious, and multiethnic democracy outside the West.

### **RUSSIA AND THE ORTHODOX CHURCH**

In Russia, meanwhile, Orthodox Christianity is enjoying a revival after 70 years of communist suppression. Few have appreciated the depth of the damage caused first by communism and then by corruption in the post-Soviet era—they undermined trust, integrity, and accountability, as well as moral and cultural values, in the country.

The Russian Orthodox Church is now aiming to restore these values and overcome modernization's atomizing effects on post-Soviet Russian society. According to a 2004 study by the Kennan Institute,

the Orthodox Church is Russia's second most trusted institution, behind the presidency, with far greater credibility than the media, the police, the army, or the overall government. It has formed an alliance around these goals with fellow religious organizations, a partnership that has the potential to be an important part of civil society. Yet Russians must still determine what freedom of religion means for a country that is predominantly Orthodox. A debate is also taking place within and outside the Orthodox Church itself over the nature of human rights—whether they are consistent with Orthodoxy or are cultural imports from the West—and their appropriate place in modern Russia.

The Orthodox Church's role is especially crucial given that cultural and political power seem intertwined in modern Russia. The church's attempt to unify its domestic and overseas hierarchies in the wake of Soviet rule and its increasingly close relationship with the Russian state have established a type of Russian Orthodox identity politics. The Moscow Patriarchate of the Russian Orthodox Church is one of a number of “autocephalous” (literally, “self-headed,” meaning “independent”) churches within Orthodoxy, and it sees the reunification of the church's various branches as an important step in spreading the patriarchate's influence worldwide. The Russian state, meanwhile, views reunification as a means to boost ties between Russia proper and the Russian diaspora as part of its quest to regain global power. Although the Orthodox Church claims that it has no wish to serve as an organ of the state, its relationship with the Russian government will play a major role in Russia's near-term future.



MORTEZA NIKOUBAZL/REUTERS

*A boy standing next to his father during Friday prayers, Tehran, August 2010*

Muslims are also an important force in Russia, making up between 12 and 15 percent of the population. Russia has more Muslim inhabitants than any other country in Europe. Battles with Muslims in the North Caucasus—Chechnya, Dagestan, and Ingushetia—have left Moscow viewing Islam as a source of extremism, separatism, and secession. The Russian Orthodox Church has had a checkered relationship with Islam, dating back over 700 years, but current problems between the two religions are fed by more recent phenomena. These include Orthodox fears of Islamic extremism and renewed notions of an Islamic-Christian struggle, which first emerged from the Soviet war in Afghanistan and then from the regional struggles following the collapse of the Soviet Union.

#### **GLOBALIZED RELIGION**

All these trends are inherently intertwined with globalization and highlight its tendency to create a more unified and yet more fragmented world. Global and local religious identities are becoming linked because globalization is changing the very nature of religion and its role in international affairs. Ever since Samuel Huntington popularized the notion of a “clash of civilizations” in these pages, many accounts of the world’s religions have cast each religion as a vast, static bloc linked together by culture, theology, and territory. Up to a point, Huntington was broadly right. Religions often have intersected with specific cultures, states, and territories. In Europe, this reality was reinforced by the Treaty of Westphalia in 1648, which essentially privatized religion

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to the realm of individual belief and nationalized it as the basis for organizing modern states. Later on, European colonialists attempted to interpret Hinduism and Buddhism through the lens of Protestant theology, exporting their understanding of religion, culture, and territory to the developing world.

But religions have seldom operated as static blocs with set beliefs. They have always been adaptable and in flux, shaped by and shaping their surroundings. In his new book *Holy Ignorance*, Olivier Roy argues that globalization is facilitating the detachment of religion, culture, and territory, thus unraveling religious traditions from particular cultures and nationalities. Roy points to global religious movements such as Salafism, a militantly literalistic form of Islam; Pentecostalism; and evangelical Christianity to contend that fundamentalism is particularly well suited to globalization because its claim of a universal truth is inherently disconnected from particular states and societies. Whether or not the other groups he references—Tablighi Jamaat (the largest transnational Islamic organization in the world), China's Falun Gong, and Sri Lanka's Theravada Buddhism—can be considered fundamentalist, they have joined existing global religious traditions, such as the Roman Catholic Church and the various Orthodox patriarchates, in impacting international relations.

Globalization is also making religion more pluralistic. The kind of religious monopolies that have benefited the Orthodox churches in central Europe, the Catholic Church in Latin America, and Hinduism in India will be difficult to sustain. Religion is increasingly, if unevenly, becoming a matter of choices—about whether to

believe, whether to embrace one particular kind of religion, and, if so, what elements or sect of that religion to embrace. Religion is no longer imposed or taken for granted by prevailing cultures. The debates in the new Iraqi parliament and increasingly in many other Muslim countries—over the lines between Islamic law and religious freedom, the role of women in society, and regulations regarding conversion and proselytizing—indicate that this shift is also taking place in the Islamic world.

Globalization also gives greater influence to ethnic and religious diasporas. These communities are contributing to the changing nature of international security and are one of the most significant types of nonstate actors in international relations. Globalization has blurred the lines between religious organizations involved in advocacy, proselytizing, or social welfare—for example, Tablighi Jamaat or Hezbollah—and purely terrorist organizations. It is these kinds of both local and global social networks that allow people to support or facilitate the operations of al Qaeda, Hamas, and other illicit groups across the world.

Yet the mixing of sacred and secular objectives in religious institutions is nothing new. Piety and political struggle have often accompanied each other in developing countries. Sufi brotherhoods in North Africa, for example, supported Islamic resistance fighters against French occupation in the nineteenth century.

Westerners find this blending of religion and politics uncomfortable. But in the religious world of the global South, there is often an overlap between social, charitable, political, and even terrorist networks. In weak and failed states, which are plagued by corruption and crumbling social in-

frastructure, a variety of charities and faith-based organizations will remain a main source of education, social welfare, and health care.

Globalization also enables members of diasporas to join religious groups in their countries of ethnic origin. The Internet and cheap airplane tickets, for example, give young, rootless, and alienated Muslims in the diaspora the opportunity to construct new, radical identities by joining a virtual *ummah*, or global Islamic community. One recent example is Faisal Shahzad, the so-called Times Square bomber. A Pakistani-born immigrant who lived in Connecticut, Shahzad nonetheless visited Pakistan often and received terrorist training from the Taliban.

Simmering local conflicts could, if allowed to fester, lend fodder to extremists arguing that Islam and Christianity, or Buddhism and Islam, are at war. This has happened in Buddhist Thailand, where an Islamic separatist insurgency is raging in the south, and it is happening in the Philippines, where a long-running Islamic independence movement has linked itself with al Qaeda in recent years. In both places, isolated revolts have taken on international proportions as war zones within a larger battle.

### **FAITH AND FOREIGN POLICY**

As the world becomes more religious, religion will also likely alter relations in the traditional nation-state system. At a basic level, religion will be an important factor in understanding the general foreign policy orientations of many countries. There will undoubtedly be exceptions—Western states supported Muslims in Bosnia and Kosovo over Christians, to take one instance—but many historical

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examples suggest that religion reinforces collective identities and guides foreign policy. Germany's Catholics pressured the country to recognize Catholic Croatia's secession from Yugoslavia in the aftermath of the Cold War. Orthodox states such as Greece and Russia opposed NATO's bombing of Orthodox Serbia in 1999. Russia's claims of political influence over the Ukraine are related to the fact that Uniats, also known as Eastern Rite Catholics, dominate its western territories and are at odds with the Russian Orthodox Church.

The foreign policy implications of religion are evident when it comes to Islam as well. Saudi Arabia's cultural diplomacy has consolidated the country's influence in the Islamic world by spreading its more rigid form of Islam, upsetting local Islamic practices and long-standing traditions of religious toleration and coexistence. Meanwhile, Iran has pursued an equally aggressive religious diplomacy, exporting its messianic form of Shiism across the Arab world and supporting sectarian movements in Lebanon (Hezbollah), the Palestinian territories (Hamas), and Iraq.

Another potentially important factor in international relations is the impact of Christianity on foreign policy orientation. The political scientist Walter Russell Mead has argued that the global rise of Christianity is good for U.S. foreign policy. Christianity, he says, is "the world's most pro-American faith" because it is congruent with American beliefs and ideas (if not always actions), supports religious freedom, and helps inculcate the kind of values conducive to democracy and economic development.

Mead is partly correct, although perhaps not for the reasons that he cites. U.S. foreign policy is increasingly influenced

by the way globalization creates or empowers new types of collective identity and political action, including global Pentecostalism and evangelical Christianity. Globalization enables Muslims and Christians in the global South to link their local conflicts to competing global narratives. Islamic and Christian nonstate actors—for example, Franklin Graham's Christian relief organization, Samaritan's Purse, now active in the Sudan—draw on diasporas to provide them with financial and political support. American Christian values and goals connect the United States to societies and countries in the global South with Pentecostal or evangelical constituencies. The religious dimensions of this kind of collective identity and transnationalism is a growing feature of U.S. foreign policy and explains (to a large extent) legislation in the past decade on human trafficking, religious freedom, the violence in Darfur, and human rights in North Korea.

Yet Mead's vision of Pentecostalism and evangelical Christianity boosting the status of the United States in foreign countries is not a foregone conclusion. Given the increasingly indigenous development of these Christian groups in non-Western countries, they have embraced local concerns and local politics in places such as China. Pentecostalism and evangelical Christianity are certainly not monolithic, and it remains unclear whether Christians in the global South will align with their more conservative U.S. counterparts on foreign policy issues. On the issue of the Iraq war, for example, they did not. Meanwhile, evangelicals in China seem more inclined to follow Chinese nationalist sentiment than to embrace the United States.

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It is possible that religion in the global South will not reflect Western political categories. For both Muslims and Christians in developing countries, religion is likely to be more socially conservative than in the West, taking a harsher stance on abortion and homosexuality. At the same time, religion in the global South could be more politically liberal, since people in developing nations are generally more concerned with poverty, economic justice, and the environment; more skeptical of capitalism and globalization; and more supportive of the United Nations and international law.

Globalization and its impact on religious trends will undoubtedly affect domestic conditions as well. Religiously divided populations from Indonesia to Nigeria have clashed in recent years, and fresh Muslim-Christian conflicts are erupting in Côte d'Ivoire and Kenya. Statistics on civil unrest indicate that once a minority religious group in a given country reaches 10–20 percent of the population, it can sufficiently resist policies promoting religious harmony and can even sustain struggles for liberation.

Clearly, other factors contribute to such strife besides religion. Yet although many conflicts are the result of politics, economics, and governmental mismanagement, religious ideas do matter. Collective action depends on how social groups perceive the world in which they live and how they view their own identities in relation to the identities of others. The way religious institutions address literacy, schooling, governance, human rights, and interreligious dialogue can support governments' ability to respond to crises surrounding these issues or exacerbate religious strife.

#### **RELIGION IN THE WORLD AHEAD**

A new kind of world is in the making, and the people, states, and religious communities that compose the global South are making it. The major world religions are all taking advantage of the opportunities provided by globalization to transform their messages and reach a new global audience.

Faith informs the daily struggles of millions in confronting larger political conflicts regarding democracy, human rights, and economic development. Ethnic and religious diasporas in the global South are connected to the West in ways that can create or reinvigorate collective identities, whose influence can both promote social welfare and fuel terrorism and interreligious conflict. As a result, understanding religions worldwide—their beliefs, values, and practices and the way they influence the political goals, actions, and motivations of states and religious communities—will be an important task for U.S. and international foreign-policy makers in the coming decades. If the United States recognizes and utilizes the worldwide religious resurgence, it can harness its power to improve international security and better the lives of millions. If the United States fails to confront the implications of this religious rise properly, however, the potential for religiously motivated violence across the globe may increase dramatically over the next century. 🌐

# The Fertile Continent

## Africa, Agriculture's Final Frontier

*Roger Thurow*

Throughout this past summer, in the long-suffering hills of western Rwanda, legions of farmers toiled at their sloped plots. With hoes and axes, they crafted flat, wide terraces and a simple water-management system that would keep valuable topsoil in place. Their efforts were part of a \$800 million investment program supported by the United States and other international donors that is meant to boost Rwanda's agricultural production and reduce its dependence on food aid. The farmers were reshaping their land in the hope that a new watershed, along with better-quality seeds and fertilizer, would double or triple their harvests of corn, potatoes, beans, and rice by the next season.

As he patrolled the hillsides one day last June, Innocent Musabyimana, the project's manager in the Ministry of Agriculture, expressed a kind of desperate optimism. "To make our agriculture sustainable, we have to do this," he said. "Ninety percent of the country is like this, all hills. If we don't do anything, in 40 years, with the erosion, the farms will be gone." Musabyimana

opened his arms wide. "This," he said, taking in the sweeping panorama, "is our future."

He meant the future of Rwanda and the future of Africa. But he might as well have been talking about the future of the world, too. For what is happening on the hills near Lake Kivu is at the vanguard of an effort to reverse years of neglect in agricultural development, tackle widespread chronic hunger, and satisfy the world's ever-expanding appetite.

Malthusian predictions that relentless population growth will outstrip food production and trigger starvation worldwide have recurred over the centuries. They have come and then gone as farmers have deployed new technologies to increase food output. Even now, enough food is being produced to adequately feed every person on the planet; the fact that nearly one billion people are nonetheless going hungry is a damning indictment of the world's food-distribution system. But since demand is growing, production will also have to increase in the years ahead. With the

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world's population expected to expand to more than nine billion by 2050 and much of that growth occurring in China, India, and other countries where living standards are rising fast, global food production will need to increase by 70–100 percent in order to keep pace and feed the already chronically hungry. This is a mighty challenge: all the more so because given current soil technology and environmental concerns, more food will have to be produced on roughly the same amount of arable land—and with less water than is used now and at a time when both growing demand for biofuels and changing climate patterns are also putting pressure on production. Where will the needed rise in food supplies come from, and how quickly can the distribution problems be solved?

The countries that managed quantum leaps in agricultural production in the past cannot be counted on for repeat performances, unless great leaps in technology introduce new strains of seeds or suddenly turn unproductive lands into fertile soil. The United States, long the breadbasket of the world, led the way in agricultural innovation and productivity after World War II. Advances in seed breeding—first with hybrids, then with genetically modified crops—spurred huge jumps in the yields of several staples: from 1950 to 1990, corn and rice yields in the United States grew by an average of more than two percent annually, with gains in wheat yields close behind. But in recent years, yields for these crops have grown by less than 1.5 percent. Crop yields throughout the rest of the developed world have followed the same trend.

Likewise, future productivity gains in the grain-belt fields of the former Soviet states and in Brazil, China, and India—once hun-

gry countries that turned into agricultural powerhouses thanks to advances made in the 1960s and 1970s, lifting hundreds of millions of people out of poverty—depend on continued investment in infrastructure and research. Under some scenarios, water scarcity in China and India could cut wheat and rice production in these countries by 30–50 percent by 2050, even as demand for these grains there is expected to rise by as much over the same period.

Thus, more and more eyes are turning to Africa, agriculture's final frontier. Africa was largely left out of the green revolution, the postwar movement to push up crop yields in the hungriest parts of the world by promoting the use of new seeds and new farming technology. And so agricultural production on the continent could jump quickly if farmers there simply used existing seed, fertilizer, and irrigation technology. And if more efficient networks were developed to distribute and sell the harvests, boosting agricultural yields in Africa could be a major step toward feeding not just the continent but also the rest of the world.

#### **RIPE FOR REVOLUTION**

How did Africa get so far behind? How can hunger be spreading this century when the green revolution was one of the great technological and scientific achievements of the last?

“The Green Revolution has not yet been won,” warned Norman Borlaug, the American plant breeder credited with starting it, as he accepted the Nobel Peace Prize in 1970. “Tides have a way of flowing and then ebbing again. We may be at high tide now, but ebb tide could soon set in if we become complacent and relax our efforts.” Some 40 years later, more than



*Roger Thurow*

one in seven people are going hungry, and as Borlaug feared, that failure was largely born of success. The green revolution beat back famine in Asia and Latin America, disproving the dire Malthusian predictions. Between 1975 and 1985, the world's production of corn, wheat, and rice grew more than twice as fast as the world's population. Surpluses replaced shortages. The gluts depressed prices in the United States and Europe, creating a false sense of accomplishment and security there. The rich world's awareness of the wretchedly poor and hungry receded. Yet the green revolution had not come to Africa.

By the late 1970s, Borlaug's simple idea of helping the world's small farmers—also the world's hungriest people—feed themselves had become more complicated to implement. Environmentalists criticized the green revolution for introducing fertilizers and pesticides to hundreds of millions of acres of land; their overuse was creating a new kind of pollution. Social scientists worried that bringing the notion of surpluses and profits to smallholder farmers would upset the harmony of rural villages by creating debt and prompting land grabs. Research for new breeds of seeds and better soil nourishment to improve the yields of the world's poorest farmers dwindled; priorities shifted to producing safer food in environmentally friendly ways for the world's well-fed.

Overall funding from rich nations for agricultural projects in the developing world also collapsed. According to the World Bank, official development assistance for agriculture from rich countries to poor ones plummeted from its peak of \$8 billion in 1984 to \$3.4 billion in 2004 (measured in 2004 dollars). Over the same period, the share of aid devoted to

agriculture relative to total assistance crashed from about 18 percent to less than four percent. Agricultural assistance to sub-Saharan Africa briefly exceeded \$3 billion in the mid-1980s, but it soon sank back to \$1.2 billion, its 1975 level. The U.S. government's retreat was particularly dramatic: annual U.S. aid to agriculture in sub-Saharan Africa declined from more than \$400 million in 1984 to just \$60 million in 2006.

### **UNEVEN PLOWING FIELDS**

This precipitous drop in research and aid came just as international development theory began to doubt whether helping farmers in poor nations was the most effective way to fight hunger and poverty. In the 1980s, the World Bank and other international development institutions promoted “structural adjustment,” a policy that required central governments to exercise fiscal discipline and reduce their debt. Governments in Africa were instructed to get out of the agricultural sector, among other areas, and let the private sector take over.

But in most African countries, the private sector was too small, too weak, and too undercapitalized to lead agricultural development; supply enough seeds and fertilizers; buy, transport, and store harvests; or build domestic and export markets. Starved of assistance, the continent's agricultural infrastructure—research institutions, the roads connecting farms to markets, the network of so-called extension agents who carry new information and technology to farmers, post-harvest storage and distribution capability—fell into a woeful state (refuting, it seems, the arguments of those who insisted that Africa would be better off without foreign aid).

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Meanwhile, the international development community was asking African governments to stop subsidizing African farmers to encourage them to plant as much as possible. Many African governments were happy to follow this lead: even though small farmers made up a majority of the population in much of Africa, it was the urban voters who kept governments in power. But that left the continent's farmers bearing 100 percent of the risk of a very risky business. They were being asked to perform a high-wire act without a safety net, and they were the only farmers in the world who had to do so. The countries of the Organization for Economic Cooperation and Development continued to lavish subsidies on their own farmers—more than \$250 billion annually—making it impossible for unsubsidized farmers to compete in world food markets. On top of all this, conflict in several African countries turned farmers' fields into battlefields: once productive lands such as Sudan and Zimbabwe became big recipients of food aid.

Still, at the time, the prevailing idea was that Africa's smallholder farmers could not, and therefore should not, compete. Since food produced on large-scale farms in the rich, developed countries was cheaper, the poor countries would benefit from developing their industrial sectors so that, rather than grow their own food, they could earn money to import some. This, ostensibly, was their comparative advantage: where local labor was cheap, better to invest in manufacturing than in agriculture—better to produce underwear than maize. If Africa's peasants went hungry, they could be fed with food aid from the rich world's overflowing warehouses.

What happened was that imported crops displaced locally grown food throughout

the developing world, crushing both the incentives of poor peasants to farm and Africa's hopes of food self-sufficiency, the best long-term barrier against famine. All these development missteps were made cruelly manifest during the famine that struck Ethiopia in 2003. In the two previous years, Ethiopian farmers had had the best harvests of their lives thanks to Borlaug's attempts to ignite a green revolution there and provide better access to seeds and fertilizers. But these efforts' single-minded goal had been to produce, produce, produce; developing the infrastructure to store any resulting surpluses and bring them to the market was considered a problem to be addressed later. By the end of 2002, Ethiopia's underdeveloped markets could not absorb the excess production. As a result, prices collapsed by 80 percent, to levels far below production costs. Farmers and grain traders filled whatever warehouses existed, hoping to hold on to their crops until prices improved. Storage capacity was insufficient, however, which meant massive spoilage on the farms (a total of 300,000 tons were wasted, by some estimates). As Ethiopian farmers entered the planting season of 2002–3, their incentive to produce choked by the low prices, they cut back on expenses, used cheaper seeds, shunned fertilizers, shut off irrigation systems, and took some land out of production. They knew they were likely limiting their harvests, but they hoped to keep them large enough to feed their families. They looked heavenward for rain. But that season the rains failed, causing a drought and then a famine. Farmers who one year before had carried surplus grain to village markets were now carrying starving children to emergency

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feeding centers. Economics had failed them even before the weather did.

U.S. policy failed them next. During the 2003 famine, the U.S. government spent more than \$500 million on food aid to help the 14 million Ethiopians who were starving, but it spent less than \$5 million on agricultural development aid to prevent Ethiopian farmers from starving the next time around. U.S. policy also mandated—and it still does—that U.S. food aid take the form of crops grown in the United States rather than cash with which recipients could buy local crops. The result was perverse: U.S.-grown food streamed in, rolling past warehouses still filled with Ethiopian-grown grain. Although Ethiopian farmers had no market in Ethiopia, U.S. farmers had a very big one. The U.S. food-aid industry had morphed from Band-Aid into big business.

Soon, the drought that had struck Ethiopia spread from the Horn of Africa down the continent's east coast and into its southern savannas, where the HIV/AIDS epidemic was already wreaking havoc on agriculture by killing millions of farmers. A few years into the twenty-first century, Africa was hungrier than ever before.

### **FROM BREADBASKET TO BASKET CASE**

On the tail of the 2003 famine, African governments got fed up with the prevailing doctrine. At a meeting in Maputo, Mozambique, during the summer of 2003, the continent's leaders embraced the goal of increasing their spending on agricultural development to ten percent of their national budgets. In 2004, Kofi Annan, a son of Africa and then secretary-general of the United Nations, called for an African green revolution. New generals enlisted

in the fight against hunger. The freshly elected president of Malawi, Bingu wa Mutharika, subsequently announced that his government would start providing subsidies to farmers to help them obtain seeds and fertilizers. Rwanda's president, Paul Kagame, said that he would do the same, to boost agricultural production in his country. The World Bank also eventually reversed course, retreating from the dogma of structural adjustment. In its *World Development Report 2008*, it hailed the role of small farmers in leading the way out of hunger and poverty and recognized the importance of state investment in agriculture and of some subsidies.

To those who did not heed the African famine of 2003, the global food crisis of 2008 should have been a wake-up call. By then, it was clear that if Borlaug had managed for a time to give the world a lead in the race to keep food production ahead of population growth, the global food supply was now far less secure. With the world's population getting bigger and wealthier, the demand for grain-fed meat and dairy products was escalating. At the same time, the continued volatility of oil prices was driving a major rise in the production of alternative sources of fuel, many made from foodstuffs. (By 2009, about 30 percent of the United States' corn crop went to producing ethanol, roughly twice as much as in 2006.) This caused food supplies to dwindle and made harvests more vulnerable to disruptions caused by natural disasters. Global grain reserves plummeted in 2007 and 2008 to their lowest levels in three decades, and the prices of many staples doubled. Countries shut off food exports; trade was interrupted. The food that poor countries were supposed to buy for cheap rather than grow

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themselves suddenly no longer was so cheap or even so available. As shortages spread and prices skyrocketed, rioting erupted, escalating global security concerns. The global financial meltdown that soon followed did bring crop prices down but only to levels that were still historically high. Meanwhile, the conditions that had pushed up food demand remained in place—they still remain today and are likely to intensify as the world economy recovers. In fact, scenes from the 2008 food crisis replayed at the end of this past summer: a drought choked the wheat crop in Russia, triggering higher wheat prices on the world market, and rioting broke out in Mozambique over bread shortages. As the twenty-first century advances, so, too, must the work on doubling the world's food production.

#### **HARVESTING POTENTIAL**

Africa is so far behind the rest of the world agriculturally that it would make great gains simply by applying existing technology and developing the infrastructure that is common in the rest of the world, such as farm-to-market roads, basic irrigation systems, crop-storage facilities, and commodities exchanges. The hybrid seeds that revolutionized agriculture in the developed world several decades ago are still scarce in Africa. According to the International Maize and Wheat Improvement Center, the base of Borlaug's work, such seeds account for less than 30 percent of the corn grown in Africa, and in some countries, such as Ghana, for less than five percent. Farmers who adopt these higher-yielding seeds typically see their harvests increase two-, three-, or fourfold.

Also in contrast to much of the rest of the world, land and water resources in

Africa have been largely underused. More than half of the earth's unused arable land that can still be exploited without endangering forests and other ecosystems is in Africa. And less than five percent of Africa's arable land is irrigated; abundant water sources, such as the Blue Nile River in Ethiopia, are largely untapped for farming. The continent's soil has been depleted over the decades, but it could readily be replenished: African farmers use less than one-tenth the amount of fertilizer deployed by farmers in Asia and Latin America. Of the harvests that are reaped in Africa, one-third to one-half are routinely wasted, spoiled by pests, moisture, or disease. Climate-controlled, vermin-secure storage facilities are rare; many smallholder farmers store their harvests in flimsy wooden shelters or pile them up in their mud-brick homes. And as the 2003 famine in Ethiopia showed, the continent's prime agricultural regions do not have modern markets capable of absorbing and distributing the harvests quickly.

Remedying these problems, and tapping Africa's farming potential, has become a central focus of many governments and research and development institutions, and of the world's most generous philanthropists. Countries such as China, India, and Saudi Arabia, which face limitations on food production at home because of land, water, and climate constraints, are looking to invest in and buy land in Africa to grow food for their own people. Partly as a result, African governments are beginning to recognize the importance of taking the reins in developing their own agricultural sectors (some fear a form of postcolonial colonization). As soon as Mutharika, the president of Malawi, became chair of the African Union earlier this year, he

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pledged to champion greater investment in agriculture: “Africa must feed Africa,” he said.

But others can help. The scientific institutes that transformed Brazil’s savanna from an idle bush land into verdant fields of soybeans, rice, and maize in the 1970s and 1980s are beginning to work on areas in Africa with familiar ecological and agricultural conditions. Support from the United States will also be crucial to improving African farming, just as it was in helping ignite the agricultural boom in Asia and Latin America in the 1950s and 1960s, when it convinced several governments in those regions to trust Borlaug’s ideas and back the green revolution.

### HELPING HANDS

U.S. President Barack Obama, whose relatives still till the soil of Kenya, has recognized this challenge and set out to make agricultural development a pillar of American soft power. In his inaugural address last year, he proclaimed, “To the people of poor nations, we pledge to work alongside you to make your farms flourish and let clean waters flow, to nourish starved bodies and feed hungry minds.” Those 30 words have since grown into Feed the Future, a program involving most departments of the administration—from the Department of State and the Department of Agriculture to the Treasury Department and the National Security Council. Its goal is to help the world’s poorest farmers grow enough to feed themselves and to have surpluses to sell on the market rather than have to rely on emergency food aid to survive. Obama has asked for \$3.5 billion over three years to support agricultural development programs that the governments of low-income countries would draw up themselves.

The U.S. government has rallied international support for Feed the Future by citing global security concerns, pointing, for example, to the rioting that struck dozens of countries during the 2008 food crisis. At Washington’s prodding, in 2009, the leaders of the G-8 countries pledged \$22 billion over three years for agricultural development in the world’s poorest countries. Then the G-20 called for the creation of a multidonor trust fund to help finance those efforts. The Global Agriculture and Food Security Program (GAFSP) was launched this April, with an initial commitment from Canada, Spain, South Korea, and the United States, as well as the Bill & Melinda Gates Foundation, that totaled \$880 million. As he announced this new fund, U.S. Treasury Secretary Timothy Geithner spoke of security. “A world where more than one billion people suffer from hunger is not a strong or stable world. A world where more than two billion people in rural areas struggle to secure a livelihood is not a balanced one,” he said. He continued: “Promoting economic growth abroad increases prosperity and security at home.”

Standing beside Geithner that spring day was Bill Gates, whose foundation contributed \$30 million to starting up GAFSP—and has invested well over \$1.5 billion in agricultural development over the past five years. The Bill & Melinda Gates Foundation has teamed up with the Rockefeller Foundation (a main backer of Borlaug’s work) to form the Alliance for a Green Revolution in Africa, partly because it has determined that ending malnutrition is key to the success of any poverty-reduction efforts in Africa. And Africa’s smallholder farmers, who make up two-thirds to three-quarters of the population in many African countries, are the key to that. “Helping

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the poorest smallholder farmers grow more crops and get them to market is the world's single most powerful lever for reducing hunger and poverty," Gates said at the World Food Prize symposium in Des Moines, Iowa, last year.

According to the McKinsey Global Institute, if a green revolution ignites in Africa, the continent's agricultural output could increase from the current value of \$280 billion per year to as much as \$880 billion per year by 2030. Such growth is possible, the institute calculates, if Africa raises yields on key crops to 80 percent of the world average and brings more of its potential farmland into cultivation. Such measures would increase demand for fertilizers, seeds, and pesticides and spur a boom in postharvest processing, all of which could be worth another \$275 billion in global revenue by 2030.

In addition to security concerns and business opportunities, there is, of course, the moral imperative to promote an African agricultural revolution. In its latest report on hunger trends, the U.S. Department of Agriculture warned that without an improvement in local agriculture, the number of "food insecure" people—those who consume less than 2,100 calories per day—in sub-Saharan Africa will exceed 500 million by 2020, or half the region's population. According to the USDA's report, which studied 70 developing countries, sub-Saharan Africa would in that case account for just 27 percent of the total population of the countries studied but for 59 percent of the total number of food-insecure people in those states.

#### **GETTING TO GROWTH**

Nongovernmental organizations are also zeroing in on agriculture as the key way

to reduce hunger and poverty in Africa. One day last July, in a small, dimly lit bungalow in Bungoma, in western Kenya, Andrew Youn, the founder and director of the nonprofit organization One Acre Fund, told me, "Agriculture is the fundamental humanitarian problem of our time." Africa's farmers, he added, "need to be producing way more, or we'll have a serious food crisis in the world."

A few years ago, fresh from Northwestern University's Kellogg School of Management, Youn noticed while traveling in Kenya that two neighboring farmers had very different crop yields on their respective plots. The one with the bigger harvest was using better-quality seeds and fertilizers and had access to training; the other one did not. And so, as the next planting season rolled around, Youn began working with about 40 Kenyan farmers who were struggling to feed their families. Rather than give farmers hand-outs, One Acre Fund provides seeds and fertilizers and draws up repayment plans. It provides training on planting techniques and, once the harvest is in, on drying and storage practices. When needed, the organization also links farmers to markets. And it offers innovative insurance coverage to protect them against failed harvests due to weather. In just four years, One Acre Fund has gone from helping 40 families in Kenya to working with close to 30,000 in both Kenya and Rwanda, doubling or tripling harvests on almost every field. The organization plans to roughly double the number of farmers it assists every year, aiming to work with one million within a decade.

Often, the efforts of social entrepreneurs naturally complement the official actions of governments, even when there are no

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direct ties between the two. In Rwanda, for instance, One Acre Fund's work coincides with the government's efforts to end hunger through agricultural development. The government in Kigali has increased its spending on agriculture from just three percent of the national budget a few years ago to seven percent today, and, according to both Rwandan officials and the World Food Program, the country has largely freed itself from any dependence on food aid. Thanks to the government's Crop Intensification Program, which seeks to raise farmers' yields by giving them access to better seeds and fertilizer, corn production has quadrupled in the last five years. Now, the agriculture minister, Agnes Kalibata, is counting on the U.S. government and other international donors to help keep up the momentum. Because of its own investment plans for agriculture, Rwanda has emerged as a model country in the Feed the Future program. It received \$50 million in the first round of GAFSP funding, including for the terracing and water-management project on the hillsides near Lake Kivu.

Many obstacles will have to be overcome before an agricultural revolution can be sown in Africa. On a visit to cornfields in Rwanda's Eastern Province last June, Kalibata said, "We need to build warehouses; we need markets." She noticed the bumper harvest piling up in farmers' houses and heard their worries that the surplus would push prices below farming costs. "Unless we sell this, how can we get them to grow more?" Kalibata asked, looking around at the surpluses. "That's the challenge of creating food security."

After several decades of neglect by the continent's own governments and the outside world, Africa's rural infrastructure

all along the production chain has fallen into great disrepair. Sub-Saharan Africa is so diverse that it will need not one green revolution but dozens, one for each ecological zone and one for each of the myriad staple crops. The region will also need political and social stability. And holding the world's interest in its progress will be an immense challenge. The U.S. Congress has already been whittling away at the Feed the Future and GAFSP budgets, threatening to starve the programs of adequate funding before they have had a chance to really get going.

But the rich world neglects Africa's development at its own peril. It will be impossible to multiply global food production—that is, to reduce hunger in poor countries while meeting growing demand in emerging ones—in the coming decades if Africa's farmers are not given the means to grow as much food as they possibly can. As Borlaug liked to say, "You can't eat potential." The continent that has been fed by the world's food aid must now help feed the world. 🌍

# Globalizing the Energy Revolution

## How to Really Win the Clean-Energy Race

*Michael Levi, Elizabeth C. Economy,  
Shannon O’Neil, and Adam Segal*

The world faces a daunting array of energy challenges. Oil remains indispensable to the global economy, but it is increasingly produced in places that present big commercial, environmental, and geopolitical risks; greenhouse gases continue to accumulate in the atmosphere; and the odds that the world will face catastrophic climate change are increasing. These problems will only worsen as global demand for energy rises.

Environmental advocates and security hawks have been demanding for decades that governments solve these problems by mandating or incentivizing much greater use of the many alternative energy sources that already exist. The political reality, however, is that none of this will happen at the necessary scale and pace unless deploying clean energy becomes less financially risky and less expensive than it currently is. This is particularly true in the developing world.

A massive drive to develop cheaper clean-energy solutions is necessary. Indeed,

many claim that it has already begun—just not in the United States. They warn that the United States is losing a generation-defining clean-energy race to China and the other big emerging economies.

They are right that the United States is dangerously neglecting clean-energy innovation. But an energy agenda built on fears of a clean-energy race could quickly backfire. Technology advances most rapidly when researchers, firms, and governments build on one another’s successes. When clean-energy investment is seen as a zero-sum game aimed primarily at boosting national competitiveness, however, states often erect barriers. They pursue trade and industrial policies that deter foreigners from participating in the clean-energy sectors of their economies, rather than adopting approaches that accelerate cross-border cooperation. This slows down the very innovation that they are trying to promote at home and simultaneously stifles innovation abroad.

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To be sure, clean-energy innovation alone will not deliver the energy transformation the world needs. It can drive down the cost of clean energy and narrow the price gap between clean and dirty sources, but it is unlikely to make clean energy consistently cheaper than fossil fuels anytime soon. Government policies will still need to tip the balance, through regulations and incentives that promote the adoption of alternatives to fossil fuels.

### **CLEAN BUT COSTLY**

Clean energy is almost always more expensive than energy from fossil fuels, and often by a big margin. A recent International Energy Agency (IEA) study found that in the United States, electricity from new nuclear power plants is 15–30 percent more expensive than electricity from new coal-fired plants, offshore wind power is more than double the price of coal, and solar power costs about five times as much. An even more pronounced pattern prevails in China, where nuclear energy costs 15–70 percent more than coal, onshore wind costs between two and four times as much as coal, and solar power is more than five times the price.

Clean energy for transportation fares just as badly in terms of cost. In most countries, ethanol and biodiesel are considerably more expensive than conventional fuels. Cars that run on electricity, meanwhile, suffer from high battery costs that can easily cancel out those cars' lower fuel bills. Compounding the problem, the cost of clean energy is often highly uncertain: the cost of nuclear power, for example, depends strongly on the availability of financing on reasonable terms.

Nor is cost the only problem that demands technological progress. Nuclear

power, for example, remains vulnerable to nuclear proliferation and uncertainties over the safety of waste storage. The sun and wind produce electricity intermittently, and battery and grid technologies are not yet able to smooth over the gaps in their delivery of power. No one has even tried to build and operate a commercial coal plant that captures and stores its greenhouse gas emissions.

Yet the world is woefully underspending on clean-energy innovation. The IEA recently presented a scenario in which global oil consumption would be reduced by a quarter and global greenhouse gas emissions would be cut in half by mid-century. To reach this goal, the IEA estimated that the world would need to spend an average of \$50–\$100 billion each year to support the research, development, and demonstration of clean-energy technologies. Current public spending is a mere \$10 billion annually. That number is set to plunge as global stimulus spending, much of which was directed to energy, slows and then stops. Private financing of clean energy is harder to measure but probably contributes only \$10 billion more per year. The shortfall is staggering.

Some have found hope in reports that the major emerging economies—China, Brazil, and India—are making big investments in clean energy. Yet their innovation efforts, although important, are not as impressive as they may seem.

China has invested in a wide range of clean-energy technologies, pumping unprecedented amounts of money into renewable energy and in 2009 leading the world in financing wind technology. Several of its companies are making big investments in electric vehicles. Three Chinese power plants currently under

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construction will aim to demonstrate carbon capture and sequestration on a commercial scale. China can also build highly efficient conventional coal plants at costs far lower than in the West.

Yet China's innovation in the clean-energy field is following the same pattern as in other sectors of its economy: the implementation of incremental changes in manufacturing processes that are usually developed abroad, rather than the achievement of fundamental homegrown advances. In the area of photovoltaic panels (which convert sunlight directly into electricity), for example, China has lowered the cost of finished modules and panels but has not made big advances in more technologically sophisticated areas, such as silicon wafer manufacturing. Such lower prices help already mature technologies spread more quickly but often fail to deliver transformative advances. The value of Chinese investments in research and development (R & D), meanwhile, is limited by an economic system that has trouble moving ideas from the laboratory to the marketplace.

Brazil has narrowly tailored its clean-energy innovation to biofuels. Commercial investment in innovation has, predictably, flowed mainly into improvements of existing technology, which in Brazil means first-generation sugar-cane ethanol for cars. Yet on the most important international frontier for biofuels—so-called second-generation cellulosic ethanol, which uses waste or crops grown on land that cannot be used to produce food—Brazil is relatively quiet. Its Center for Sugar-cane Technology, a cooperative consisting of many of the country's sugar-cane producers, has built a small pilot facility; Embrapa, the government organization

that supports agricultural research, is scheduled to complete a similar center this year; and the newly founded Brazilian Bioethanol Science and Technology Laboratory is planning a third for next year. The United States, in contrast, is home to more than three dozen commercial or pilot cellulosic ethanol plants. Brazil has also spent money developing indigenous nuclear technology. The result has been not an internationally competitive industry but delays in getting Brazil's domestic nuclear industry up to speed.

India is even further behind. It has not, to date, made major investments in clean-energy innovation. Its science and technology spending in general has also lagged. New Delhi is, however, trying to turn a corner. Its National Solar Mission, announced in 2009, aims to deploy 20 gigawatts of solar energy by 2022 and to back that up with government support for everything from basic innovation to large-scale deployment. Earlier this year, the Indian government upped the ante by proposing a fee on sales of coal-fired power; the proceeds would be channeled into funding for clean-energy R & D. In the near term, however, India is not likely to offer major breakthroughs, but it will create increasingly cost-effective business models for supplying energy in developing economies.

#### **REENERGING WASHINGTON**

Major scientific advances are still most likely to occur in the developed world, alongside much of the work necessary to commercialize clean-energy technologies and the capital required to support those efforts. Chatham House recently mined patent data for six major clean-energy fields: no emerging-economy company ranked in the top 20 firms in any of the

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fields. U.S. companies, in contrast, consistently helped make the United States one of the top three clean-energy patent holders, alongside Japan and Europe.

Yet the United States cannot rest on its past successes. The scale and pace of U.S. innovation in clean-energy technology today are not commensurate with the challenges posed by climate change and by the growing demand for oil. According to the American Energy Innovation Council, the U.S. energy industry and the U.S. government together invest a mere 0.3 percent of total private sales in public and private R & D; this contrasts with 18.7 percent in the pharmaceutical industry and 11.5 percent in aerospace and defense. Bringing new clean-energy products to market often takes decades, in contrast to other high-technology sectors, where it takes years. The result is painfully slow progress.

This will not change without government intervention. The question is what kind of intervention makes the most sense. The United States could, in theory, promote clean-energy innovation strictly through measures such as cap-and-trade or renewable-energy mandates that directly drive clean-energy deployment. As technologies were implemented, firms would learn through experience and make incremental innovations. In addition, once firms and inventors anticipated stronger regulations and incentives in the future, they would invest in more ambitious long-term efforts to develop next-generation technologies.

But there are important limits to this dynamic. Companies are likely to under-spend on innovation since they cannot always reap the full rewards of their investments. A company that discovers new

principles that allow it to make far more effective batteries, for example, may see some of its ideas replicated by others without compensation. A firm that experiments with different schemes for financing rooftop solar panels before finding one that works will probably not be able to stop its competitors from copying it and competing with it. Many of these valuable and necessary innovative activities will thus never happen in the first place, even if the right long-term market incentives are in place.

Politics can also prevent those long-term incentives from being created. If people cannot be convinced that radically improved cars will be available by 2030, their elected leaders will not be willing to mandate big cuts in oil consumption by then; if politicians cannot be persuaded that eliminating greenhouse gas emissions from power plants is possible by midcentury, they will not condone cap-and-trade systems that purport to do just that. Yet this creates a vicious cycle. Firms and inventors will not pump enough money into game-changing technology without the right long-term goals and strong policy support. Wariness about achieving ambitious long-term goals can quickly become a self-fulfilling prophecy.

A U.S. strategy to break this cycle requires two basic elements. First, the U.S. government must create incentives that promote the widespread adoption of efficient energy technologies and alternatives to fossil fuels. These incentives could take the form of pricing instruments (such as gasoline taxes or cap-and-trade systems), focused financial incentives (such as tax credits for electric vehicles and grants to wind-farm developers), or direct regulation (such as fuel-economy



CHINA DAILY / REUTERS

*Technicians maintaining solar panels at a solar-power plant in Wuban, China, January 2010*

standards for cars or pollution limits for power plants). Such policies would not only increase the use of clean-energy technologies but also encourage innovation, since inventors would have much larger markets for their technologies. In many cases, these policies would also encourage domestic manufacturing, since for many clean-energy technologies (such as advanced wind turbines), there are significant commercial advantages to locating manufacturing near deployment.

In addition to creating market incentives, the U.S. government should also support innovation directly by helping fund clean-energy research, development, and demonstration projects. It should also adopt policies that encourage investors to finance companies that operate in the “valley of death” between invention and commercial viability. Washington could, for example, support R & D in U.S.

government laboratories and in private companies, pay for first-of-a-kind advanced biofuels and clean-coal facilities, and reduce risk for financiers who back early stage clean-energy commercialization. The United States should also encourage other countries to take similar steps.

#### **THE GLOBALIZATION OF INNOVATION**

Even with extremely ambitious programs, no one country will produce the majority of the clean-energy innovation that the world needs. Different countries’ efforts need to be tightly connected so that they can build on one another. U.S. utilities, for example, will need to utilize Chinese advances in clean-coal implementation; Indian solar manufacturers will need to benefit from basic research done in the United States in order to meet their government’s targets; and Brazilian biofuel engineers will need to be able to tweak the

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inventions of Danish enzyme companies to make them work with local sugar cane.

This is already happening in certain places. California-based CODA Automotive, for example, was able to move ahead quickly with its plans to field an electric vehicle thanks to a partnership with the Chinese battery maker Lishen Power Battery, creating jobs in both the United States and China and improving the potential for more affordable electric cars. Amyris, another California start-up, is developing synthetic biofuels in Brazil through partnerships with local sugar-cane producers, allowing it to strengthen its technology before applying it to more difficult challenges in the United States. This sort of cross-border fertilization needs to happen faster and on a much larger scale.

Yet many governments may instinctively move in the opposite direction, particularly if they worry that they are engaged in a clean-energy race with other nations. Aggressive government support for innovation is typically sold as support for domestic workers and companies. That can quickly lead to “green protectionism,” with politicians coming under pressure to wall off domestic markets or to discriminate against foreign firms. Governments also promote their own local technology standards in an effort to ensure that their domestic companies can control markets and collect royalties. This sort of Balkanization of clean-energy markets blocks the free flow of technology.

The most heated debate over cross-border flows of clean technology has focused on intellectual property rights. When they think about intellectual property rights, many policymakers in emerging economies look to HIV/AIDS drugs as their

model. In the early years of the HIV/AIDS epidemic, expensive intellectual property associated with the most effective drugs prevented their rapid diffusion to patients in Africa and elsewhere. Eventually, under considerable political pressure, Western pharmaceutical companies granted significant concessions on intellectual property rights, leading to much wider availability of the drugs.

With this experience in mind, policymakers from the emerging economies have used global climate change negotiations to push the developed countries to relax their patent rules. The developed countries, in turn, have responded by arguing that poor intellectual property protection is actually a major reason that clean technology does not spread more quickly. (Their lesson from the HIV/AIDS experience is that even small concessions on intellectual property rights lead to much bigger demands.) They have therefore advocated strengthening that protection. But both sides overstate their claims.

Unlike in the case of HIV/AIDS drugs, the patents that protect intellectual property are only a small part of the cost of essentially all clean-energy technologies. Relaxing them would not do much to change total costs in most cases. Even in the few instances in which companies strategically withhold licenses in order to deny market entry to potential competitors, forcing them to give up control over those patents would not speed up technology diffusion. Most advanced clean-energy patents are relatively useless without the accompanying trade secrets, know-how, and expertise, and thus active collaboration between the patent holder and the firm wishing to acquire the patent is necessary. That cooperation is unlikely to occur if

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governments strip companies of their patent rights.

Nor would fixing weaknesses in developing-world intellectual property protection be a panacea for clean-energy companies. Although they usually leave their most advanced technologies at home, foreign companies are already active in the clean technology sector in Brazil, China, and India, despite problems with intellectual property rights in all three. Better protections for intellectual property could accelerate and expand the spread of technology, and should be encouraged, but there is no reason to believe that intellectual property rights are more important to the flow of technology than other factors.

Open investment and trade policies are critical complements to improved intellectual property rights. The power of open investment is most clearly on view in Brazil and India. Brazil, for example, allows unlimited foreign investment in biofuels, evidenced most recently by a \$12 billion joint venture between Shell and Cosan, one of Brazil's biggest ethanol producers. The deal will give Cosan access to two cutting-edge U.S. and Canadian biotechnology firms with investments in second-generation ethanol, while offering Shell new markets. India, meanwhile, is open to foreign investment in renewable-energy projects, granting automatic approval to joint ventures with up to 74 percent foreign equity participation.

Brazil and India have uneven but relatively open approaches to trade. The wind sector provides a useful illustration: Indian tariff structures and quality-control systems tend to promote the domestic assembly of wind turbines but still allow components to be sourced abroad. Brazil, meanwhile, has traditionally used high tariffs and

nontariff barriers to encourage independence from imports across its economy. It tried this approach for several years in its wind sector but failed. Brazil's government opted last year for a more nuanced mix: it barred imports of small wind turbines, removed all restrictions on imports of bigger, more advanced ones, and strengthened subsidies for the domestic production of turbines and their component parts.

China, in contrast, has taken a much more aggressive approach to trade. For the last two decades, foreign companies have faced pressure to grant critical intellectual property rights to Chinese firms as a condition of market access. Until recently, for example, wind turbines produced in China had to have at least 70 percent domestic content, and Chinese-owned companies were given preferences in wind-power contracts. And since 2006, under the rubric of "indigenous innovation," Beijing has adopted a range of policies designed to raise the technological capabilities of Chinese firms, including the use of government contracts and the development of competing technology standards, which favor Chinese intellectual property. China also continues to provide inexpensive capital to domestic firms, helping them outperform U.S. and other foreign companies. China's currency policies add to the advantage that its firms find in international markets, by making Chinese exports cheaper.

The result of all this forced technology transfer has been an unprecedented backlash from foreign companies that do business in China. The risk to China is that these efforts could backfire; foreign firms might shy away from investing in China or selling goods there, potentially slowing the flow of foreign clean-energy technology

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and thus hampering China's ability to quickly replace fossil fuels with clean energy on a large scale. A hostile environment also makes it politically difficult for Washington to support policies that actively accelerate the spread of clean-energy technology to China.

The United States should push back strongly against Chinese protections while encouraging Brazil and India to open up their markets even further. This means protesting promptly and loudly if and when China first announces a new protectionist policy; there is often a significant lag between Beijing's proclamation of a policy and its implementation, offering a window of time during which the United States can try to alter Chinese policy. In addition, Chinese protectionism typically affects clean-technology innovators in Europe and Japan. The United States should work closely with other concerned parties to pressure China to reverse or moderate its policies.

The United States should be careful, however, not to kill off policies that support clean energy in the process of promoting openness. Sometimes, rules requiring domestic content may be a necessary price for getting clean-energy schemes off the ground. If the United States were to succeed in persuading developing nations to end such requirements, it might gut domestic political support there for clean-energy programs in the process. That would be a Pyrrhic victory, on environmental, technological, and commercial grounds.

The United States should also set a good example with its own domestic markets. Several senators have called for barriers to the use of imports and for foreign investment in clean-energy projects supported

by the economic stimulus package. Their stated goal is to maximize the returns to U.S. firms and workers. Yet such policies would make it more difficult for the United States to build on overseas innovation—and for foreign firms to access technology developed in the United States. In addition, by cutting off U.S. firms from cheap clean-energy solutions developed overseas, these policies could raise U.S. energy prices, thus damaging competitiveness and employment throughout the economy.

### **JUMP-STARTING THE GREEN REVOLUTION**

An open innovation system is essential to speeding up the development and diffusion of clean-energy technologies. But even in an open system, energy technology tends to spread slowly, making openness alone insufficient. Moreover, although U.S. firms may applaud a push to strengthen intellectual property rights and increase trade and investment, many developing countries will resist, fearing that it will cost them their own positions in the clean-energy race. The U.S. government needs to lend a hand, actively helping spread advanced energy technology, something that developing countries have demanded for years.

Shortfalls in the chain that spreads energy technology around the world exist from the R & D stage, to demonstration and commercialization, to the eventual diffusion of mature technologies. Even in the most advanced developing countries, scientists often lack access to resources comparable to those in the United States. Brazilians working on R & D in sugarcane biotechnology, for example, report that even limited access to U.S. scientific facilities and personnel could yield big

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returns. Moreover, since early stage R & D is disproportionately conducted by governments or on government contracts, relying on market mechanisms such as trade and investment to create cross-border R & D collaborations will invariably fail. Instead, governments will often need to arrange collaborative projects by providing targeted financial support and linking government laboratories. The United States has taken some initial steps toward strengthening joint R & D programs with Brazil, China, and India through efforts such as the U.S.-China Clean Energy Research Center, launched in late 2009, but much more could be done in all three countries if more government money were available.

Another important target is small and medium-sized enterprises, which play critical roles in experimenting with and commercializing new technologies but have limited capabilities in much of the developing world. In India, for example, large, vertically integrated conglomerates dominate the clean-energy industry, and in China, big state-owned enterprises are the major players. Venture capital and private equity, on which smaller companies normally rely to support innovative activities, are also relatively weak in all three countries. U.S. policy cannot fix all these gaps, but it can help.

First, the United States could partner with the Brazilian, Chinese, and Indian governments to provide intellectual property insurance for initiatives involving small or medium-sized clean-technology enterprises. Intellectual property rights are often critical to the survival of small U.S. technology firms, and worries about the protection of intellectual property can deter them from partnering with foreign firms. Smaller companies in the big

emerging economies, meanwhile, face greater barriers than large companies to establishing trust with U.S. companies; intellectual property insurance could help break down those barriers. The United States should only pursue such programs, however, if its counterparts have not adopted a hostile approach to intellectual property rights, as China has done in recent years.

Second, the United States could strengthen its efforts to help familiarize U.S. companies and researchers with potential partners in the big emerging economies. The U.S. Department of Commerce has already taken some first steps, creating guidebooks on doing clean-energy business in China and India and hosting several popular sales trips to Asia. These efforts could be extended—in number, geographic scope, and the participation of early stage companies—leading to more profitable connections between U.S. and developing-country firms.

Third, the United States could help create permanent hubs in developing countries where researchers and firms could exchange ideas and identify joint opportunities. A similar idea was proposed by India in advance of the December 2009 UN climate negotiations in Copenhagen, where it received broad support.

Fourth, U.S. policymakers should help establish cross-border demonstration projects and commercialization efforts. These might, for example, include demonstrating the viability of U.S. carbon capture and sequestration technology in India or commercializing U.S.-developed biofuel enzymes by applying them to Brazilian sugar cane in commercial-scale pilot plants. Good ideas often die because they cannot get money to help them grow; as is the case



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in the United States, financial support for demonstration projects and commercialization efforts abroad will help new clean-energy technologies become commercially viable.

Cross-border commercialization may at times boost foreign manufacturers at the expense of manufacturers in the United States, but the benefits to U.S. companies are likely to outweigh the losses, particularly if those efforts are packaged with increased access to growing clean-energy markets. Many U.S. inventions that might fail at home, or only spread internationally after several product cycles, could find robust demand abroad, where consumers have different needs and preferences. Moreover, participation in demonstration projects helps U.S. firms gain insight into foreign markets. The alternative is not U.S. dominance in those markets but, more likely, stronger roles for companies from more flexible developed countries, such as Japan.

U.S. support for cross-border demonstration and commercialization projects should not be unconditional, however. Before supporting costly, large-scale demonstration projects, the United States should make sure that the host country is on its way to developing the necessary policy infrastructure to support widespread adoption of the technology under testing. U.S. firms should also be promised access to the new clean-energy markets in exchange for these commercialization and demonstration projects. And such efforts should be co-financed by the host countries, since their firms and economies will benefit as a result. The United States should be flexible when it comes to sharing any financial burden, particularly in the case of

India, where government resources are severely limited.

The last area in which the U.S. government should provide support is in directly encouraging U.S. clean-energy exports and overseas investment by U.S. companies. The U.S. Export-Import Bank and the Overseas Private Investment Corporation both currently support these missions, but their financing and mandates could be expanded. They should also be given stronger roles in policy promotion. The Export-Import Bank helps finance U.S. exports regardless of any trade barriers imposed by the destination countries; a new strategy should more actively connect U.S. financial support to reduced trade barriers. Similarly, OPIC must tie its support for clean-energy investment to more open investment climates for clean-energy companies. Both organizations should also encourage recipient countries to strengthen their backing for clean energy.

Many of these initiatives—particularly those that focus on the more commercial end of the innovation spectrum—could cost a considerable amount. But they would have their benefits—not only in terms of cutting global oil consumption and reducing greenhouse gas emissions but also in helping U.S. clean-energy innovators and companies. And when it comes to climate change, they might present a more attractive alternative to the other options, which tend to involve financial support for clean-energy deployment in the developing world with few strings attached. Money that boosts U.S. clean-energy companies while helping the big emerging economies adopt advanced technologies is likely to be much easier to sell politically than

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funds that are not tethered explicitly to U.S. economic goals.

#### **WINNING TOGETHER**

None of these policy initiatives will reduce demand for oil, lower greenhouse gas emissions, or create bigger markets for U.S. clean energy unless they ultimately boost demand for clean energy around the world, and, in particular, in Brazil, China, and India. A system that drives down costs for clean energy should go a long way toward promoting the creation of bigger markets: the cheaper clean energy is, the more likely countries are to enact policies that promote its adoption. Moreover, an approach that helped ensure that the big developing countries became producers rather than just consumers of advanced technologies would lower those costs even further, since those countries can often exploit lower local labor costs and economies of scale, particularly when producing for their own markets. In Brazil, China, and India, empowered clean-energy producers can also be an important constituency pressing for stronger clean-energy regulations and incentives, just as they are in the United States. In China, for example, solar manufacturers have been pressing for strong domestic solar requirements, in order to mop up excess supply.

To be sure, active U.S. government intervention to make clean-energy markets work better is not without its own risks. Even smart and well-informed policymakers are bound to make mistakes. Some technologies that they support will turn out to be commercial dead ends, and the interests of U.S. firms and potential partners in Brazil, China, and India will sometimes conflict. Resources will

no doubt be wasted. But the costs are dwarfed by the perils of inaction.

The success of other nations in clean energy does not imply U.S. failure. The United States can benefit greatly from clean-energy innovation around the world, so long as it also pursues its own robust efforts at home. Each major economy has its own natural advantages when it comes to energy technology innovation and development. An enlightened U.S. strategy should aim to create a global innovation environment that weaves together those distinct strengths in pursuit of common energy goals. Not everyone will like every part of the package. Some U.S. firms will chafe at efforts that might help competitors in the developing world. Some emerging economies will resist opening up their markets to those same U.S. firms. Only by enlarging clean-energy markets can everyone enjoy a bigger piece of the pie.

The alternative is not a world in which the United States dominates the clean-energy field alone, or even one in which another country solves the United States' problems for it. It is more likely to be one in which the cost of clean energy does not drop as quickly as needed, particularly in the developing world, and in which massive markets for clean-energy technologies do not materialize. In that case, the United States and the world will both lose. 🌐

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# The Rise of the Mezzanine Rulers

## The New Frontier for International Law

*Michael Crawford and Jami Miscik*

Governments across the Middle East and South Asia are increasingly losing power to substate actors as those actors insert themselves at a mezzanine level of rule between the government and the people. Local populations often regard such mezzanine rulers as championing ethnic, religious, or political causes; protecting marginalized communities; and providing vital services, but Western governments think they undermine effective governance and encourage state fragmentation. Western governments also tend to see such movements as temporary, destined to wither away.

Many mezzanine rulers, however, are neither on the escalator to statehood nor sliding into extinction. They enjoy a wide range of formal statuses, and some even have a stabilizing influence at home and regionally. In the Kurdish region in Iraq, mezzanine rulers have been granted some autonomy by the state's federal structure; in Somaliland and Gaza, they are not formally independent, but they operate

as near-state entities, existing in a political and legal limbo without international recognition. And although Hezbollah has no constitutional status in Lebanon, it is an established political player domestically and regionally.

Any single one of these movements can be dismissed as anomalous, but taken collectively as a phenomenon, they represent a unique long-term challenge to governments, Western policymakers, and the precepts of international law. By seeking to embed themselves irrevocably in a country's political system and win exclusive control over a segment of the population, mezzanine rulers jeopardize domestic stability. When they resort to terrorism, piracy, insurgency, or other means to advance ideological, ethnic, or nationalist agendas, they pose a threat that goes well beyond the borders of the host state. International law, which remains based on the Westphalian model of nation-states, has not kept pace with this challenge.

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The gulf between international law and local realities frustrates efforts to tackle the problems posed by mezzanine rulers. To remedy the resulting paralysis, Western governments must work over time to recast the international legal environment. That will be a slow process. Meanwhile, they should change their approach to these destabilizing mezzanine rulers by launching a coordinated effort to counter their appeal to local populations.

### **SEIZING THE GROUND**

Many central governments between the Mediterranean Sea and the Karakoram mountain range are strikingly weak. Lebanon, Iraq, Afghanistan, Pakistan—all are composed of a patchwork of religions, sects, tribes, and ethnicities. Where political balance between the groups has been achieved, for example, in Lebanon, the outcome is a feeble state. Where one community dominates, other groups feel disenfranchised. In some cases, such as Iraq, the central government then struggles to maintain control over territory. In others, such as Somalia, the state has disintegrated entirely, resulting in a violent free-for-all.

Such environments are ripe for the emergence of mezzanine rulers. Disenfranchised local communities often identify with them thanks to a shared religious affiliation, ethnicity, or frustration with the government. Seeing no advantage in looking to the state for help, they see the mezzanine group as kindred, articulating their grievances and seeking to address them. Drawing on their welfare support organizations and militias, mezzanine actors can build allegiance and resilience in a way that governments find difficult to do. Their accessibility and adaptability can make national leaders look unresponsive,

flat-footed, and corrupt—as indeed they may be. Deep roots in local communities are the mark of the most successful mezzanine actors.

Of all mezzanine rulers, Hezbollah, the Iranian-backed Shiite organization that dominates southern Lebanon and parts of Beirut, is the most developed. It has become a model and in this respect has replaced the Muslim Brotherhood, the Sunni Islamist movement in Egypt, which was once the regional prototype. Hezbollah is well organized; it has a charismatic leader, Hassan Nasrallah; and unlike most other mezzanine groups, it represents its constituency in national political processes. It has strong financial inflows and supplies education, welfare, and emergency aid to its supporters. It has a military wing and security and intelligence agencies, and it showed during its war with Israel in July and August 2006 that it is capable of deploying advanced tactics and sophisticated military technology. As U.S. Secretary of Defense Robert Gates noted in April 2010, Hezbollah has more missiles and rockets than most governments.

By mixing religion, ideology, social welfare, politics, and occasional violence, Hezbollah has gained legitimacy with local communities and developed sophisticated institutional practices, which give it strength and resilience. The movement is at once a religious organization, an aid organization, a political party, and a paramilitary force. This makes it hard for governments to know how to categorize and confront it. The U.S. government, for example, considers Hezbollah a terrorist organization and has banned its television programs, financial arms, and charity activities from operating in the United States. The British

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government proscribes only Hezbollah's military wing, including its External Security Organization, but allows the group's political, social, and welfare elements to proceed unhindered. The disparity between countries' domestic counterterrorism legislation helps Hezbollah because it inhibits a consistent, unified Western response to its activities.

Most other groups are far less flexible and developed than Hezbollah. Starting in 2003, Jaish al-Mahdi, an Iraqi Shiite movement, deployed militias and terrorist groups, as well as political and welfare arms, in Baghdad and southern Iraq to increase its influence among poorer Shiites there. But poor leadership, ideological incoherence, and resistance from coalition and Iraqi forces impeded its attempts to replicate Hezbollah. Operating in a conflict zone such as Iraq is a mixed blessing for would-be mezzanine rulers: it offers them an opportunity to consolidate their assets, territory, and loyalties, but it also exposes them to the full force of their opponents' military capabilities.

Mezzanine rulers are better off when their leadership and key facilities are protected by effective defensive capabilities, as are Hezbollah's, or when they enjoy a safe haven and external political or military support, as do the Afghan Taliban. The latter exhibit many features of the classic model of a mezzanine ruler. Their Sunni ideology is closely linked to local Pashtun nationalism and culture. Their political and military wings shadow corrupt, foreign-backed institutions in Kabul. They have terrorist capabilities; deploy insurgent technologies, such as improvised explosive devices; draw a steady income from the narcotics trade; and enjoy support from a network of madrasahs. Crucially, they

benefit from a safe haven in Pakistan, where their leadership and supply facilities lie beyond direct coalition reach and from which they can project their power.

The Pakistani Taliban, who share much of the Afghan Taliban's religious outlook but with Pakistan-focused objectives, are a looser amalgam of affiliated groups, all with local agendas. They use their base in Pakistan's tribal areas to dominate Peshawar and parts of Khyber Pakhtunkhwa (formerly known as the North-West Frontier Province). But the Pakistani army has contested their exclusive occupation of those territories and recovered control of the Swat Valley, a district of Khyber Pakhtunkhwa, in 2009. So although the Pakistani Taliban are a serious, and potentially existential, threat to the state, they lack the hold on territory and coherence required to be fully effective mezzanine rulers.

Indeed, unchallenged long-term territorial control is a necessary condition for mezzanine rulers to survive and to consolidate and extend their power. Al Qaeda has failed to achieve this in Iraq, despite its aspirations to create an Islamic state there. Coalition forces made it their mission to prevent this by fostering the Sunni Awakening movement in 2005, encouraging Sunni tribes to join them against the insurgency. And in the tribal areas of Pakistan, where al Qaeda shares tough geography with the Pakistani Taliban, other jihadists, and restive tribes, U.S. drone strikes have sought to deny al Qaeda a safe haven from which to operate. Even al Qaeda needs some semblance of local stability to prosper, but rivalries among local clans and militias in Somalia have prevented it from establishing itself there. And it has not been able to do so in Yemen, either, despite the fact that some al Qaeda

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leaders are Yemeni and the Yemeni government has a history of making tactical accommodations with it.

No matter what form they take, once mezzanine rulers establish near-exclusive control in an area, they tend to become authoritarian and antipluralistic, ruthlessly eliminating rival groups. Mezzanine groups and their leaders lack any kind of culture of accountability, and their need for regular income makes them prone to corruption and organized crime. It is often difficult for counterinsurgency forces to distinguish the criminal from the politically motivated. In Afghanistan and Iraq, for example, much of the violence in past years appears to have been pure gangsterism, much of it conducted by militias. The lack of accountability and the acceptance of criminal behavior create a climate of intimidation that cows domestic opposition and reinforces the mezzanine rulers' control over a community.

### **ADVANTAGE: MEZZANINE RULERS**

Despite the obstacles mezzanine rulers generally face in establishing authority, the pendulum has swung in their favor in the Middle East and South Asia in recent years. Four factors have given them an edge: modern communications, new military technology, government support, and a lack of outside scrutiny.

The spread of modern communications technology has eroded one of the state's historical advantages in the Middle East and South Asia: control over information. State-controlled media used to allow the government to present only what it found palatable. But global interconnectedness, through satellite networks and the relatively ungoverned space of the Internet, encourages ideas to spread across national

boundaries. The situation of governments is weakened further because they often have poor relationships with their neighbors, which subject their populations to hostile propaganda. Meanwhile, improved public access to and the falling costs of communications technology benefit mezzanine actors. Governments can no longer easily shut down lateral communication between citizens. Even simple texting has complicated the efforts of governments as disparate as those of Greece, Iran, and Myanmar (also called Burma) to quell antigovernment demonstrations in the last few years.

Mezzanine rulers have also benefited from a shift in military technology that gives nonconventional actors an advantage over conventional forces. Relatively cheap and accessible military technologies, including improvised explosive devices and explosively formed projectiles, give unconventional forces an edge in what the British general Rupert Smith has called "war amongst the people." Using even low-end asymmetric means, suicide bombers can seriously impact the personnel, morale, and credibility of a government. A government that cannot prevent suicide bombings cannot claim to assure citizens' everyday safety. Even when it is possible to protect government facilities and forces from suicide attacks, the costs are prohibitive. Some of the more ambitious mezzanine actors, such as al Qaeda, are also determined to obtain high-end technology, including chemical and nuclear weapons. Against such threats, even a state's most advanced defenses—drones and other forms of surveillance—can only do so much. And now Hezbollah is deploying drones of its own.

Mezzanine rulers that cannot develop their own military technologies have



increasingly been able to rely from their inception on outside government support. Iran has supplied not only Hezbollah but also Jaish al-Mahdi and even, in a bid to build up populist, pan-Islamic resistance to the West, Sunni movements such as the Taliban, Hamas, and Palestinian Islamic Jihad. In supplying these groups with

weapons, Tehran has, in effect, upgraded the technology available to terrorists and insurgents everywhere.

Deploying its particular brand of political venture capitalism, Iran has played a key role in developing or empowering many of the region's mezzanine rulers, but it is not alone. Pakistan has regularly profited



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from plausible deniability in using nonstate actors against domestic or external opponents. This can serve short-term tactical goals but often comes at the expense of long-term stability. Two decades ago, the Pakistani military created Lashkar-e-Taiba, the group responsible for the 2008 Mumbai terrorist attacks, to fight Indian control in Kashmir. Now Lashkar-e-Taiba has developed an independent support base thanks partly to its charity arm, which runs popular social-welfare and educational programs. Today, the group's financing is strong, its terrorist capability formidable, and its ideology appealing to many across the country. The Pakistani military is now hard-pressed to control it. Personal relationships between Pakistani military officers and members of Lashkar-e-Taiba have also weakened the resolve of the army to confront the group.

Pakistan's difficulties with Lashkar-e-Taiba illustrate the risks to a state of sponsoring mezzanine actors on its own territory. Proxy relationships establish deep ties that can extend beyond the government's original intentions. Even when the activities of mezzanine actors run against a state's immediate tactical or long-term strategic requirements, it is difficult to get rid of them. The U.S. government knows this lesson well: it sought to exploit the Awakening movement as a proxy to counter al Qaeda in Iraq, but it since has had mixed success in drawing down its former allies and folding them back into the Iraqi military.

The final factor that has favored mezzanine rulers is the increasing scrutiny governments have to endure from foreign media and the international community, which tends to make them more risk averse. Mezzanine rulers, on the other hand, are

subject to limited accountability, domestically and internationally, and therefore are inclined to take greater risks. They are generally secretive, repressive, and distrustful of outsiders, and they tolerate Western media only when they can use them for their own propaganda purposes. Mezzanine rulers generally lie beyond the scope of international law, arguing that they are subject only to the laws of their host state, however powerless its government is to enforce them. When the international spotlight does focus on them, the attention is usually even more uncomfortable for their sponsoring state. This explains Islamabad's awkward posture after the Lashkar-e-Taiba terrorist attacks in Mumbai in 2008. And even Damascus has been sensitive about the UN investigation into the murder of Lebanese Prime Minister Rafiq Hariri, in which it is suspected of having been complicit.

Because of these advantages, broad stretches of territory in at least a dozen countries in the Middle East and South Asia now lie beyond the control of the state. Here, governments fail to supply critical services to their citizens because they lack adequate resources, the necessary skills, or the political will to do so. Uneven leadership and infighting within governments often prevent coordinated official action.

The disparity between how these governments function and how their citizens believe they should fuels disillusionment among the public. Many communities view the ruling elite as illegitimate and as corrupt fronts for ethnic or sectarian interests rather than as governments acting for the entire population. Distrustful of the government, people turn to mezzanine rulers to safeguard their interests and living standards. This, in turn, allows mezzanine rulers to

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argue—as have al Qaeda and Hezbollah—that the very weakness of the state necessitates and legitimizes their existence and modes of operation.

But even well-organized mezzanine groups that fail to root themselves in and establish exclusive control of a territory will not prevail against a strong central government. In Egypt, one of the region's few traditionally centralized states, the government successfully contained the Muslim Brotherhood in the 1950s and 1960s. And both Iran and Syria, two other states with relatively strong centers, have been able to repress opposition at home even while they have relentlessly deployed mezzanine actors against their neighbors. But they are not immune to the ambient threat posed by mezzanine actors, either: across the region, political violence, including assassinations and bombings, has become routine.

In weak states where mezzanine rulers have achieved exclusive control over some territory, they can participate in the host state's political process in various ways. They might become a political party (as has Hezbollah in Lebanon), campaign for autonomous status within a loose federal system (such as Kurdish groups in Iraq), or establish a free-standing political entity within a nonfunctioning state (as have mezzanine rulers in Somalia, in Somaliland and Puntland). They might also reject and break away from the state's framework while accepting most international norms (as Hamas has in Gaza) or repudiate both the state and the international system (as has al Qaeda, which views them as un-Islamic).

#### **A LAW OF THEIR OWN**

Under current international law, the government in each of the examples outlined

above remains accountable for all actions, including those of mezzanine rulers, within the territory over which it has sovereignty. This responsibility is grounded in the traditional Westphalian principle of territorial sovereignty and was reaffirmed in the resolution that the UN Security Council passed in response to 9/11, in which it directed all UN members to “prevent and suppress, in their territories through all lawful means, the financing and preparation of any acts of terrorism.” But the attacks of September 11, 2001, have exposed the flaws in the long-standing principles of territorial integrity and nonintervention in the internal affairs of another state without its consent.

The international community was not much troubled by the inability of some states to control all of their own territory when the consequences were only local, but ungoverned space is now being exploited by mezzanine actors to launch transnational terrorist attacks, interfere with international transportation, or destabilize governments, with devastating results for international peace and stability.

International law has previously developed rules for national liberation and secessionist movements on the assumption that they would graduate to statehood status. According to the 1977 additional protocols to the Geneva Conventions, for example, such movements have the same duty to protect civilians as does any national government in a time of war. Early on, however, continued efforts to develop such rules were thwarted by the international community's desire to avoid the breakup of existing states and by disagreements over how to differentiate between nationalist movements and terrorist organizations in cases

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such as that of the Palestine Liberation Organization.

As a result, there is now a growing number of near states that have received no formal recognition for political reasons. Examples are Somaliland, which declared itself independent from Somalia in 1991, and Puntland, which declared itself an autonomous Somali province in 1998. The mezzanine rulers of Somaliland exercise all the powers and responsibilities of normal governments; what is important is that they maintain firm control over their territory, which would be ungoverned otherwise. Yet Somaliland has not been allowed to graduate to full statehood and is still formally treated as part of Somalia. And Puntland, which awaits an effective Somali government with which to federate, has become a launching pad for many of the pirate attacks around the vital shipping lane between Djibouti and Yemen.

With no effective Somali government, it is impossible for the international community to gain official consent to conduct counterterrorism or antipiracy operations in or off the coast of Somalia. Hence, the international community has been unable to respond to threats emanating from Somalia consistent with international law. If it did respond, it would be subject to criticism that the doctrines of necessity, self-defense, and “hot pursuit”—all justifications for action without government consent—did not apply.

The precarious situation in Somalia and off its coast is a strong incentive for the international community to reshape its laws to allow threats to be tackled early on and with assurance. The principle of nonintervention should be adjusted to exclude areas over which no state exercises

sovereign control and from which a threat to international peace and security emanates, such as Pakistan’s tribal areas or Yemen. It is better for governments to develop a new legal framework as a matter of general strategy now than be left hoping for a tactical legal expedient when the next crisis occurs.

A review of existing international law should also recognize that the mid-twentieth-century model of international relations, which drew a clear distinction between war (to which the law of armed conflict applies) and peace (to which regular international law applies), is outmoded. Just as the distinction between conventional and irregular warfare has eroded, so “war amongst the people” has shaded into routinized violence. Mezzanine rulers tend to specialize in this kind of war, and if future warfare is to take the form of counterinsurgency in constricted civilian environments, then international law on such issues must be reconsidered.

### **ENGAGEMENT AND SCRUTINY**

A concerted effort to recalibrate international law will take time. In the interim, Western governments should reconsider their own political approaches to mezzanine rulers. It is in the West’s interest for the governments of the Middle East and South Asia to be strong and accountable. However, when they are not, the West is ill served by ignoring mezzanine rulers on the misguided assumption that they are transient and anomalous. Rather than helping host states reclaim control, such an attitude leaves mezzanine rulers unconstrained and reinforces the disparity between international law and the realities on the ground.

Western policymakers should study what voids mezzanine rulers fill for local communities. If these rulers have legitimate political objectives, local governments and the West must try to transform them into normal political parties without paramilitary arms. Then they would be subject to all the constraints that come with regular participation in political processes. By encouraging political dialogue, investment in education and social welfare, anticorruption measures, and fairness in the political process, the West could help reduce people's identification with mezzanine rulers, making them redundant.

Western governments will have to distinguish mezzanine rulers that can be engaged, such as those in Somaliland and perhaps Hamas and Hezbollah, from those that can only be contained, such as al Qaeda and Lashkar-e-Taiba. They will have to distinguish between the various components of mezzanine groups, actively engaging the political wings while forbidding paramilitary activities, combating illegal financing, and constricting the activities of particularly dangerous individuals. There will be complex gray areas, but engagement, including contact between mezzanine rulers and Western representatives, will be the only way to differentiate the politically biddable from the irreconcilably die-hard. The current taboo in some Western governments against engaging mezzanine rulers only reinforces their anti-Western ideology and their constituents' identification with them.

In his speech in Cairo in June 2009, U.S. President Barack Obama indicated his support for engaging Muslim communities and not just their governments. Interacting with mezzanine actors would

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*Michael Crawford and Jami Miscik*

be a good step in that direction. But the West should also reassure the governments struggling with mezzanine rulers that such engagement is designed to strengthen, not undermine, those governments' authority. Those governments should be encouraged to undertake the political reforms that will help them recover territory and legitimacy from the mezzanine rulers. Improved governance would remove one of the mezzanine rulers' most powerful recruiting tools. Other measures could include redoubling health and educational assistance and increasing emergency aid where required, as the United States did after the 2005 earthquake in Kashmir. For the host governments to benefit politically from such assistance, they would have to be seen as the ones deploying it.

Western countries may not be able to do much to redress the changes in communications and weaponry that have favored mezzanine rulers in the past few years. They have already expended much diplomatic effort toward stopping states from deploying mezzanine rulers against neighbors. Subjecting mezzanine rulers to greater international scrutiny is one way the West could do more. This would expose mezzanine rulers to outside influences and force them to justify their actions. The increased accountability would diminish their appetite for adventurism.

The most effective form of scrutiny is likely to come from within the host states and from those citizens who are close to but not part of the mezzanine rulers' support base. These people are best placed to wage the battle of opinion and values and to recapture support for the state. A carefully directed information campaign by the West could help cast a

harsh light on the darker workings of mezzanine rulers. The deliberate erosion of the mezzanine actors' myths and cult of resistance will be vital to success.

### **ARCHITECTURAL REMODELING**

Today's Western commentators and policymakers are preoccupied with the passing of U.S. hegemony and the shift of power toward Asia. The growing influence of mezzanine rulers, primarily in the Middle East and South Asia but also in the former Soviet Union and beyond, has received far less attention but represents a transfer of power that demands a reevaluation of international policies. Western policymakers should seek to address the problem systematically, at both a strategic political and a legal level, rather than continue to pursue disjointed reactive measures on a case-by-case basis. Policymakers will need to confront, rather than shirk, strategic complexities.

Just as Washington and other Western governments had to update domestic law in the wake of 9/11, so, too, must they now launch an effort to modernize international law so that it addresses the problem of ungoverned spaces and the outmoded distinction between war and peace. They should encourage improved governance in the Middle East and South Asia so that communities there identify with their governments rather than mezzanine rulers. It is political engagement and close scrutiny that many mezzanine rulers and their backers, including those in Tehran, fear most. And that is just what the rest of the world should provide. 🌐

# Manufacturing Insecurity

## How Militarism Endangers America

*William Pfaff*

It is time to ask a fundamental question that few government officials or politicians in the United States seem willing to ask: Has it been a terrible error for the United States to have built an all-but-irreversible worldwide system of more than 1,000 military bases, stations, and outposts? This system was created to enhance U.S. national security, but what if it has actually done the opposite, provoking conflict and creating the very insecurity it was intended to prevent?

The most compelling arguments for opposing this system of global bases are political and practical. U.S. military bases have generated apprehension and hostility and fear of the United States, and they have facilitated futile, unnecessary, unprofitable, and self-defeating wars in Afghanistan and Iraq and now seem to be inviting enlarged U.S. interventions in Pakistan, Yemen, and the Horn of Africa. The 9/11 attacks, according to

Osama bin Laden himself, were provoked by the “blasphemy” of the existence of U.S. military bases in the sacred territories of Saudi Arabia. The global base system, it seems, tends to produce and intensify the very insecurity that is cited to justify it.

### **AN ACCIDENTAL EMPIRE**

The United States’ present global military deployment does not seem to be the product of conscious design, nor was it assembled absent-mindedly. In part, it is the natural result of bureaucracy left unchecked. At the end of World War II, a precipitous dismantling of the U.S. wartime deployment was halted only by the outbreak of the Cold War. The United States’ intervention in Vietnam brought some base expansion in Southeast Asia, but after its failure in Vietnam, the U.S. military was determined to have nothing further to do with insurgencies

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*William Pfaff*

and quickly returned to reorganization and retraining for what it still considered its primary mission: classical warfare in Europe in the event of a Soviet invasion. This eventually led to the brilliant blitzkrieg against Iraq in the first Gulf War, fought under the Powell Doctrine of popular support, overwhelming force, focused objectives, and rapid withdrawal.

Global deployment and its intellectual rationalization was a phenomenon of the military's restored confidence. During the Clinton years, the United States avoided foreign military interventions until the war in the former Yugoslavia forced another short, successful U.S.-NATO operation. The Pentagon took advantage of the opportunity to expand its role and seize unoccupied bureaucratic territory—as well as a major new base in Kosovo.

As Dana Priest writes in her book *The Mission*, global base expansion came about largely without press or public attention. The consistently well-financed military was available to the president when the underfunded diplomatic agencies and the CIA offered unimaginative or unsuitable responses in moments of seeming international emergency. The proffered military solutions were positive, prompt, and unilateral, and the armed forces were ready to execute orders without arguing. In so doing, they conveyed to both domestic and international audiences an image of American power and world leadership.

This logically led to a reinforcement of the military's role in U.S. foreign policy. U.S. Central Command, in Tampa, Florida, at the time led by the persuasive and ambitious general Anthony Zinni, was given military responsibility for

troubles in the Middle East. From this beginning, a system of regional commands was developed for other parts of the world, with individual commanders, planning staffs, and operational capabilities. Thus, U.S. military proconsuls emerged—well-financed and independently powerful regional “commanders in chief” (“CINCS”)—dealing directly with political as well as military authorities in their regions of responsibility. They soon became more influential than U.S. ambassadors and were treated by the regional governments as the authentic representatives of the United States. This resulted in a major shift in U.S. foreign policy operations. The State Department and diplomacy lost influence, and within the military system, the individual service chiefs found themselves reduced to the unglamorous functions of administration, training, and procurement, rather than their traditional troop-command role.

With the arrival of the George W. Bush administration, the U.S. military culture was challenged by Defense Secretary Donald Rumsfeld, who was determined to rescue “civilian control of the military” from what he considered the bloated size and gargantuan inefficiency of the Pentagon bureaucracy. Moreover, he saw other internal enemies of his new regime: congressional and judicial checks on executive power; the State Department and the CIA, which he deemed weak; and the supposedly risk-averse Joint Chiefs of Staff.

The U.S. invasion of Afghanistan in 2001, with technologically advanced special operations units, air power, and the support of the Tajik-dominated Northern Alliance, was a demonstration of what Rumsfeld imagined as the future

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of warfare. Rumsfeld kept in his office a famous picture of a mounted U.S. Special Forces officer galloping alone across the Afghan plateau, presumably directing B-52 air attacks and his native auxiliaries to victory over the Taliban.

The postinvasion chaos in Iraq, which followed the successful “shock and awe” taking of Baghdad, left the country and its reconstruction entirely in the hands of the Defense Department. Eventually, General David Petraeus’ version of classical counterinsurgency practice—rewritten and issued as doctrine by the army—together with subsidies to tribal groups to fight the insurgents and the troop “surge” in 2007, created the conditions for a national election in March 2010. A stable government has yet to emerge.

The Petraeus counterinsurgency program has now been attempted in Afghanistan, without notable success. Meant to progressively “clear and hold” territory under Taliban control, the international forces have been able to execute the first stage but unable to hold their conquered territory and prevent reinfiltration by the insurgents—and thereby halt a Taliban return to power.

The setbacks to Washington’s counterinsurgency effort in Afghanistan first became widely known to the American public in April of this year, when U.S. forces withdrew from the Korengal Valley in eastern Afghanistan. The abandonment of their main base and its five satellite outposts followed similar withdrawals for the same reasons in two other regions during 2007 and 2008. *The New York Times* played up the Korengal Valley story at the time, considering that U.S. forces had been there for five years and had lost 42 soldiers there.

When the Americans first arrived, in 2005, the valley and its people had little to do with the war. “Occasionally a Taliban or al Qaeda member” passed through, a Special Forces officer, Major James Fussell, said in a study of the affair, “but the people of the valley were by no means part of the insurgency.” The U.S. presence immediately turned them into insurgents, not necessarily because they welcomed the Taliban but because they rejected foreign occupation. General Stanley McChrystal, who ordered the evacuation, told *The New York Times* on April 15 that holding these valley outposts did more to create insurgents than defeat them.

Like the U.S. presence in Korengal, the global U.S. base system was built to defend perceived U.S. interests abroad and to conduct global interventions (or indeed, if called on, to wage a world war). It is a system intended to deter war, but from the start, it has provided the means, the opportunity, and an incentive for U.S. military interventions in foreign countries.

#### **THE MYTHICAL CLASH**

In 1993, Samuel Huntington attracted international attention by writing in these pages that the “next world war” would be a clash not of states but of civilizations. The example he speculatively cited was a war between Western and Islamic civilizations for global domination. He forecast that the Arabs (“Islamic civilization,” according to his terminology) would fight the United States (“Western civilization”) because they believed the United States posed a fundamental threat to Islamic religion and society—despite the fact that the vast majority of Muslims



*William Pfaff*

are Asians and Africans, not Arabs, with little reason to interest themselves in Arab quarrels. He also said that the Chinese (“Confucian” civilization) would be allies and supporters of the Arabs, furnishing them with arms and munitions.

His forecast proved wrong—as did U.S. President George W. Bush’s similar argument in 2001 that hatred of Western liberties had inspired radical Islamists to attack the United States. In fact, the rise in radicalism and increased support for a return to sharia law, with its strict interpretation of the teachings of the Koran, were the product of a grave crisis within Islam. The objectives of the Islamist movement are to purify Islam and the practices of Muslims and remove Western influence—not to conquer the West.

The Islamic revival in modern Muslim societies is in many ways similar to political nationalism, but without a single national base. Although the Islamic world has always considered itself a spiritual community under religious leadership, when this community is threatened, it generates political resistance. The Islamic revival is also the result of a larger cultural crisis in Islam linked to its loss of the leading position in Mediterranean civilization that it occupied from the early Middle Ages until the Renaissance.

This loss was caused not by military defeat but rather by endogenous historical forces inside both the Islamic and the Western worlds—notably the separation of religious and political authority in the West (pope and emperor, each legitimate in his own realm) and the distinction made between theology and philosophy in the Christian, Aristotelian West. These two developments made possible secular rationalism and scientific thought following the

Renaissance and during the Enlightenment, as well as the Western secular state. Orthodox Islam remained, and remains, in a wholly religious intellectual universe.

Al Qaeda is the product of a confluence of factors: the twentieth-century revival of fundamentalist Islamic thought, the failure of efforts by the Arab states to create a successful unified “Arab nation” during the interwar years in response to the Ottoman collapse in World War I, the postwar imperialist division of the eastern Mediterranean between the British Empire and France, and the controversial partition of Palestine and establishment of Israel.

U.S. policy after World War II made Saudi Arabia and Iran U.S. clients and took for granted that Islam was an outmoded way of life destined to be replaced by a version of the modernization that now exists in the West. This belief rests on the erroneous assumption that all civilizations are progressing toward a common end and that the United States and its allies are the most advanced in this process.

It presumes that because science and technology progress, cultures and political systems do so as well. But crude Rome rose at the expense of Greek high civilization, and both were preceded by the sophisticated cultures of Egypt, Mesopotamia, and Persia. It was the Bible that introduced the notion of history as a progressive process leading toward a redemptive conclusion that would give meaning to all that had preceded. This laid the groundwork for the form of secular millenarianism that developed during and after the Enlightenment. A similar view has reigned in U.S. foreign policy since the time of Woodrow Wilson.

The belief that the United States is destined to confer democracy on the world (a belief then U.S. Secretary of State Condoleezza Rice presented in this magazine two years ago) has, in part, been responsible for the extraordinary rise of military influence in the U.S. government and in the country's political culture. However, one cannot make an intelligent U.S. foreign policy based on the assumption that the United States' present power and place in international society are the natural culmination of human social and political development. The Greeks, who knew a thing or two about it, called this hubris.

### THE NEW MILITARISM

The historian Andrew Bacevich argues that this hubris has been accompanied by the development of a new American militarism. During the Cold War, American political ideology became a sentimental and oversimplified imitation of the Marxism the United States was then fighting. It assumed that Washington's good intentions and democratic ideals were all but universally recognized outside the communist bloc, which was not true, as Americans were to find out in Vietnam.

In the wake of the Vietnam War, Americans "persuaded themselves that their best prospect for safety and salvation [lay] with the sword," Bacevich writes. Convinced that "the world they inhabit is today more dangerous than ever and that they must redouble those exertions," he argues, "they dutifully assented." As a result, the idea of projecting power globally has become "standard practice, a normal condition, one to which no plausible alternatives seem to exist."

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*William Pfaff*

The United States today displays certain characteristics of a classical militarist state, as the great modern historian of militarism Alfred Vagts has described it—a society in which military and internal security demands are paramount and whose political imagination is dominated by vast threats yet to be realized. Vagts wrote that militarism has meant “the imposition of heavy burdens on a people for military purposes, to the neglect of welfare and culture.” “It exists,” he notes, as “a civilian as well as a military phenomenon.”

Although aspects of militarism existed in the European professional armies of the pre-Westphalian period, the word “militarism” entered the modern political vocabulary as a term of abuse at the same time as “imperialism” did, during France’s Second Empire (1852–70). Modern militarist states, starting with Napoleon III’s Second Empire, Vagts argued, have always been vulnerable to narcissism—a charge that could easily be leveled against the U.S. Air Force and the U.S. Navy today.

The U.S. Air Force is obsessively focused on aircraft that are so technologically advanced—such as the B-1 bomber and the F-22 fighter—that they have little practical application in contemporary war; they were designed to counter Soviet weapons systems that never were, and never will be, built. (This is not to speak of the planned hypersonic suborbital bomber to operate along the edge of the atmosphere, scheduled to be rolled out in 2035.) The U.S. Navy, as the military theorist William Lind notes, maintains 11 large aircraft carrier battle groups cruising the seas, “structured to fight the Imperial Japanese Navy,”

despite the fact that submarines are much more important in countering today’s threats.

The United States increasingly finds itself the well-meaning leader that empowers individuals whose entourages often prove unsavory and who themselves develop, to borrow a phrase from former Vice President Dick Cheney, “other priorities.” Iraq has been declared, probably with unwarranted optimism, an independent democracy from which the United States will withdraw all its troops next year. Withdrawal seems increasingly the preoccupation of the Obama administration in dealing with Afghanistan as well, at the same time that the Pentagon is building what would appear to be an “enduring” base complex there, able to serve as a center of U.S. strategic power in the region.

Earlier this year, Afghanistan’s president, Hamid Karzai, asserted that the United States has designs on Afghanistan’s sovereignty. He alluded to the United States’ alleged plans to establish permanent military bases in the country and use Afghan territory for a pipeline that would carry Central Asian oil and gas to ports on the Arabian Sea, avoiding the land route through former Soviet states. These remarks coincided with President Barack Obama’s visit to Kabul to urge a crackdown by the Karzai government on the corruption supposedly provoking the Taliban’s resurgence.

Selig Harrison, along with other U.S. experts on Afghanistan, argues that a settlement allowing the United States to disengage from Afghanistan will only be possible if such an agreement is supported by China, Iran, Pakistan, Russia, and certain other states in the

### *Manufacturing Insecurity*

region, all of which are disturbed by the expansion of U.S. bases near their borders. The Taliban themselves have made the complete withdrawal of U.S. and NATO forces a condition for any peace settlement. This clearly will be a central issue in the Obama review of Afghanistan policy scheduled for December. Withdrawal will be opposed by the Pentagon and by the Republican and the domestic populist opposition to Obama. The U.S. global base system is proving to be a fundamental obstacle to any settlement in the region.

#### **CHECKS AND BALANCES**

The United States, now in possession of military forces larger than those of all its rivals and allies combined, began as a nation that abhorred standing armies. The issue of quartering British troops became a serious irritant in relations with Great Britain in the mid-eighteenth century, and taxation of trade to support a British army in the American colonies was one of the principal sources of pre-revolutionary discontent during the quarter century leading up to the Declaration of Independence in 1776.

The U.S. Bill of Rights, appended to the 1787 Constitution, famously provides that “a well regulated Militia, being necessary to the security of a free State, the right of the people to keep and bear Arms, shall not be infringed.” But a federal army is not mentioned until Section 8 of Article I of the Constitution. The relevant clause says, in its entirety, that Congress possesses the power “to raise and support Armies, but no Appropriation of Money to that Use shall be for a longer Term than two Years.” A later clause in the same section provides for mobilization of

the state militias to “execute the Laws of the Union, suppress Insurrections and repel Invasions,” but the power to appoint militia officers is reserved to the states, and the militias must be trained by the states “according to the discipline prescribed by Congress.” Article II of the Constitution, dealing with executive power, says only that the president “shall be Commander in Chief of the Army and Navy of the United States, and of the Militia of the several States, when called into the actual Service of the United States.”

Despite the nineteenth-century mobilization of the world’s first great industrialized army by the Union in the American Civil War, followed by its rapid demobilization afterward, U.S. public opinion until the mid-twentieth century remained hostile to standing armies. At the outbreak of World War II, the U.S. Army was a professional force of 175,000 men, including what was then known as the Army Air Corps. Rapid postwar demobilization was slowed by the outbreak of the Cold War, and thereafter the U.S. military remained a conscript force (without peacetime American precedent) until after the Vietnam War. The U.S. military services thus remained a “citizens’ army,” and the officer corps included a large and influential complement of mobilized reserve officers and newly commissioned officers from the conscript army.

The most important result of substituting today’s professional army for a citizens’ army is that it has created an instrument of national power that is no longer directly accountable to the public. During the Bush years, and to an extent

*William Pfaff*

under the Obama administration, it has been used in a manner, and it has employed methods, that would have been unacceptable in the past. Thus, a professional army—supplemented by a nearly equivalent number of civilian mercenaries—that is directly accountable only to the Pentagon exists primarily to augment the national “military-industrial complex” against which President Dwight Eisenhower warned many decades ago. The defense and security industries are today the most important components of the U.S. manufacturing sector, and their corporate interests are now in a position to dominate Congress, as well as an inexperienced administration. Without excessive exaggeration, one might say of the United States today what was once said of Prussia—that it is a state owned by its army.

Between the beginning of the Cold War in Europe and the present war in Afghanistan, a period has passed that included the Korean War; the Vietnam War and the Cambodian invasion; U.S. interventions in Lebanon, Grenada, Panama, the Dominican Republic, El Salvador (indirectly), and Somalia (in connection with a UN operation, followed by sponsorship of an invasion of Somalia by Ethiopia); and two invasions of Iraq and one of Afghanistan. None except the Gulf War deserves to be called a victory.

The United States’ millenarian notions of a national destiny and the militarism that has infected American society have been responsible for a series of wars from which Washington has gained little or nothing, and suffered a great deal, while contributing enormously to the misfortune of others.

Within its borders, the United States is invulnerable to conventional military defeat; that cannot be said of its forces deployed elsewhere. U.S. security is far more likely to be found in a noninterventionist foreign policy designed to produce a negotiated military withdrawal from both Afghanistan and Iraq, without leaving bases behind, and a general disengagement from military interference in the affairs of other societies, leaving them to search for their own solutions to their own problems. So drastic a reversal of U.S. policy will not be possible without heavy political costs, both domestic and foreign. Nevertheless, the time has come for U.S. policymakers to begin considering reversing course. 🌐

# Pivotal Powers



JASON LEE/REUTERS

*A paramilitary policeman keeping watch over Tiananmen Square, Beijing, August 2010*

As its economic might expands,  
China wants not only to assume a greater  
stake in international organizations but  
also to remake the rules of the game.

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# The Game Changer

## Coping With China's Foreign Policy Revolution

*Elizabeth C. Economy*

After decades of following Deng Xiaoping's dictum "Hide brightness, cherish obscurity," China's leaders have realized that maintaining economic growth and political stability on the home front will come not from keeping their heads low but rather from actively managing events outside China's borders. As a result, Beijing has launched a "go out" strategy designed to remake global norms and institutions. China is transforming the world as it transforms itself. Never mind notions of a responsible stakeholder; China has become a revolutionary power.

China's leaders have spent most of the country's recent history proclaiming a lack of interest in shaping global affairs. Their rhetoric has been distinctly supportive of the status quo: China helping the world by helping itself; China's peaceful rise; and China's win-win policy are but a few examples. Beijing has been a reluctant host for the six-party talks on North Korea, it has tried to avoid negotiations over Iran's potential as a nuclear power, and it has generally not concerned itself with others' military and political conflicts.

China's impact on the rest of the world has, in many respects, been unintentional—the result of revolutions within the country. As the Chinese people have changed how they live and how they manage their economy, they have had a profound impact on the rest of the world. China's position as the world's largest contributor to global climate change is not by design; it is the result of extraordinary economic growth and 1.3 billion people relying on fossil fuels for their energy needs.

Yet all this is about to change. China's leaders once tried to insulate themselves from greater engagement with the outside world; they now realize that fulfilling their domestic needs demands a more activist global strategy. Rhetorically promoting a "peaceful international environment" in which to grow their economy while free-riding on the tough diplomatic work of others is no longer enough. Ensuring their supply lines for natural resources requires not only a well-organized trade and development agenda but also an expansive military strategy. The Chinese no longer want to be passive recipients

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### *The Game Changer*

of information from the outside world; they want to shape that information for consumption at home and abroad. And as their economic might expands, they want not only to assume a greater stake in international organizations but also to remake the rules of the game.

China's leaders recognize that they are at a crossroads and are struggling to articulate their new course. In an interview with the China News Service, the usually politically deft former ambassador Wu Jianmin tried to reconcile the old rhetoric with the new reality: "By the time the current financial crisis is completely over . . . there is no doubt that China will play a more significant role in the world," he declared. "What we have achieved is just a beginning. Deng Xiaoping's idea of 'keeping a low profile and trying to do something' will continue to be applicable for at least another 100 years." What Wu's somewhat ambiguous message in fact signals is that China is out to change the game.

For the rest of the world, China's new agenda will require far greater attention to the country's internal dynamics and a much more activist, coordinated foreign policy effort. The world needs to ensure that China respects the interests of others as it seeks to meet its needs. And if the United States wants to retain its preeminence, or at least maintain its role in shaping the norms and values that will guide the world in the twenty-first century, its China policy cannot merely be a reaction to Beijing's initiatives. It must be part of a broader, long-term global strategy that begins with a clear assertion of the United States' domestic priorities. As a first step, while Beijing searches for how to sell its revolution to the rest of the world, the rest of the world needs to move quickly

to understand the shape of this revolution and anticipate its impact.

#### **THE REVOLUTION WITHIN**

In the late 1970s, the Chinese leader Deng began the process of "reform and openness," precipitating a series of reforms that, over three decades, produced revolutionary change. China's economic institutions, patterns of social mobility and interaction, and societal values and even the Communist Party were transformed. By almost any measure, Deng's revolution also produced one of the great economic success stories of the twentieth century. China is now the second-largest economy and exporting nation in the world. Through a booming export sector, a continuous flood of foreign capital, and a managed currency, its central bank and state investment institutions now hold the largest reserves of foreign currency in the world. In the process, hundreds of millions of Chinese have been lifted out of poverty in just a few decades.

Yet for China's current leaders, Deng's revolution has run its course. They must now confront the downside of 30 years of unfettered growth: skyrocketing rates of pollution and environmental degradation, rampant corruption, soaring unemployment (reports range from 9.4 percent to 20 percent), a social welfare net in tatters, and rising income inequalities. Together, these social ills contribute to over 100,000 protests annually. In response, China's leadership is poised to launch an equally dramatic set of reforms that will once again transform the country and its place in the world. If all goes according to plan, in 20 years or less, China will be unrecognizable: an urban-based, innovative, green, wired, and equitable society.



### *Elizabeth C. Economy*

At the heart of this next revolution is Beijing's plan to urbanize 400 million people by 2030. In 1990, just 25 percent of all Chinese lived in cities; today, that number is almost 45 percent. By 2030, it will be 70 percent. Urbanizing China will allow for a more effective distribution of social services and help reduce income disparities. An urban China will also be knowledge-based. No longer content to have their country be the world's manufacturing powerhouse, China's leaders have embarked on an aggressive effort to transform the country into a leading center of innovation. Beijing is supporting research and development; recruiting Chinese-born, foreign-trained scientists to return to China to head labs and direct research centers; and carefully studying the models of innovation that have proved successful in the West.

China's new cities will also be green. Beijing is investing hundreds of billions of dollars in the clean-energy sector and is providing subsidies to domestic manufacturers to encourage the sale of clean-energy products. Already, China is among the world's leading manufacturers of wind turbines and photovoltaic panels, and it is poised to capture significant segments of the global market in clean-energy transport, including high-speed rail and electric vehicles. Finally, China's urban population will be wired. China is already in the midst of an information revolution. Over 30 percent of Chinese people use the Internet, and most of them are in cities. In a 2009 Gallup poll, 42 percent of urban Chinese reported having access to the Internet in their homes, representing a 14 percent jump since just 2008. In absolute terms, more people are wired in China than anywhere else in the world.

Even as China moves ahead with its bold plans to transform its economy and society, new pressures and challenges will emerge. The resource demands of rapid urbanization are substantial. Half of the world's new building construction occurs in China, and according to one estimate, the country will construct 20,000–50,000 new skyscrapers over the coming decades. Shanghai, already the country's most populous urban center, will soon be surrounded by ten satellite cities—each with half a million people or more. Connecting all these and other new cities throughout the country will require 53,000 miles of highway. Once the cities are built and connected, the demand for resources will continue to grow: urban Chinese consume more resources than those in rural areas (roughly 3.5 times as much energy and 2.5 times as much water), placing significant stress on the country's already scarce resources. By 2050, China's city dwellers will likely account for around 20 percent of global energy consumption.

Urban Chinese also make more organized political demands—for a cleaner environment, broader cultural expression, and more transparent governance—than their rural counterparts. Civil society blossoms in China's cities: homeowners' associations, artists, and environmental and public health advocates all assert their rights and demand change with increasing frequency. Expanding China's middle class by 400 million people will bring only more demands and put more political pressure on China's leaders.

Expanding popular access to the Internet will further up the ante for China's leaders by significantly increasing the odds that political discontent will solidify into a broad-based challenge to Communist Party rule.

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Premier Wen Jiabao has admitted to “surfing the Net” daily to help him understand people’s concerns, but President Hu Jintao has expressed some concern about what the Internet might mean for China: “Whether we can cope with the Internet is a matter that affects the development of socialist culture, the security of information, and the stability of the state.” Hu’s comment signals that China’s leaders are aware of the political challenge the Internet could pose to their rule in the future.

Already, the Internet is evolving into a virtual political system in China: the Chinese people inform themselves, organize, and protest online. In July 2010, bloggers provided firsthand accounts of a large-scale pollution disaster in Jilin Province, contradicting official reports. Thousands of people ignored government officials, angrily accusing them of a cover-up, and rushed to buy bottled water. Chinese are also “voting” online. In one instance, a journalist sought by the police on trumped-up charges of slander took his case to the Internet. Of the 33,000 people polled, 86 percent said they believed he was innocent. The *Economic Observer*, a Chinese financial weekly, then launched a broadside against the police, condemning their attempt to threaten a “media professional.” The charges against the journalist were dropped.

Activists have also used the Internet to launch successful campaigns—some involving physical protests—to prevent the construction of dams and polluting factories and to oppose the removal of Cantonese on television programs airing in Guangdong. Most striking, perhaps, has been the emergence of iconic cultural figures who use the Internet for political purposes. The renowned artist Ai Weiwei,

for example, has pursued justice for families whose children died in the Sichuan earthquake, even documenting his encounters with recalcitrant officials on YouTube. The racecar driver and novelist turned blogger Han Han, routinely calls for greater media and cultural freedom. Since its launch in 2006, his blog has received more than 410 million hits. Perhaps most significant, Twitter, which is banned in China, has emerged as the most vibrant underground forum for uncensored political debate—including a pathbreaking online conversation between Chinese netizens and the Dalai Lama in May 2010.

The core priorities of China’s leaders today remain very much the same as those of Deng three decades ago: economic growth and political stability. Yet the domestic environment in which they operate and their understanding of the road to success are radically different. It is no longer enough to focus on the home front; China’s leaders want to shape the international context in which they do business.

#### **CHINA’S REVOLUTION GOES GLOBAL**

In the 1990s, then Chinese President Jiang Zemin launched his country’s first “go out” policy, encouraging the country’s state-owned enterprises to go abroad in search of natural resources. As a result of Jiang’s initiative, China’s trade with the resource-rich countries of Southeast Asia, Latin America, and Africa exploded between 2001 and 2007, growing by 600 percent. Tens of thousands of Chinese companies now operate throughout the developing world, often rejuvenating previously moribund economies with their investments. Leaders from the Democratic Republic of the Congo to Venezuela and Cambodia have welcomed

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Chinese investment and infrastructure as the type of practical assistance their countries most need. In many instances, Chinese state-owned enterprises are willing—and able, with the support of the government—to take on projects that no other multinationals find financially prudent. The copper mines in Zambia had remained closed for more than a decade until the Chinese came to town. This economic outreach has been matched by an unparalleled diplomatic effort. China offers a vast menu of trade and aid deals, infrastructural support, and educational and technical training opportunities to countries rich in natural resources.

Chinese investors are generally welcomed for their implicit promise to bring some of the success of “the China model” to the host countries. The willingness of the Chinese government and its state-owned enterprises to do business anywhere, anytime, and at any price has become legendary. As Sahr Johnny, Sierra Leone’s ambassador to Beijing, commented in an interview regarding Chinese construction projects in his country, “If a G-8 country had wanted to rebuild the stadium, for example, we’d still be holding meetings. The Chinese just come and do it. They don’t start to hold meetings about environmental impact assessment, human rights, bad governance and good governance.”

Yet not everyone is as sanguine about the way China does business. Chinese companies have encountered resistance in a number of countries, including Papua New Guinea, Peru, and Zambia. Poor environmental and safety practices, along with labor policies that overtly favor Chinese workers, have caused intense conflicts with local residents in all these countries. In Vietnam, a Chinese bauxite

mining project that will bring in more than 2,000 Chinese workers has raised the ire of Vietnamese workers, religious leaders, and even military and government officials. A prominent Vietnamese lawyer has gone so far as to sue the prime minister, accusing him of breaking four different laws by expediting approval of the project.

China’s urbanization push will only intensify the country’s outward drive for more natural resources. More cities, more roads, and more infrastructure will mean more steel, more copper, and more bauxite. China accounts for approximately one-fourth of world demand for zinc, iron and steel, lead, copper, and aluminum. In mid-2010, according to the International Energy Agency, China surpassed the United States as the world’s largest energy consumer. China has also become concerned about its access to sufficient water supplies. In China, the amount of water available per person is one-fourth the global average. China is water rich in absolute terms, but given the number of people, the levels of pollution, and the location of China’s water resources, water is scarce throughout much of the country—and China’s leaders fear serious future shortages due to rapidly growing household and industrial demand. Consequently, they are moving quietly but aggressively to dam and divert the water resources of the Qinghai-Tibetan plateau, a move that will affect millions of people outside the country’s borders. China’s river-diversion initiatives are generating significant concern in Bangladesh, India, and Kazakhstan, among other countries, and paving the way for future regional disputes: the economic livelihood of millions of people outside China’s borders depends on access to these water resources.

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The next wave of “going out,” however, will take China far beyond investment in natural resources. As China becomes an innovative, knowledge-based economy, its leaders are encouraging their cash-rich state-owned enterprises and investment funds to take stakes in or acquire foreign companies, particularly those with desirable technologies. Where Chinese products are competitive, Chinese firms are jumping in feet first. China’s Ministry of Commerce is an aggressive advocate for the country’s companies, for example, promoting an “all-in-one” service for clean-technology exports: the provision of equipment, expertise, and services. The government will even provide the necessary loans, which can then be used to pay for Chinese-made equipment, workers, and technologies. Beijing has already promised 1,000 such clean-energy projects to countries in Africa.

Ensuring a fair deal for the countries in which Chinese firms invest will require that those countries engage Chinese companies head-on. For example, the Chinese Ministry of Railways, which is bidding with General Electric to build California’s high-speed rail network, has promised to provide the financing, technology, equipment, and “many high-end engineers and high-end technicians,” potentially raising questions about what role GE and American workers will play in the project. California and other U.S. states will need to ensure that Chinese investment satisfies multiple U.S. interests, including labor.

China’s leaders are also making their voices heard in international financial and trade institutions, in an effort to ensure that their economic interests are protected. In March 2009, as the world struggled to cope with the global financial crisis,

China’s leaders issued a number of provocative statements regarding the future of the international financial system. China’s well-respected central-bank governor, Zhou Xiaochuan, announced that it might be time to move away from the dollar as the world’s global currency and develop a “super sovereign” currency based on a basket of currencies. Chinese President Hu similarly called for an overhaul of the global financial system at the G-20 summit in April 2009. The public reaction was swift: most international commentators stated that the time was not right for a move away from the dollar. Chinese officials quickly backtracked, assuring critics that their proposals were merely recommendations that could be implemented over the next decade rather than in the next year.

Yet China has quietly continued to push the issue within the International Monetary Fund, and as its voting share within the IMF continues to increase (it increased from 2.9 percent to 3.6 percent in 2006, and there is a pending increase to 3.8 percent in 2010), China will have more opportunities to press its case. Over time, China may also seek to upend other aspects of IMF governance, such as the annual review of countries’ currency practices and the governance and transparency requirements for IMF loan recipients. Both practices are headaches for China: the IMF has both obliquely and directly criticized Beijing for keeping the yuan artificially low, and China’s disregard for IMF-based transparency and good governance standards in its trade and aid deals in the developing world has earned it further criticism from the international community.

Although the expansion of China’s economic reach may be the most noticeable

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manifestation of its new activist foreign policy, its efforts to limit foreign competition in key strategic sectors, such as clean-energy technology, will also have a major impact. China's initiative to support "indigenous innovation" has drawn significant criticism from the rest of the world. Consciously rejecting the Japanese and South Korean model of technology innovation, which was rooted in a long-term catch-up strategy of licensing foreign technologies, China is looking to develop its own technologies and product standards. And it is trying to use international institutions to promote its domestic standards as global standards. For example, it is currently engaged in trying to push its own standards for software encryption and wireless local area networks as global International Organization for Standardization standards. (The ISO has previously rejected Chinese proposals to adopt the new protocol globally largely due to its use of an undisclosed algorithm, which has raised concerns about unfair trade practices.) As Jeremie Waterman, a senior director at the U.S. Chamber of Commerce, noted in his testimony before the U.S. International Trade Commission in June 2010, Beijing has "recently begun to implement a medium- and long-term indigenous innovation plan via a growing web of discriminatory industrial policies, including in the areas of government procurement, information security, standards setting, tax, antitrust, intellectual property protection and enforcement and industrial espionage." In effect, rather than working to address the long-standing problems in its trade and investment sectors, China is using the weaknesses of its regulatory and enforcement regime to provide an even greater competitive advantage to its companies.

Appropriating the intellectual property of other firms takes less time and is less costly than licensing it or creating one's own. As long as Chinese companies are unlikely to be sanctioned for taking the intellectual property of other firms, they are unlikely to change the way they do business.

China has also taken steps to protect its hold on strategic resources and, in some cases, to compel foreign companies to locate their manufacturing bases in China or be put out of business. In the process, Beijing is undermining global trade norms. In November 2009, the United States and the European Union launched a case in the World Trade Organization against China for using export restraints on over 20 raw materials, such as bauxite and coke, that are essential for basic manufactured goods, including steel, semiconductors, and aircraft. Less than a year later, Beijing announced another round of restrictive trade policies, this time for rare-earth metals, cutting its export quotas by 72 percent. These metals, over which China holds a near monopoly, are necessary to produce not only magnets, cell phones, and fiber-optic cables but also electric-vehicle batteries and wind turbines. If it is not rescinded, China's action could force many clean-energy firms to manufacture significant components in China, given that the United States and many other countries would need several years to rebuild their rare-earth mining capacity.

The world has become accustomed to many of the global impacts of China's economic revolution. China is already a trade and investment powerhouse, a significant purchaser of U.S. debt, and a major player in global commodities markets. As Beijing now seeks to more actively shape international trade and investment

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norms to suit its next revolution, the rest of the world can draw on past experience to negotiate with, and occasionally even redirect, China. The same cannot be said, however, of China's efforts to expand its military reach.

#### **NAVAL GAZING**

In April 2010, Chinese Rear Admiral Zhang Huachen, deputy commander of the East Sea Fleet, baldly declared that the country's naval strategy had changed: "We are going from coastal defense to far sea defense. . . . With the expansion of the country's economic interests, the navy wants to better protect the country's transportation routes and the safety of our major sea-lanes." In reality, Zhang's pronouncement was merely the coming-out party for a strategy that had been on the books as early as 2007. The strategy envisions China's naval capacity as expanding in three stages: first, to a navy that can cover the "first island chain," which includes islands from Japan to Taiwan to the Philippines; then, to a regional naval force with capabilities extending to Guam, Indonesia, and Australia; and finally, to a global force by 2050. The state-owned *Global Times* reinforced the initial steps in describing the navy's strategic shift: "Naturally, the transformation of the Chinese navy will bring changes to the strategic pattern in East Asia and the west Pacific Ocean that has lasted for the last five decades."

The South China Sea has become the first battleground. In March, even before Rear Admiral Zhang's pronouncement, Chinese officials appeared to assert for the first time that the South China Sea—whose resources have long been claimed by a number of other countries, including

Malaysia, the Philippines, and Vietnam—is a "core national interest," a term previously reserved only for Taiwan and Tibet. Shortly thereafter, in April, the navy followed up with an almost three-week exercise in the region.

The international community reacted swiftly. At the June 2010 Shangri-la Dialogue, in South Korea, which brought together defense ministers from throughout the Asia-Pacific region, U.S. Secretary of Defense Robert Gates asserted that the United States' interest in the South China Sea was ensuring "stability, freedom of navigation, and free and unhindered economic development." U.S. Secretary of State Hillary Clinton followed suit at the July ASEAN Regional Forum, in Hanoi, by offering U.S. assistance in mediating the disputes surrounding the South China Sea's islands and resources. Her offer was immediately supported by several, although not all, of the claimants. And in August, Vietnam and the United States held their first joint naval exercises ever in the South China Sea.

More challenges will follow. In July 2010, one of China's foremost security scholars, Shen Dingli, laid out the rationale for establishing a more permanent Chinese military presence abroad through the establishment of military bases. Although retired Chinese naval officials and current senior political officials have offered differing perspectives on the idea, there appears to be political momentum behind such a move. The Chinese government has already pushed forward with the development of deep-water ports in Pakistan, Myanmar (also called Burma), and Sri Lanka and is openly discussing the potential of other sites in Bangladesh and Nigeria. It may take a decade or more for the

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capacity of China's navy to match its ambitions, but the contours of China's more activist security strategy are already evident.

### **GETTING THE STORY RIGHT**

As the impact of China's transformational policies reverberate throughout the world, Beijing has recognized the need to match its economic and military expansionism with an equally aggressive media strategy. As the Internet is allowing foreign perspectives into China, Chinese officials have become convinced of the need for China to tell its own story to the rest of the world. As one senior propaganda official commented, "We must . . . initiate targeted international public opinion battles, and create an international public opinion environment that is objective, beneficial, and friendly to us."

The result is a Chinese media blitz, with a price tag upward of \$80 billion. The Xinhua News Agency is launching a 24-hour global English-language television news service, headquartered in New York City's Times Square, to compete with CNN and the BBC in order to "provide international and China news with a Chinese perspective to global audiences." Already, China's state media post 400 correspondents in 117 bureaus around the world, and they are planning for 180 bureaus by 2020. Chinese media companies—such as Xinhua, the *China Daily*, the *Global Times*, and the *People's Daily*—now routinely ask foreign experts for commentary on global affairs.

At the same time, Chinese officials remain committed to controlling the flow of information into and within the country. Censorship, Internet police who monitor and guide online discussions, new regulations for the registration of Internet

Protocols, and arrests of Internet dissidents are all designed to prevent the Chinese people from straying too far outside acceptable political boundaries. Moreover, foreign media companies have been largely unsuccessful in capturing significant market share in China, and some—such as Google and the media magnate Rupert Murdoch—have scaled back their efforts or pulled out in the face of highly restrictive policies.

How successful Chinese media will ultimately be in winning the hearts and minds of the rest of the world will likely rest on their ability to change the way they do business. Other authoritarian states seek to emulate the Chinese model, restricting Internet access and controlling domestic media. However, gaining the respect and trust of the rest of the world will require China to adopt a very different strategy. An open and critical approach to reporting news about China will be essential. Ultimately, the impact of the Chinese media foray abroad may be less transformative globally than on the home front. As Chinese media companies remake themselves to compete in the international marketplace with more investigative and open reporting, the pressures will mount to adopt similar strategies in the domestic market.

### **AMERICA FIRST**

China has been remarkably consistent over the past three decades in defining its core interests as economic growth and political stability. What has changed is the leadership's understanding of what is required to achieve these goals. China's drive to remake global norms is also fueled by a resurgent nationalism that harkens back to the days when China was a world

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trading power. For some Chinese officials, the past century—in which China has been largely absent as an economic and military force—was merely a historical aberration. In their eyes, things are now returning to normal.

In the United States, China's more activist foreign policy necessitates a strategic reevaluation. Buzzwords such as "containment," "engagement," and "con-  
engagement" and the notion of a "G-2" will not be useful concepts in the years to come. Instead, the White House needs to consider its policy on three different planes.

First, rather than relying primarily on bilateral engagement (an effort attempted and later discarded in the face of Chinese lack of interest), the Obama administration should continue to work with others to help influence Beijing. The United States, the European Union, and Japan often coordinate their trade policies toward China; U.S. cooperation with Russia brought China along on a round of UN sanctions against North Korea; and the United States and a number of Southeast Asian nations have found common cause in pressing Beijing to come to the negotiating table over the South China Sea. As China expands its naval activities in the coming decades, such multilateral cooperation—and pressure—will be essential in convincing China to discuss military transparency and the rules of the road in maritime security.

The White House must also continue to make clear that it believes certain core values should underpin the international system. These values above all reflect an American commitment to freedom—freedom of the seas, the air, space, and the Internet; free trade; the rule of law; and the political freedoms associated with

basic human rights. The degree to which these values conflict with those espoused by China helps explain why the road to trust and cooperation between the two countries remains so challenging. Within China, there are political thinkers, activists, and even officials who share the ideals espoused by the United States. Until such views become more prevalent, however, it is essential that the United States be willing to advance them through both its diplomatic and its policy initiatives.

U.S. policy toward China cannot consist merely of blocking and parrying Chinese initiatives and promoting American ideals. Nor can Washington rely on annual dialogues designed to hash over a laundry list of issues that, in the end, simply delineate where the United States and China disagree and contribute little to attaining U.S. interests.

The third plane of U.S. policy should concern the United States' domestic interests and objectives. The Obama administration should begin by taking a page from China's playbook. Like China, the United States should derive its foreign policy first from a clear articulation of its objectives and strategy for its own future: What does the United States want to look like 50 years from now, and how is it going to get there? From such a vantage point, policy toward China becomes an instrument of achieving U.S. goals rather than an end in itself.

If the United States wants to be the global leader in clean-energy technology by 2050, for example, it should now be developing the intellectual, financial, and political infrastructure to get there. And when Chinese clean-energy investment interests come knocking, as they are doing, the United States will be well positioned



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to determine what types of investment should be welcomed. When done right, such deals have the potential to result in equitable partnerships and successful cooperation. In August 2010, for example, the United Steelworkers union struck a deal with the Chinese companies A-Power Energy Generation Systems and Shenyang Power Group to develop a \$1.5 billion wind-farm venture in Texas that will create 1,000 jobs for U.S. workers—up from 330 U.S. jobs when the project was first proposed—and use about 50,000 tons of U.S.-made steel.

Similarly, China's efforts to move the international financial system away from the dollar as the world's reserve currency, although potentially costly if done abruptly, might nonetheless be advantageous for Washington over the long run. If the United States were no longer able to borrow money at a better rate than other countries or run greater trade deficits with the benefit of a much-delayed economic impact, for example, it would impose a potentially helpful fiscal discipline on the U.S. economy.

Paying close attention to transformations within China will pay significant dividends for U.S. policymakers seeking to predict what China might do next. Growing water scarcity in China, for example, will likely shape and perhaps even limit agricultural and industrial opportunities there over the coming decades. Listening to early signals of policy shifts, such as the recent scholarly but public commentary on the future of Chinese military bases abroad, is also important. Finally, China's own leadership will be replaced in 2012. Five of the seven top leaders in the Standing Committee of the Politburo, including President Hu and Premier Wen, will

retire. These relatively insular engineers will be replaced by a leadership class dominated by more confident, well-traveled, and politically entrepreneurial social scientists. Bold political change may not be on their agenda, but a few of them initiated political experiments or reforms as provincial leaders. It is a group of leaders that, when given the reins, will certainly bring more change and perhaps even a few surprises.

Although China's leaders have laid out their vision and put change in motion, both domestic and international pressures may well produce an outcome far different from the one they anticipate. All revolutions are inherently unstable, and China's is no exception. The United States needs to be ready, and that requires more than simply reacting to Beijing's more active foreign policy; it demands a U.S. policy toward China that looks inside China's domestic revolution to anticipate the future challenges and opportunities for the international community that will arise as a result of it.

As China seeks to remake global norms and institutions, it is also essential that the United States continue to assert its own ideals and strategic priorities and continue to work closely with other like-minded nations. Ultimately, however, the United States will succeed only when it can clearly articulate its own economic and political priorities and then ascertain how China can best help meet those objectives. The United States' China policy should be a means to an end, not an end in itself. 🌐

# Moscow's Modernization Dilemma

## Is Russia Charting a New Foreign Policy?

*Walter Laqueur*

The last year has seen considerable change in the U.S.-Russian relationship—or at least the desire and promise for change. In Washington, the Obama administration has talked of a “reset,” and in Moscow, the unofficial publication of a Foreign Ministry document has prompted mentions of a “seismic shift.” But the prospects for U.S.-Russian relations cannot be discussed in isolation from wider questions: In what direction is Russia moving? What will Russia be like ten or 20 years from now?

Speculation on the future of nations rests both on near certainties and on imponderabilia, which cannot possibly be measured, let alone predicted. Russia's demographics provide some near certainties: over the last two decades, more than 20,000 villages and small towns have ceased to exist, the immigration of Central Asian workers and Chinese traders has continued, and the Russian birthrate of 1.5 children per woman has stayed well below the replacement rate of 2.1 children

per woman. A radical reversal of these demographic trends seems quite unlikely. There will be fewer ethnic Russians in the Russia of the future, to be sure. What is less clear is whether Moscow will even be able to hold on to the Russian Far East and all the territories of Russia beyond the Urals.

As for the imponderabilia: if it had not been for Mikhail Gorbachev and Boris Yeltsin, the Soviet system—although doomed—might have been able to hang on to power for another decade or two. From 1972 to 2008, the price of oil went up from \$2 a barrel to almost \$150 a barrel (as of the summer of 2010, it was less than half that). In other words, if Russia was still the Soviet Union, the enormous windfall that Moscow has experienced over the last decade would have been ascribed not to Vladimir Putin's wise and energetic leadership but to Leninism and the farsighted successors of the Soviet leader Yuri Andropov.

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To a large extent, Russia's prospects still depend on the price of oil. The Kremlin must take kindly, then, to the fact that the West does not seem to have a concerted strategy to lessen its dependence on oil and gas imports. And if the more harrowing predictions of global warming are correct, Russia will soon have access to the considerable quantities of rare and important raw materials that are now locked under permafrost. Thus, even if the Kremlin's plans for economic modernization fail, Russia will not face a dramatic economic deterioration and a corresponding political crisis.

The belief in a manifest destiny is part of Russian history, visible in the idea of Moscow as a "Third Rome," the mission of world revolution (or the building of "socialism in one country"), and the contemporary doctrines of "the Russian Idea" and neo-Eurasianism. For the last few decades, anti-Americanism has been another mainstay of Russian politics and culture—and a force with which Washington will have to contend. In his little-known 1836 essay, "John Tanner," Aleksandr Pushkin was scathing about democracy in the United States, and democracy in general. This breed of Russian anti-Americanism was disinterred under Stalin and is remembered even today, when "democrats" and "democracy" have become terms of opprobrium among wide sections of Russian society. But there is an important difference in motivation—Pushkin despised the egalitarianism that was part of American democracy, whereas present-day antidemocratic feeling in Russia is largely the result of a few well-placed people in Yeltsin's age of democratization and the years thereafter having used their positions to amass great riches. In the

late 1990s, "democracy" became a synonym for "kleptocracy" and "oligarchy."

### MODERN TALKING

It took Germany 15 years after World War I to reappear as a major power. Russia took even less time after the collapse of the Soviet Union and the end of the Cold War. The oil and gas windfall greatly improved the country's economic situation and strengthened the Kremlin, a process that reached its climax in 2006 and 2007 with a series of speeches by then President Putin. He called his domestic opponents jackals funded by the West and accused them of wanting, much like their sponsors, a weak and chaotic Russia. In Munich in 2007, Putin spoke of the decisive changes in the global balance of power and the decline of the United States and Europe. On another occasion, Putin predicted that by 2020, Russia would be not only among the richest and most powerful states but also one of the most progressive and dynamic. (At present, Russia's GDP equals that of France: \$2.1 trillion.) One of Putin's advisers declared that the whole world would be grateful to Russia for serving as a counterweight to U.S. hegemony.

But the global economic recession, which has affected Russia as much, if not more, than the United States and Europe, has changed the mood in Russia and diminished such expectations. Of late, this rethinking has entered the domain of Russian foreign policy and raised various questions: Perhaps Moscow overrated the prospects of the so-called BRIC alliance, that of Brazil, Russia, India, and China? The internal social and political stresses facing these rapidly developing countries have proved formidable, and China and India, for example, do not share many

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interests. And how, in fact, would the rise of China and the diminished status of the United States and Europe benefit Russia? Perhaps the drawbacks for Russia could outweigh the gains—after all, the United States is far and China is close, especially to the Russian Far East and Siberia. Lastly, what will happen to Afghanistan after the U.S. and NATO exodus? Moscow sees Central Asia as part of its “zone of privileged interests”—and thus part of a zone of responsibility. Islamist groups would immediately threaten the Central Asian republics, even if the Taliban, at present, argue that they have no such intentions. And the growing drug problem originating largely in Afghanistan is, according to Russian officials, an even graver danger to Russia than terrorism.

It seems gradually to have dawned on at least some Russian strategic thinkers that NATO in its present form does not really present a major threat to Russia or, perhaps, to anyone. (According to Russian Foreign Minister Sergey Lavrov, NATO is no longer a threat, only a “danger,” which is presumably less than a threat.) NATO member states have shelved the idea of offering admission to Georgia and Ukraine. At the same time, Washington, following the European example, has toned down its criticism of Russian violations of human rights and lessened its support for domestic opposition groups in Russia and Western-leaning states such as Georgia, which Moscow regards as hostile threats. From Moscow's perspective, the West has largely accepted Russia's claims to a zone of privileged interests—whatever the fears of Russia's neighbors, there is little Western countries can do to help.

In short, the West's relative weight is declining, but so is Russia's, making a

policy of rapprochement appealing for all sides. For Moscow, this new, conciliatory approach is largely focused on economic and, above all, technological modernization. The emphasis of a position paper prepared by the Russian Foreign Ministry and published by Russian *Newsweek* in May 2010 was almost entirely such modernization. It outlined how Moscow should improve its relations with more than 60 countries, from Brunei to Mongolia, using measures including state treaties and agreements between research institutes.

The document—and the new policy—appears to be based on a compromise between various elements in the Russian leadership. President Dmitry Medvedev's faction, which seems to be behind this statement, is clearly willing to take some more risks; it is also possible that Medvedev's supporters are using the argument of modernization to sell a broader policy of détente to various domestic constituencies. The moderate conservatives, such as Prime Minister Putin; his deputy chief of staff, Vladislav Surkov; his deputy prime minister, Igor Sechin; and his foreign policy adviser, Yuri Ushakov, understand that Russia's dependence on oil and gas exports must be reduced and that modernization will inevitably involve a political price—but they are fearful that the price could be too high. Meanwhile, both the right (Russia's ultranationalists) and the left (the Communists) are not, in principle, against modernization but would like it to happen without any political price at all.

The new détente has shown itself in a number of cases: Russia's voting for UN sanctions against Iran, expressing remorse about the Katyn massacre, reaching an agreement with the United States to reduce nuclear weapons, inviting NATO

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soldiers to march on Red Square on Victory Day, being offered warships from France, proposing a Russian-EU crisis management agreement, and some others. But there are difficulties ahead—old suspicions and new conflicts of interest will not easily be overcome, and may even derail the new course, just as the *détente* of the 1970s came to a halt despite goodwill on both sides. In August, Putin said that his anti-Western speech in Munich three years ago had been very useful in retrospect. If so, then how far can the changes in Russia's foreign policy be expected to go?

### **STRONG LUNG SYNDROME**

From his exile in London in the 1850s, Aleksandr Herzen, the most respected and influential critic of the tsarist regime, wrote that if the tyranny in Russia lasted too long, there was the possibility, indeed the probability, that the backbone of the people would be broken and irreparable damage be done. But he also said on another occasion, "our lungs are stronger"—meaning that the Russian people would be able to survive repression and dictatorship better than others. Contemporary Russia is a conservative country. The Russian people have witnessed too much negative change during the last hundred years. Putin, it is said, is a liberal compared with much of the public. According to polls, a majority of Russians are satisfied with their political leadership (only in recent months have complaints about living conditions increased, and those have been largely directed toward local officials). This has been Putin's strength—the Russian people prefer stability to democracy. Putin and Medvedev enjoy higher levels of public support than

virtually all Western leaders—and this support would probably be as high even if Russia had free elections, free media, and an independent judiciary. For this reason, it is likely that the Putin and Medvedev tandem (or another duo of the same political orientation) will continue to lead Russia after the 2012 presidential election, with some form of what Russian commentators have taken to calling "tandemocracy" lasting for another decade after that.

Given the likely longevity of the current political regime, it is worth asking what form of modernization the Kremlin wants and what sort of reform is likely to succeed. This subject has been discussed in Russia since the days of Peter the Great. In recent years, countless conferences, speeches, blueprints, and position papers have discussed various ways to achieve reform. There is not much dissent over whether modernization is necessary—the country's economic and municipal infrastructure is very poor, and its dependence on the export of oil, gas, and other raw materials is undesirable and, in the long run, dangerous. A lack of economic diversification will make it increasingly difficult for Russia to compete in global markets and maintain its status as a great power.

There is yet more debate over how to pursue modernization. Advocates of top-down modernization argue that the state should act as the main agent, with a minimum amount of political change. This form of authoritarian modernization is what the Putinists call "vertical state intervention." Russian proponents of this school are certainly aware that Russia acquired nuclear technology, to give one obvious example, without democratization. As they see it, Russia's traditions are not those of the West, and in the country's

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present labile state, more democracy would be harmful, possibly fatal. They argue that even in many Western countries, the state played a central role in the process of modernization, a fact recently mentioned by Surkov, Putin's deputy. This camp is not against transferring technology from the West; indeed, they strongly advocate it. But they argue that new technologies—such as advanced information technology—should be introduced first in the army, which they believe is better prepared to absorb them than the private or semi-private sector. As for Western investment, Putin and his followers believe that this will happen anyway, given the precarious state of Western economies and their eager search for profitable ventures. In any case, Western investors want political stability above all, which in Russia is better granted by an authoritarian regime than by democratic chaos.

Furthermore, this conservative, statist camp argues that modernization, however essential, should proceed slowly. As Putin said of reform in September, "We don't need any kind of leaps." In Russia, the potential victims of modernization are many: state bureaucracy, inefficient enterprises and the many who thrive on them, the Russian economy's numerous monopolies, and the sizable part of Russian society that has an instinctive resistance to innovation. This is not to mention the members of the Russian political elite, who have a personal interest in maintaining the status quo. Of course, the situation would be different if Russia were poor in raw materials and had no oil or gas to export, but since a steady income seems assured for years to come without experimenting with modernization, there is no particular urgency for reform.

Most of those in the more ambitious and daring camp, who favor deep modernization (this camp is comprised of management experts and Russia's economic liberals), do not envisage political democratization along the lines of the European model. But they do want some steps in this general direction: they argue that the modernization of recent years has not worked, partly because it has been limited to certain projects or branches of the economy and carried out without competition. Advanced technology can be bought or borrowed—or stolen—but more often than not, Russian industries have been unable to absorb new technologies and make them work. The state bureaucracy is not capable of guiding and directing resources toward innovation, nor have Russian capital markets shown much interest in investing in innovative technologies. In June, Putin told the members of the Russian Academy of Sciences to do more for the modernization of the country; this will not be easy, however, considering that the academy's budget is being cut and many scientists have protested against their dismal working conditions.

This camp argues that a critical mass of foreign investors, meanwhile, will not come to Russia until they feel reasonably confident in and protected by the law. For starters, the Russian courts will have to become politically independent and the security agencies will have to lessen their meddling in commercial activity. More broadly, a comfortable Russian business climate will require the absence of major tensions between Russia and the outside world—a *détente* of sorts. The Andropov model of top-down bureaucratic reform may have had its uses combating hooliganism in the streets, but it will not

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promote the kind of creative thinking needed in a modern information society. The Kremlin heralded the planned opening of Skolkovo, a small campus near Moscow that is meant to be Russia's version of Silicon Valley. Roger Kornberg, an American Nobel Prize laureate, and some multinational companies, such as Nokia and Siemens, have expressed a willingness to cooperate—but so far, Skolkovo has been entirely a state project.

No matter which camp holds sway—the more conservative one represented by Putin or the one somewhat more inclined toward reform headed by Medvedev—modernization is probably inescapable in the long term. But in the short term, its prospects are poor. A change not of policy but of mentality is needed among both rulers and ruled. Such dramatic societal changes do occur, but they usually happen as the result of immediate need and a clear and present danger—neither of which exists in Russia now. And this leaves Russian policymakers with the temptation to muddle economic modernization with a minimum of political liberalization.

### **IDENTITY CRISES**

Throughout its history, Russia, much like other countries, has been subject to a variety of mindsets, quite often to different ones at the same time. This is particularly true with regard to its attitude toward the West: Is Russia part of the West, and if not, what is it part of? At present, the belief in a specific Russian way seems to be far stronger than a feeling of solidarity or friendship with the West. Indeed, negative attitudes toward the West go back to the nineteenth century, if not further, first concerning Europe and later the United States. Even 100 years before NATO was

founded, more than a few Russians believed that the West would do everything it could to harm Russia. During communist rule, official ideology said that aggressive capitalist robbers were preparing to invade the worker's paradise.

On top of this historical ground lays the specific Russian propensity to believe in conspiracy theories, the more absurd, the more popular. An organization such as the KGB—in which Putin and other leading figures in contemporary Russia received their training—tends, by its very nature, to believe in worst-case scenarios concerning the outside world. It is convinced that but for its presence and activities, internal enemies would cause Russia irreparable harm.

Also, to hear Putin tell it, the collapse of the Soviet Union was the greatest catastrophe of the twentieth century, and Russia, as Tsar Alexander III said, has not had and cannot have any true friends and allies except its own infantry and artillery. Exposure to the realities of the outside world may have caused some mellowing on this point; it is difficult to argue at the same time that the West is rapidly declining and that it is the most powerful threat.

The Russian far right has been frantically searching for alternatives to closer cooperation with the West. Many admire China and its economic achievements, but Chinese power also provokes fear among the Russian right. Neither Japan nor India features highly in these calculations (although trade with India does get some attention). Some Russian political thinkers on the far right advocate alliances with some Muslim countries, above all former enemies such as Turkey. They argue that the two sides have not only a common

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enemy—the West—but also cultural and even religious affinities, Islam being closer to the Orthodox Church than Western Christianity. Yet other Russian experts warn of the “Islamization” of Russia, given the presence of a substantial Muslim minority in Russia, not to mention the ongoing violence and turmoil in the Russian North Caucasus. In short, geopolitical games of this kind are not leading to realistic alternatives. Eurasia is a fantasy, and although normal relations with the countries of the Muslim world are desirable, expectations for more than that will lead nowhere—at best.

#### **A NEW OVERCOAT**

How far will the current foreign policy go, be it a “reset” or a “seismic shift”? Present indications suggest more of the same: greater Sovietization seems unlikely, as does dramatic democratization. Internal discontent may exist, but not to the extent that it will turn into a significant political factor in the near future. Although the Kremlin wants to strengthen and perhaps expand its sphere of influence in the former Soviet states and eastern Europe, any sort of physical reconquest seems very improbable.

To combine the various aims of the Kremlin will not be easy. On one hand, Moscow realizes that it has certain common interests with the West. Russia prefers to deal with EU countries individually, rather than with the European community as a whole. Russia is also likely to push to join the World Trade Organization and to abolish visas for travel to Europe. For its part, the EU has suggested creating a joint security committee to deal with crisis situations. But past experience with such commissions—namely, the NATO–Russia Council—has not been encouraging.

On the other hand, Russia wants to maintain normal ties with the rest of the world and prevent a deterioration in relations with newfound sympathizers such as Venezuela’s Hugo Chávez and Iran’s Mahmoud Ahmadinejad. Despite the oil and gas windfall and its return as a great power, Russia remains a relatively weak country—to use a cricket metaphor, it is batting on a sticky wicket. But Putin has shown supreme confidence, assuming that Russia has little to fear given current global conditions: Europe is in decline, and the United States is weakened by the financial crisis, preoccupied with domestic problems, and, as the Kremlin sees it, under weak leadership. As far as the threats facing Russia are concerned, Putin (much like the Russian far right) still seems too preoccupied with NATO and largely oblivious to the lengthening shadow of China and the growth of aggressive Islamism. Perhaps these ideas are changing. But, to repeat, it is precisely the weakness of the West that makes détente with the United States and Europe more realistic and attractive. Russia needs Western capital and Western technological know-how.

And what will the United States and Europe gain from helping Russia modernize? Russian Foreign Minister Lavrov has said that such questions of quid pro quos are not appropriate, but they will be asked regardless. A lessening of international tensions is desirable, but the prices of oil and gas will certainly not come down considerably. There has been a certain change in the Russian political climate of late, with fewer anti-Western speeches, articles, books, and movies, but since most people in the West were not even aware of these manifestations of anti-Westernism to begin with, the shift may go unappreciated.



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Some voices in Europe argue that although Europe should take an active part in the modernization of Russia, the lead role ought to be played by the United States, which for a variety of reasons is in a better position to do so. Washington should certainly welcome outstretched hands in the interest of world peace. If it does not do so, it will be blamed by critics for decades to come for having missed unique opportunities. It remains to be explored what these opportunities are.

For the moment, far-reaching political democratization in Russia is not in the cards; it may be an impossible desideratum for now given Russian history. Indeed, perhaps the West should not even press for it, given that the majority of the Russian leadership and the Russian people seem not to favor it. But will it be possible, to give just one example, to have fair trials and legal protection only for foreign enterprises—something much like the concessions to foreigners China made 100 years ago? Russian leaders who believe in authoritarian modernization might be disappointed when they realize that without true competition their new schemes will not work. Foreign capital alone will not help.

Russia's present situation reminds one in some ways of the dilemma of Akaky Akakievich, the hero of "Shinel," or "The Overcoat," a 1842 story by Nikolai Gogol. (The story is one of the milestones in Russian literature: as Fyodor Dostoyevsky once said, "We have all come out of Gogol's 'Overcoat.'") Akakievich, the owner of an old and shabby coat that makes him the butt of many jokes, decides to buy a new one, although he can hardly afford it. Almost immediately thereafter, he is robbed of the coat, which

leads to countless misfortunes and his early death. Today, most Russians, like Akakievich, seem to agree on the need for a new overcoat but not on its size, length, color, where to buy it, the price to be paid, or the urgency of its acquisition—immediately, or perhaps at some unspecified date in the future.🌐

# Pax Ottomana?

## The Mixed Success of Turkey's New Foreign Policy

*Hugh Pope*

Turkey does not fit neatly into anyone's conception of the world order. For centuries, people have debated or fought over whether it is part of Europe, the Middle East, the Mediterranean, or Eurasia. Some see its current government as careening toward "Islamist fascism"; others believe it is integrating into a basically pluralistic, secular, globalized international order. Does its fast-growing economy, the 17th largest in the world, make it a rising international power on a par with Brazil, China, India, and Russia? Or is it a minor player that is overextending itself? Although Turkey has an important secondary role to play in many major areas of U.S. concern, such as stabilizing Afghanistan and Iraq, it is essential to none. In short, Turkey is unusually vulnerable to being misunderstood, particularly since the Turks themselves often seem unsure about what exactly they want their country to be.

This past summer, Turkey trod on two hot-button U.S. policy interests, Iran and Israel, thus putting its new "zero-problem" foreign policy in an uncomfortable spot-

light. As soon as the Turkish government was seen as having stepped outside the U.S.-led agenda, commentaries about its new orientation spread in major U.S., European, and Middle Eastern newspapers and journals. "It isn't Ottoman Islam that these Islamist Turks seek to revive," Harold Rhode, a former longtime U.S. Department of Defense official, wrote in one of the Jerusalem Issue Briefs series in May. "Their Islam is more in tune with the fanatically anti-Western principles of Saudi Wahhabi Islam." Articles in the United Kingdom's *Daily Telegraph* and Canada's *Globe and Mail* expressed similar concerns. *The New York Times* ran an article with the headline "Turkey Goes From Pliable Ally to Thorn for U.S.," and its columnist Thomas Friedman, describing a recent trip to Istanbul, found "Turkey's Islamist government seemingly focused not on joining the European Union but the Arab League—no, scratch that, on joining the Hamas-Hezbollah-Iran resistance front against Israel. . . . I exaggerate, but not that much." A new

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round of the “Who Lost Turkey?” debate got under way between U.S. Secretary of Defense Robert Gates and European Commission President José Manuel Barroso: Gates blamed Brussels for discouraging Turkey in its negotiations over joining the EU; Barroso blamed Washington for turning Turkish public opinion against the West with the invasion of Iraq.

Throw enough mud and some will stick, a Turkish saying goes. Once more, Turkey seems to have become a whipping boy for all manner of interests, some of which have little to do with the realities of Turkey itself. Turkey’s current leaders certainly have warmer ties with Muslim leaders in the Middle East than their predecessors did, and Ahmet Davutoglu, the foreign minister, displays an idealistic streak that can seem overly optimistic. But the ruling party’s policies remain essentially nationalist, Turkey-centric, and commercially opportunistic; it is a misconception to think of them as Islamist, or even ideological. Whatever the country’s problems, Turkey’s principal relationships remain those with Europe and the United States. Meanwhile, the Turkish government has tried hard to break out of its long-standing disputes with Armenia and the Greek Cypriots, and it has overseen great improvements in Turkey’s ties with non-Muslim states such as Russia and Serbia. And much of the blame it has received for taking a more active stand on issues in the Middle East is undeserved.

### **OPEN SEASON ON TURKEY**

The main target of the criticisms is the Justice and Development Party (better known as the AKP), which has been in power since 2002. The AKP’s leaders have raised suspicions because their ideological

roots are in Islamism and because they have sometimes used fiery rhetoric—alternately pro-Islamic, anti-Israel, nationalist, and populist—to gain support among conservative and religious constituents. But the AKP has never declared an Islamist agenda or, for example, tried to implement sharia law. In 2004, it did attempt to start punishing adultery by women more severely than adultery by men, but the effort quickly foundered in Turkey’s pluralistic political culture. If anything, the AKP owes its political success to its decision to split with the country’s explicitly religious and conservative faction in 2001 and to hold to a moderate course since.

Lucky circumstances helped the AKP from the get-go. The 1990s were miserable in Turkey, due to weak governments, three-digit inflation, open military interference in politics, and the vicious conflict between Turkey’s armed forces and ethnic Kurdish insurgents. But at the end of the decade, the Turkish state, which has a long tradition of active intervention, turned the situation around with support from the EU, the United States, and the International Monetary Fund. The EU’s decision in 1999 to make Turkey a candidate for membership catalyzed an era of revolutionary changes. Between 1999 and 2002, a broad left-right coalition government oversaw remarkable reforms: the rewriting of one-third of the Turkish constitution, the enactment of international human rights legislation, the end of capital punishment, the expansion of women’s rights, measures to discourage torture and improve prison conditions, and new laws curtailing restrictions on freedom of expression, civil society, and the media. The Turkish military was persuaded to relinquish some of its long-

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standing preeminence, accept more transparent defense budgets and less power in the National Security Council, and curb its influence in the judicial system. In other words, when the AKP came to power in 2002, it was handed the reins to a country that was already heading in the right direction.

Progress with EU accession had also helped spark an economic boom. Buoyed by global economic dynamism after 2001, Turkey's economy averaged an annual growth rate of seven percent during the the AKP's first term, between 2002 and 2007. Exports increased from about \$36 billion in 2002 to \$132 billion in 2008. Inflation tumbled from about 45 percent in 2003 to 9.5 percent in 2009. Foreign investment, which had ranged from \$1 billion to \$2 billion a year for decades, soared to \$5.8 billion in 2005 and averaged about \$20 billion over the three years after that. An International Monetary Fund aid package to help Turkey with a banking crash in 2001 did not need to be replaced when it expired in 2008. And Turkey has been recovering relatively well from the recent global downturn, even though in 2009 its exports dropped by one-third, foreign investment into the country was slashed in half, and GDP fell by 5.6 percent.

Helped by this new prosperity, its own reasonably good governance, the EU's opening of formal accession negotiations in 2005, and the public's rejection of a military attempt to derail Turkish democracy, the AKP easily won reelection in 2007. But the EU accession process, which did so much for Turkey earlier in the decade, has since slowed to a crawl. The leaders of France and Germany have turned against the prospect of Turkey's membership in the EU, allowing the unresolved dispute

over Cyprus to become a major stumbling block in accession negotiations. The French and German governments switched their positions largely because of changes in their own countries. In the 1990s, opponents of Turkey's accession to the EU were mainly human rights activists who worried about the oppression of ethnic Kurds and political dissidents; by a few years into this century, hostility was coming from right-wingers who blamed Muslim immigrants for taking their jobs and for the rising profile of Muslim culture in Europe. Europeans had become worried that their home economies and the EU itself had lost a sense of direction, and Turkey, a big Muslim country trying to join their club, was a natural target. As they were running for office in France and Germany, respectively, Nicolas Sarkozy and Angela Merkel opposed Turkey's accession, betraying decades of promises. They did so even though Turkey's relative poverty—its per capita income is less than half the EU average—meant that membership was one or two decades away in any case.

As a result, the AKP became hesitant to implement the difficult and expensive domestic reforms necessary to prepare Turkey to meet the EU's accession criteria. Meanwhile, the Turkish political consensus on EU membership was falling apart anyway. This was partly an emotional reaction to Europe's hostility and to the U.S.-led invasion of Iraq. But Turkish opposition parties were also accusing the AKP of using EU requirements about freedom of religion to pave the way for turning Turkey into a theocracy. The AKP responded with accusations that the opposition had militaristic tendencies. The upshot was deep polarization in

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the parliament, which dashed hopes of building a domestic consensus on further EU-mandated reform. (In September, the AKP secured 58 percent public support in a referendum on a constitutional reform package, which could give it a new chance to build that consensus.)

These problems are well illustrated by the fate of the AKP's efforts on Cyprus. In 2003, the party reversed traditional Turkish policy by agreeing to endorse a UN plan to reunify the island, which is roughly 80 percent ethnic Greek Cypriot and 20 percent Turkish Cypriot. But the Greek Cypriots voted against the plan (even though the Turkish Cypriots voted for it), and then the EU recognized the Greek Cypriot government as the whole island's official representative. Since joining the EU in 2004, Cyprus has pulled all available levers to block Turkey's own accession to the union, undermining prospects for a comprehensive settlement over the island's status. Turkey has been left at Europe's gate, its population alienated from the country's Western partners and its leaders understandably frustrated. This difficult position is not of the AKP's own making, yet the party's opponents have portrayed its venting as reflecting an inherently anti-Western worldview.

### **THE "ZERO-PROBLEM" PROBLEM**

Turkey's effort to resolve the Cyprus dispute was the first major manifestation of the AKP's zero-problem foreign policy, a broad initiative to develop good relations with all of Turkey's neighbors and countries beyond. By cultivating its neutrality in recent years, the Turkish government has managed to turn itself into a facilitator in significant proximity talks between Israel and Syria, Serbia and Bosnia and

Herzegovina, and, less successfully, the Palestinian factions Fatah and Hamas.

As with economic matters, the AKP's move toward improving relations with Turkey's neighbors built on existing trends. One positive dynamic was the end of the Cold War, during which the U.S.-Soviet rivalry effectively cut off Turkey, a staunch NATO ally, from its neighbors to the north and alienated it from its neighbors to the east. Since 1991, Turkish commercial activities have been free to spread through the Black Sea region, Turkey's backyard. The AKP also benefited from the legacy of Ismail Cem, the Turkish foreign minister between 1997 and 2002, who paved the way for the normalization of Turkey's relations with Greece and Syria.

Since taking power, the AKP has pursued normalization much further. Davutoglu, the current foreign minister, has said that his goals are the "settlement of disputes" that "directly or indirectly concern Turkey" and balancing realism and idealism in the country's foreign policy. He promotes a doctrine of "strategic depth," invoking Turkey's long history and position at the crossroads of the Mediterranean, the Balkans, the Middle East, and the Black Sea. Many aspects of Turkey's foreign policy have benefited from these efforts: relations with Georgia and Greece have greatly improved, and Russia has become Turkey's leading trading partner and one of its top suppliers of tourists.

However, not all of the AKP's zero-problem initiatives have worked out as planned. In addition to the continued problems with Cyprus, the AKP's effort to settle Turkey's disputes with Armenia has yielded mixed results. In October 2009, after years of secret contacts and negotiations, the Turkish and Armenian

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governments signed protocols for the eventual establishment of diplomatic relations and for the reopening of their shared border, which the Turkish government had closed in the early 1990s after Armenian forces overran the Armenian-majority enclave of Nagorno-Karabakh and other large swaths of Azerbaijan. They also agreed to establish an independent commission to study their disputed history, above all the massacre of Armenians by Turks during World War I, which many Armenians call a genocide.

The timing for the shift seemed right: over the past decade, academics, the media, and the public in Turkey had started to display unprecedented openness about “the Armenian question.” And the benefits could be great. A warming of relations with Armenia might help lift one of the greatest shadows of modern Turkish history and at the same time remove a major irritant in U.S.-Turkish relations (the Armenian diaspora in the United States is very active). It might also help bring about a settlement of the dispute between Armenia and Azerbaijan, one of the most destabilizing frozen conflicts in the Caucasus.

Unfortunately, Azerbaijan, a major energy supplier to and trading partner of Turkey, objected to the deal for fear that Armenia would then have no incentive to withdraw from the areas of Azerbaijan it occupies. And so the AKP backed away. The opposition in Armenia and the Armenian diaspora were also deeply uncomfortable about the prospect of the Armenian government’s striking a compromise with Turkey or withdrawing troops from around Nagorno-Karabakh. The protocols thus remain stuck.

And yet, despite such setbacks, the AKP’s zero-problem policy has been

largely beneficial and has gone a long way toward defining a new international role for Turkey. It marks Turkey’s move away from a reflexively defensive foreign policy, a decades-old holdover from the aftermath of the Ottoman collapse, and toward outreach and faith in win-win outcomes. Notably, it has helped the Turkish government improve both its own ties with nearby countries as varied as Afghanistan, Iraq, and Russia and relations between countries such as Serbia and Bosnia and Herzegovina. This, in turn, has brought about a generally positive reappraisal of Turkey among its Western allies. Perhaps most interesting, the AKP’s zero-problem policy toward the Middle East has to some extent promoted stability in the region.

#### **MIDDLEMAN IN THE MIDDLE EAST**

The Middle East dimension of Turkey’s new policy has attracted much debate and caused some concern in the West. This is partly because the AKP’s leaders have sometimes presented Turkey’s sudden engagement with the region in populist and religious terms and highlighted the warmth of their personal relations with fellow Muslim leaders. It is also because as Turkey’s relations with Muslim countries have improved, its relations with Israel have seemed to deteriorate.

Turkey has long had good reasons to minimize its differences with Iran, Iraq, and Syria. These three countries have been sources of terrorist attacks, political subversion, and regional destabilization. Turkey has worried that if global fears about Iran’s nuclear program lead to a new round of UN sanctions or military action against Iran, Turkey’s economy could slow and the stability of the region

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on which it increasingly depends could be endangered. The Turkish government remains profoundly opposed to nuclear proliferation in the Middle East, but it believes that proliferation is only likely to be prevented through persuasion, not threats. It also hopes that forging better relations with its difficult neighbors will give it more clout in the region and prestige throughout the world.

Although Ankara has framed its new Middle East strategy mostly in economic terms so far, the policy implies an ambition to move toward political convergence. Several Middle Eastern governments that have traditionally favored maintaining strong bilateral relationships with distant great powers, such as France, Russia, the United States, or the United Kingdom, are now opening up to Turkey. Even Iran, arguably the country in the region least interested in open multilateral cooperation, has voiced a theoretical interest in this practical-minded integration. The AKP's leaders sometimes compare this new outreach to the early days of the EU, soon after World War II, when Europe's leading states encouraged regional integration as a way to reduce the risk of renewed confrontation.

Turkey's first measure toward regional integration was to ease some travel restrictions. In late 2009, it lifted the last, largely nominal visa requirements for nationals of Jordan, Lebanon, Libya, and Syria. (Iranians could already get a visa on arrival.) As a result of such efforts, tourism to Turkey from Middle Eastern countries other than Israel rose by 16 percent in 2008 and another 22 percent in 2009. A new border crossing between Turkey and Syria was inaugurated in 2009, and there are plans to clear the minefields that were

laid at the border during the Cold War. Turkey aims to merge its customs and passport formalities so as to create single posts at every crossing along the Turkish-Syrian border, replacing double posts with one building in each country. New flight routes between Turkish and Middle Eastern cities have been set up. The railway line between Turkey, Syria, and Iraq was upgraded and reopened last February. A fast-train service will soon be added between the trading hub of Gaziantep, in southeastern Turkey, and Aleppo, in northern Syria. New rail links were recently completed between Syria and Jordan, and more are planned between Jordan and Saudi Arabia along the path of the Ottoman Empire's old Hejaz Railway.

Improved regional transportation could facilitate energy transfers, potentially an important area for regional cooperation. The AKP has been normalizing relations with the Kurds of northern Iraq for the past few years, partly because it wants to gain access to the gas fields in Iraqi Kurdistan. This could help Turkey diversify its sources of energy, as well as feed the planned Nabucco pipeline, which will connect Turkey to central Europe. A low-capacity gas pipeline runs from Egypt, through Jordan, into Syria, and a new stretch to the Turkish border is expected to be completed soon. Turkey has already been supplying northern Iraq with power for years, and it has been supplying Syria since 2009. Plans for a seven-country, pan-Middle Eastern electrical grid are being discussed.

Small signs of progress are visible in almost all sectors. Friction over Turkey's damming of the Euphrates and Tigris rivers in past decades is slowly giving way to talk about joint irrigation strategies.

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Turkey, long a recipient of development aid, is now a donor, and although its contributions are modest, Turkish non-governmental organizations that fund schools around the region or work to break the Israeli blockade on Gaza are starting to make headlines. As Turkey continues to liberalize its economy, Turkish businesses, such as textile factories, are moving to Egypt and Syria. Turkish media and entertainment companies are also putting down roots in Middle Eastern markets; al Jazeera is opening a Turkish news channel.

Partly as a result, formal coordination between the Turkish government and Middle Eastern governments is also increasing. In 2009, Turkey, Iraq, Jordan, Lebanon, and Syria formalized gatherings of senior cabinet ministers into “high-level strategic cooperation councils.” In June, these countries also agreed to start transforming their bilateral free-trade areas into a jointly managed free-trade zone, a significant move toward EU-style multilateral mechanisms. Turkey has invested a great deal of diplomatic capital in increasing its profile in multilateral institutions and platforms active in the Middle East. It has become an observer at the Arab League and has hosted foreign ministers of the Gulf Cooperation Council states in Istanbul. A Turk, Ekmeleddin Ihsanoglu, won the first democratically contested election to lead the 57-member Organization of the Islamic Conference. In addition to providing civilian and military assistance to NATO’s missions in the Balkans and Afghanistan, Turkey has contributed ships and 1,000 military personnel and engineers to the UN Interim Force in Lebanon. Thanks to broad support from other countries, Turkey obtained one of the rotating seats on the UN Security Council

for 2009–10, a position it had not held since the early 1960s.

Further progress may be an uphill battle. Some Arab leaders have been skeptical of Turkey’s recent activism in the Middle East. They are privately resentful of its readiness to give voice to popular anger over Israel’s actions—a kind of airing out they are sometimes reluctant to indulge in for fear of losing U.S. support. EU-style integration scares some regimes, most of which are unelected; many have long lacked the desire to forge strong regional economic bonds because doing so might dilute their control over their domestic economies. Talks on a water-sharing agreement among Turkey, Iraq, and Syria have made little progress so far for this very reason.

Still, the situation today is considerably better than that in the 1980s and 1990s. Turkey’s promotion of free trade, transfers of technology and expertise, and cross-border infrastructure projects are replacing the zero-sum calculations that used to prevail in the region. If more such initiatives succeed, Turkey’s foreign policy could help change the region’s established pattern of states doing little to encourage regional trade, jealously guarding their home markets, and worrying that infrastructural links might make them dependent on rivals. This could help build long-term peace and stability, a precondition for democracy.

### **CHOOSING SIDES**

Pursuing the zero-problem policy has been a brave move, especially as the approach continues to be tested, sometimes sorely. In addition to stalled talks over the status of Cyprus, accession to the EU, and the protocols with Armenia, new tensions



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between Turkey and the United States and between Turkey and other traditional allies have surfaced on two occasions this year: after the AKP refused to stop Turkish ships from joining an international flotilla challenging Israel's blockade of Gaza and after Turkey opposed additional UN sanctions against Iran and worked with Brazil to revive plans to let Iran swap its enriched uranium for fuel rods.

Some, not least in Israel, the state that feels most threatened by Iran's nuclear program, have claimed that the two incidents are evidence of Turkey's turning away from the West and toward Islamism. Israeli Prime Minister Benjamin Netanyahu said in August that by brokering the agreement on enriched uranium, "Turkey thereby strengthened its identification and cooperation with Iran just days before the flotilla." From the Turkish government's perspective, however, the issues of Israel and Iran are distinct. There is no concrete evidence that policy changes in Ankara regarding either country represent an ideological shift, much less an Islamist impulse. In fact, the Turkish government had good reason to believe that the U.S. government would support its attempts to engage Iran. And in the case of the raid on the flotilla led by the *Mavi Marmara*, which challenged Israel's blockade of Gaza, the onus should be on Israel, not Turkey, to do some explaining, since it is the one that used lethal force by surprise in international waters.

The AKP deserves more credit than it gets. Until Israel's 2008–9 assault on Gaza, the AKP government had been going out of its way to build good relations with Israel. The AKP's leaders visited Israel many times during their first term, and Turkish Prime Minister Recep Tayyip Erdogan himself paid his respects at Yad

Vashem, Israel's Holocaust memorial in Jerusalem. Companies close to the AKP did good business in Israel, and the AKP government signed more official agreements with Israel than any previous Turkish government had. Ankara had tried to facilitate proximity talks between Israel and Syria for years, and after the meetings intensified in 2008, the parties seemed to find unexpectedly detailed points of convergence. But then Israel launched its devastating offensive in Gaza, only days after Erdogan had spent five hours discussing peace plans with then Israeli Prime Minister Ehud Olmert and Syrian President Bashar al-Assad. Like many Turks, Erdogan was shocked by Israel's killing of an estimated 1,430 Palestinians in the assault; days later, at the Davos summit, he burst out in anger at Israeli President Shimon Peres. And after a private Turkish television series aired a fictional drama of Israelis committing atrocities, Israel's deputy foreign minister insulted the Turkish ambassador, making sure that a camera crew would record the incident.

And then there was the *Mavi Marmara* incident, in which Israeli commandos launched a surprise night-time raid on the ship, the lead boat in a flotilla, while it was still in international waters. When they encountered resistance from passengers wielding improvised weapons such as knives, iron bars, and broomsticks, they shot dead eight Turkish citizens and a Turkish American. The Israeli government claims that one of its soldiers had been shot in the stomach first; the Turkish government claims that the Israelis opened fire well before boarding the *Mavi Marmara* and that the Turkish activists never used guns. Ankara also says that it had done

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its best to dissuade the flotilla from sailing directly to Gaza in the first place, had blocked Turkish parliamentarians and other Turkish officials from joining the activists, and had conducted comprehensive security checks on the goods and people boarding the ships in Turkey.

Turkey and Israel have agreed to cooperate with a UN panel that will evaluate the inquiries already being conducted in both countries. The hope is that some agreement over the facts will allow mediators to find a middle way between Turkey's insistence that Israel apologize and pay compensation to the victims and Israel's refusal to do either. It seems clear, however, that the breakdown in confidence between Turkey and Israel rules out any quick return to Turkey's acting as a trusted facilitator between Israel and other Middle Eastern states. And even though Turkey is clearly the injured party, the sense that it is a direct party to a dispute has dealt a blow to its zero-problem policy.

Faith in Turkey's new approach has also been undermined, especially in the eyes of Washington, by the crisis over Turkey's ties with Iran. AKP leaders raised many an eyebrow when they rushed to welcome the controversial reelection of Iranian President Mahmoud Ahmadinejad in June 2009. Critics associated this endorsement with the AKP's open-arms approach to other groups much decried in the West, such as Hamas and the governments of Sudan and Syria. Matters only got worse when Turkey objected to imposing additional sanctions against Tehran at the UN Security Council last June.

Once again, Ankara's actions are being widely misunderstood. Turkey's vote at the UN was not meant as a rebuke to the United States, which supported the sanctions; it

was meant as a measure to build confidence with Tehran, which the Turkish government thought Washington supported. Nor was it an attempt on Turkey's part to form a Muslim bloc with Iran. The two countries have been sparring throughout history, even if they have managed to avoid war for more than three centuries. Their diverging Sunni and Shi'ite traditions make them clear rivals when it comes both to Iraq and to the Middle East at large. Turkey and Iran (as well as Egypt) have long competed for a leading role in the region—one reason that both countries have made not-so-subtle attempts to be seen as the principal partner of Syria and of the Palestinians. Turkey's engagement with Iran and other hard-line states is based on a wish to modify these states' behavior, not on a desire to ally with them. Neoconservative American and right-wing Israeli commentators who interpret Turkey's engagement as evidence of the AKP's anti-American Islamism are thus mistaking tactics for goals.

There is little doubt among foreign officials in Ankara that Turkey is resolutely opposed to Iran's acquiring nuclear weapons. The question for Ankara is how to prevent that and what priority to give this objective among Turkey's other national goals. The Turkish government also believes that military action against Iran would only delay—rather than stop—Tehran's effort toward nuclearization while further convincing Iran that acquiring a nuclear deterrent is the only way to be secure. Likewise, the Turkish government believes that imposing more sanctions on Iran will only entrench the hard-line regime and hurt Iran's neighbors, including Turkey, by diminishing trade and heightening tensions in the region,

*Hugh Pope*

much as happened as a result of the sanctions against Saddam Hussein's Iraq.

Since Tehran's nuclear program enjoys broad support in Iran, the only sensible policy, Turkish officials argue, is to engage the Iranian government and persuade Iran as a whole that nuclear weapons are unnecessary for the country's security. Turkish officials point out that the U.S. government has been stuck in a standoff with Tehran for more than three decades. They suggest that allowing exchanges with Iran—such as the visits by the one million Iranians who travel to Turkey every year—might do more good than imposing more sanctions.

The Turkish government also has some grounds for claiming that the U.S. government had encouraged it to seek a deal with Tehran. U.S. President Barack Obama sent a letter to the governments of Turkey and Brazil in April setting out the conditions under which Washington might accept a nuclear fuel swap with Iran. After tough negotiations that nearly broke down, Turkey and Brazil extracted a written commitment from Tehran that met most of the conditions the U.S. government had set out. Some U.S. officials say they believe that the two governments were sincerely trying to find a new way to bring Iran to the negotiating table and that they had not foreseen that Iran would actually go along with them.

Nonetheless, U.S. officials bridled at the fact that the Turkish government presented the deal to Tehran as a way to spare it from more sanctions or from having to suspend its uranium-enrichment program. They were also irked when Turkey opposed a new round of UN sanctions, which it claimed to have done in order to preserve the diplomatic track it and

Brazil had just forged. The objection did not prevent the sanctions from being adopted, and now Turkey is helping implement them (it is not, however, enforcing the more severe sanctions imposed by the United States and the EU; those could hurt Turkey's trade with Iran). Despite the messiness of the process and the fact that Brazil has since distanced itself from the matter somewhat, even U.S. officials acknowledge that the agreement that Turkey and Brazil struck with Tehran in the spring opened a door for more confidence-building steps in the future.

In other words, Turkey is not to blame for the blowup over Iran—no more than it is for the crisis with Israel after the *Mavi Marmara* incident. Its policies were not intended to clash with the overall goals of the international community. And neither episode is evidence that the AKP's zero-problem policy is in any way Islamist.

### ATTENDING TO TENSIONS

Another reason to be more sanguine about Turkey's foreign policy is that, despite recent strains with the United States and the EU, the fundamentals of Turkey's alliances with the West have not changed. EU states supply more than three-quarters of Turkey's foreign investment and buy more than half of its exports. The EU is home to some 2.7 million immigrants from Turkey and is the origin of more than half of all tourists traveling to Turkey. Although the Middle East offers good opportunities for Turkish businesses, Turkey remains engaged principally with the West. Less than one-quarter of Turkey's exports go to the Middle East. The region is home to just 110,000 Turks, and it supplies only about ten percent of Turkey's total tourists.

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Turkey's closeness to the EU remains a powerful engine for the domestic reform process. The AKP's leaders might win an ephemeral vote of confidence with publics in the Middle East when they take a stand against Israel, but they must be careful not to sacrifice their alliances with Western partners in the process. Also, it is the ability of Turkey to be a respected partner of both the EU and the United States that truly distinguishes it from other states in the Middle East and underpins the prosperity and legitimacy that the rest of the region so envies. Turkey's continued collaboration with the U.S. government—be it over intelligence sharing in Turkey's fight against ethnic Kurdish insurgents, ensuring the smooth withdrawal of U.S. troops from Afghanistan and Iraq, cooperating against al Qaeda factions, or helping reach a settlement between the Israelis and the Palestinians—remains essential.

Turkey is at most only partly to blame for the setbacks suffered by its zero-problem foreign policy. Even when it has erred—because of haste, poor communication, or fiery rhetoric—the Turkish government has not forsaken the goals of many of its Western partners, including relieving suffering in Gaza and finding a way to prevent Iran from acquiring nuclear weapons. The country's security and economic exposure to problems in the Middle East is far greater than the exposure of its Western partners, and so Ankara necessarily has different tactics. The West should understand this and come to see these differences as opportunities. It should encourage the Turkish government to play mediator in the Middle East again, much as Ankara did with Iran and in the proximity talks between Israel and Syria;

for example, Turkey might again facilitate talks between Fatah and Hamas. The AKP's leaders, for their part, must find a way to restore a working relationship between Turkey and Israel. That would not only improve their ties with Turkey's Western allies but also revive their reputation as charismatic go-betweens able to speak with confidence to everyone in the Middle East. 🌍

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# A New Global Player

## Brazil's Far-Flung Agenda

*Julia E. Sweig*

In the last decade, Brazil has recast itself as a global brand and a global power. It is home to the world's fifth-largest land mass and eighth-largest economy and is one of the top global producers of stuff everyone else needs: from animals, vegetables, and minerals to water, energy, and airplanes. The new conventional wisdom suggests that Brazil is now poised to make its name on the global stage and balance the other power in its neck of the woods, the United States. Brazil's ascent coincides with the relative decline of U.S. influence in Latin America and the rise of new centers of power in Asia. This dynamic reinforces Brazil's central foreign policy message: with both place and purpose for a new global player on the world stage, Brazil can be the Mac to the United States' PC—with an ethos and an international agenda to match.

Brazil's aspirations are fueled by its impressive social and economic gains and its diplomatic accomplishments, as well as the ambition, vision, and personal

narratives of its two recent presidents, Fernando Henrique Cardoso and Luiz Inácio Lula da Silva (known as Lula). However, Brazil's attempts to exert its influence on a wide range of pressing international issues may dilute the legitimacy of its efforts in such areas as climate change, peacekeeping, and global governance, where Brazilian participation has been most successful. This is not the first time Brazil has generated so much breathless excitement. The challenge for Brazil now is to not let an exaggerated self-image eclipse its focus on balancing the constraints faced at home with the opportunities available abroad.

The next government has the chance to spare itself the illusory quest to be a global power—soft, hard, or otherwise—and instead relish its well-established place at the table. A more modest, although still ambitious, strategy would allow Brazil to shape and influence global institutions, and deepening investments at home would redress its domestic liabilities:

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glaring underinvestment in human capital and innovation and the still near absence of the state from the lives of millions of Brazilian citizens.

The country's multidimensional identity has long been vexing for U.S. policymakers. Although Brazilians share a solid consensus on the domestic priority of social inclusion, they are not of one mind about how they see themselves. Brazil is a developing country and a developed country. The state is both strong and weak. Nearly half the population identifies itself as black, or at least not white. The country shares its borders with ten South American nations but does not quite see itself as Latin American. Brazil adheres to conservative macroeconomic principles while pursuing aggressive social programs. It boasts a world-class banking and finance sector, with the third-largest stock exchange in the world, but 26 percent of its population still lives in slums. Massive infrastructure projects are under way in Rio de Janeiro, which will be home to the World Cup in 2014 and the Olympic Games in 2016; yet in the same city, more than 4,600 people died in criminal, drug, militia, and police-related violence in 2008.

However Brazil chooses to handle these domestic challenges and its newfound international clout, Washington will have to come to terms with a new power in the neighborhood and understand that Brazil defines itself in a global context.

### **GREAT EXPECTATIONS**

The excitement surrounding Brazil is largely based on its economic achievements and natural resources. Macroeconomic stability, inflation targeting, a floating currency, manageable debt, ample dollar reserves, rapid growth, and a climate of political stability catapulted Brazil in the

global psyche from just another Latin American debtor nation to an economic powerhouse. The breathlessness about Brazil's potential picked up speed after 2003, when Goldman Sachs coined the term "BRIC" to describe the four emerging markets—Brazil, Russia, India, and China—that will make up almost half of the world's GDP growth by 2020. Brazil seized the BRIC moniker and used it to amplify its leadership role on issues from climate change and food security to global trade.

Brazilians have coalesced around what one Brazilian pollster described as the "material basis for consensus": a broad-based agreement to invest government revenue in people on the margins. This investment has produced a rapid expansion of a domestic consumer class, which, however, remains neither civically empowered nor adequately educated. Initiatives such as Bolsa Família, a conditional cash-transfer program linked to school attendance and regular medical checkups for children; subsidized loans for housing; and an increase in the minimum wage have reduced poverty by approximately 24 percent since 2003. Brazil is still the third most unequal country in Latin America, but almost 13 million Brazilians have escaped from poverty, and 12 million from extreme poverty, in the last eight years. To date, the rich in Brazil have given up a little wealth, and they may be poised to give up more through what is—for Latin America and much of the developing world—an uncharacteristically robust, yet still regressive, system for collecting and paying taxes. Brazil's impressive social gains have become the envy of the developing world, turning Brazil into a laboratory and model for globalization with a social conscience.

### **OUTWARD BOUND**

Until the end of the twentieth century, Brazilian foreign policy was based on four primary directives: protect the country's vast territorial holdings, consolidate and strengthen its republic, avoid or settle all conflicts with its neighbors, and maintain a distant but cordial relationship with the United States. A founding member of the League of Nations and the UN, Brazil sent troops to fight with the Allies in World War II, but it never aspired to lead Latin America. During the period of military rule in the 1960s, 1970s, and 1980s, Brazil successfully projected itself as both a leading nonaligned country and an occasional but never intimate partner of the United States.

In the 1990s, Brazil evolved from its traditional reclusiveness. The country's success on the home front, together with radical shifts in global politics and economics, has generated a new story line—one that crystallized under the Lula administration—that Brazilians invoke to explain the country's near ubiquity on the global stage. This new narrative recalls the manifest destiny of nineteenth-century America, with a Brazilian twist.

With neither blood spilled nor territory annexed, Brazil consolidated a multiethnic and multiracial democracy, stabilized a strong market economy, and lifted millions into a growing middle class. Brazilians of all stripes argue that by virtue of these accomplishments, Brazil is entitled to be seen as a global power and to act as one.

An increasingly confident Brazil has undertaken an ambitious and far-flung foreign policy agenda. This quest has included efforts to secure a seat on an expanded UN Security Council, to organize major and

minor developing countries into a stronger coalition within the Doha trade talks, and, more recently, to expand voting rights for itself and others at the World Bank and the International Monetary Fund.

Brazil also has a powerful voice in climate change negotiations. The country has an exceptionally clean energy matrix and contains approximately 60 percent of the Amazon rain forest within its borders. At the same time, Brazil's deforestation is a significant contributor of greenhouse gases. Brazil is a champion of affordable access to HIV/AIDS medications for the poor and has led the UN peacekeeping mission in Haiti since 2004. After last year's earthquake in Haiti killed 21 Brazilians, the highest loss for Brazilian troops abroad since World War II, Brazil made a \$19 million contribution to the UN, announced a \$205 million relief plan for Haiti, and committed an additional 1,300 rescue workers. Likewise, Brazilian troops are part of the UN missions in Liberia, the Central African Republic, Côte d'Ivoire, and East Timor, among other current peacekeeping operations. That said, with commercial and diplomatic interests in mind, Brazil has largely stayed silent on crises in Myanmar (also called Burma), Sudan, and Zimbabwe.

Notwithstanding its BRIC brotherhood, Brazil is alert to the double-edged sword represented by China's market power and resource grab. China is now Brazil's largest source of foreign investment—in ports, rail, reactors, iron, steel, and oil. China has become Brazil's largest export market for soy, oil, and iron and its biggest competitor when it comes to manufactured goods and resources in Africa. After years of remaining silent, this year Brazil joined with the other G-20 countries, including India, Russia, and



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the United States, to call for China to let its currency float.

Under Lula, Brazil championed a South-South agenda in its near and far abroad. Along these lines, the country promoted pan-ideological South American integration and began forging a loose coalition and dialogue with India and South Africa. Brazil has made major investments in Africa, especially in Portuguese-speaking nations and other resource-rich countries. And the Brazilian Foreign Ministry has opened 16 new embassies across the continent in as many years. The Lula government drew on Brazil's economic strength and diverse population—the country is home to approximately ten million Brazilians of Middle Eastern descent—to justify a number of high-profile and commercially driven presidential visits to Israel, the West Bank, and Jordan. Lula touted Brazil's potential as a neutral interlocutor in negotiations between the Israelis and the Palestinians. With no evident diplomatic results to show for the trips, the visits seemed a commercial exercise above all.

### **LULA'S PERSIAN GAMBLE**

Lula and Foreign Minister Celso Amorim's two-year initiative to broker an alternative to UN sanctions against Iran was perhaps the single most controversial—and, to some, inexplicable—example of the new Brazil's international ambition. Joined by Turkey, Brazil attempted to revive an initiative first proposed by the Obama administration to persuade Iran to send its uranium abroad for enrichment. Following several months of talks, including often contentious consultations with the United States, Brazil and Turkey secured such an agreement in a public declaration signed by Turkish Foreign Minister Ahmet

Davutoglu, Iranian Foreign Minister Manouchehr Mottaki, and Amorim. The morning after the deal was announced, U.S. Secretary of State Hillary Clinton revealed that China and Russia, both of which Brazil believed would oppose sanctions, supported the U.S.-sponsored resolution. Clinton later called the move by Brazil and Turkey a “ploy” to delay UN sanctions. Brazil and Turkey, which held rotating seats at the Security Council during this period, voted against the resolution. After an internal debate and last-minute communications between Washington and Brasília and Brasília and Tehran, Brazil voted against the United States at the Security Council for the first time ever. Although the deal could have served as a confidence-building measure between the United States and Iran, the Obama administration dismissed the Brazilian initiative outright.

The reaction was even fiercer in Brazil than abroad. The Brazilian elite and media responded sharply to images of Lula hugging and grasping the hands of Iranian President Mahmoud Ahmadinejad as the two leaders celebrated the declaration. The failed diplomatic gambit threatened to isolate Brazil from the major powers on one of the defining international security issues of the day. Critics argued that Lula had squandered the diplomatic capital and prestige Brazil had gained over the last two decades by positioning itself as an independent, influential, and responsible international actor.

Brazil had a variety of motives—historical and geopolitical—for intervening on the Iranian nuclear issue. Brazil's experience in the run-up to the Iraq war hovered over its view of the U.S. strategy on Iran. Amorim, at the time Brazil's permanent



representative to the UN, also chaired the Iraq sanctions committee, and he came to regard sanctions as a slippery slope toward the use of military force. As foreign minister, Amorim sought to position Brazil as a bridge between the West and Iran and in so doing establish Brazil as a confidante and reliable interlocutor. For Brazilians, the

nuclear swap deal could have been successful on a number of fronts: preventing Iran from weaponizing its nuclear program; challenging Washington's fundamental premise that sanctions could produce more serious negotiations; asserting Brazil's moral authority as the only nonnuclear member of the BRIC group; and underscoring the

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Foreign Ministry's insistence that the old rules governing international institutions—whether at the Security Council or within the nonproliferation regime—must be updated to more accurately reflect the emergence of new powers, starting with Brazil itself.

Lula and Amorim also projected Brazil's own nuclear history onto Iran and thus saw Brazil as uniquely positioned to convince Iran to commit to a verifiably peaceful, civilian nuclear program. After all, Brazil had tried to develop a nuclear program in the 1970s, and the effort was pushed underground by the threat of U.S. sanctions. For the Brazilian generals who ran the program and the defense intellectuals who promoted it, the bomb was intended to give Brazil the upper hand in its rivalry with Argentina and help secure its international prestige. However, Brazil's transition to democracy changed its nuclear calculus. By 1967, Brazil had signed the Treaty of Tlatelolco, which committed Brazil and Argentina to peaceful nuclear programs and created a binational verification program. Brazil's 1988 constitution banned the possession of nuclear weapons, and in 1998, Brazil became a signatory of the Nuclear Nonproliferation Treaty (NPT). Brazil had thrown off its authoritarian past, voluntarily abandoned its secret nuclear weapons program, moved from confrontation to cooperation with its neighboring rival, and acceded to the nonproliferation regime. For Lula and his foreign policy team, this history suggested that with the right diplomacy, Iran could be persuaded to follow a similar path.

Perhaps the deepest strategic rationale for Brazil to position itself as a diplomatic broker was Article 4 of the NPT—which asserts the right of signatories to “develop

research, production and use of nuclear energy for peaceful purposes.” Brazil is home to the world's sixth-largest proven reserves of uranium (209,000 tons), and further prospecting may turn up nearly three times this amount. According to the International Energy Agency, over the next two decades, global consumption of nuclear-powered electricity may nearly double. Brazil has two nuclear reactors and a third that will go on line in 2015; plans are in the works to build four additional reactors by 2030. Brazil still sends most of its uranium abroad (to Canada and Europe) for enrichment. Once the third reactor is complete, Brazil will possess an independent enrichment capacity that could allow it to begin exporting enriched uranium. No wonder, then, that Brazil's national security doctrine identifies the nuclear industry as one of three strategic areas of national defense. Opposing sanctions against Iran—indeed, persuading it, at least in principle, to send its fuel abroad for enrichment under the International Atomic Energy Agency's watch—may well have been about preserving a market.

A successful deal could also have shown those Brazilians nostalgic for the bomb that Brazil's moral authority and diplomatic firepower were enough to secure international prestige. But the Iran initiative instead reignited a debate over whether the country's strategic interests were served by giving up its pursuit of nuclear weapons. A nationalist sensibility on the left and the right coalesced around the inherent unfairness of the NPT. The benefits that India, Pakistan, Israel, and North Korea have accrued from staying outside of the nonproliferation regime fuel the frustration that without the bomb Brazil can never join the club of genuine first-order world

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powers. The constitutional and international obligations under which Brazil operates may be sufficient to limit talk of the bomb to just that. Still, frustration with the ineffectiveness and inequity of the existing nonproliferation regime, as well as Brazil's increasing assertiveness to reform it, will remain a feature of the new Brazil.

#### **RICH RESOURCES, HOT COMMODITIES**

Despite the collapse of the Iran deal and the harm done to Brazil's image, Brazil will continue to play an influential role on the international stage. Climate change has become an area where Brazil has turned its clean-energy and environmental bona fides into a significant international voice. Yet Brazil's climate change strategy is still evolving: although the deforestation of the Amazon has contributed to global warming, more than 40 percent of Brazil's energy supply is derived from renewable sources. The percentage of Brazilians ranking the environment as their top concern more than doubled between 2002 and 2007, to 85 percent, making Brazilians the most environmentally concerned citizens in the world. The Brazilian government remains protective of its sovereignty over the Amazon and, until recently, refused even to discuss deforestation in international climate change meetings. But the shift in opinion has opened the door for Brazil to place stewardship of the Amazon at the top of its agenda.

Brazil's National Plan on Climate Change now outlines a strategy to eliminate the net loss of forest coverage by 2015 and reduce the average deforestation rate by 70 percent before 2017. Its national development bank also administers a \$1 billion international fund to finance the preservation and sustainable development of the

Amazon. And it has committed to a national greenhouse gas reduction of 36–39 percent by 2020 and positioned itself as a representative of and a bridge to the developing world in climate talks. Although the Copenhagen accord is only a modest step forward on climate change, Brazil's participation and willingness to compromise proved how serious the country is about this issue.

In the coming years, Brazil will play a fundamental role in ensuring international food security. Pastureland covers nearly a quarter of the country, and 150 million acres of arable land remain uncultivated, promising enormous potential for increasing agricultural production in a nation that is already the world's fourth-largest food exporter. Brazil is the largest producer of sugar cane, coffee, and beef. Although China and India lead Brazil in wheat, rice, and corn production, Brazil's agricultural GDP growth between 2000 and 2007 surpassed that of both countries, as well as the global average. In unequal Brazil, however, abundance and deprivation coexist. The Zero Hunger program, which began in 2003, and other initiatives have decreased the number of people who suffer from hunger by 28 percent. This progress, along with Brazil's technological success in adapting mass agricultural production to tropical conditions, has made Brazil a reference point and model for food security programs in Africa and Latin America.

Brazil is home to an astounding 18 percent of the world's available freshwater resources—thanks to its many rivers, lakes, and aquifers. Indeed, hydropower generates 40 percent of the country's energy. Although the global water market is still developing, projections of drought and heightened demand make water one of

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the world's most valued and scarce natural resources. Access to water for Brazilians themselves remains inadequate—only 2.5 million of 28 million rural Brazilians have access to running water. Nonetheless, UN predictions that climate change could lead to armed conflicts over water mean that Brazil stands to translate this soon-to-be scarce resource into influence well beyond its borders.

Brazil is now preparing to cash in on another gusher: oil. In 2007, Brazil discovered massive oil reserves 150 miles off its southern coast, 16,000 feet below sea level, and buried beneath more than one mile of unstable salt—known as pre-salt reserves. The find could give Brazil the eighth-largest oil reserves in the world, up from 24th (its current ranking), and produce billions of dollars of oil wealth. Petrobras, the parastatal Brazilian oil company—already a major international player in the industry, with operations in 27 countries—expects to be producing a total of 5.4 million barrels of oil per day by 2020.

Extracting this oil has become even more expensive and complex since the 2010 Deepwater Horizon spill in the Gulf of Mexico. Petrobras' reputation for expertise in deep-water oil exploration and extraction is based on its state-of-the-art safety and environmental program. However, insurance premiums have risen 50 percent for deep-water rigs, and Brazil's spill-containment technology, which is the same as Deepwater Horizon's, now requires additional investments. The cost of turning pre-salt oil deposits into revenue to finance infrastructure, education, and social spending has soared since the initial discovery.

Despite the few countervailing voices raising the environmental drawbacks of

big oil, Brazil is placing a heavy bet on oil to drive its domestic agenda. Petrobras is likely to capitalize a \$224 billion, five-year investment with a share offering this fall. Orchestrated by the presidential candidate Dilma Rousseff, who served as minister of energy and as Lula's chief of staff, the new legal framework governing pre-salt oil deposits would give the state greater control of new reserves, shifting from Petrobras' concession-based foreign investment model to a revenue-sharing model for a new entity, Petrosal. These laws would allocate 50 percent of the state's share of Petrosal's revenues to financing education in science and technology. Some Brazilians—leading intellectuals and those in the “green” movement or nongovernmental organizations—rightly caution against the corruption, politicization, and environmental consequences of placing oil at the heart of Brazil's development model. But far more powerful political and economic players argue that the country's acute structural liabilities—poverty, inequality, and poor education and infrastructure—make the direct and spinoff benefits of an oil boom irresistible.

### **DOMESTIC LIABILITIES**

Brazil has begun to address some of these perennial burdens. In 2001, inequality began dropping for the first time ever; between 2003 and 2008, ten percent of Brazil's population rose out of poverty; a majority of Brazilians now belong to the lower middle class; and Brazil weathered the 2008 global financial crisis better than most. Investments in infrastructure have picked up: the Suape industrial complex in the northeast and the 1,600-mile Interoceanic Highway, connecting eastern

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Brazil to Peru, both under construction, are just two examples.

Still, Brazil remains the tenth most unequal country in the world—and more than one-quarter of Brazilians live below the poverty line. Although Bolsa Família has put almost all students in the classroom, the quality of education remains poor, with Brazilian primary education ranking 119th in the world. In a study of countries selected by the Organization for Economic Cooperation and Development, Brazilian students ranked 54th out of 57 countries in mathematics (ahead of only Tunisia, Qatar, and Kyrgyzstan); they ranked 48th out of 61 in reading ability.

Creating the opportunity for poor Brazilians to join the professional and technocratic work force will mean, as Brazilians themselves have long argued, reengineering the paradoxically exclusive public education system. The state now overspends on higher education, funding public universities that primarily benefit students who were able to afford private education in the early years and were thus prepared to pass the rigorous qualifying exams. Multinational and Brazilian companies poised to profit from Brazil's boom have a long history of training workers directly and raiding one another for the country's scant engineers. To be sure, Brazil is now harvesting the dividends of investments in science and technology made by its military governments in the 1960s and 1970s; Embrapa (the agrosience innovator), Embraer (Brazil's world-class aircraft manufacturer), and Petrobras are three examples. Brazil's international competitiveness now depends on a political decision to spend public resources to transform those lower-class and lower-middle-class Brazilians who have recently become

consumers into literate producers in an increasingly knowledge-based economy.

Along with educational deficits, violence and insecurity still plague many Brazilian cities. The northeastern region of Brazil, historically the most economically underdeveloped and the most politically feudal, has the fastest economic growth in the country. Yet the region also has the country's highest homicide rate. Although some in Brazil complain that the government can be overly intrusive, in Brazil's favelas—sprawling shantytowns that snake around the margins of the country's major cities—the state is either absent or seen as a threat.

In Rio de Janeiro, more than one million people (nearly one-fifth of the city's population) live in favelas. Many of these neighborhoods—some new, some decades old—are now run by gangs. Easy access to arms contributes to high levels of violence. So-called resistance killings—police killings attributed to self-defense—annually exceed 1,000 in São Paulo and Rio de Janeiro combined. Seven favelas have been “pacified” since Rio was awarded the 2016 Olympics. Pacification entails occupation and armed raids, along with the provision of basic goods, including water and sanitation infrastructure, thoroughfares, street lighting, health and education services, Internet communication, and housing upgrades. This is just the start of an aggressive push to occupy and bring greater safety to 40 favelas surrounding Rio. But the problems of the favelas—weak institutions, informal economic activity, and poverty, to name just a few—require more than pacification and temporary occupation. The intractability of the favelas, despite decades of public policies aimed to redress

*Julia E. Sweig*

it, is a permanent reminder that the health and legitimacy of Brazil's democracy depend on its fulfilling its still illusory promises to the millions of Brazilians living on the margins.

### **BEYOND SAMBA, SUN, AND SOCCER**

The United States is no longer the only go-to power for resolving crises, providing security, or setting the development agenda for Latin America. Most Americans still cling to the visceral but incorrect notion that Brazil should behave primarily as a Latin American country. Washington needs to understand that Brazilians think of themselves less as Latin Americans and more as Brazilians: a hodgepodge of African, European, Middle Eastern, Asian, and indigenous cultures. Brazil's strategic thinkers recognize that the nature and quality of its relations with its neighbors will define Brazil in the twenty-first century as much, if not more, than the bilateral relationship with the United States.

Brazil brings plenty of historical baggage to its relationship with the United States. Many Brazilians who came of age during the political struggles to unseat the generals running the country in the 1960s, 1970s, and 1980s saw the United States as an obstacle to Brazilian democracy and now lead Brazil's most important political parties, social movements, state institutions, and businesses. Even Brazilians with deep ties to the United States share an underlying belief that Brazil has little to gain from an old-fashioned alliance with Washington.

Despite their very real ideological differences on foreign policy, both Cardoso and Lula kept Brazil's distance from the U.S. agenda in Latin America. Through the 1990s, when Latin America generally

followed Washington's free-trade, democracy, and counternarcotics agenda, Cardoso's government refused to participate in the Clinton administration's Plan Colombia, resisted the Free Trade Area of the Americas proposal, and opposed the U.S. embargo against Cuba and the 2002 attempted coup against Hugo Chávez in Venezuela, which was initially applauded by the White House.

Like Cardoso, Lula sought to distance Brazil from the United States on regional issues while also putting a Brazilian stamp on a number of regional institutions, including Mercosur, the Union of South American Nations, the South American Defense Council, and, most recently, the Community of Latin American and Caribbean States. But with drugs and violence becoming a Brazilian problem, too, Lula's government provided intelligence and other material support to the government of Álvaro Uribe in Colombia. Still, Brazil denounced the renewal and expansion of the U.S. presence at military bases in Colombia, opposed the coup in Honduras and the U.S. decision not to back the ousted president's return to power, and pushed Washington to lift the embargo against Cuba.

Regardless of whether the next government aligns with or distances itself from U.S. policy in the region, the permanent expansion of Brazil's own interests in Latin America is now paramount. Well beyond its historic and commercial ties with Argentina or its political and economic hegemony in Paraguay, its commercial and financial participation in the economies of its neighbors has taken off. Between 2000 and 2009, Brazilian trade with Mercosur countries rose 86 percent, its trade with the Andean Community

grew by 253 percent, and its trade with Mexico increased by 121 percent. Often with preferential financing from the Brazilian Development Bank, Brazil's global companies have become major actors in infrastructure projects throughout the region—including investments in Colombia's mining and oil sectors; oil-refinery modernization and highway construction in Peru; and transit, construction, oil extraction, and soybean planting in Venezuela. Unlike Chávez, who distributes his country's petro-largess for explicitly political and ideological purposes, Brazil has translated its investments and economic prowess in Latin America into influence on the global stage.

The informality of the economies along Brazil's borders makes them a breeding ground for organized criminal gangs and for trafficking in people, guns, drugs, and other contraband. Conscious of the vast asymmetries in the neighborhood, Brazil has recently begun to build an elaborate network of military bases along the country's extremely porous 9,000-mile border.

In Latin America, the competition for diplomatic leverage and political influence is just getting started. Indeed, Lula and Rouseff's foreign policy architects argue that Brazil's interests in Latin America necessarily propel the country into low-intensity competition with the United States. After decades of taking its cues about how to think about the region primarily from U.S.-oriented elites, the United States is playing catch-up to acquaint itself with a substantially changed region. Latin American governments are now accountable first and foremost to a newly empowered electorate—including the poor, the working class, the new middle class, indigenous groups, and social movements—

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*Julia E. Sweig*

and not to Washington. Proximity and interests have likewise compelled the new Brazil to learn to live with this changed political environment.

It is unlikely that either Brazil or the United States will succeed in dominating diplomacy in Latin America. Old multilateral institutions such as the Organization of American States are struggling to recover from the distortions of U.S. hegemony and the ambivalence and outright defiance of some member countries. Without appearing to desire leadership over institutions in the region, which could possibly induce an anti-Brazil backlash from lesser powers, Brazil is proceeding gingerly to maximize its interests and minimize conflict.

On some issues, real conflict will continue to exist between the United States and Brazil. But on balance, Brazil is neither fundamentally anti-American nor pro-American. While Brazil was challenging the United States from Honduras to Colombia to Iran, for example, it was simultaneously negotiating the first defense cooperation agreement with the United States since 1977, working with the Obama administration to resolve a dispute over the cotton market, and maintaining an open channel of communication on climate change and international economic institutions.

The bilateral relationship is likely to hover in this undefined space of neither friend nor adversary. The Obama and Lula governments have coined the term “global partnership dialogue,” a fuzzy way of acknowledging some interest in building up layers of scaffolding around a house in the very early stages of construction. The missed opportunity and mixed signals of the Iran episode reflect

strategic differences between the two countries. But global issues still provide fertile ground for them to cooperate, especially on climate change, in the G-20, through modest joint efforts in alleviating poverty, and in treating infectious diseases in Haiti and Africa.

The biggest and most immediate test for the next Brazilian president will be to balance an ambitious domestic agenda with the need to secure Brazil’s international position. Indeed, Brazil is in the catbird seat of global powers: it can afford to modernize its defense and security establishment without being forced to make wrenching guns-versus-butter choices. To substantially deepen the investments in its people—on which its new social contract is based—Brazil may well have to lower its near-term sights regarding global leadership. Ultimately, the outcome could be the same: a strong, self-confident Brazil that makes a sizable contribution to peace and prosperity, not just in the region but globally. Perhaps the single most important way the United States can influence Brazilian foreign policy is to make clear, in word and deed, that Washington regards Brazil’s rise not as a zero-sum game that threatens U.S. interests but rather as the emergence of a not-quite-natural, albeit sometimes necessary, global partner. 🌐

# Books for the World Ahead



The first issue of *Foreign Affairs* contained seven pages of short reviews of recent books on international relations. From 1925 to 1936, the diplomatic historian William Langer had the, as he put it, “rather formidable task” of writing these reviews. (The selection criteria were both flexible and ethnocentric: “books on all or any aspect of international affairs, in any civilized language.”) The section itself, he wrote later, “was not to be a simple list of titles, which is never of much value, but a more or less critical analysis of each title—something about the standing of the author, the character of the book, the nature of its sources, the author’s viewpoint or conclusion.” The tradition has continued to this day, and now ten distinguished contributors fill some 25 pages each issue.

For this specially themed issue, we have replaced the section with something different. (Readers looking for the November/December issue’s regular reviews can find them on our Web site; the reviews will return in print next issue.) We asked a number of prominent figures—political scientists, public intellectuals, politicians, historians, journalists, policy-makers—to recommend books that shed light on some aspect of the world ahead. The 16 contributions are as diverse as the contributors themselves, and far from predictable. Richard Betts sets the scene for these reviews by assessing how well the arguments of three seminal post-Cold War books, by Francis Fukuyama, Samuel Huntington, and John Mearsheimer, have held up.

THE EDITORS

# Conflict or Cooperation?

## Three Visions Revisited

*Richard K. Betts*

*The End of History and the Last Man.*

BY FRANCIS FUKUYAMA. Free Press,  
1992, 400 pp.

*The Clash of Civilizations and the Remaking  
of World Order.* BY SAMUEL P.

HUNTINGTON. Simon & Schuster,  
1996, 368 pp.

*The Tragedy of Great Power Politics.* BY  
JOHN J. MEARSHEIMER. Norton,  
2001, 448 pp.

“Practical men, who believe themselves to be quite exempt from any intellectual influence, are usually the slave of some defunct economist,” John Maynard Keynes once wrote. Politicians and pundits view the world through instincts and assumptions rooted in some philosopher’s Big Idea. Some ideas are old and taken for granted throughout society. For most Americans, it is the ideas of the liberal tradition, from John Locke to Woodrow Wilson, that shape their thinking about foreign policy. The sacred concepts of freedom, individualism, and cooperation are so ingrained in U.S. political culture that most people assume them to be the

natural order of things, universal values that people everywhere would embrace if given the chance.

In times of change, people wonder more consciously about how the world works. The hiatus between the Cold War and 9/11 was such a time; conventional wisdom begged to be reinvented. Nearly a century of titanic struggle over which ideology would be the model for organizing societies around the globe—fascism, communism, or Western liberal democracy—had left only the last one standing. After a worldwide contest of superpowers, the only conflicts left were local, numerous but minor. What would the driving forces of world politics be after the twentieth century, the century of total war?

Among the theorists who jumped into the market for models of the future, three stood out: Francis Fukuyama, Samuel Huntington, and John Mearsheimer. Each made a splash with a controversial article, then refined the argument in a book—Fukuyama in *The End of History and the Last Man*, Huntington in *The*

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### *Books for the World Ahead*

*Clash of Civilizations and the Remaking of World Order*, and Mearsheimer in *The Tragedy of Great Power Politics*. Each presented a bold and sweeping vision that struck a chord with certain readers, and each was dismissed by others whose beliefs were offended or who jumped to conclusions about what they thought the arguments implied. (Reactions were extreme because most debate swirled around the bare-bones arguments in the initial articles rather than the full, refined versions in the later books. This essay aims to give the full versions of all three arguments their due.)

None of the three visions won out as the new conventional wisdom, although Fukuyama's rang truest when the Berlin Wall fell, Huntington's did so after 9/11, and Mearsheimer's may do so once China's power is full grown. Yet all three ideas remain beacons, because even practical policymakers who shun ivory-tower theories still tend to think roughly in terms of one of them, and no other visions have yet been offered that match their scope and depth. Each outlines a course toward peace and stability if statesmen make the right choices—but none offers any confidence that the wrong choices will be avoided.

#### **CONVERGENCE OR DIVERSITY?**

Most optimistic was Fukuyama's vision of the final modern consensus on democracy and capitalism, the globalization of Western liberalism, and the "homogenization of all human societies," driven by technology and wealth. Some were put off by his presentation of a dense philosophical interpretation of Hegel and Nietzsche, but of the three visions, Fukuyama's still offered the one closest to mainstream American thinking. It resonated with other

testaments to the promise of American leadership and Western norms, such as Joseph Nye's idea of soft power, G. John Ikenberry's global constitutionalism, and the democratic peace theory of Michael Doyle and others. And it went beyond the celebration of economic globalization exemplified by the works of pundits such as Thomas Friedman. Fukuyama's version was deeper, distinguished in a way that would ultimately qualify his optimism and make his forecast more compatible with Mearsheimer's and Huntington's. Fukuyama de-emphasized mainstream liberalism's focus on materialism and justice by stressing "the struggle for recognition," the spiritual quest for human dignity and equality (or sometimes for superiority), as a crucial ingredient in the transformation.

Understood properly, Fukuyama was nowhere near as naive as his critics assumed. He did not claim that history (in Hegel's sense of a progression of human relations from lordship and bondage to freedom, equality, and constitutional government) had fully ended; rather, he argued that it was in the process of ending, with the main obstacles overcome but loose ends still to be tied up. His main point was that "liberal democracy remains the only coherent political aspiration that spans different regions and cultures across the globe," but he recognized that illiberal politics and conflict would persist for some time in the developing world, which remains "stuck in history."

Fukuyama likened the process of history to a strung-out wagon train, in which some wagons get temporarily stopped, damaged, or diverted but eventually arrive at the same destination. With no more fundamental disagreements about how

### *Books for the World Ahead*

societies should be organized, there would be nothing important to fight about. Fukuyama's original essay in *The National Interest* in 1989 was quite ahead of its time, written before Mikhail Gorbachev ended the Cold War. Even many who mistakenly saw the message as simplistic assumed that the collapse of communism left Western values as the wave of the future, and catastrophic war a relic of the past.

Like most red-blooded Americans, Fukuyama rejected the sour realist theory of international relations, which sees history not as a progression toward enlightenment and peace but as a cycle of conflict. Epochal threats made realism persuasive during much of the century of total war, but at bottom it is alien to American instincts and popular only among some cranky conservatives, Marxists, and academic theorists. (I have been accused of being among them.) Most people happily pronounced it passé once the communist threat imploded. "Treating a disease that no longer exists," Fukuyama claimed, "realists now find themselves proposing costly and dangerous cures to healthy patients."

Mearsheimer, however, is an unregenerate realist, and he threw cold water on the Cold War victory. Bucking the tide of optimism, he argued that international life would continue to be the brutal competition for power it had always been. He characterized the competition as tragic because countries end in conflict not out of malevolence but despite their desire for peace. In the absence of a world government to enforce rights, they find it impossible to trust one another, and simply striving for security drives them to seek control of their environment and thus dominance. If peace is to last, it

will have to be fashioned from a stable balance of power, not the spread of nice ideas. In short, there is nothing really new about the new world.

Mearsheimer was a party pooper, defying what seemed to be common sense. Many found it easy to write him off when he claimed the revival of traditional conflicts would soon make everyone nostalgic for the simplicity and stability of the Cold War. But realism can never be written off for long. This school of thought has always agitated, even angered, American liberals and neoconservatives (who are in many ways just liberals in wolves' clothing). The theory falls out of favor whenever peace breaks out, but it keeps coming back because peace never proves permanent. Mearsheimer's vision is especially telling because it is an extreme version of realism that does not see any benign actors in the system and assumes that all great powers seek hegemony: "There are no status quo powers . . . save for the occasional hegemon that wants to maintain its dominating position."

#### **THE WEST AND THE REST**

Huntington's idea, first broached in this magazine, was the most novel and jarring. Like Fukuyama, Huntington recognized the impact of globalization, but he saw it generating conflict rather than consensus. In tune with Mearsheimer, he believed "soft power is power only when it rests on a foundation of hard power," but he saw the relevant concentrations of power as transnational cultural areas—eight basic civilizations—rather than particular states. What Fukuyama saw as a liberal bow wave, Huntington saw as the crest of the wave, an ethnocentric Western model whose force had peaked. To Huntington,

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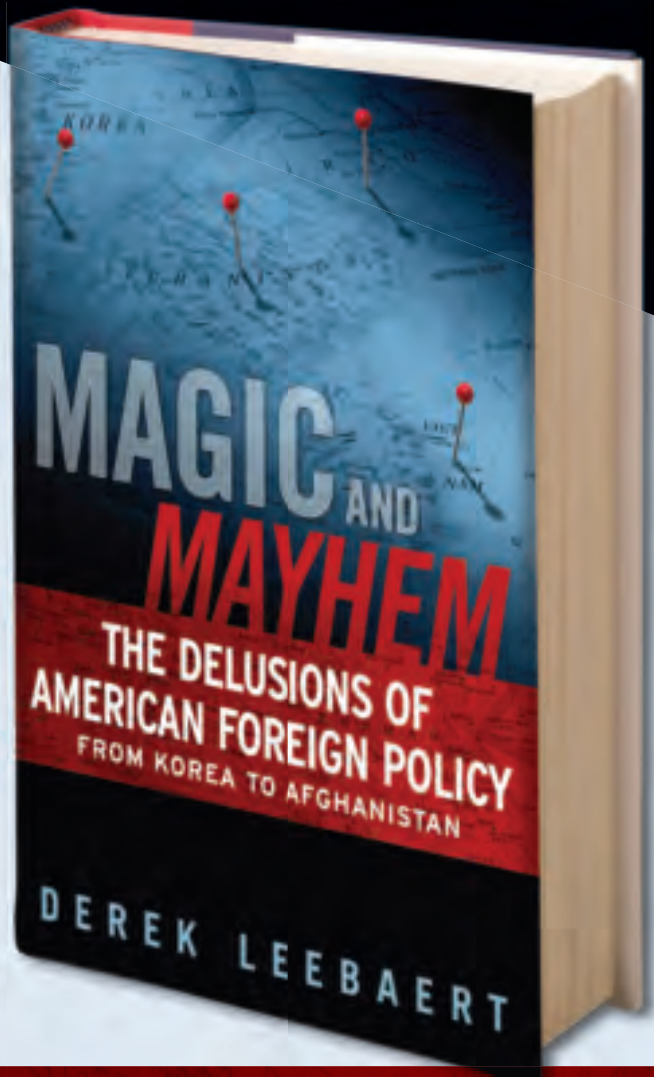
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the world was unifying economically and technologically but not socially. “The forces of integration in the world are real and are precisely what are generating counterforces of cultural assertion,” he wrote. The West would remain dominant for some time but was beginning a gradual decline relative to other civilizations, especially those in Asia. The biggest cleavage in world politics would be between the civilizations of the West and “the rest.”

Huntington packed his 1996 book with data about the upsurge of non-Western cultures: the small and shrinking proportion of the world’s population made up by the West and Japan (15 percent at the time); the decreasing percentage of people abroad speaking English; the “indigenization” of higher education replacing the custom of study abroad, which had given Third World elites personal experience of the West; the revival of non-Christian religions everywhere; and so on. To Huntington, there was more than one wagon train, to use Fukuyama’s image, and the ones on a different route were gathering speed.

Huntington’s main point was that modernization is not the same as westernization. Foreigners’ participation in Western consumer culture does not mean that they accept Western values, such as social pluralism, the rule of law, the separation of church and state, representative government, or individualism. “The essence of Western civilization is the Magna Carta, not the Magna Mac,” Huntington wrote. This means that “somewhere in the Middle East a half-dozen young men could well be dressed in jeans, drinking Coke, listening to rap, and between their bows to Mecca, putting together a bomb to blow up an American airliner.”

The homogenization Fukuyama saw resembled what Huntington called “Davos culture,” referring to the annual meeting of elites in Switzerland. This was the transnational consensus of the jet set, who, Huntington wrote, “control virtually all international institutions, many of the world’s governments, and the bulk of the world’s economic and military capabilities.” Huntington, however, saw politics like a populist and pointed out how thin a veneer this elite was—“less than 50 million people or 1 percent of the world’s population.” The masses and middle classes of other civilizations have their own agendas. The progress of democratization celebrated at the end of history does not foster universal values but opens up those agendas and empowers nativist movements. “Politicians in non-Western societies do not win elections by showing how Western they are,” Huntington reminded readers. Although he did not say so, the mistaken identification of modernization with westernization comes naturally to so many U.S. analysts because they understand exotic countries through stays at Western-style hotels and meetings with cosmopolitan Davos people—the local frontmen—rather than through conversations in local languages with upwardly mobile citizens.

Many misread Huntington’s initial article as a xenophobic call to arms for the West against “the rest.” The later book made clear that his aim was quite the opposite: to prevent the growing clash of civilizations from becoming a war of civilizations. He called for humility instead of hubris, writing, “Western belief in the universality of Western culture suffers three problems: it is false; it is immoral; and it is dangerous.” Spreading Western



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values does not promote peace but provokes resistance: “If non-Western societies are once again to be shaped by Western culture, it will happen only as a result of the expansion, deployment, and impact of Western power. Imperialism is the necessary logical consequence of universalism.” The wiser alternative, he argued, is to accept that “the security of the world requires acceptance of global multiculturalism.”

So Fukuyama’s solution was Huntington’s problem. To avoid escalating conflict between civilizations requires rejecting universalism, respecting the legitimacy of non-Western cultures, and, most of all, refraining from intervention in the conflicts of non-Western civilizations. Staying out, Huntington wrote, “is the first requirement of peace.” This would turn out to be especially difficult in dealing with the Islamic world, which, he said, has a record of being “far more involved in intergroup violence than the people of any other civilization.”

#### **AFTER 9/11**

When al Qaeda struck the Twin Towers and the Pentagon, many skeptics decided that Huntington had been prescient after all. The Middle East expert Fouad Ajami wrote in *The New York Times*, “I doubted Samuel Huntington when he predicted a struggle between Islam and the West. My mistake.” Fukuyama nevertheless remained untroubled. In the afterword to a later edition of his book, he argued that Muslim countries outside the Arab world would be able to democratize and that violent Islamist doctrines are simply radical ideologies inspired by Western fascism and communism and “do not reflect any core teachings of Islam.” In the original book, Fukuyama dismissed Islam as a challenge

to the West because it had no appeal outside areas that were already Islamic: “It can win back lapsed adherents, but has no resonance for young people in Berlin, Tokyo, or Moscow.”

Writing before 9/11, Fukuyama saw the Islamic exception as a minor distraction. Mearsheimer had nothing at all to say about it, since no Islamic state is a great power, the only political unit he considers important. As for terrorism, the word does not even appear in the index to either of their books. Huntington, in contrast, forthrightly saw Islam as a significant challenge, believing that it is more vibrant than Fukuyama thought. For example, he explained that Islamic fundamentalists are disproportionately intellectuals and technocrats from “the more ‘modern’ sectors of the middle class.”

Of the three, only Huntington anticipated how big a loose end in the end of history Islam would be. After *The Clash of Civilizations* was published, the Islamic world presented a multifront military challenge to Americans—partly as the United States sought to defend itself against al Qaeda; partly because Washington backs Israel, a Western outpost in a Muslim region; and partly because President George W. Bush scorned Huntington’s warning against meddling and launched the disastrous invasion of Iraq, which antagonized Muslims around the world. In the first decade of the twenty-first century, Fukuyama and Mearsheimer seemed to have missed where the action would be. None of the three, however, believed that terrorism and Islamic revolution would remain the main events.

In the post-Cold War hiatus, the visions of Fukuyama, Huntington, and Mearsheimer pointed to very different

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forces setting the odds of conflict or cooperation. These visions seemed starkly opposed to one another, and those who found one convincing considered the others flat-out wrong. But when one peels away the top layers of the three arguments and gets down to the conditions the authors set for their forecasts, it turns out that they point in a remarkably similar—and pessimistic—direction.

By the end his book, Fukuyama—the most optimistic of the three—turns out to lack conviction. His vision is more complex and contingent than other versions of liberal theory, and less triumphant. He goes beyond the many who embrace globalization and Davos culture and worries that economic plenty and technological comforts are not enough to keep history ended, because “man is not simply an economic animal.” The real story is the moral one, the struggle for recognition. Fukuyama frets that Nietzsche’s idea of the will to power—that people will strive to be not just equal but superior—will reignite the impulses to violence that the end of history was supposed to put to rest. He admits that this spiritual dimension gives power to the least Davos-like forces: nationalism (which Mearsheimer sees as a major engine of international conflict) and religion (which Huntington sees as the most underestimated motivating force in politics).

Converging with the other two authors, Fukuyama worries that a Western civilization that went no further than the triumph of materialism and justice “would be unable to defend itself from civilizations . . . whose citizens were ready to forsake comfort and safety and who were not afraid to risk their lives for the sake of dominion.” Although confident that

history is ending, he concedes that boredom with the result, or exceptions to the rule, may restart it. By the last chapter of Fukuyama’s book, Nietzsche has gained on Hegel, and history seems to be at not an end but an intermission.

#### **WILL CHINA RESTART HISTORY?**

The West’s future relations with China, the one country on the way to ending the era of unipolarity, is the issue that brings the implications of the three visions closest to one another. Each author offers an option for avoiding conflict. For Fukuyama, that option is for China to join the West and accept the end of history. For Mearsheimer, it is for the West to form a potent coalition to balance and contain China’s power. For Huntington, it is the reverse—to respect China’s difference and hold back from attempts to stifle its influence. (Huntington considers both confrontation and accommodation plausible but believes the former would require actions more decisive than what U.S. policy has yet contemplated.) None of the three, however, gives any reason to believe that these courses toward peace are as likely to be taken as ones that promise a clash.

Fukuyama has little to say about China and does not claim that it will necessarily evolve along Western lines. This leaves it as an elephant-sized exception to the end of history, with no reason to expect that its “struggle for recognition” will not match those of rising powers that have come before. Both Huntington and Mearsheimer assume that China will seek hegemony in Asia. Huntington also presents data showing China as the only major power that has been more violent than Muslim states; in crises, it has used force at a rate more than four times as high as that of

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the United States. He also notes that Chinese culture is uncomfortable with multipolarity, balance, and equality—potential grounds for international stability on Western terms. Instead, he argues, the Chinese find hierarchy and the historic “Sinocentric” order in East Asia most natural.

As for Mearsheimer, China is the issue on which his tragic diagnosis is, sadly, most convincing (although his prescription may not be). His early forecast that NATO would disintegrate after the Cold War has worn thinner with each passing year, whereas Fukuyama’s and Huntington’s belief that the unity of the West has put insecurity into permanent remission there has held up better so far. On the future of China, however, Mearsheimer has more of the historical record supporting his pessimism. As the scholar Robert Gilpin has argued, “hegemonic transitions”—when a rising power begins to overtake the dominant one—have rarely been peaceful. The United Kingdom’s bow to the United States a century ago was, but Fukuyama and Huntington could chalk that one up to cultural and ideological affinity—ingredients absent between China and the United States.

To Mearsheimer, the liberal policy of “engagement” offers no solution to China’s rising power and will only make it worse. “The United States has a profound interest in seeing Chinese economic growth slow,” he writes. “However,” he continues, “the United States has pursued a strategy to have the opposite effect.” But economic warfare that could work toward hobbling China would also provoke it and is not a plausible option in any case.

If one believes the rest of Mearsheimer’s book, China’s rise should not alarm the

author so much. He argues that bipolar international systems are naturally the most stable. He denies that the current system is unipolar, but it is hard to see it as genuinely multipolar; no other power yet rivals the United States. If the Cold War system qualified as bipolar, a coming one in which China becomes a second superpower should, too.

So should Americans relax after all? No. Affection for bipolarity is wrong. It rests too much on the fortunate “long peace” of the Cold War—which was not that stable much of the time—and it is not clear why lessons should not be drawn from the other examples of bipolarity that produced catastrophic wars: Athens versus Sparta and Rome versus Carthage. Other realists, such as Geoffrey Blainey and Robert Gilpin, are more convincing in seeing hierarchy as the most stable order and parity as a source of miscalculation and risk taking. If stability is the only thing worth caring about, then conceding Chinese dominance in Asia could be the lesser evil. Yet Mearsheimer fears potential Chinese hegemony in the region. So either way, the realist prognosis looks grim.

Optimism depends on alternatives that all of the three theorists consider unlikely. One is the common liberal vision, but this is the simple materialist sort that Fukuyama considers too sterile to last. Another would be a conservative prescription of restraint, such as Huntington’s, but this is out of character for Americans and has been ever since they became accustomed to muscular activism after 1945. In his book *The Post-American World*, Fareed Zakaria combines something of both of these. He sees a world of reduced danger as economics trumps politics. But there is a leaden lining in his optimism,



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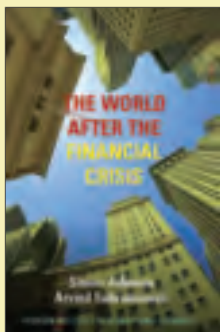
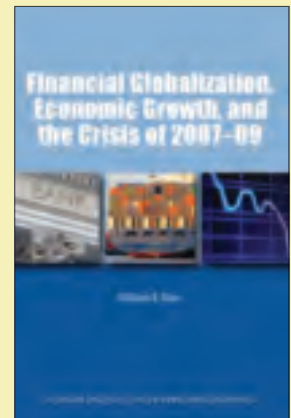
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too. Zakaria views the U.S. political system as its “core weakness” because of the gap between the savvy cosmopolitan elite (the Davos people) and the myopic popular majority that drags the country down. If their cherished political system is the problem, can Americans really be hopeful?

Huntington is more of a democrat, yet he also fears that Americans will not face up to hard choices. “If the United States is not willing to fight against Chinese hegemony, it will need to forswear its universalism,” he warns—but this would be an unlikely sharp turn away from tradition and triumph. “The greatest danger,” he fears, “is that the United States will make no clear choice and stumble into a war with China without considering carefully whether this is in its national interest and without being prepared to wage such a war effectively.”

#### **THE LIMITS OF BIG IDEAS**

None of the three authors wrote of the darkest visions about the future, which go beyond politics. (For example, Martin Rees, in his book *Our Final Hour*, and Fred Iklé, in *Annihilation From Within*, reveal all too many ways in which natural disasters or scientific advances in bioengineering, artificial intelligence, and weapons of mass destruction could trigger apocalyptic results.) Nevertheless, the three most arresting visions that focused on world politics after the Cold War have turned out to be disturbing. The world in 2010 hardly seems on a more promising track than when Fukuyama, Huntington, and Mearsheimer made their cases, and few today would bet that statesmen will make the policy choices the three recommended.

This is a reminder that simple visions, however powerful, do not hold up as reliable predictors of particular developments. Visions are vital for clarifying thinking about the forces that drive international relations, the main directions to expect events to take, and one’s basic faith in matters of politics, but they cannot account for many specifics in the actual complexity of political life. The biggest ideas may also yield the least accurate estimates. The psychologist Philip Tetlock, in *Expert Political Judgment*, compiled detailed scorecards for the predictions of political experts and found that ones known for overarching grand theories (“hedgehogs,” in Isaiah Berlin’s classification) did worse on average than those with more complicated and contingent analyses (“foxes”)—and that the forecasting records of any sorts of experts turn out to be very weak. Readers looking for an excuse to ignore dire predictions might also take comfort from evidence that forecasting is altogether hopeless. Nassim Nicholas Taleb, the author of *The Black Swan*, argues that most world-changing developments turn out to be predicted by no one, the result of highly improbable events outside analysts’ equations. The overwhelming randomness of what causes things in economic and political life is inescapable, Taleb argues; big ideas are only big illusions.

Reminders of the limits of theory ring true to practical people. But if causes and effects are hopelessly random, then there is no hope for informed policy. Terminal uncertainty, however, is not an option for statesmen. They cannot just take shots in the dark, so they cannot do without some assumptions about how the world works. This is why practical people are slaves of defunct economists or contemporary

### *Books for the World Ahead*

political theorists. Policymakers need intellectual anchors if they are to make informed decisions that are any more likely to move the world in the right direction than the wrong one.

So what do the three visions offer? Despite what seemed like stark differences when they were first advanced, many of their implications wound up being on the same page. Fukuyama captured the drama of the West's final unification, a momentous consolidation of liberalism on a grand scale and a world-shaping development even if the Western model does not prove universal. A less ambitious version of Fukuyama's vision that stops short of demanding the full westernization of "the rest" is quite compatible with Huntington's, which urged the West to concentrate on keeping itself together, solving its own problems, reversing a trend of creeping decadence, and renewing its vitality. In contrast to many U.S. liberals' preference, Huntington sought universalism at home and multiculturalism abroad. Fukuyama's vision can also be surprisingly compatible with Mearsheimer's, since Fukuyama conceded that realism still applied to dealings with the part of the world still stuck in history. (Mearsheimer, however, disagreed with the notion that Western states had outgrown the possibility of war among themselves.)

Huntington, too, accepted much of realism, since in his view, civilizational struggle is still played out in large part among the "core states" in each culture. He also agreed that the China question could not be resolved by Davos-style liberalism's solution—engagement through international institutions—and instead required the United States to make a clearheaded choice between accepting Chinese hegemony in Asia and engineering

a military coalition to block it. Huntington also believed deeply in the liberal values celebrated as the end of history and argued for strengthening them within the West; he simply believed the world has other vibrant histories, too. In the end, with a big discount for the limitations of any grand theory, Huntington's combination of radical diagnosis and conservative prescription is the most trenchant message of the three.

The most significant similarity, and a dispiriting one, is that all three authors were out of step with the attitudes that have dominated U.S. foreign policy and made it overreach after the Cold War. First, in different ways, all three saw beyond Davos-style liberalism and recognized that noneconomic motives would remain powerful roiling forces. Mearsheimer did not focus on the importance of moral dignity and identity, as the other two did, but he argued even more forcefully than they did that trade, prosperity, and law in themselves do not guarantee peace. Second, none supported crusading neo-conservatism. (Fukuyama broke with the neoconservatives over the Iraq war.) Neoconservatives share Huntington's diagnosis of the threat to peace but recoil from his prescription of U.S. restraint. And they fervently reject realists' preference for caution over idealism. The problem is that Davos-style liberalism and militant neoconservatism have both been more influential than the three more profound and sober visions of Fukuyama, Huntington, and Mearsheimer. If good sense is to shape U.S. foreign policy, there needs to be a fourth vision—one that integrates the compatible elements of these three in a form that penetrates the American political mainstream. 🌐

# A Reading List for the Twenty-first Century

Sixteen contributors recommend  
books that shed light on the future.

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FOUAD AJAMI

*The Frugal Superpower: America's Global Leadership in a Cash-Strapped Era.* BY MICHAEL MANDELBAUM. PublicAffairs, 2010, 224 pp.

*The Frugal Superpower* begins with what Mandelbaum takes to be an important turning point in the history of U.S. foreign policy: September 15, 2008. On that day, it shall be recalled, the investment bank Lehman Brothers collapsed, deepening a worldwide economic downturn. In a work of great clarity and elegance, Mandelbaum looks into the United States' future and into the growing economic constraints on its power. Seven decades of American assertiveness abroad followed World War II, and Pax Americana made the world safer and more prosperous. But the United States can no longer afford to pay for the international security order. Those who have complained about excessive U.S. power may live to worry about a greater threat—the growing weakness of the United States as it takes up economic challenges at home.

This book is not a work of declinism but an unsparing assessment of the constraints on American power in the years to come.

No single power, or concert of powers, Mandelbaum warns, shall step forth to assume the American burden. Humanitarian interventions and military campaigns such as those in Afghanistan and Iraq are not likely to be repeated. Such endeavors, Mandelbaum writes, will be resisted by an “American public worried about increases in the costs and reductions in the benefits of entitlement programs.” Americans willed, and paid for, an imperial role in the modern world. And of course they borrowed with abandon; foreign creditors were willing to oblige. But that long run has come to an end. September 15, 2008, will indeed turn out to be a day of great consequence in the history of the American republic abroad.

FOUAD AJAMI is Professor of Middle East Studies at Johns Hopkins University's School of Advanced International Studies and a Senior Fellow at the Hoover Institution.

MADELEINE K. ALBRIGHT

*What's Right With Islam Is What's Right With America: A New Vision for Muslims and the West.* BY IMAM FEISAL ABDUL RAUF. HarperCollins, 2005, 336 pp.

Nearly a decade after 9/11, communications between Muslims and the West



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(including Muslims in the West) remain plagued by mutual suspicion and ignorance. Efforts to remedy this have been useful in generating dialogue and good ideas, but there is still a long way to go. Rauf gets to the heart of the matter in *What's Right With Islam Is What's Right With America*. Of Egyptian heritage and now based in New York, Rauf is well positioned to identify principles that are common both to the United States' founding documents and to the Abrahamic religions. His thesis is that the Islamic ideal is far closer to the democratic thesis than to the dynastic doctrines that hold sway in many Muslim-majority states. This reality, if understood more broadly, could open the door to improved policy outcomes in areas of conflict, more accurate media depictions on all sides, and a healthier understanding of religion's role in public life. Rauf explains, better than any other commentator, why so many Muslims proclaim simultaneously their desire for democracy and their opposition to the United States' international actions. He also provides valuable insights into the nature of Islam, the lessons of history, and the failure of Muslim and Western leaders to live up to their professed beliefs. Whether or not one agrees with every conclusion, Rauf offers a basis for intercultural and interfaith dialogue that extends far beyond the discussion that has taken place thus far. This may not guarantee a brighter future, but it can certainly help the world avoid a bleaker one and set it on a better path.

MADELEINE K. ALBRIGHT *was* U.S. Secretary of State in 1997–2001.

### C. FRED BERGSTEN

13 *Bankers: The Wall Street Takeover and the Next Financial Meltdown*. BY SIMON JOHNSON AND JAMES KWAK.

Pantheon, 2010, 320 pp.

This penetrating analysis of the economic and financial crisis of 2008–9 places the crisis' eruption and evolution and the policy response to it in the context of U.S. economic history. Emphasizing the “too big to fail” aspect of the financial problem, it relates the issue to past episodes of excessive concentrations of economic and political power in the United States. Johnson and Kwak compare the reaction to the recent crisis to President Theodore Roosevelt's response to the powerful industrial trusts of the late nineteenth century and to President Franklin Roosevelt's confrontation with the excessive financial power that characterized banks in the 1920s. In both cases, conventional wisdom largely accepted these powerful entities until they created major problems for the economy and were challenged at the highest level. The conventional wisdom then changed abruptly, and new regulatory laws, practices, and institutions became an established part of the U.S. policy framework.

Johnson and Kwak argue that the country is going through a similar period today. Financial markets have evolved well beyond the reach of current regulation and authority, jeopardizing the entire financial system and, through it, the economy. The authors document the evolution of this disastrous mismatch, analyze how its failures led to the crisis, and propose new policy approaches to avoid repeating the recent experience. The book provides a convenient one-stop shop for understanding both the crisis and the policy

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remedies, only a few of which have begun to take shape, that it necessitates.

C. FRED BERGSTEN is *Director of the Peterson Institute for International Economics.*

#### JAMES FALLOWS

*The Moral Equivalent of War.* BY WILLIAM JAMES. American Association for International Conciliation, 1910, 20 pp.

*A Peace to End All Peace: The Fall of the Ottoman Empire and the Creation of the Modern Middle East.* BY DAVID FROMKIN. Avon, 1990, 668 pp.

*Two Kinds of Time.* BY GRAHAM PECK. University of Washington Press, 2008, 725 pp.

*Chinese Lessons: Five Classmates and the Story of the New China.* BY JOHN POMFRET. Henry Holt, 2006, 336 pp.

*Mr. China: A Memoir.* BY TIM CLISSOLD. Harper Business, 2005, 252 pp.

*Confessions: An Innocent Life in Communist China.* BY KANG ZHENG GUO. Norton, 2008, 480 pp.

*The Sea of Fertility.* 4 vols. BY YUKIO MISHIMA. Shinchosha, 1966–71, 1,440 pp.

*The Rosales Saga.* 5 vols. BY F. SIONIL JOSÉ. Solidaridad, 1962–84, 1,057 pp.

James' century-old essay *The Moral Equivalent of War* is, even today, the clearest examination of the major American political and cultural challenge of the coming years: how to evoke the wartime virtues of shared commitment and a willingness to accept long-term effort, without actually going to war. This is worth reading for its relevance to twenty-first-century America.

For a part of the world I do not know firsthand, Fromkin's *A Peace to End All Peace* provides a mental road map of the

tensions left over from the dissolution of the Ottoman Empire, many of which are still unresolved. For a part of the world I know better, Peck's *Two Kinds of Time*, a brilliantly written (and illustrated, with the author's drawings) saga of travels through pre-communist China, puts into perspective how much has changed in China, and how much has not. Pomfret's *Chinese Lessons* and Clissold's *Mr. China* are the two next books people should read to assess the pluses and minuses of China's rise, followed by *Confessions* by Kang. Long after I read it, I still think of Mishima's *The Sea of Fertility*, a quartet of novels, when I think about Japan and its prospects. Americans need a richer understanding of how international relations look to those who feel powerless. José's great *Rosales* series of novels about the Philippines provides that, plus great humor.

JAMES FALLOWS is a *National Correspondent for The Atlantic.*

#### NIALL FERGUSON

*Why the West Rules—for Now: The Patterns of History, and What They Reveal About the Future.* BY IAN MORRIS. Farrar, Straus & Giroux, 2010, 768 pp.

It may seem at first sight a little odd to recommend a history book as a guide to the future. But Morris' new book illustrates perfectly why one really scholarly book about the past is worth a hundred fanciful works of futurology. Morris is the world's most talented ancient historian, a man as much at home with state-of-the-art archaeology as with the classics as they used to be studied. Here, he has brilliantly pulled off what few modern academics would dare to attempt: a single-volume history of the world that offers a bold

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### *Books for the World Ahead*

and original answer to the question, Why did the societies that make up “the West” pull ahead of “the rest” not once but twice, and most spectacularly in the modern era after around 1500? Wearing his impressive erudition lightly—indeed, writing with a wit and clarity that will delight the lay reader—Morris uses his own ingenious index of social development as the basis for his answer. He also dares to pose explicitly some fascinating counterfactual questions. What if the Chinese had conquered the New World before the Europeans got there in the fifteenth century? What if the West had ended up subjugated by the East in the nineteenth century, instead of the other way around? Precisely because he has such a profound understanding of the ways that culture, technology, and geography interact over the very long run, Morris is better qualified than almost anyone else to answer the final question he asks: Is the world heading for “the Singularity”—a technological quantum leap beyond our traditional limitations as a species—or for a disastrous “Nightfall” brought on by climate change, famine, state failure, mass migration, pandemic disease, and nuclear war? Readers will find nothing better on the subject than his final, mind-blowing chapter.

NIALL FERGUSON is *Laurence A. Tisch Professor of History at Harvard University and the author of, most recently, High Financier: The Lives and Time of Siegmund Warburg.*

AYAAN HIRSI ALI

*The Clash of Civilizations and the Remaking of World Order.* BY SAMUEL P. HUNTINGTON. Simon & Schuster, 1996, 368 pp.  
After the fall of the Soviet Union, political

scientists scrambled to make sense of what the new world order would be like after the collapse. The best model was offered by Huntington in *The Clash of Civilizations*. The essential building blocks of the post-Cold War world, Huntington wrote, are seven or eight historical civilizations, of which the Western, the Muslim, and the Confucian are the most important.

The balance of power among these civilizations, he argued, is shifting. The West is declining in relative power, Islam is exploding demographically, and Asian civilizations—especially China—are economically ascendant. Huntington also argued that a civilization-based world order is emerging in which states that share cultural affinities will cooperate with one another and group themselves around the leading states of their civilization.

The West’s universalist pretensions are increasingly bringing it into conflict with the other civilizations, most seriously with Islam and China. Thus, the survival of the West depends on Americans, Europeans, and other Westerners reaffirming their shared Western civilization as unique—and uniting to defend it against challenges from non-Western civilizations.

The greatest advantage of Huntington’s civilizational model of international relations is that it reflects the world as it is—not as one wishes it would be. It allows decision-makers to distinguish friends from enemies. And it makes it easier to identify the internal conflicts within civilizations, particularly the historical rivalries among the Arabs, the Turks, and the Persians for leadership of the Islamic world. *The Clash of Civilizations* is a classic that should be taught in every international relations



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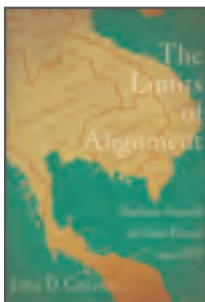
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and history class—until a new world order emerges.

AYAAN HIRSI ALI *is a Resident Fellow at the American Enterprise Institute and the author of* *Nomad: From Islam to America; A Personal Journey Through the Clash of Civilizations.*

#### RICHARD C. HOLBROOKE

*A Peace to End All Peace: The Fall of the Ottoman Empire and the Creation of the Modern Middle East.* BY DAVID FROMKIN. Avon, 1990, 668 pp.

The philosopher Søren Kierkegaard once observed that “life must be understood backward. But . . . it must be lived forward.” This applies to more than one’s own life: what is past is more than prologue; it is essential for anyone wanting to understand how today’s world was created. This is especially true of the critical region between the Mediterranean and the Himalayas. Without knowledge of its backstory, no policymaker will get the region right: history is continuous, even if, relatively speaking, Americans just tuned in.

Of the vast array of books on this region, none is more relevant than Fromkin’s sweeping epic, *A Peace to End All Peace*. Fromkin states his theme starkly at the outset:

The European powers at that time [1914–22] believed they could change Moslem Asia in the very fundamentals of its political existence, and in their attempt to do so introduced an artificial state system into the Middle East. . . . The basis of political life in the Middle East—religion—was called into question by the Russians, who proposed communism, and by the British, who proposed nationalism or dynastic loyalty, in its place. . . .

The French government, which in the Middle East *did* allow religion to be the basis of politics—even of its own—championed one sect against the others.

Today, we live with the consequences of those almost forgotten events.

Other historians have challenged Fromkin on specific details. That is to be encouraged: history is not only continuous; it also needs to be continuously reexamined. And it should never be ignored, as American policymakers have done so often in the past, at their own—and everyone else’s—peril.

RICHARD C. HOLBROOKE *is U.S. Special Representative for Afghanistan and Pakistan.*

#### HU SHULI

*From Asian to Global Financial Crisis: An Asian Regulator’s View of Unfettered Finance in the 1990s and 2000s.* BY ANDREW SHENG. Cambridge University Press, 2009, 504 pp.

Ever since the recent global financial crisis broke out, experts and officials have taken great pains to identify the causes, hoping to avoid similar crises in the future. Now, as the global economy gradually recovers, comes Sheng’s clear and complete analysis of the recent crisis and the Asian financial crisis of the 1990s. In his view, unfettered finance was the core cause of these crises.

But the real picture is far more complex. In reality, governments tend to overregulate and underregulate the financial sector at the same time. This is especially true in Asia, a fact that Sheng implicitly admits. After the Asian crisis and then the bursting of the dot-com bubble in 2000, he explains, the financial world undertook its most thorough overhaul since the 1930s, in areas

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that spanned accounting, corporate governance, regulation, and national financial sectors. But these measures were not enough to stem the latest crisis. In fact, some of them may have contributed to it.

The financial challenges faced by Asia are especially serious, so Sheng's perspective as an Asian regulator is particularly welcome. "There are very few books about the Asian crisis by senior Asian officials who were in positions during the crisis," he notes. "For posterity's sake, the Asian side of the story deserves to be told." But his most valuable contribution is that he identifies some of the major barriers standing in the way of a sound financial system and points to future solutions. "The key structural problem faced by Asian economies," Sheng writes, "is the legacy of a relatively closed, top-down silo governance structure faced with an open, rapidly changing and complex global market."

HU SHULI is Editor in Chief of *Caixin Media* and Dean of the School of Communication and Design at Sun Yat-sen University.

#### MICHAEL IGNATIEFF

*On Rumors: How Falsehoods Spread, Why We Believe Them, What Can Be Done.* BY CASS R. SUNSTEIN. Farrar, Straus & Giroux, 2009, 112 pp.

A key question about the future is whether new information technologies—the Internet and its search engines and social media—will strengthen or weaken democracy. New media are powerful tools of civic engagement in democratic societies, and they will bring new freedoms to closed societies such as China and Iran. At the same time, the perverse effects of these new technologies cannot be ignored. They have become gigantic amplifying

devices, raising the volume of false whispers to produce a deafening jeer heard around the world. Instead of creating a shared public space of common discourse, information technology seems to be increasing people's shrillness, malice, and unwillingness to listen to differing opinions. It also empowers anonymous denunciation, removes responsibility from opinion, and places reputations at risk. The speed of the new media forces decision-makers to react instantly, hobbling political judgment and enfeebling deliberation.

Sunstein's *On Rumors* raises fundamental questions about the troublingly ambiguous impact of social media on the marketplace of democratic ideas. The ancient Greek philosophers warned of Sophists in the public square. The new technologies have given these sophists a megaphone of unparalleled power. It is up to democrats to use the new media to fight back and defend a public square where truth, however inconvenient to one's own prejudices, remains the ultimate arbiter of democratic argument.

MICHAEL IGNATIEFF is Leader of the Liberal Party of Canada.

#### NICHOLAS KRISTOF

*The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It.* BY PAUL COLLIER.

Oxford University Press, 2007, 224 pp. The challenges of global poverty are getting more attention lately, but helping people is far harder than it looks. For example, humanitarian aid is often used in effect to finance military spending, so that about 40 percent of African arms spending may inadvertently be paid for by aid donors. Still, people are getting better at addressing

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the challenges of global poverty, and one of the most lucid guides to this terrain is Collier's landmark book, *The Bottom Billion*. Collier, a former World Bank chief economist who is now at Oxford University, is a believer in foreign aid while acknowledging all the attendant difficulties. He notes that one billion people or so have been stuck in poverty and have not found an escalator out; he focuses on why that is and what everyone else may be able to do about it.

Collier is relentlessly empirical, acknowledging the many failures of aid (in 2004, a study found that only one percent of the money intended for rural health clinics in Chad reached its destination) but pointing the way to achieving more successes. He emphasizes that conflict is lethal to growth and notes that the typical civil war imposes costs to the relevant country and its neighbors of some \$64 billion. Modest sums invested early on might reduce the risk that such conflicts get out of hand, he argues, and can be among the most cost-effective forms of foreign aid. *The Bottom Billion* is one of those short, sparkling books that had so many people in the development field gnashing their teeth, muttering, "I wish I'd written this!"

NICHOLAS KRISTOF is a Columnist for The New York Times.

JOHN J. MEARSHEIMER

*The Best and the Brightest*. BY DAVID HALBERSTAM. Random House, 1972, 688 pp.

The United States will be the most powerful state on the planet for the next few decades. Since many Americans believe that their country is "the indispensable

nation"—to use former U.S. Secretary of State Madeleine Albright's well-known phrase—they will continue to support an activist foreign policy that seeks to shape the world in accordance with U.S. interests and values. Because American leaders sometimes make tragic mistakes—as they did in Vietnam, Iraq, and now Afghanistan—understanding how the United States makes key foreign policy decisions is essential.

No book explains this process better than Halberstam's *The Best and the Brightest*. First published in 1972 and dealing primarily with Vietnam, Halberstam's brilliant description of the American foreign policy establishment remains highly relevant today. As Halberstam makes clear, that community is populated by well-educated and ambitious individuals who frequently lack wisdom and almost always lack humility. They tend to think that all problems have ready solutions, which their brilliance will enable them to identify and implement. These people rarely acknowledge limits to U.S. power, which means they sometimes pursue boneheaded policies that lead to disaster.

Unfortunately, the U.S. political system is not especially effective at checking foolish ideas before they influence policy, even though the Founding Fathers designed it for that purpose. As Halberstam shows so well, presidents have many ways to manipulate the policy process so that they get what they want. This capacity sometimes produces good outcomes, but when the United States miscalculates, look out. The central message of this seminal book: beware the indispensable nation.

JOHN J. MEARSHEIMER is Professor of Political Science at the University of Chicago and the author of *Why Leaders Lie: The Truth About Lying in International Politics*.



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GEORGE PACKER

*My Life With the Taliban.* BY ABDUL SALAM ZAEF. Columbia University Press, 2010, 360 pp.

*Captive: My Time as a Prisoner of the Taliban.* BY JERE VAN DYK. Times Books, 2010, 288 pp.

*A Rope and a Prayer: A Kidnapping From Two Sides.* BY DAVID ROHDE AND KRISTEN MULVIHILL. Viking, 2010, 384 pp.

Dozens of reports appear every year on the Taliban insurgency in Afghanistan and Pakistan, but they rarely convey the essential truths of how the militants live and think. Three new books take you as deep inside as any Western reader is likely to get. One is *My Life With the Taliban*, by Zaeef—the autobiography of a Pashtun who was an early recruit to the movement, then a top official of the Taliban regime in the 1990s, and afterward a prisoner at Guantánamo. The other two are narratives by American journalists who were kidnapped by the Taliban during the past few years and survived to tell the tale: *Captive*, by Van Dyk, and *A Rope and a Prayer*, by Rohde, co-written with Mulvihill, his wife.

Zaeef—now “retired” in Kabul and considered to be a moderate and an intermediary to hard-line commanders—betrays the severe narrowness of his and his comrades’ world. The leaders of the Taliban were always parochial in the extreme, saturated with religiosity, and the years since their fall from power have only intensified these qualities: globalization makes them more ideological but not more worldly. The younger generation—the militants who held and tormented Van Dyk and Rohde—are

wilder and harder: criminals and aspiring suicide bombers in love with death. The kidnapping narratives show that outsiders’ categories of Afghan Taliban, Pakistani Taliban, and foreign jihadists hardly matter in the Hindu Kush. Whatever the future of Afghanistan, a deal with the Taliban will make life a nightmare for anyone who falls under their power.

GEORGE PACKER is a Staff Writer for The New Yorker.

JUDITH RODIN

*Thinking in Systems: A Primer.* BY DONELLA H. MEADOWS. Chelsea Green, 2008, 240 pp.

An old metaphor to describe the behavior of complex systems is that a butterfly flapping its wings in Brazil can create a tornado in Texas. This metaphor is even more relevant today. From economic crises and environmental destruction to political insecurity and growing inequity, the challenges of the twenty-first century are becoming more complex and interconnected every day. There are no silver bullets for them, and often the scope of the problems cannot be understood until solutions are tried. Governments, businesses, and philanthropic groups need to adopt a holistic perspective to respond to these global challenges and capture hidden opportunities.

A blueprint to help leaders and decision-makers develop this perspective is presented in *Thinking in Systems*, a book that explores the subtle yet powerful components of systems thinking, such as feedback loops, nonlinear relationships, and leverage points. Meadows distills the essence of this important problem-solving paradigm, noting that systems demonstrate “adaptive,

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dynamic, . . . and sometimes evolutionary” behavior in which the whole proves to be greater than the sum of its parts. Presented in a clear and accessible manner, the book makes evident that in order to succeed in the world ahead, prediction, control, and siloed analysis must be transformed into a framework in which complexities are embraced, silos broken, and partnerships welcomed. Doing so will not be easy, but as Meadows notes, only then can we “use our insights to make a difference in ourselves and our world.”

JUDITH RODIN is President of the Rockefeller Foundation.

#### SHASHI THAROOR

*The Long View From Delhi: To Define the Indian Grand Strategy for Foreign Policy.*  
BY RAJA MENON AND RAJIV KUMAR.  
Academic Foundation, 2010, 120 pp.

The elusive quest for a grand strategy, long a preoccupation inside Washington, has now begun to inform thinking in more distant chancelleries. *The Long View From Delhi* is the first attempt to elaborate a grand strategy for India. Taking up three possible scenarios for the world in 2020, the authors come up with a foreign policy strategy for India. There is an understandable focus on the United States and China and arguably not enough on India’s own tough neighborhood on the subcontinent, but the combination of “net assessment” modeling and informed strategic analysis works impressively.

Kumar, who heads an economic think tank, and Menon, one of the country’s premier security specialists, are cogent in their analyses and trenchant in their opinions. Their work is a major contribution to the intellectual transition from

India’s traditional focus on safeguarding its sovereignty to a greater desire to take proactive positions in world affairs. New Delhi’s near obsession with strategic autonomy as an end in itself is giving way to a willingness to exercise responsibility on the world stage, as India moves beyond postcolonial concerns about self-protection to a new role in the making of global rules and even in helping impose them. Indian strategic thinking is evolving to keep up with this change, and this book is a valuable contribution to the process.

SHASHI THAROOR is a Member of the Parliament of India.

#### DMITRI TRENIN

*How Enemies Become Friends: The Sources of Stable Peace.* BY CHARLES A. KUPCHAN.

Princeton University Press, 2010, 440 pp. One of the United States’ strongest assets has been its capacity to turn its rivals into partners and its adversaries into allies. The United Kingdom, Mexico, Germany, and Japan all fought against the United States before they joined with it in what has become a zone of stable peace. At the start of the twenty-first century, this capacity is needed as much as ever before. The rise of major non-Western powers, such as Brazil, China, India, Iran, South Africa, Turkey, and others makes the avoidance of traditional geopolitical rivalries a must if one wants a peaceful world order.

In *How Enemies Become Friends*, Kupchan discusses how and why peace breaks out. He takes on the notion that stable peace can only be the product of liberal democratic development, an idea he calls unnecessary and unwise, and uses a rigorous theoretical framework and a wealth of historical evidence to elucidate

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pathways to stable peace. These include unilateral accommodation, reciprocal restraint, societal integration, and the generation of new narratives and identities.

Kupchan's findings are particularly relevant to Euro-Atlantic relations. Two decades after the end of the Cold War, Europe is still divided on security issues. Both NATO and the EU have expanded considerably, but countries such as Russia, Ukraine, Georgia, Armenia, and Azerbaijan are beyond the zone of stable peace. The theory of democratic peace has worked for some but not others. Kupchan's timely book can help solve the hard cases.

DMITRI TRENIN is Deputy Director of the Carnegie Moscow Center.

### FAREED ZAKARIA

*The End of the Free Market: Who Wins the War Between States and Corporations?* BY

IAN BREMMER. Portfolio, 2010, 240 pp. Ever since the fall of the Soviet Union, people have realized that the world has entered a new age, one characterized by lower levels of political discord among the great powers, free markets, free trade, and an information revolution. The shorthand is, of course, "globalization." And the assumption has been that as globalization increases, the individual ingredients of the pie will also increase in strength. Market forces will get stronger; technology will become more pervasive, giving individuals greater autonomy; and political conflict

among the great powers will become more costly. But a funny thing happened on the way to an open global economy—the rise of a global market has led to a rise in the wealth of large nations, and this in turn has led to a rise in the importance and power of the governments of these countries.

Bremmer has best identified this new twist to the story of globalization in his book *The End of the Free Market*. The title is a misnomer. The book is really about the rise of state capitalism, also the subject of a recent essay by him in this magazine. Whereas 20 years ago, the list of the largest companies in the world was dominated by private firms, it is now dominated by state-owned entities, many from emerging markets. China's state-owned companies now not only utterly dominate its economy—of the country's top 100 companies, 99 are state controlled—but also increasingly play a large role on the global landscape. They play by different rules and have different goals than do private corporations from the West.

This age-old tussle, between the rise of the state and the pervasive influence of the market, has taken a new form in modern times, and Bremmer has written an important account of it in his book.

FAREED ZAKARIA is Editor-at-Large of *Time*. 🌐

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