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The world has grown much more peaceful over the past 15 years—except for oil-rich countries. Oil wealth often wreaks havoc on a country's economy and politics, helps fund insurgents, and aggravates ethnic grievances. And with oil ever more in demand, the problems it spawns are likely to spread further.

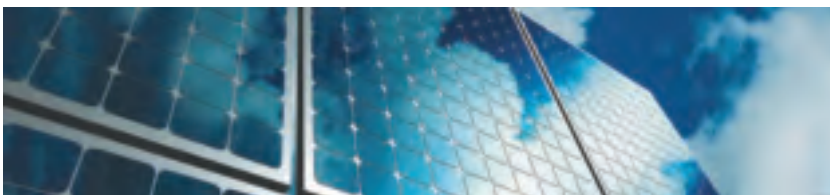
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Comments



Oil-producing states today host about a third of the world's civil wars, both large and small, up from one-fifth in 1992.

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Blood Barrels

Why Oil Wealth Fuels Conflict

Michael L. Ross

The world is far more peaceful today than it was 15 years ago. There were 17 major civil wars—with “major” meaning the kind that kill more than a thousand people a year—going on at the end of the Cold War; by 2006, there were just five. During that period, the number of smaller conflicts also fell, from 33 to 27.

Despite this trend, there has been no drop in the number of wars in countries that produce oil. The main reason is that oil wealth often wreaks havoc on a country’s economy and politics, makes it easier for insurgents to fund their rebellions, and aggravates ethnic grievances. Today, with violence falling in general, oil-producing states make up a growing fraction of the world’s conflict-ridden countries. They now host about a third of the world’s civil wars, both large and small, up from one-fifth in 1992. According to some, the U.S.-led invasion of Iraq shows that oil breeds conflict between countries, but the more widespread problem is that it breeds conflict within them.

The number of oil-producer-based conflicts is likely to grow in the future as

stratospheric prices of crude oil push more countries in the developing world to produce oil and gas. In 2001, the Bush administration’s energy task force hailed the emergence of new producers as a chance for the United States to diversify the sources of its energy imports and reduce its reliance on oil from the Persian Gulf. More than a dozen countries in Africa, the Caspian basin, and Southeast Asia have recently become, or will soon become, significant oil and gas exporters. Some of these countries, including Chad, East Timor, and Myanmar, have already suffered internal strife. Most of the rest are poor, undemocratic, and badly governed, which means that they are likely to experience violence as well. On top of that, record oil prices will yield the kind of economic windfalls that typically produce further unrest.

Oil is not unique; diamonds and other minerals produce similar problems. But as the world’s most sought-after commodity, and with more countries dependent on it than on gold, copper, or any other resource, oil has an impact more pronounced and more widespread.

MICHAEL L. ROSS is Associate Professor of Political Science at the University of California, Los Angeles.

Blood Barrels

THE CURSE

The oil booms of the 1970s brought great wealth—and later great anguish—to many petroleum-rich countries in the developing world. In the 1970s, oil-producing states enjoyed fast economic growth. But in the following three decades, many suffered crushing debt, high unemployment, and sluggish or declining economies. At least half of the members of OPEC (the Organization of Petroleum Exporting Countries) were poorer in 2005 than they had been 30 years earlier. Oil-rich countries that once held great promise, such as Algeria and Nigeria, have unraveled as a result of decades of internal conflict.

These states were plagued by the so-called oil curse. One aspect of the problem is an economic syndrome known as Dutch disease, named after the troubles that beset the Netherlands in the 1960s after it discovered natural gas in the North Sea. The affliction hits when a country becomes a significant producer and exporter of natural resources. Rising resource exports push up the value of the country's currency, which makes its other exports, such as manufactured and agricultural goods, less competitive abroad. Export figures for those products then decline, depriving the country of the benefits of dynamic manufacturing and agricultural bases and leaving it dependent on its resource sector and so at the mercy of often volatile international markets. In Nigeria, for example, the oil boom of the early 1970s caused agricultural exports to drop from 11.2 percent of GDP in 1968 to 2.8 percent of GDP in 1972; the country has yet to recover.

Another facet of the oil curse is the sudden glut of revenues. Few oil-rich

countries have the fiscal discipline to invest the windfalls prudently; most squander them on wasteful projects. The governments of Kazakhstan and Nigeria, for example, have spent their petroleum incomes on building new capital cities while failing to bring running water to the many villages throughout their countries that lack it. Well-governed states with highly educated populations and diverse economies, such as Canada and Norway, have avoided these ill effects. But many more oil-rich countries have low incomes and less effective governments and so are more susceptible to the oil curse.

Oil wealth also has political downsides, and those are often worse than the economic ones. Oil revenues tend to increase corruption, strengthen the hands of dictators, and weaken new democracies. The more money the governments of Iran, Russia, and Venezuela have received from oil and gas exports, the less accountable they have become to their own citizens—and the easier it has been for them to shut up or buy off their opponents. A major boom in oil prices, such as the one that took the price of a barrel from less than \$10 in February 1999 to over \$100 in March 2008, only heightens the danger.

OIL ON FIRE

For new oil and gas producers, the gravest danger is the possibility of armed conflict. Among developing countries, an oil-producing country is twice as likely to suffer internal rebellion as a non-oil-producing one. The conflicts range in magnitude from low-level secessionist struggles, such as those occurring in the Niger Delta and southern Thailand, to full-blown civil wars, such as in Algeria, Colombia, Sudan, and, of course, Iraq.

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Oil wealth can trigger conflict in three ways. First, it can cause economic instability, which then leads to political instability. When people lose their jobs, they become more frustrated with their government and more vulnerable to being recruited by rebel armies that challenge the cash-starved government. A sudden drop in income can result in internal strife in any country, but because oil prices are unusually volatile, oil-producing countries tend to be battered by cycles of booms and busts. And the more dependent a government is on its oil revenues, the more likely it is to face turmoil when prices go south.

Second, oil wealth often helps support insurgencies. Rebellions in many countries fail when their instigators run out of funds. But raising money in petroleum-rich countries is relatively easy: insurgents can steal oil and sell it on the black market (as has happened in Iraq and Nigeria), extort money from oil companies working in remote areas (as in Colombia and Sudan), or find business partners to fund them in exchange for future consideration in the event they seize power (as in Equatorial Guinea and the Republic of the Congo).

Third, oil wealth encourages separatism. Oil and gas are usually produced in self-contained economic enclaves that yield a lot of revenue for the central government but provide few jobs for locals—who also often bear the costs of petroleum development, such as lost property rights and environmental damage. To reverse the imbalance, some locals seek autonomy from the central government, as have the people in the petroleum-rich regions of Bolivia, Indonesia, Iran, Iraq, Nigeria, and Sudan.

This is not to say that petroleum is the only source of such conflicts or that it

inevitably breeds violence. In fact, almost half of all the states that have produced oil since 1970 have been conflict-free. Oil alone cannot create conflict, but it both exacerbates latent tensions and gives governments and their more militant opponents the means to fight them out. Governments that limit corruption and put their windfalls to good use rarely face unrest. Unfortunately, oil production is now rising precisely in those countries where wise leadership is often in short supply. Most of the new energy-rich states are in Africa (Chad, Côte d'Ivoire, Mauritania, Namibia, and São Tomé and Príncipe), the Caspian basin (Azerbaijan, Kazakhstan, and Turkmenistan), or Southeast Asia (Cambodia, East Timor, Myanmar, and Vietnam). Almost all are undemocratic. The majority are very poor and ill equipped to manage a sudden and large influx of revenues. And many also have limited petroleum reserves—just enough to yield large revenues for a decade or two—which means that if they succumb to civil war, they will squander whatever chance they had of using their oil windfalls to escape from poverty.

DIAMONDS IN THE ROUGH

Since the early 1990s, the international community has developed an effective set of tools for ending insurrections. These include cutting off foreign aid to rebel groups, using diplomatic and economic sanctions to bring governments to the negotiating table, and deploying peacekeeping forces to monitor any agreements that might result from the pressure. Combined with the demise of the Soviet Union, such methods helped reduce the number of civil wars in non-oil-producing countries by over 85 percent between 1992 and 2006.



CORBIS

The cost of resource wealth: Nigerian soldiers patrolling a natural gas loading facility in the Niger Delta, 2004

They have also been effective against insurgencies fueled by diamond wealth. In 2000, six diamond-producing states in Africa were trapped in civil wars; by 2006, none was. Much of this success is the result of sanctions that the UN Security Council started to impose in 1998 against so-called conflict diamonds—diamonds sold by African insurgents or their intermediaries—and the adoption in 2002 of the Kimberley Process, an agreement by an unusual coalition of governments, non-governmental organizations, and major diamond traders to certify the clean origins of the diamonds they trade. After these measures were taken, rebels in Angola, Liberia, and Sierra Leone lost a key source of funding, and within a few years they were either defeated in battle or forced to sign peace agreements. In the mid-1990s, conflict diamonds made up as much as 15 percent of the world's diamond trade. By 2006, the proportion had fallen to one percent.

SEE-THROUGH

Curtailing rebellions in oil-producing states will be harder. The world's thirst for oil immunizes petroleum-rich governments from the kind of pressures that might otherwise force them to the bargaining table. Since these governments' coffers are already overflowing, aid means little to them. They can readily buy friends in powerful places and therefore have little fear of sanctions from the UN Security Council. In any event, the growing appetite of oil-importing countries for new supplies makes it easy for exporters to bypass such restrictions. The government of President Omar al-Bashir has used Sudan's oil sales to China to deflect diplomatic pressure from Western states asking it to stop the killings in Darfur. Myanmar's military government is following the same strategy: in exchange for Myanmar's selling its natural gas to China, Beijing is blocking tougher

Michael L. Ross

sanctions against the junta in the UN Security Council.

The best solution would be for rich countries to sharply reduce their consumption of oil and gas and help poor countries find a more sustainable path out of poverty than oil production. But the Western economies are so dependent on fossil fuels and the demand for oil and gas imports in China and India is growing so quickly that even the most aggressive push for alternatives would take decades to have any effect. In the meantime, a different approach is needed.

No single initiative will undo the oil curse and bring peace to oil-producing states, but four measures can help. The first would be to cut off funding to insurgents who profit from the oil trade. Oil-importing states could contribute by refusing to buy oil that comes from concessions sold by insurgents. Both the insurrection in the Republic of the Congo in 1997 and the 2004 coup attempt in Equatorial Guinea were financed by investors hoping to win oil contracts from the rebels once they controlled the government. A ban on oil stemming from these transactions, much like the ban on conflict diamonds, could help prevent such rebellions in the future.

A second way to limit the effects of the oil curse would be to encourage the governments of resource-rich states to be more transparent. Their national budgets are unusually opaque; this facilitates corruption and reduces public confidence in the state, two conditions that tend to breed conflict. The Extractive Industries Transparency Initiative, an effort launched by nongovernmental organizations in 2002 and expanded by former British Prime Minister Tony Blair, encourages oil and mining companies to “publish what they

pay” and governments to “disclose what they receive.” This is a good idea, but it is not enough. Adherence to the EITI’s reporting standards is voluntary, and although 24 countries have pledged to adopt them, none has fully complied yet. It is important that they do and that the effort to promote transparency be expanded. Oil-importing states, such as the United States, should insist, for example, that energy companies also “publish what they pump”—that is, disclose from which countries their petroleum originates. This would give consumers the power to reward the most responsible companies. And that, in turn, would give companies an incentive to improve the conditions in oil-producing regions.

Another problem with the current standards is that even though exporting governments are pressured to disclose the revenues they collect, they are not expected to reveal how they spend the money. Oil revenues often vanish into the nooks of state-owned oil companies or into governments’ off-budget accounts. According to the International Monetary Fund, between 1997 and 2002, the Angolan government accrued at least \$4.2 billion in oil receipts that it could not account for; at the time, Angola had the fifth-highest infant mortality rate in the world.

One possible remedy would be for the EITI (or a similar effort) to develop guidelines for the transparent allocation of all revenues from extractive industries. In his recent book *The Bottom Billion*, the economist Paul Collier suggests creating a “natural resources charter” that would set international standards for the governance of natural-resource revenues. The charter would help citizens figure out if their governments are properly

managing the wealth. International credit-rating agencies could also use it to assess governments' creditworthiness, which would give governments a financial incentive to abide by the charter.

A third way to help oil-exporting states cast off the oil curse would be to help them better manage the flow of their oil revenues. Since the earliest days of the oil business in the mid-nineteenth century, oil prices have alternately soared and crashed. There is no reason to think this will change. But nor is there any reason to assume that because oil prices are volatile a government's oil revenues must be too. In a typical oil contract, the oil company is guaranteed a steady income and the government gets to keep most of the profits but also must bear most of the risk of fluctuating prices. This setup is exactly backward. International oil companies are skilled at smoothing out their income flows—putting money aside in fat years to spend in lean ones—whereas governments are terrible at it. The terms of these contracts should be changed so that the oil companies bear more of the price risk than they do now and governments bear less.

Even with greater transparency and steadier revenues, many low-income countries simply lack the capacity to translate oil wealth into roads, schools, and health clinics. For these, the best way to steer clear of the oil curse may be not to sell oil for cash at all but to trade it directly for the goods and services their people need. The governments of Angola and Nigeria are now experimenting with this type of barter: they have awarded oil contracts to Chinese companies in exchange for the construction of infrastructure. Western oil companies have been reluctant to make similar deals, pointing out that



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they know little about building railroads and have trouble competing against state-owned enterprises in this arena, such as the Chinese oil companies. But they could easily team up with reputable companies that could carry out the work. And why stop at infrastructure? By forming partnerships with experienced service providers, oil companies could pay back host countries by, say, conducting antimalaria campaigns or building schools, irrigation projects, or microfinancing facilities. As more companies bid for such “oil-for-development” contracts, the terms of the contracts would become better for the governments. If inexperienced governments need help carrying out these auctions, the World Bank, or other international organizations, could provide technical assistance.

THE POWER OF PRESSURE

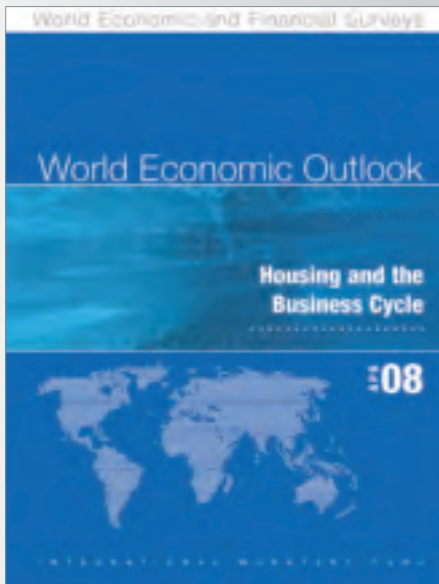
One obstacle, of course, is that some leaders have little interest in better governance: they are too busy profiting from corruption and crushing their opponents. In order to buffer the people of these countries from the mismanagement of oil wealth by their leaders, a fourth set of measures is called for. Laggard governments should be pressed to respect human rights and negotiate with rebels who have legitimate grievances. The U.S. Congress recently urged the State Department to consider withholding visas from corrupt officials who profit from the exploitation of their countries’ natural resources. A visa ban might well be an effective tool: soon after Congress’ call, the Cambodian government—one of the world’s most corrupt, according to Transparency International—issued a bitter protest. The State Department should adopt the measure and enforce it

broadly against leaders who are corrupt or ignore international human rights standards. And European governments should be encouraged to follow suit.

To avoid constraining measures from the West, some oil-producing governments have turned to national oil companies from China, India, and other developing states that do not concern themselves with their hosts’ human rights practices. But pressure could also work against these companies, as many of them are publicly listed. Last January, the Dutch pension fund PGGM withdrew its \$54 million investment from the Chinese oil company PetroChina to protest the operations of PetroChina’s parent company in Sudan; it is now considering a similar move against the Indian oil and natural gas company ONGC. Other investors should follow this lead until even companies that have not cared about such issues in the past agree to push for transparency and better human rights standards in the countries where they operate.

Helping oil-rich countries avoid violent conflicts and, more broadly, escape the oil curse will not be easy. Many of their governments are indifferent to the incentives offered by diplomats and development specialists. On the other hand, if the main stakeholders—oil producers and energy companies, as well as international organizations, oil importers, and consumers—do not find better remedies, a whole new set of countries will suffer the same tragic fate as Angola, Nigeria, Sudan, and, yes, even Iraq. 🌍

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After Guantánamo

The Case Against Preventive Detention

Kenneth Roth

These days, it seems, everyone wants to close Guantánamo. In January 2002, the Bush administration created a detention camp at the Guantánamo Bay Naval Base in Cuba to imprison what former Secretary of Defense Donald Rumsfeld called “the worst of the worst” terrorism suspects. The facility has since become an embarrassing stain on the United States’ reputation. With some inmates now having endured more than six years of detention without charge or trial, and with no end to their ordeal in sight, Guantánamo has come to symbolize Washington’s flouting of international human rights standards in the name of fighting terrorism. Now, even President George W. Bush says he wants to shut it down.

Rumsfeld’s claim notwithstanding, more than half of the 778 detainees known to have passed through Guantánamo have been released, and many others deserve to be. But there is a hard-core group—the Bush administration speaks of some 150—who have allegedly plotted or committed acts of terrorism or would do so now if they could. Shuttering Guantánamo would

force the government to decide what should be done with these allegedly dangerous individuals. Should they be given criminal trials? Or should they, as a growing number of lawyers and scholars suggest, be subjected to a system that permits detention without charge or trial because authorities believe they might pose a future threat—a system known as administrative, or preventive, detention?

At its core, this is a debate over whether the United States’ criminal justice system can handle terrorism cases or whether due process should be sacrificed in the name of security. The stakes for the U.S. criminal justice system and the future of constitutional due process protections are enormous.

SECURITY AND LIBERTY

Many countries grapple with the dilemma of balancing national security and the rights of the accused. Authoritarian states have concluded that the best way to address serious security threats is to summarily detain the people they consider the most dangerous suspects.

KENNETH ROTH, a former federal prosecutor in New York and Washington, D.C., is Executive Director of Human Rights Watch.

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Malaysia and Singapore, for example, have unabashedly embraced such preventive detentions. In both countries, the government can hold suspects for renewable two-year periods without charge or a meaningful court appearance based on the mere suspicion that they might endanger national security. Islamists, Communists, and political dissidents have been imprisoned on these grounds. One Singaporean dissident, Chia Thye Poh, alleged to be a Communist Party member, was detained without charge or trial for 32 years.

But U.S. policymakers seeking alternative models for balancing liberty and security are more likely to look to liberal democracies than authoritarian states. Among the liberal democracies, the United Kingdom and France are arguably the most aggressive in granting the state latitude in detaining terrorism suspects. The United Kingdom has experimented with preventive detention. In the 1970s, it interned hundreds of suspected Irish Republican Army members without trial. But when Westminster realized that this policy generated sympathy for the IRA and aided recruitment efforts, it changed course. The British Ministry of Defense later acknowledged, "With the benefit of hindsight, it was a major mistake." After 9/11, the government once again introduced preventive detention for non-British citizens suspected of involvement in terrorism. But the nation's highest court, the House of Lords, struck down those powers in 2004, arguing that their use constituted a disproportionate and discriminatory response to the threat of terrorism. However, the government has granted Scotland Yard the right to detain terrorism suspects at the early stage of an investigation for up to 28 days, and it has proposed extending

that period to 42 days. Longer detention still requires filing criminal charges. In addition, the United Kingdom allows judicially approved "control orders," which restrict the movement and association of terrorism suspects who are not in custody and have not been charged.

France has stricter rules when it comes to pressing charges against terrorism suspects. The French government requires the filing of criminal charges within six days. But it provides its prosecutors with leeway in other areas. France permits prosecution under a crime called *association de malfaiteurs* (criminal association), which allows charges to be brought when there is an "understanding" between two or more people to carry out a crime and the group has taken at least one material step toward its goal. This resembles U.S. conspiracy law but is harsher because it allows charges to be lodged on the basis of information gained through interrogation without the presence of a lawyer—often supplemented by hearsay evidence—and a suspect can then be held in pretrial detention for more than three years. In terrorism cases, such detention has been common. France thus stays within a criminal justice paradigm but requires far less evidence before allowing the state to place a suspect in long-term detention.

THE AMERICAN EXCEPTION

Seen against this backdrop, the United States has reason to be proud of its long tradition of criminal justice with rigorous due process guarantees. There have been exceptions, however. The internment of U.S. citizens and residents of Japanese descent during World War II is the most notorious example, but it was a rare exception, and such practices have not been



permitted to serve as a regular substitute for criminal prosecution. Like many countries, the United States also allows detention without trial for mentally ill people found to pose a danger to themselves or others. Finally, the pretrial detention of a suspect is permitted once criminal charges have been filed if evidence shows that the suspect presents a danger or a flight risk, but any detention occurs under the presumption that a criminal trial will take place at the earliest possible date.

It is the category of combatants that has left Washington in murky legal terri-

tory. Like all countries, the United States allows captured combatants to be detained without trial until the end of an armed conflict. The Bush administration has cited that power to justify the Guantánamo detentions. The White House claims that it is waging a “global war on terrorism” and that terrorism suspects worldwide with alleged connections to al Qaeda can thus be arrested as combatants. But since this “war” knows no geographic or temporal bounds, it has become increasingly controversial as a continuing basis for detention, especially because many of the

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Guantánamo detainees were arrested far from any recognizable battlefield.

From the perspective of due process, the best alternative is undoubtedly to prosecute these suspects in either federal courts or, for those captured in armed conflict, military courts. U.S. courts, which have the jurisdiction to hear terrorism cases wherever they occur, have a long history of prosecuting terrorism suspects successfully, including Richard Reid (the so-called shoe bomber), Zacarias Moussaoui (a 9/11 conspirator), and, most recently, Jose Padilla (the “dirty bomber”). But the Bush administration claims that the courts are not up to the task. Its preferred option is special military commissions, before which the government now proposes to try a number of major terrorism suspects, including the alleged mastermind of the 9/11 attacks, Khalid Sheik Mohammad. Under a law adopted by Congress in 2006, suspects tried before military commissions can be convicted, and even executed, on the basis of statements secured by coercion. Rules protecting interrogation methods from disclosure coupled with lax hearsay rules mean that these men could be sentenced to death based on second- or third-hand affidavits summarizing statements obtained through abuse, without any meaningful opportunity to challenge the evidence. This is a dangerous approach. Convictions under these conditions would be seen as illegitimate and generate widespread outrage.

An alternative currently being floated in legal and academic circles and likely soon to surface in Congress is arguably even worse: a formal system of preventive detention. Such a policy would permit the long-term, potentially indefinite detention of suspects after some sort of

hearing but without the filing of criminal charges or a trial. The precise contours of the hearings—for example, whether they would be held before a regular federal judge, a judge chosen specially to hear national security cases, or an administrative official—would be determined by legislation and scrutinized by the courts. But almost all proposed preventive-detention schemes assume that the person presiding could consider classified evidence never presented to the suspect. This would make it impossible for defense lawyers to meaningfully challenge that evidence, and statements obtained through coercion could be easily concealed from them.

Such a “solution” would be worse than the Guantánamo problem. Indeed, it would effectively move Guantánamo onshore and make its detention regime a regular part of the U.S. government’s arsenal. The temptation would be enormous to exploit the proceedings’ secrecy and lax standards of evidence in order to pursue people with only tenuous connections to terrorist activity. Adopting such a system would transform the United States from one of the world’s most progressive nations when it comes to protecting the rights of criminal suspects to one of the least.

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Fortunately, there is no need to contemplate such a radical departure from U.S. constitutional norms. U.S. courts are fully capable of addressing today’s terrorist threat. The U.S. criminal justice system has successfully dealt with a broad range of serious security threats, from espionage at the height of the Cold War to ruthless drug-trafficking enterprises. In none of

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After Guantánamo

these cases has the United States' strong tradition of protecting defendants' due process rights stood in the way.

The most common argument against criminal prosecutions is that they examine crimes that were already committed, whereas the threat of terrorism is said to be so dangerous that it requires preventing acts before they occur. But the crime of conspiracy is sufficient to address today's terrorist threat because it is both backward and forward looking. Under U.S. law, a conspiracy can occur whether or not an intended illegal act has been carried out. Much as with the French crime of *association de malfaiteurs*, all that must be proved is that two or more people agreed to pursue an illegal plan and took at least one step to advance it. This should cover most terrorist plans: the lone wolf terrorist is rare, and al Qaeda and its spinoffs have typically relied on numerous participants to agree on a plan and pursue it. The same intelligence that allows investigators to identify and prevent a terrorist plot should allow them to prosecute the participants for conspiracy. Similarly, the crime of providing material support to terrorists can occur even when a terrorist act is only in preparation and has not yet been committed.

Another objection to conventional prosecutions is that they make it harder for interrogators to obtain information from suspects. Under the Sixth Amendment to the U.S. Constitution, a suspect facing criminal charges is entitled to a lawyer, who will generally tell his or her client not to talk to interrogators. But in fact, many criminal suspects with lawyers end up cooperating with interrogators because doing so can shorten the prison time they face. Moreover, the constitu-

tional limits on a prosecutor's ability to question a suspect without counsel need not interfere with parallel but separate questioning aimed at investigating other suspects or preventing terrorism. Even if a suspect's right to counsel has been violated, the Constitution only prohibits prosecutors from using the information derived from the flawed interrogation at trial; it does not forbid other investigators, such as those trying to prevent future terrorist acts, from questioning the suspect without a lawyer present, so long as these investigators do not relay his or her words (or leads based on what he or she said) to the prosecution team. This division of labor may not be ideal, but it is better than resorting to preventive detention and discarding many basic due process rights.

Preventive-detention advocates also oppose criminal prosecution because many terrorism suspects have been subjected to torture and other harsh interrogation methods, the fruits of which no ordinary judge would admit at trial. This, they argue, makes criminal prosecution impossible. But it would be a perversion of justice to invoke the illegality of coercing evidence in order to justify the further trampling of suspects' rights through preventive detention. Moreover, coerced confessions are not the only route to criminal convictions. A review of the hearings held before the Combatant Status Review Tribunals at Guantánamo shows that the government often possesses plenty of evidence unrelated to abusive interrogation—from computers and cell phones seized, financial records, and witnesses who have cooperated voluntarily. The U.S. government has tacitly acknowledged this point by reinvestigating the major Guantánamo suspects using al-

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legedly “clean teams” in an effort to free prosecutions from the taint of previously coerced statements and allow them to go forward.

Some proponents of preventive detention believe that criminal justice rules are too onerous and impractical. They scoff at the idea of U.S. soldiers reading suspects their Miranda rights in the heat of battle or following complicated rules of evidence to maintain a secure chain of custody. But the courts tend to apply these rules pragmatically. For example, only criminal investigators or their surrogates, not soldiers in combat, are required to give a Miranda warning, and the courts have allowed a “public safety” exception, when questioning is urgently needed to secure timely intelligence.

Finally, opponents of criminally prosecuting terrorism suspects argue that such trials force the government to reveal its secret sources and intelligence-gathering methods. But this problem is not insurmountable. It often arises when sensitive investigations involving national security, drug trafficking, or organized crime lead to prosecution. In such circumstances, defense lawyers typically try to force the government to either reveal sensitive secrets or drop the case. To address these situations, Congress enacted the Classified Information Procedures Act (CIPA) in 1980. The law empowers federal judges to review defense counsels’ requests for classified information with the aim of sanitizing that information as much as possible or restricting its disclosure to only those defense lawyers with security clearance. The purpose of the act is to protect a defendant’s right to confront all the evidence against him or her while safeguarding legitimate intelligence secrets.

If due process requirements cannot be met without revealing secret information, the government must either drop the relevant charges or declassify the information. Judges who have tried cases under CIPA speak of it as a reasonable compromise between fairness and security. CIPA rules have not forced the government to abandon even one of the dozens of international terrorism cases it has prosecuted since 9/11.

PRECRIMINAL ACTIVITY

A second line of argument comes from civil-liberties advocates, who worry that failing to carve out a special regime for terrorism cases would undermine the regular criminal justice system—in much the same way that the “war on drugs” has weakened many of the traditional constraints on searches and seizures guaranteed by the Fourth Amendment. Their concern is that the crime of conspiracy, or the parallel crime of providing material support for terrorism, will be interpreted so expansively that even mere association or other innocent activities that fall short of consciously joining or supporting a terrorist plot will be criminalized.

These fears are not trivial, but at least in the most worrying cases typically cited, such as the conviction of Padilla on the grounds that he had sought to attend a terrorist training camp, there is generally some evidence of the defendant’s intent to join a criminal plot beyond mere association or speech, which on its own should never be grounds for prosecution. It is true that the government has sometimes overreached and can be expected to do so again. But judicial scrutiny, although not fool-proof, will curb abuse. The risk that the government will overreach would be far

greater in a system that permitted the state to detain people indefinitely without trial.

Civil-liberties advocates also note that in the absence of legislation authorizing preventive detention, the Bush administration has used other laws to accomplish the same goals. For example, just after 9/11, it detained thousands of allegedly undocumented immigrants for months—until law enforcement officials “cleared” them of complicity in terrorism—instead of deporting or releasing them promptly. Similarly, the government has abused its authority to detain so-called material witnesses, which permits prosecutors to briefly hold an uncooperative crime witness until he or she can be brought to testify. The government has applied this authority far beyond its intended purpose and detained people as supposed witnesses against themselves for lengthy periods and sometimes without ever demonstrating that they had any connection to terrorism or having them testify. Under this radical approach, detaining someone as a material witness is a way of circumventing the usual requirement for arrest: proof that the state has probable cause to believe the suspect committed a crime. Pressure from human rights groups and the press, as well as judicial oversight, pushed the Bush administration, at least for now, to end these abuses. But establishing a preventive-detention statute would legalize an equally damaging process.

IF IT AIN'T BROKE

Criminal prosecution of terrorism suspects is not a perfect system. Not all suspects can be prosecuted. Sometimes evidence will be so tainted that it fails to meet even the low threshold of a conspiracy or a material-support prosecution, or the



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government will argue that established court procedures for protecting sensitive intelligence are insufficient. In these cases, the government will have to let the suspects go. Although they might still be deported (if they are foreign nationals and not at risk of torture when they return to their home countries) and almost certainly would be placed under intensive surveillance, releasing them certainly has its risks.

But a policy of preventive detention poses greater dangers. One lesson of Guantánamo is that when the United States begins detaining suspected terrorists on the basis of thin and untested evidence, it inevitably ends up detaining some innocent people. Particularly when combined with the government's insistence on using harsh interrogation techniques, such wrongful imprisonment generates resentment and a justified sense of victimization. As the British government discovered from its detention of IRA suspects in the 1970s, the resulting animosity is a boon to terrorist recruiters and arguably generates more terrorists than the detentions are stopping.

Preventive detention also discourages citizens from cooperating with counterterrorist investigations, a crucial factor in uncovering terrorist plots. Counterterrorism experts report that information gleaned from interrogating detainees is far less important than information delivered by members of the general public who see something suspicious and report it. For example, information given by relatives of the perpetrators and the general public was key to the arrest of those responsible for the attempted bombings in London on July 21, 2005. Similarly, a British Muslim who found an acquaintance's behavior suspicious led the police to discover the plot to bomb several transatlantic flights

using liquid explosives in August 2006. Because sympathy for the victims of abusive counterterrorism policies tends to be greatest in the communities that give rise to terrorists, policies such as preventive detention jeopardize this vitally important source of intelligence.

Finally, detaining suspects without trial as part of the "global war on terrorism" allows them to glorify themselves as combatants without facing the stigma of a criminal conviction. Khalid Sheik Mohammad's comments before the Combatant Status Review Tribunal reveal that he craved the "combatant" label. In broken English, he declared, "We consider we and George Washington doing same thing. . . . So when we say we are enemy combatant, that right. We are." By detaining such suspects as warriors rather than stigmatizing them as criminals, the Bush administration is effectively reading from al Qaeda's playbook. It would be far better for a convicted suspect to face the likes of U.S. District Court Judge William Young. On sentencing Reid, the "shoe bomber," Young berated him for being not "a soldier in any war" but "a terrorist"—a "species of criminal guilty of multiple attempted murders."

Before discarding the U.S. criminal justice system, policymakers should keep in mind the old adage "If it ain't broke, don't fix it." The terrorist threat will undoubtedly challenge the criminal justice system, but the system's track record, the quality of its personnel, and its time-tested procedures make it an infinitely better option than preventive detention. Rather than countenance so radical an exception to basic due process rights, Americans should remain confident in the strength and resilience of their criminal justice system. 🌐



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How America Can Survive the Rise of the Rest

Fareed Zakaria

ON JUNE 22, 1897, about 400 million people around the world—one-fourth of humanity—got the day off. It was the 60th anniversary of Queen Victoria's ascension to the British throne. The Diamond Jubilee stretched over five days on land and sea, but its high point was the parade and thanksgiving service on June 22. The 11 premiers of Britain's self-governing colonies were in attendance, along with princes, dukes, ambassadors, and envoys from the rest of the world. A military procession of 50,000 soldiers included hussars from Canada, cavalrymen from New South Wales, carabineers from Naples, camel troops from Bikaner, and Gurkhas from Nepal. It was, as one historian wrote, "a Roman moment."

In London, eight-year-old Arnold Toynbee was perched on his uncle's shoulders, eagerly watching the parade. Toynbee, who grew up to become the most famous historian of his age, recalled that, watching the grandeur of the day, it felt as if the sun were "standing still in the midst of Heaven." "I remember the atmosphere," he wrote. "It was: 'Well, here we are on top of the world, and we have arrived at this peak to stay there forever. There is, of course, a thing called history, but history is something unpleasant that happens to other people. We are comfortably outside all of that I am sure.'"

FAREED ZAKARIA is Editor of *Newsweek International*. This essay is adapted from his book *The Post-American World* (W. W. Norton & Company, Inc., © 2008 by Fareed Zakaria).

But of course, history did happen to Britain. The question for the superpower of the current age is, Will history happen to the United States as well? Is it already happening? No analogy is exact, but the British Empire in its heyday is the closest any nation in the modern age has come to the United States' position today. In considering whether and how the forces of change will affect the United States, it is worth paying close attention to the experience of Britain.

There are many contemporary echoes. The United States' recent military interventions in Somalia, Afghanistan, and Iraq all have parallels in British military interventions decades ago. The basic strategic dilemma of being the only truly global player on the world stage is strikingly similar. But there are also fundamental differences between Britain then and the United States now. For Britain, as it tried to maintain its superpower status, the largest challenge was economic rather than political. For the United States, it is the other way around.

Through shrewd strategic choices and some sophisticated diplomacy, Britain was able to maintain and even extend its influence for decades. In the end, however, it could not alter the fact that its power position—its economic and technological dynamism—was fast eroding. Britain declined gracefully—but inexorably. The United States today faces a problem that is quite different. The U.S. economy (despite its current crisis) remains fundamentally vigorous when compared with others. American society is vibrant. It is the United States' political system that is dysfunctional, unable to make the relatively simple reforms that would place the country on extremely solid footing for the future. Washington seems largely unaware of the new world rising around it—and shows few signs of being able to reorient U.S. policy for this new age.

BRITANNIA'S DEMISE

TODAY, IT is difficult even to imagine the magnitude of the British Empire. At its height, it covered about a quarter of the earth's land surface and included a quarter of its population. London's network of colonies, territories, bases, and ports spanned the globe. The empire was protected by the Royal Navy, the greatest seafaring force in history, and linked by 170,000 nautical miles of ocean cables and 662,000 miles

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of aerial and buried cables. British ships had facilitated the development of the first global communications network, via the telegraph. Railways and canals (the Suez Canal most importantly) deepened the connectivity of the system. Through all of this, the British Empire created the first truly global market.

Americans often talk about the appeal of their culture and ideas, but “soft power” really began with Britain. The historian Claudio Véliz points out that in the seventeenth century, the two imperial powers of the day, Britain and Spain, both tried to export their ideas and practices to their western colonies. Spain wanted the Counter-Reformation to take hold in the New World; Britain wanted religious pluralism and capitalism to flourish. As it turned out, British ideas proved more universal. In fact, Britain has arguably been the most successful exporter of its culture in human history. Before the American dream, there was an “English way of life”—one that was watched, admired, and copied throughout the world. And also thanks to the British Empire, English spread as a global language, spoken from the Caribbean to Cape Town to Calcutta.

Not all of this was recognized in June 1897, but much of it was. The British were hardly alone in making comparisons between their empire and Rome. Paris’ *Le Figaro* declared that Rome itself had been “equaled, if not surpassed, by the Power which in Canada, Australia, India, in the China Seas, in Egypt, Central and Southern Africa, in the Atlantic and in the Mediterranean rules the peoples and governs their interests.” The *Kreuz-Zeitung* in Berlin described the empire as “practically unassailable.” Across the Atlantic, *The New York Times* gushed, “We are a part, and a great part, of the Greater Britain which seems so plainly destined to dominate this planet.”

Britain’s exalted position, however, was more fragile than it appeared. Just two years after the Diamond Jubilee, Britain entered the Boer War, a conflict that, for many scholars, marks the moment when British power began to decline. London was sure that it would win the fight with little trouble. After all, the British army had just won a similar battle against the dervishes in Sudan, despite being outnumbered by more than two to one. In the Battle of Omdurman, it inflicted 48,000 dervish casualties in just five hours while losing only 48 soldiers of its own. Many in Britain imagined an even easier victory against

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the Boers. After all, as one member of Parliament put it, it was “the British Empire against 30,000 farmers.”

The war was ostensibly fought for a virtuous reason: to defend the rights of the English-speaking people of the Boer republics, who were treated as second-class citizens by the ruling Boers. But it did not escape the attention of London that after the discovery of gold in the region in 1886, these republics had been producing a quarter of the world’s gold supply. In any event, the Boers launched a pre-emptive strike, and war began in 1899.

Things went badly for Britain from the beginning. It had more men and better weapons and was fielding its best generals (including Lord Kitchener, the hero of Omdurman). But the Boers were passionate in defending themselves, knew the land, and adopted successful guerrilla tactics that relied on stealth and speed. The British army’s enormous military superiority meant little on the ground, and its commanders resorted to brutal tactics—burning down villages, herding civilians into concentration camps (the world’s first), sending in more and more troops. Eventually, Britain had 450,000 troops fighting a militia of 45,000.

The Boers could not hold back the British army forever, and in 1902 they surrendered. But in a larger sense, Britain lost the war. It had suffered 45,000 casualties, spent half a billion pounds, stretched its army to the breaking point, and discovered enormous incompetence and corruption in its war effort. Its brutal wartime tactics, moreover, gave it a black eye in the view of the rest of the world. At home, all of this created, or exposed, deep divisions over Britain’s global role. Abroad, every other great power—France, Germany, the United States—opposed London’s actions. “They were friendless,” the historian Lawrence James has written of the British in 1902.

Fast-forward to today. Another superpower, militarily unbeatable, wins an easy victory in Afghanistan and then takes on what it is sure will be another simple battle, this one against Saddam Hussein’s isolated regime in Iraq. The result: a quick initial military victory followed by a long, arduous struggle, filled with political and military blunders and met with intense international opposition. The analogy is obvious; the United States is Britain, the Iraq war is the Boer War—and, by extension, the United States’ future looks bleak. And indeed, regardless

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of the outcome in Iraq, the costs have been massive. The United States has been overextended and distracted, its army stressed, its image sullied. Rogue states such as Iran and Venezuela and great powers such as China and Russia are taking advantage of Washington's inattention and bad fortunes. The familiar theme of imperial decline is playing itself out one more time. History is happening again.

THE LONG GOODBYE

BUT WHATEVER the apparent similarities, the circumstances are not really the same. Britain was a strange superpower. Historians have written hundreds of books explaining how London could have adopted certain foreign policies to change its fortunes. If only it had avoided the Boer War, say some. If only it had stayed out of Africa, say others. The historian Niall Ferguson provocatively suggests that had Britain stayed out of World War I (and there might not have been a world war without British participation), it might have managed to preserve its great-power position. There is some truth to this line of reasoning (World War I did bankrupt Britain), but to put things properly in historical context, it is worth looking at this history from another angle. Britain's immense empire was the product of unique circumstances. The wonder is not that it declined but that its dominance lasted as long as it did. Understanding how Britain played its hand—one that got weaker over time—can help illuminate the United States' path forward.

Britain has been a rich country for centuries (and was a great power for most of that time), but it was an economic superpower for little more than a generation. Observers often make the mistake of dating its apogee by great imperial events such as the Diamond Jubilee. In fact, by 1897, Britain's best years were already behind it. Its true apogee was a generation earlier, from 1845 to 1870. At the time, it was producing more than 30 percent of global GDP. Its energy consumption was five times that of the United States and 155 times that of Russia. It accounted for one-fifth of the world's trade and two-fifths of its manufacturing trade. And all this was accomplished with just two percent of the world's population.

By the late 1870s, the United States had equaled Britain on most industrial measures, and by the early 1880s it had actually surpassed it, as Germany would about 15 years later. By World War I, the United

States' economy was twice the size of Britain's, and together France's and Russia's were larger as well. In 1860, Britain had produced 53 percent of the world's iron (then a sign of supreme industrial strength); by 1914, it was making less than 10 percent.

Of course, politically, London was still the capital of the world at the time of World War I, and its writ was unequalled and largely unchallenged across much of the globe. Britain had acquired an empire in a period before the onset of nationalism, and so there were few obstacles to creating and maintaining control in far-flung places. Its sea power was unrivaled, and it remained dominant in banking, shipping, insurance, and investment. London was still the center of global finance, and the pound still the reserve currency of the world. Even in 1914, Britain invested twice as much capital abroad as its closest competitor, France, and five times as much as the United States. The economic returns of these investments and other "invisible trades" in some ways masked Britain's decline.

In fact, the British economy was sliding. British growth rates had dropped below two percent in the decades leading up to World War I. The United States and Germany, meanwhile, were growing at around five percent. Having spearheaded the first Industrial Revolution, Britain was less adept at moving into the second. The goods it was producing represented the past rather than the future. In 1907, for example, it manufactured four times as many bicycles as the United States did, but the United States manufactured 12 times as many cars.

Scholars have debated the causes of Britain's decline since shortly after that decline began. Some have focused on geopolitics; others, on economic factors, such as low investment in new plants and equipment and bad labor relations. British capitalism had remained old-fashioned and rigid, its industries set up as small cottage-scale enterprises with skilled craftsmen rather than the mass factories that sprang up in Germany and the United States. There were signs of broader cultural problems as well. A wealthier Britain was losing its focus on practical education, and British society retained a feudal cast, given to it by its landowning aristocracy.

Britain was undone as a global power not because of bad politics but because of bad economics.

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But it may be that none of these failings was actually crucial. The historian Paul Kennedy has explained the highly unusual circumstances that produced Britain's dominance in the nineteenth century. Given its portfolio of power—geography, population, resources—Britain could reasonably have expected to account for three to four percent of global GDP, but its share rose to around ten times that figure. As those unusual circumstances abated—as other Western countries caught up with industrialization, as Germany united, as the United States resolved its North-South divide—Britain was bound to decline. The British statesman Leo Amery saw this clearly in 1905. “How can these little islands hold their own in the long run against such great and rich empires as the United States and Germany are rapidly becoming?” he asked. “How can we with forty millions of people compete with states nearly double our size?” It is a question that many Americans are now asking in the face of China's rise.

Britain managed to maintain its position as the leading world power for decades after it lost its economic dominance thanks to a combination of shrewd strategy and good diplomacy. Early on, as it saw the balance of power shifting, London made one critical decision that extended its influence by decades: it chose to accommodate itself to the rise of the United States rather than to contest it. In the decades after 1880, on issue after issue London gave in to a growing and assertive Washington.

It was not easy for Britain to cede control to its former colony, a country with which it had fought two wars and in whose recent civil war it had sympathized with the secessionists. But it was a strategic masterstroke. Had Britain tried to resist the rise of the United States, on top of all its other commitments, it would have been bled dry. For all of London's mistakes over the next half century, its strategy toward Washington—one followed by every British government since the 1890s—meant that Britain could focus its attention on other critical fronts. It remained, for example, the master of the seas, controlling its lanes and pathways with “five keys” that were said to lock up the world—Singapore, the Cape of Good Hope, Alexandria, Gibraltar, and Dover.

Britain maintained control of its empire and retained worldwide influence with relatively little opposition for many decades. (In the settlement after World War I, it took over 1.8 million square miles of



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Of all stripes: soldiers of the British Empire in England for the Diamond Jubilee, 1897

territory and 13 million new subjects, mostly in the Middle East.) Still, the gap between its political role and its economic capacity was growing. By the twentieth century, the empire was an enormous drain on the British treasury. And this was no time for expensive habits. The British economy was reeling. World War I cost over \$40 billion, and Britain, once the world's leading creditor, had debts amounting to 136 percent of domestic output afterward. By the mid-1920s, interest payments alone sucked up half the government's budget. Meanwhile, by 1936, Germany's defense spending was three times as high as Britain's. The same year that Italy invaded Ethiopia, Mussolini also placed 50,000 troops in Libya—ten times the number of British troops guarding the Suez Canal. It was these circumstances—coupled with the memory of a recent world war that had killed more than 700,000 young Britons—that led the British governments of the 1930s, facing the forces of fascism, to prefer wishful thinking and appeasement to confrontation.

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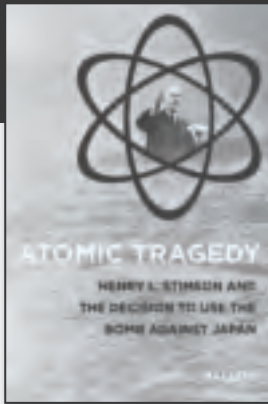
World War II was the final nail in the coffin of British economic power: in 1945, the United States' GDP was ten times that of Britain. Even then, Britain remained remarkably influential, at least partly because of the almost superhuman energy and ambition of Winston Churchill. Given that the United States was paying most of the Allies' economic costs, and Russia was bearing most of the casualties, it took extraordinary will for Britain to remain one of the three major powers deciding the fate of the postwar world. (The photographs of Franklin Roosevelt, Joseph Stalin, and Churchill at the Yalta Conference in February 1945 are somewhat misleading: there was no "big three" at Yalta; there was a "big two" plus one brilliant political entrepreneur who was able to keep himself and his country in the game.)

But even this came at a cost. In return for its loans to London, the United States took over dozens of British bases in Canada, the Caribbean, the Indian Ocean, and the Pacific. "The British Empire is handed over to the American pawnbroker—our only hope," said one member of Parliament. The economist John Maynard Keynes described the Lend-Lease Act as an attempt to "pick out the eyes of the British Empire." Less emotional observers saw that the transition was inevitable. Toynbee, by then a distinguished historian, consoled Britons by noting that the United States' "hand will be a great deal lighter than Russia's, Germany's, or Japan's, and I suppose these are the alternatives."

THE ENTREPRENEURIAL EMPIRE

BRITAIN WAS undone as a global power not because of bad politics but because of bad economics. Indeed, the impressive skill with which London played its weakening hand despite a 70-year economic decline offers important lessons for the United States. First, however, it is essential to note that the central feature of Britain's decline—irreversible economic deterioration—does not really apply to the United States today. Britain's unrivaled economic status lasted for a few decades; the United States' has lasted more than 120 years. The U.S. economy has been the world's largest since the middle of the 1880s, and it remains so today. In fact, the United States has held a surprisingly constant share of global GDP ever since. With the brief exception of the

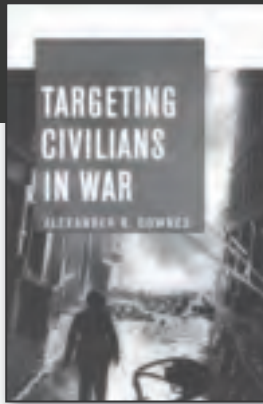
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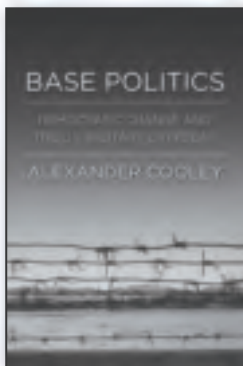
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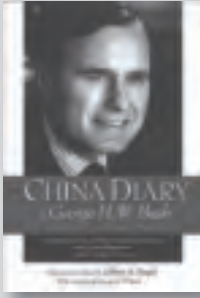


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late 1940s and 1950s, when the rest of the industrialized world had been destroyed and its share rose to 50 percent, the United States has accounted for roughly a quarter of world output for over a century (32 percent in 1913, 26 percent in 1960, 22 percent in 1980, 27 percent in 2000, and 26 percent in 2007). It is likely to slip, but not significantly, in the next two decades. Most estimates suggest that in 2025 the United States' economy will still be twice the size of China's in terms of nominal GDP.

This difference between the United States and Britain is reflected in the burden of their military budgets. Britannia ruled the seas but never the land. The British army was sufficiently small that Otto von Bismarck once quipped that were the British ever to invade Germany, he would simply have the local police force arrest them. Meanwhile, London's advantage over the seas—it had more tonnage than the next two navies put together—came at ruinous cost. The U.S. military, in contrast, dominates at every level—land, sea, air, space—and spends more than the next 14 countries combined, accounting for almost 50 percent of global defense spending. The United States also spends more on defense research and development than the rest of the world put together. And crucially, it does all this without breaking the bank. U.S. defense expenditure as a percent of GDP is now 4.1 percent, lower than it was for most of the Cold War (under Dwight Eisenhower, it rose to ten percent). As U.S. GDP has grown larger and larger, expenditures that would have been backbreaking have become affordable. The Iraq war may be a tragedy or a noble endeavor, but either way, it will not bankrupt the United States. The price tag for Iraq and Afghanistan together—\$125 billion a year—represents less than one percent of GDP. The war in Vietnam, by comparison, cost the equivalent of 1.6 percent of U.S. GDP in 1970, a large difference. (Neither of these percentages includes second- or third-order costs of war, which allows for a fair comparison even if one disputes the exact figures.)

U.S. military power is not the cause of its strength but the consequence. The fuel is the United States' economic and technological base, which remains extremely strong. The United States does face larger, deeper, and broader challenges than it has ever faced in its history, and it will undoubtedly lose some share of global GDP. But the process will look nothing like Britain's slide in the twentieth century, when

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the country lost the lead in innovation, energy, and entrepreneurship. The United States will remain a vital, vibrant economy, at the forefront of the next revolutions in science, technology, and industry.

In trying to understand how the United States will fare in the new world, the first thing to do is simply look around: the future is already here. Over the last 20 years, globalization has been gaining breadth and depth. More countries are making goods, communications technology has been leveling the playing field, capital has been free to move across the world—and the United States has benefited massively from these trends. Its economy has received hundreds of billions of

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dollars in investment, and its companies have entered new countries and industries with great success. Despite two decades of a very expensive dollar, U.S. exports have held ground, and the World Economic Forum currently ranks the United States as the world's most competitive economy. GDP growth, the bottom line, has averaged just

over three percent in the United States for 25 years, significantly higher than in Europe or Japan. Productivity growth, the elixir of modern economics, has been over 2.5 percent for a decade now, a full percentage point higher than the European average. This superior growth trajectory might be petering out, and perhaps U.S. growth will be more typical for an advanced industrialized country for the next few years. But the general point—that the United States is a highly dynamic economy at the cutting edge, despite its enormous size—holds.

Consider the industries of the future. Nanotechnology (applied science dealing with the control of matter at the atomic or molecular scale) is likely to lead to fundamental breakthroughs over the next 50 years, and the United States dominates the field. It has more dedicated “nanocenters” than the next three nations (Germany, Britain, and China) combined and has issued more patents for nanotechnology than the rest of the world combined, highlighting its unusual strength in turning abstract theory into practical products. Biotechnology (a broad category that describes the use of biological systems to create medical, agricultural, and industrial products) is also dominated by

the United States. Biotech revenues in the United States approached \$50 billion in 2005, five times as large as the amount in Europe and representing 76 percent of global biotech revenues.

Manufacturing has, of course, been leaving the country, shifting to the developing world and turning the United States into a service economy. This scares many Americans, who wonder what their country will make if everything is “made in China.” But Asian manufacturing must be viewed in the context of a global economy. *The Atlantic Monthly*'s James Fallows spent a year in China watching its manufacturing juggernaut up close, and he provides a persuasive explanation of how outsourcing has strengthened U.S. competitiveness. What it comes down to is that the real money is in designing and distributing products—which the United States dominates—rather than manufacturing them. A vivid example of this is the iPod: it is manufactured mostly outside the United States, but most of the added value is captured by Apple, in California.

Many experts and scholars, and even a few politicians, worry about certain statistics that bode ill for the United States. The U.S. savings rate is zero; the current account deficit, the trade deficit, and the budget deficit are high; the median income is flat; and commitments for entitlements are unsustainable. These are all valid concerns that will have to be addressed. But it is important to keep in mind that many frequently cited statistics offer only an approximate or an antiquated measure of an economy. Many of them were developed in the late nineteenth century to describe industrial economies with limited cross-border activity, not modern economies in today's interconnected global market.

For the last two decades, for example, the United States has had unemployment rates well below levels economists thought possible without driving up inflation. Or consider that the United States' current account deficit—which in 2007 reached \$800 billion, or seven percent of GDP—was supposed to be unsustainable at four percent of GDP. The current account deficit is at a dangerous level, but its magnitude can be explained in part by the fact that there is a worldwide surplus of savings and that the United States remains an unusually stable and attractive place to invest. The decrease in personal savings, as the Harvard economist Richard Cooper has noted, has been largely offset by an increase in corporate savings. The U.S. investment picture also looks

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much rosier if education and research-and-development spending are considered along with spending on physical capital and housing.

The United States has serious problems. By all calculations, Medicare threatens to blow up the federal budget. The swing from surpluses to deficits between 2000 and 2008 has serious implications. Growing inequality (the result of the knowledge economy, technology, and globalization) has become a signature feature of the new era. Perhaps most worrying, Americans are borrowing 80 percent of the world's surplus savings and using it for consumption: they are selling off their assets to foreigners to buy a couple more lattes a day. But such problems must be considered in the context of an overall economy that remains powerful and dynamic.

EDUCATION NATION

“AH, YES,” say those who are more worried, “but you are looking at a snapshot of today. The United States' advantages are rapidly eroding as the country loses its scientific and technological base and suffers from inexorable cultural decay.” A country that once adhered to a Puritan ethic of delayed gratification, the argument goes, has become one that revels in instant pleasures; Americans are losing interest in the basics—math, manufacturing, hard work, savings—and becoming a society that specializes in consumption and leisure.

No statistic seems to capture this anxiety better than those showing the decline of engineering in the United States. In 2005, the National Academy of Sciences released a report warning that the United States could soon lose its privileged position as the world's science leader. The report said that in 2004 China graduated 600,000 engineers, India 350,000, and the United States 70,000—numbers that were repeated in countless articles, books, and speeches. And indeed, these figures do seem to be cause for despair. What hope does the United States have if for every one qualified American engineer there are more than a dozen Chinese and Indian ones? For the cost of one chemist or engineer in the United States, the report pointed out, a company could hire five Chinese chemists or 11 Indian engineers.

The numbers, however, are wrong. Several academics and journalists investigated the matter and quickly realized that the Asian totals

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“Immigration is fascinating, and a new report from the Organisation for Economic Co-operation and Development, *A Profile of Immigrant Populations in the 21st Century*, has some juicy nuggets.”

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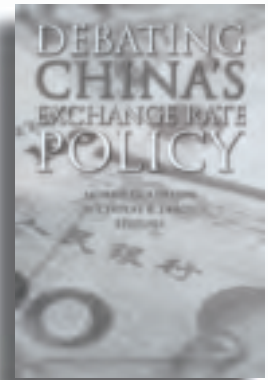
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included graduates of two- or three-year programs training students in simple technical tasks. The National Science Foundation, which tracks these statistics in the United States and other nations, puts the Chinese number at about 200,000 engineering degrees per year, and the Rochester Institute of Technology's Ron Hira puts the number of Indian engineering graduates at about 125,000 a year. This means that the United States actually trains more engineers per capita than either China or India does.

And the numbers do not address the issue of quality. The best and brightest in China and India—those who, for example, excel at India's famous engineering academies, the Indian Institutes of Technology (5,000 out of 300,000 applicants make it past the entrance exams)—would do well in any educational system. But once you get beyond such elite institutions—which graduate under 10,000 students a year—the quality of higher education in China and India remains extremely poor, which is why so many students leave those countries to get trained abroad. In 2005, the McKinsey Global Institute did a study of “the emerging global labor market” and found that 28 low-wage countries had approximately 33 million young professionals at their disposal. But, the study noted, “only a fraction of potential job candidates could successfully work at a foreign company,” largely because of inadequate education.

Indeed, higher education is the United States' best industry. In no other field is the United States' advantage so overwhelming. A 2006 report from the London-based Center for European Reform points out that the United States invests 2.6 percent of its GDP in higher education, compared with 1.2 percent in Europe and 1.1 percent in Japan. Depending on which study you look at, the United States, with five percent of the world's population, has either seven or eight of the world's top ten universities and either 48 percent or 68 percent of the top 50. The situation in the sciences is particularly striking. In India, universities graduate between 35 and 50 Ph.D.'s in computer science each year; in the United States, the figure is 1,000. A list of where the world's 1,000 best computer scientists were educated shows

The United States' advantages today are in large part a product of immigration.

Fareed Zakaria

that the top ten schools are all American. The United States also remains by far the most attractive destination for students, taking in 30 percent of the total number of foreign students globally, and its collaborations between business and educational institutions are unmatched anywhere in the world. All these advantages will not be erased easily, because the structure of European and Japanese universities—mostly state-run bureaucracies—is unlikely to change. And although China and India are opening new institutions, it is not that easy to create a world-class university out of whole cloth in a few decades.

Few people believe that U.S. primary and secondary schools deserve similar praise. The school system, the line goes, is in crisis, with its students performing particularly badly in science and math, year after year, in international rankings. But the statistics here, although not wrong, reveal something slightly different. The real problem is one not of excellence but of access. The Trends in International Mathematics and Science Study (TIMSS), the standard for comparing educational programs across nations, puts the United States squarely in the middle of the pack. The media reported the news with a predictable penchant for direness: “Economic Time Bomb: U.S. Teens Are Among Worst at Math,” declared *The Wall Street Journal*.

But the aggregate scores hide deep regional, racial, and socioeconomic variation. Poor and minority students score well below the U.S. average, while, as one study noted, “students in affluent suburban U.S. school districts score nearly as well as students in Singapore, the runaway leader on TIMSS math scores.” The difference between the average science scores in poor and wealthy school districts within the United States, for instance, is four to five times as high as the difference between the U.S. and the Singaporean national average. In other words, the problem with U.S. education is a problem of inequality. This will, over time, translate into a competitiveness problem, because if the United States cannot educate and train a third of the working population to compete in a knowledge economy, this will drag down the country. But it does know what works.

The U.S. system may be too lax when it comes to rigor and memorization, but it is very good at developing the critical faculties of the mind. It is surely this quality that goes some way in explaining why the United States produces so many entrepreneurs, inventors, and risk

The Future of American Power

takers. Tharman Shanmugaratnam, until recently Singapore's minister of education, explains the difference between his country's system and that of the United States: "We both have meritocracies," Shanmugaratnam says. "Yours is a talent meritocracy, ours is an exam meritocracy. We know how to train people to take exams. You know how to use people's talents to the fullest. Both are important, but there are some parts of the intellect that we are not able to test well—like creativity, curiosity, a sense of adventure, ambition. Most of all, America has a culture of learning that challenges conventional wisdom, even if it means challenging authority." This is one reason that Singaporean officials recently visited U.S. schools to learn how to create a system that nurtures and rewards ingenuity, quick thinking, and problem solving. "Just by watching, you can see students are more engaged, instead of being spoon-fed all day," one Singaporean visitor told *The Washington Post*. While the United States marvels at Asia's test-taking skills, Asian governments come to the United States to figure out how to get their children to think.

THE GRAY ZONE

THE UNITED STATES' advantages might seem obvious when compared with conditions in Asia, which is still a continent of mostly developing countries. Against Europe, the margin is slimmer than many Americans believe. The eurozone has been growing at an impressive clip, about the same pace per capita as the United States since 2000. It takes in half the world's foreign investment, boasts strong labor productivity, and posted a \$30 billion trade surplus in the first ten months of 2007. In the World Economic Forum's Global Competitiveness Index, European countries occupy seven of the top ten slots. Europe has its problems—high unemployment, rigid labor markets—but it also has advantages, including more efficient and fiscally sustainable health-care and pension systems. All in all, Europe presents the most significant short-term challenge to the United States in the economic realm.

But Europe has one crucial disadvantage. Or, to put it more accurately, the United States has one crucial advantage over Europe and most of the developed world. The United States is demographically vibrant. Nicholas Eberstadt, a scholar at the American Enterprise Institute,

Fareed Zakaria

estimates that the U.S. population will increase by 65 million by 2030, whereas Europe's population will remain "virtually stagnant." Europe, Eberstadt notes, "will by that time have more than twice as many seniors older than 65 than children under 15, with drastic implications for future aging. (Fewer children now means fewer workers later.) In the United States, by contrast, children will continue to outnumber the elderly. The United Nations Population Division estimates that the ratio of working-age people to senior citizens in western Europe will drop from 3.8:1 today to just 2.4:1 in 2030. In the U.S., the figure will fall from 5.4:1 to 3.1:1."

The only real way to avert this demographic decline is for Europe to take in more immigrants. Native Europeans actually stopped replacing themselves as early as 2007, and so even maintaining the current population will require modest immigration. Growth will require much more. But European societies do not seem able to take in and assimilate people from strange and unfamiliar cultures, especially from rural and backward regions in the world of Islam. The question of who is at fault here—the immigrant or the society—is irrelevant. The reality is that Europe is moving toward taking in fewer immigrants at a time when its economic future rides on its ability to take in many more. The United States, on the other hand, is creating the first universal nation, made up of all colors, races, and creeds, living and working together in considerable harmony. Consider the current presidential election, in which the contestants have included a black man, a woman, a Mormon, a Hispanic, and an Italian American.

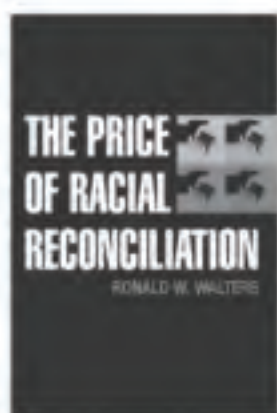
Surprisingly, many Asian countries (with India an exception) are in demographic situations similar to or even worse than Europe's. The fertility rates in China, Japan, South Korea, and Taiwan are well below the replacement level of 2.1 births per woman, and estimates indicate that the major East Asian nations will face a sizable reduction in their working-age populations over the next half century. The working-age population in Japan has already peaked; by 2010, Japan will have three million fewer workers than it did in 2005. The worker populations in China and South Korea are also likely to peak within the next decade. Goldman Sachs predicts that China's median age will rise from 33 in 2005 to 45 in 2050, a remarkable graying of the population. And Asian countries have as much trouble with immigrants as European countries do.



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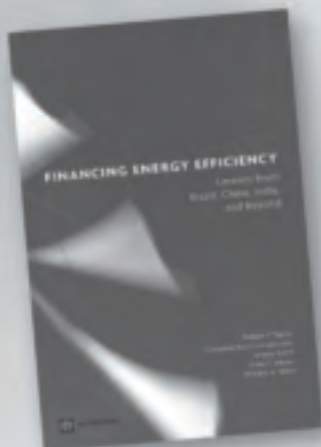
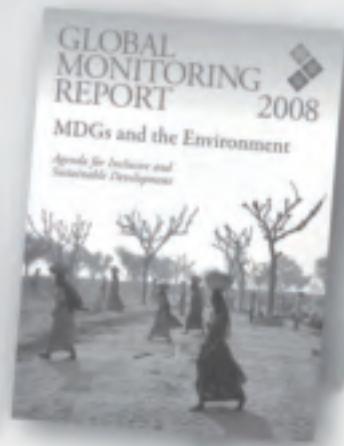
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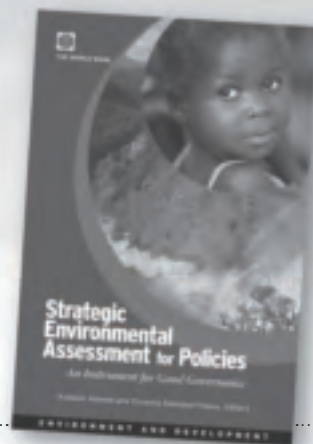
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Japan faces a large prospective worker shortage because it can neither take in enough immigrants nor allow its women to fully participate in the labor force.

The effects of an aging population are considerable. First, there is the pension burden—fewer workers supporting more gray-haired elders. Second, as the economist Benjamin Jones has shown, most innovative inventors—and the overwhelming majority of Nobel laureates—do their most important work between the ages of 30 and 44. A smaller working-age population, in other words, means fewer technological, scientific, and managerial advances. Third, as workers age, they go from being net savers to being net spenders, with dire ramifications for national savings and investment rates. For advanced industrialized countries, bad demographics are a killer disease.

The United States' potential advantages today are in large part a product of immigration. Without immigration, the United States' GDP growth over the last quarter century would have been the same as Europeans. Native-born white Americans have the same low fertility rates as Europeans. Foreign students and immigrants account for 50 percent of the science researchers in the country and in 2006 received 40 percent of the doctorates in science and engineering and 65 percent of the doctorates in computer science. By 2010, foreign students will get more than 50 percent of all the Ph.D.'s awarded in every subject in the United States. In the sciences, that figure will be closer to 75 percent. Half of all Silicon Valley start-ups have one founder who is an immigrant or a first-generation American. In short, the United States' potential new burst of productivity, its edge in nanotechnology and biotechnology, its ability to invent the future—all rest on its immigration policies. If the United States can keep the people it educates in the country, the innovation will happen there. If they go back home, the innovation will travel with them.

Immigration also gives the United States a quality rare for a rich country—dynamism. The country has found a way to keep itself constantly revitalized by streams of people who are eager to make a new life in a new world. Some Americans have always worried about such immigrants—whether from Ireland or Italy, China or Mexico. But these immigrants have gone on to become the backbone of the American working class, and their children or grandchildren have entered



CORBIS

*Young Americans: immigrants after taking
the oath of citizenship, Los Angeles, California, 2007*

the American mainstream. The United States has been able to tap this energy, manage diversity, assimilate newcomers, and move ahead economically. Ultimately, this is what sets the country apart from the experience of Britain and all other past great economic powers that have grown fat and lazy and slipped behind as they faced the rise of leaner, hungrier nations.

LEARNING FROM THE WORLD

IN 2005, New York City got a wake-up call. Twenty-four of the world's 25 largest initial public offerings that year were held in countries other than the United States. This was stunning. The United States' capital markets have long been the biggest in the world. They financed the turnaround in manufacturing in the 1980s and the technology revolution of the 1990s, and they are today financing the ongoing advances in bioscience. It is the fluidity of these markets that has kept American business nimble. If the United States is losing this distinctive advantage, it is very bad news.

Much of the discussion around the problem has focused on the United States' regulation, particularly post-Enron laws such as Sarbanes-Oxley, and the constant threat of litigation that hovers over businesses in the United States. These obstacles are there, but they do not really get at what has shifted business abroad. The United States is conducting business as usual. But others are joining in the game. What is really happening here, as in other areas, is simple: the rise of the rest. The United States' sum total of stocks, bonds, deposits, loans, and other financial instruments—its financial stock, in other words—still exceeds that of any other region, but other regions are seeing their financial stock grow much more quickly. This is especially true of the rising countries of Asia, but even the eurozone is outpacing the United States. Europe's total banking and trading revenues, \$98 billion in 2005, have nearly pulled equal to the United States' revenues. And when it comes to new derivatives based on underlying financial instruments such as stocks or interest-rate payments, which are increasingly important for hedge funds, banks, and insurers, London is the dominant player already. This is all part of a broader trend. Countries and companies now have options that they never had before.

In this and other regards, the United States is not doing worse than usual. It functions as it always has—perhaps subconsciously assuming that it is still leagues ahead of the pack. U.S. legislators rarely think about the rest of the world when writing laws, regulations, and policies. U.S. officials rarely refer to global standards. After all, for so long the United States was the global standard, and when it chose to do something different, it was important enough that the rest of the world would cater to its exceptionality. The United States is the only country in the world other than Liberia and Myanmar that is not on the metric system. Other than Somalia, it is alone in not ratifying the Convention on the Rights of the Child. In business, the United States did not need to benchmark. It was the one teaching the world how to be capitalist. But now everyone is playing the United States' game, and playing to win.

For most of the last 30 years, the United States had the lowest corporate tax rates of the major industrialized countries. Today, it has the second highest. U.S. rates have not gone up; others have come down. Germany, for example, long a staunch believer in its high-taxation

Fareed Zakaria

system, has cut its rates in response to moves by countries to its east, such as Austria and Slovakia. This kind of competition among industrialized countries is now widespread. It is not a race to the bottom—Scandinavian countries have high taxes, good services, and strong growth—but a quest for growth. U.S. regulations used to be more

Now everyone is playing the United States' game, and playing to win.

flexible and market-friendly than all others. That is no longer true. London's financial system was overhauled in 2001, with a single entity replacing a confusing mishmash of regulators, which is one reason that London's financial sector now beats out New York's on some measures. The entire British government works aggressively to make London a

global hub. Regulators from Warsaw to Shanghai to Mumbai are moving every day to make their systems more attractive to investors and manufacturers. Washington, by contrast, spends its time and energy thinking of ways to tax New York, so that it can send its revenues to the rest of the country.

Being on top for so long has its downsides. The U.S. market has been so large that Americans have assumed that the rest of the world would take the trouble to understand it and them. They have not had to reciprocate by learning foreign languages, cultures, or markets. Now, that could leave the United States at a competitive disadvantage. Take the spread of English worldwide as a metaphor. Americans have delighted in this process because it makes it so much easier for them to travel and do business abroad. But it also gives the locals an understanding of and access to two markets and cultures. They can speak English but also Mandarin or Hindi or Portuguese. They can penetrate the U.S. market but also the internal Chinese, Indian, or Brazilian one. Americans, by contrast, have never developed the ability to move into other people's worlds.

The United States is used to being the leading economy and society. It has not noticed that most of the rest of the industrialized world—and a good part of the nonindustrialized world as well—has better cell-phone service than the United States. Computer connectivity is faster and cheaper across the rest of the industrialized world, from Canada to France to Japan, and the United States now stands 16th in

the world in broadband penetration per capita. Americans are constantly told by their politicians that the only thing they have to learn from other countries' health-care systems is to be thankful for their own. Americans rarely look around and notice other options and alternatives, let alone adopt them.

Learning from the rest is no longer a matter of morality or politics. Increasingly, it is about competitiveness. Consider the automobile industry. For more than a century after 1894, most of the cars manufactured in North America were made in Michigan. Since 2004, Michigan has been replaced by Ontario, Canada. The reason is simple: health care. In the United States, car manufacturers have to pay \$6,500 in medical and insurance costs for every worker. If they move a plant to Canada, which has a government-run health-care system, the cost to them is around \$800 per worker. This is not necessarily an advertisement for the Canadian health-care system, but it does make clear that the costs of the U.S. health-care system have risen to a point where there is a significant competitive disadvantage to hiring American workers. Jobs are going not to low-wage countries but to places where well-trained and educated workers can be found: it is smart benefits, not low wages, that employers are looking for.

For decades, American workers, whether in car companies, steel plants, or banks, had one enormous advantage over all other workers: privileged access to American capital. They could use that access to buy technology and training that no one else had—and thus produce products that no one else could, and at competitive prices. That special access is also gone. The world is swimming in capital, and suddenly American workers have to ask themselves, What can we do better than others? It is a dilemma not just for workers but for companies as well. When American companies went abroad, they used to bring with them capital and know-how. But when they go abroad now, they discover that the natives already have money and already know how.

There really is not a Third World anymore. So what do American companies bring to Brazil or India? What is the United States' competitive advantage? This is a question few American businesspeople thought they would ever have to answer. The answer lies in something the economist Martin Wolf noted. Economists used to discuss two basic concepts, capital and labor. But these are now commodities,

Fareed Zakaria

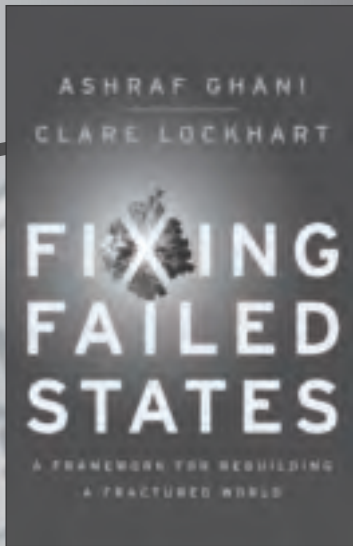
widely available to everyone. What distinguishes economies today are ideas and energy. A country can prosper if it is a source of ideas or energy for the world.

DO-NOTHING POLITICS

THE UNITED STATES has been and can continue to be the world's most important source of new ideas, big and small, technical and creative, economic and political. (If it were truly innovative, it could generate new ideas to produce new kinds of energy.) But to do that, it has to make some significant changes. The United States has a history of worrying that it is losing its edge. Today's is at least the fourth wave of such concern since World War II. The first was in the late 1950s, a result of the Soviet Union's launching of the Sputnik satellite. The second was in the early 1970s, when high oil prices and slow growth convinced Americans that Western Europe and Saudi Arabia were the powers of the future. The third one arrived in the mid-1980s, when most experts believed that Japan would be the technologically and economically dominant superpower of the future. The concern in each of these cases was well founded, the projections intelligent. But none of the feared scenarios came to pass. The reason is that the U.S. system proved to be flexible, resourceful, and resilient, able to correct its mistakes and shift its attention. A focus on U.S. economic decline ended up preventing it.

The problem today is that the U.S. political system seems to have lost its ability to fix its ailments. The economic problems in the United States today are real, but by and large they are not the product of deep inefficiencies within the U.S. economy, nor are they reflections of cultural decay. They are the consequences of specific government policies. Different policies could quickly and relatively easily move the United States onto a far more stable footing. A set of sensible reforms could be enacted tomorrow to trim wasteful spending and subsidies, increase savings, expand training in science and technology, secure pensions, create a workable immigration process, and achieve significant efficiencies in the use of energy. Policy experts do not have wide disagreements on most of these issues, and none of the proposed measures would require sacrifices reminiscent

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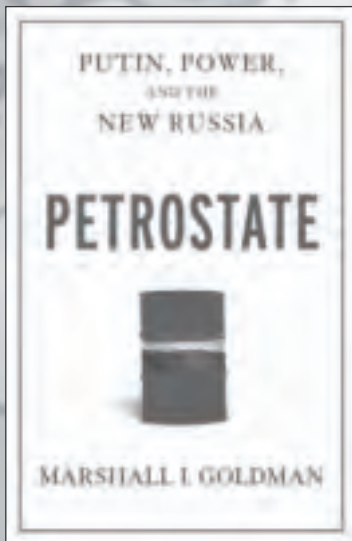
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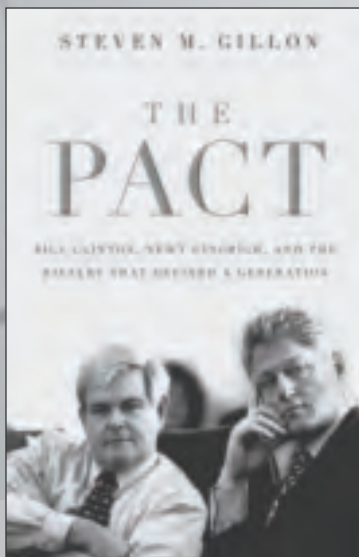
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of wartime hardship, only modest adjustments of existing arrangements. And yet, because of politics, they appear impossible. The U.S. political system has lost the ability to accept some pain now for great gain later on.

As it enters the twenty-first century, the United States is not fundamentally a weak economy or a decadent society. But it has developed a highly dysfunctional politics. What was an antiquated and overly rigid political system to begin with (now about 225 years old) has been captured by money, special interests, a sensationalist media, and ideological attack groups. The result is ceaseless, virulent debate about trivia—politics as theater—and very little substance, compromise, or action. A can-do country is now saddled with a do-nothing political process, designed for partisan battle rather than problem solving.

It is clever contrarianism to be in favor of sharp party politics and against worthy calls for bipartisanship. Some political scientists have long wished that U.S. political parties were more like European ones—ideologically pure and tightly disciplined. But Europe's parliamentary systems work well with partisan parties. In them, the executive branch always controls the legislative branch, and so the party in power can implement its agenda easily. The U.S. system, by contrast, is one of shared power, overlapping functions, and checks and balances. Progress requires broad coalitions between the two major parties and politicians who will cross the aisle. That is why James Madison distrusted political parties, lumping them together with all kinds of "factions" and considering them a grave danger to the young American republic.

Progress on any major problem—health care, Social Security, tax reform—will require compromise from both sides. It requires a longer-term perspective. And that has become politically deadly. Those who advocate sensible solutions and compromise legislation find themselves being marginalized by their party's leadership, losing funds from special-interest groups, and being constantly attacked by their "side" on television and radio. The system provides greater incentives to stand firm and go back and tell your team that you refused to bow to the enemy. It is great for fundraising, but it is terrible for governing.

THE RISE OF THE REST

THE REAL test for the United States is the opposite of that faced by Britain in 1900. Britain's economic power waned even as it managed to maintain immense political influence around the world. The U.S. economy and American society, in contrast, are capable of responding to the economic pressures and competition they face. They can adjust, adapt, and persevere. The test for the United States is political—and it rests not just with the United States at large but with Washington in particular. Can Washington adjust and adapt to a world in which others have moved up? Can it respond to shifts in economic requirements and political power?

The world has been one in which the United States was utterly unrivaled for two decades. It has been, in a broader sense, a U.S.-designed world since the end of World War II. But it is now in the midst of one of history's greatest periods of change.

There have been three tectonic power shifts over the last 500 years, fundamental changes in the distribution of power that have reshaped international life—its politics, economics, and culture. The first was the rise of the Western world, a process that began in the fifteenth century and accelerated dramatically in the late eighteenth century. It produced modernity as we know it: science and technology, commerce and capitalism, the agricultural and industrial revolutions. It also produced the prolonged political dominance of the nations of the West.

The second shift, which took place in the closing years of the nineteenth century, was the rise of the United States. Soon after it industrialized, the United States became the most powerful nation since imperial Rome, and the only one that was stronger than any likely combination of other nations. For most of the last century, the United States has dominated global economics, politics, science, culture, and ideas. For the last 20 years, that dominance has been unrivaled, a phenomenon unprecedented in history.

We are now living through the third great power shift of the modern era—the rise of the rest. Over the past few decades, countries all over the world have been experiencing rates of economic growth that were once unthinkable. Although they have had booms and busts, the overall trend has been vigorously forward. (This growth has been most

visible in Asia but is no longer confined to it, which is why to call this change “the rise of Asia” does not describe it accurately.)

The emerging international system is likely to be quite different from those that have preceded it. A hundred years ago, there was a multipolar order run by a collection of European governments, with constantly shifting alliances, rivalries, miscalculations, and wars. Then came the duopoly of the Cold War, more stable in some ways, but with the superpowers reacting and overreacting to each other’s every move. Since 1991, we have lived under a U.S. imperium, a unique, unipolar world in which the open global economy has expanded and accelerated. This expansion is driving the next change in the nature of the international order. At the politico-military level, we remain in a single-superpower world. But polarity is not a binary phenomenon. The world will not stay unipolar for decades and then suddenly, one afternoon, become multipolar. On every dimension other than military power—industrial, financial, social, cultural—the distribution of power is shifting, moving away from U.S. dominance. That does not mean we are entering an anti-American world. But we are moving into a post-American world, one defined and directed from many places and by many people.

There are many specific policies and programs one could advocate to make the United States’ economy and society more competitive. But beyond all these what is also needed is a broader change in strategy and attitude. The United States must come to recognize that it faces a choice—it can stabilize the emerging world order by bringing in the new rising nations, ceding some of its own power and perquisites, and accepting a world with a diversity of voices and viewpoints. Or it can watch as the rise of the rest produces greater nationalism, diffusion, and disintegration, which will slowly tear apart the world order that the United States has built over the last 60 years. The case for the former is obvious. The world is changing, but it is going the United States’ way. The rest that are rising are embracing markets, democratic government (of some form or another), and greater openness and transparency. It might be a world in which the United States takes up less space, but it is one in which American ideas and ideals are overwhelmingly dominant. The United States has a window of opportunity to shape and master the changing global landscape, but only if it first recognizes that the post-American world is a reality—and embraces and celebrates that fact. 🌐

The Age of Nonpolarity

What Will Follow U.S. Dominance

Richard N. Haass

THE PRINCIPAL characteristic of twenty-first-century international relations is turning out to be nonpolarity: a world dominated not by one or two or even several states but rather by dozens of actors possessing and exercising various kinds of power. This represents a tectonic shift from the past.

The twentieth century started out distinctly multipolar. But after almost 50 years, two world wars, and many smaller conflicts, a bipolar system emerged. Then, with the end of the Cold War and the demise of the Soviet Union, bipolarity gave way to unipolarity—an international system dominated by one power, in this case the United States. But today power is diffuse, and the onset of nonpolarity raises a number of important questions. How does nonpolarity differ from other forms of international order? How and why did it materialize? What are its likely consequences? And how should the United States respond?

NEWER WORLD ORDER

IN CONTRAST to multipolarity—which involves several distinct poles or concentrations of power—a nonpolar international system is characterized by numerous centers with meaningful power.

In a multipolar system, no power dominates, or the system will become unipolar. Nor do concentrations of power revolve around two

RICHARD N. HAASS is President of the Council on Foreign Relations.

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positions, or the system will become bipolar. Multipolar systems can be cooperative, even assuming the form of a concert of powers, in which a few major powers work together on setting the rules of the game and disciplining those who violate them. They can also be more competitive, revolving around a balance of power, or conflictual, when the balance breaks down.

At first glance, the world today may appear to be multipolar. The major powers—China, the European Union (EU), India, Japan, Russia, and the United States—contain just over half the world's people and account for 75 percent of global GDP and 80 percent of global defense spending. Appearances, however, can be deceiving. Today's world differs in a fundamental way from one of classic multipolarity: there are many more power centers, and quite a few of these poles are not nation-states. Indeed, one of the cardinal features of the contemporary international system is that nation-states have lost their monopoly on power and in some domains their preeminence as well. States are being challenged from above, by regional and global organizations; from below, by militias; and from the side, by a variety of nongovernmental organizations (NGOs) and corporations. Power is now found in many hands and in many places.

In addition to the six major world powers, there are numerous regional powers: Brazil and, arguably, Argentina, Chile, Mexico, and Venezuela in Latin America; Nigeria and South Africa in Africa; Egypt, Iran, Israel, and Saudi Arabia in the Middle East; Pakistan in South Asia; Australia, Indonesia, and South Korea in East Asia and Oceania. A good many organizations would be on the list of power centers, including those that are global (the International Monetary Fund, the United Nations, the World Bank), those that are regional (the African Union, the Arab League, the Association of Southeast Asian Nations, the EU, the Organization of American States, the South Asian Association for Regional Cooperation), and those that are functional (the International Energy Agency, OPEC, the Shanghai Cooperation Organization, the World Health Organization). So, too, would states within nation-states, such as California and India's Uttar Pradesh, and cities, such as New York, São Paulo, and Shanghai. Then there are the large global companies, including those that dominate the worlds of energy, finance, and manufacturing. Other entities

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deserving inclusion would be global media outlets (al Jazeera, the BBC, CNN), militias (Hamas, Hezbollah, the Mahdi Army, the Taliban), political parties, religious institutions and movements, terrorist organizations (al Qaeda), drug cartels, and NGOs of a more benign sort (the Bill and Melinda Gates Foundation, Doctors Without Borders, Greenpeace). Today's world is increasingly one of distributed, rather than concentrated, power.

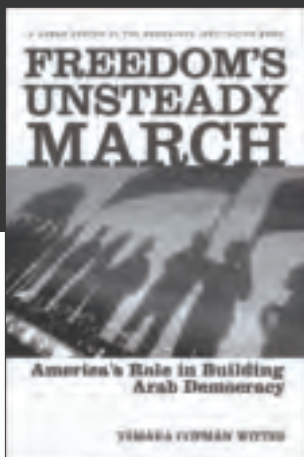
In this world, the United States is and will long remain the largest single aggregation of power. It spends more than \$500 billion annually on its military—and more than \$700 billion if the operations in Afghanistan and Iraq are included—and boasts land, air, and naval forces that are the world's most capable. Its economy, with a GDP of some \$14 trillion, is the world's largest. The United States is also a major source of culture (through films and television), information,

Today's world is increasingly one of distributed, rather than concentrated, power.

and innovation. But the reality of American strength should not mask the relative decline of the United States' position in the world—and with this relative decline in power an absolute decline in influence and independence. The U.S. share of global imports is already down to 15 percent. Although U.S. GDP accounts for over 25 percent of the world's total, this

percentage is sure to decline over time given the actual and projected differential between the United States' growth rate and those of the Asian giants and many other countries, a large number of which are growing at more than two or three times the rate of the United States.

GDP growth is hardly the only indication of a move away from U.S. economic dominance. The rise of sovereign wealth funds—in countries such as China, Kuwait, Russia, Saudi Arabia, and the United Arab Emirates—is another. These government-controlled pools of wealth, mostly the result of oil and gas exports, now total some \$3 trillion. They are growing at a projected rate of \$1 trillion a year and are an increasingly important source of liquidity for U.S. firms. High energy prices, fueled mostly by the surge in Chinese and Indian demand, are here to stay for some time, meaning that the size and significance of these funds will continue to grow. Alternative stock exchanges are springing up and drawing away companies from



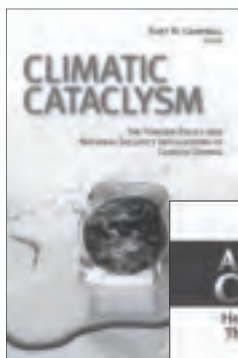
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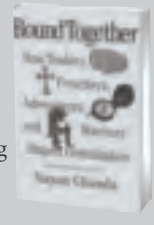


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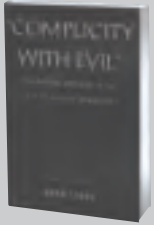
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The Age of Nonpolarity

the U.S. exchanges and even launching initial public offerings (IPOs). London, in particular, is competing with New York as the world's financial center and has already surpassed it in terms of the number of IPOs it hosts. The dollar has weakened against the euro and the British pound, and it is likely to decline in value relative to Asian currencies as well. A majority of the world's foreign exchange holdings are now in currencies other than the dollar, and a move to denominate oil in euros or a basket of currencies is possible, a step that would only leave the U.S. economy more vulnerable to inflation as well as currency crises.

U.S. primacy is also being challenged in other realms, such as military effectiveness and diplomacy. Measures of military spending are not the same as measures of military capacity. September 11 showed how a small investment by terrorists could cause extraordinary levels of human and physical damage. Many of the most costly pieces of modern weaponry are not particularly useful in modern conflicts in which traditional battlefields are replaced by urban combat zones. In such environments, large numbers of lightly armed soldiers can prove to be more than a match for smaller numbers of highly trained and better-armed U.S. troops.

Power and influence are less and less linked in an era of nonpolarity. U.S. calls for others to reform will tend to fall on deaf ears, U.S. assistance programs will buy less, and U.S.-led sanctions will accomplish less. After all, China proved to be the country best able to influence North Korea's nuclear program. Washington's ability to pressure Tehran has been strengthened by the participation of several western European countries—and weakened by the reluctance of China and Russia to sanction Iran. Both Beijing and Moscow have diluted international efforts to pressure the government in Sudan to end its war in Darfur. Pakistan, meanwhile, has repeatedly demonstrated an ability to resist U.S. entreaties, as have Iran, North Korea, Venezuela, and Zimbabwe.

The trend also extends to the worlds of culture and information. Bollywood produces more films every year than Hollywood. Alternatives to U.S.-produced and disseminated television are multiplying. Web sites and blogs from other countries provide further competition for U.S.-produced news and commentary. The proliferation of information is as much a cause of nonpolarity as is the proliferation of weaponry.



FAREWELL TO UNIPOLARITY

CHARLES KRAUTHAMMER was more correct than he realized when he wrote in these pages nearly two decades ago about what he termed “the unipolar moment.” At the time, U.S. dominance was real. But it lasted for only 15 or 20 years. In historical terms, it was a moment. Traditional realist theory would have predicted the end of unipolarity and the dawn of a multipolar world. According to this line of reasoning, great powers, when they act as great powers are wont to do, stimulate competition from others that fear or resent them. Krauthammer, subscribing to just this theory, wrote, “No doubt, multipolarity will come in time. In perhaps another generation or so there will be great powers coequal with the United States, and the world will, in structure, resemble the pre-World War I era.”

But this has not happened. Although anti-Americanism is widespread, no great-power rival or set of rivals has emerged to challenge the United States. In part, this is because the disparity between the power of the United States and that of any potential rivals is too great.

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Over time, countries such as China may come to possess GDPs comparable to that of the United States. But in the case of China, much of that wealth will necessarily be absorbed by providing for the country's enormous population (much of which remains poor) and will not be available to fund military development or external undertakings. Maintaining political stability during a period of such dynamic but uneven growth will be no easy feat. India faces many of the same demographic challenges and is further hampered by too much bureaucracy and too little infrastructure. The EU's GDP is now greater than that of the United States, but the EU does not act in the unified fashion of a nation-state, nor is it able or inclined to act in the assertive fashion of historic great powers. Japan, for its part, has a shrinking and aging population and lacks the political culture to play the role of a great power. Russia may be more inclined, but it still has a largely cash-crop economy and is saddled by a declining population and internal challenges to its cohesion.

The fact that classic great-power rivalry has not come to pass and is unlikely to arise anytime soon is also partly a result of the United States' behavior, which has not stimulated such a response. This is not to say that the United States under the leadership of George W. Bush has not alienated other nations; it surely has. But it has not, for the most part, acted in a manner that has led other states to conclude that the United States constitutes a threat to their vital national interests. Doubts about the wisdom and legitimacy of U.S. foreign policy are pervasive, but this has tended to lead more to denunciations (and an absence of cooperation) than outright resistance.

A further constraint on the emergence of great-power rivals is that many of the other major powers are dependent on the international system for their economic welfare and political stability. They do not, accordingly, want to disrupt an order that serves their national interests. Those interests are closely tied to cross-border flows of goods, services, people, energy, investment, and technology—flows in which the United States plays a critical role. Integration into the modern world dampens great-power competition and conflict.

But even if great-power rivals have not emerged, unipolarity has ended. Three explanations for its demise stand out. The first is historical. States develop; they get better at generating and piecing together the

Richard N. Haass

human, financial, and technological resources that lead to productivity and prosperity. The same holds for corporations and other organizations. The rise of these new powers cannot be stopped. The result is an ever larger number of actors able to exert influence regionally or globally.

A second cause is U.S. policy. To paraphrase Walt Kelly's Pogo, the post-World War II comic hero, we have met the explanation and it is us. By both what it has done and what it has failed to do, the United States has accelerated the emergence of alternative power centers in

The transition to a nonpolar world will have mostly negative consequences for the United States.

the world and has weakened its own position relative to them. U.S. energy policy (or the lack thereof) is a driving force behind the end of unipolarity. Since the first oil shocks of the 1970s, U.S. consumption of oil has grown by approximately 20 percent, and, more important, U.S. imports of petroleum products have more than doubled in volume and nearly doubled as a percentage of consumption. This

growth in demand for foreign oil has helped drive up the world price of oil from just over \$20 a barrel to over \$100 a barrel in less than a decade. The result is an enormous transfer of wealth and leverage to those states with energy reserves. In short, U.S. energy policy has helped bring about the emergence of oil and gas producers as major power centers.

U.S. economic policy has played a role as well. President Lyndon Johnson was widely criticized for simultaneously fighting a war in Vietnam and increasing domestic spending. President Bush has fought costly wars in Afghanistan and Iraq, allowed discretionary spending to increase by an annual rate of eight percent, and cut taxes. As a result, the United States' fiscal position declined from a surplus of over \$100 billion in 2001 to an estimated deficit of approximately \$250 billion in 2007. Perhaps more relevant is the ballooning current account deficit, which is now more than six percent of GDP. This places downward pressure on the dollar, stimulates inflation, and contributes to the accumulation of wealth and power elsewhere in the world. Poor regulation of the U.S. mortgage market and the credit crisis it has spawned have exacerbated these problems.

The war in Iraq has also contributed to the dilution of the United States' position in the world. The war in Iraq has proved to be an

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expensive war of choice—militarily, economically, and diplomatically as well as in human terms. Years ago, the historian Paul Kennedy outlined his thesis about “imperial overstretch,” which posited that the United States would eventually decline by overreaching, just as other great powers had in the past. Kennedy’s theory turned out to apply most immediately to the Soviet Union, but the United States—for all its corrective mechanisms and dynamism—has not proved to be immune. It is not simply that the U.S. military will take a generation to recover from Iraq; it is also that the United States lacks sufficient military assets to continue doing what it is doing in Iraq, much less assume new burdens of any scale elsewhere.

Finally, today’s nonpolar world is not simply a result of the rise of other states and organizations or of the failures and follies of U.S. policy. It is also an inevitable consequence of globalization. Globalization has increased the volume, velocity, and importance of cross-border flows of just about everything, from drugs, e-mails, greenhouse gases, manufactured goods, and people to television and radio signals, viruses (virtual and real), and weapons.

Globalization reinforces nonpolarity in two fundamental ways. First, many cross-border flows take place outside the control of governments and without their knowledge. As a result, globalization dilutes the influence of the major powers. Second, these same flows often strengthen the capacities of nonstate actors, such as energy exporters (who are experiencing a dramatic increase in wealth owing to transfers from importers), terrorists (who use the Internet to recruit and train, the international banking system to move resources, and the global transport system to move people), rogue states (who can exploit black and gray markets), and Fortune 500 firms (who quickly move personnel and investments). It is increasingly apparent that being the strongest state no longer means having a near monopoly on power. It is easier than ever before for individuals and groups to accumulate and project substantial power.

NONPOLAR DISORDER

THE INCREASINGLY nonpolar world will have mostly negative consequences for the United States—and for much of the rest of the world as well. It will make it more difficult for Washington to lead on

Richard N. Haass

those occasions when it seeks to promote collective responses to regional and global challenges. One reason has to do with simple arithmetic. With so many more actors possessing meaningful power and trying to assert influence, it will be more difficult to build collective responses and make institutions work. Herding dozens is harder than herding a few. The inability to reach agreement in the Doha Round of global trade talks is a telling example.

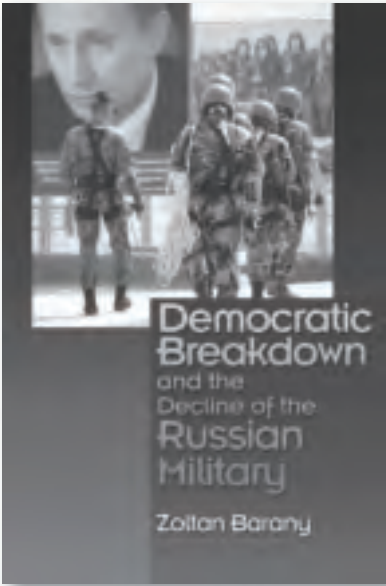
Nonpolarity will also increase the number of threats and vulnerabilities facing a country such as the United States. These threats can take the form of rogue states, terrorist groups, energy producers that choose to reduce their output, or central banks whose action or inaction can create conditions that affect the role and strength of the U.S. dollar. The Federal Reserve might want to think twice before continuing to lower interest rates, lest it precipitate a further move away from the dollar. There can be worse things than a recession.

Iran is a case in point. Its effort to become a nuclear power is a result of nonpolarity. Thanks more than anything to the surge in oil prices, it has become another meaningful concentration of power, one able to exert influence in Iraq, Lebanon, Syria, the Palestinian territories, and beyond, as well as within OPEC. It has many sources of technology and finance and numerous markets for its energy exports. And due to nonpolarity, the United States cannot manage Iran alone. Rather, Washington is dependent on others to support political and economic sanctions or block Tehran's access to nuclear technology and materials. Nonpolarity begets nonpolarity.

Still, even if nonpolarity was inevitable, its character is not. To paraphrase the international relations theorist Hedley Bull, global politics at any point is a mixture of anarchy and society. The question is the balance and the trend. A great deal can and should be done to shape a nonpolar world. Order will not just emerge. To the contrary, left to its own devices, a nonpolar world will become messier over time. Entropy dictates that systems consisting of a large number of actors tend toward greater randomness and disorder in the absence of external intervention.

The United States can and should take steps to reduce the chances that a nonpolar world will become a cauldron of instability. This is not a call for unilateralism; it is a call for the United States to get its

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The Age of Nonpolarity

own house in order. Unipolarity is a thing of the past, but the United States still retains more capacity than any other actor to improve the quality of the international system. The question is whether it will continue to possess such capacity.

Energy is the most important issue. Current levels of U.S. consumption and imports (in addition to their adverse impact on the global climate) fuel nonpolarity by funneling vast financial resources to oil and gas producers. Reducing consumption would lessen the pressure on world prices, decrease U.S. vulnerability to market manipulation by oil suppliers, and slow the pace of climate change. The good news is that this can be done without hurting the U.S. economy.

Strengthening homeland security is also crucial. Terrorism, like disease, cannot be eradicated. There will always be people who cannot be integrated into societies and who pursue goals that cannot be realized through traditional politics. And sometimes, despite the best efforts of those entrusted with homeland security, terrorists will succeed. What is needed, then, are steps to make society more resilient, something that requires adequate funding and training of emergency responders and more flexible and durable infrastructure. The goal should be to reduce the impact of even successful attacks.

Resisting the further spread of nuclear weapons and unguarded nuclear materials, given their destructive potential, may be as important as any other set of undertakings. By establishing internationally managed enriched-uranium or spent-fuel banks that give countries access to sensitive nuclear materials, the international community could help countries use nuclear power to produce electricity rather than bombs. Security assurances and defensive systems can be provided to states that might otherwise feel compelled to develop nuclear programs of their own to counter those of their neighbors. Robust sanctions—on occasion backed by armed force—can also be introduced to influence the behavior of would-be nuclear states.

Even so, the question of using military force to destroy nuclear or biological weapons capabilities remains. Preemptive strikes—attacks

The United States no longer has the luxury of a “You’re either with us or against us” foreign policy.

Richard N. Haass

that aim to stop an imminent threat—are widely accepted as a form of self-defense. Preventive strikes—attacks on capabilities when there is no indication of imminent use—are something else altogether. They should not be ruled out as a matter of principle, but nor should they be depended on. Beyond questions of feasibility, preventive strikes run the risk of making a nonpolar world less stable, both because they might actually encourage proliferation (governments could see developing or acquiring nuclear weapons as a deterrent) and because they would weaken the long-standing norm against the use of force for purposes other than self-defense.

Combating terrorism is also essential if the nonpolar era is not to turn into a modern Dark Ages. There are many ways to weaken existing terrorist organizations by using intelligence and law enforcement resources and military capabilities. But this is a loser's game unless something can be done to reduce recruitment. Parents, religious figures, and political leaders must delegitimize terrorism by shaming those who choose to embrace it. And more important, governments must find ways of integrating alienated young men and women into their societies, something that cannot occur in the absence of political and economic opportunity.

Trade can be a powerful tool of integration. It gives states a stake in avoiding conflict because instability interrupts beneficial commercial arrangements that provide greater wealth and strengthen the foundations of domestic political order. Trade also facilitates development, thereby decreasing the chance of state failure and alienation among citizens. The scope of the World Trade Organization must be extended through the negotiation of future global arrangements that further reduce subsidies and both tariff and nontariff barriers. Building domestic political support for such negotiations in developed countries will likely require the expansion of various safety nets, including portable health care and retirement accounts, education and training assistance, and wage insurance. These social policy reforms are costly and in some cases unwarranted (the cause of job loss is far more likely to be technological innovation than foreign competition), but they are worth providing nonetheless given the overall economic and political value of expanding the global trade regime.

The Age of Nonpolarity

A similar level of effort might be needed to ensure the continued flow of investment. The goal should be to create a World Investment Organization that would encourage capital flows across borders so as to minimize the chances that “investment protectionism” gets in the way of activities that, like trade, are economically beneficial and build political bulwarks against instability. A wio could encourage transparency on the part of investors, determine when national security is a legitimate reason for prohibiting or limiting foreign investment, and establish a mechanism for resolving disputes.

Finally, the United States needs to enhance its capacity to prevent state failure and deal with its consequences. This will require building and maintaining a larger military, one with greater capacity to deal with the sort of threats faced in Afghanistan and Iraq. In addition, it will mean establishing a civilian counterpart to the military reserves that would provide a pool of human talent to assist with basic nation-building tasks. Continuing economic and military assistance will be vital in helping weak states meet their responsibilities to their citizens and their neighbors.

THE NOT-SO-LONELY SUPERPOWER

MULTILATERALISM WILL be essential in dealing with a nonpolar world. To succeed, though, it must be recast to include actors other than the great powers. The UN Security Council and the G-8 (the group of highly industrialized states) need to be reconstituted to reflect the world of today and not the post-World War II era. A recent meeting at the United Nations on how best to coordinate global responses to public health challenges provided a model. Representatives of governments, UN agencies, NGOs, pharmaceutical companies, foundations, think tanks, and universities were all in attendance. A similar range of participants attended the December 2007 Bali meeting on climate change. Multilateralism may have to be less formal and less comprehensive, at least in its initial phases. Networks will be needed alongside organizations. Getting everyone to agree on everything will be increasingly difficult; instead, the United States should consider signing accords with fewer parties and narrower goals. Trade is something of a model here, in that bilateral

Richard N. Haass

and regional accords are filling the vacuum created by a failure to conclude a global trade round. The same approach could work for climate change, where agreement on aspects of the problem (say, deforestation) or arrangements involving only some countries (the major carbon emitters, for example) may prove feasible, whereas an accord that involves every country and tries to resolve every issue may not. Multilateralism à la carte is likely to be the order of the day.

Nonpolarity complicates diplomacy. A nonpolar world not only involves more actors but also lacks the more predictable fixed structures and relationships that tend to define worlds of unipolarity, bipolarity, or multipolarity. Alliances, in particular, will lose much of their importance, if only because alliances require predictable threats, outlooks, and obligations, all of which are likely to be in short supply in a nonpolar world. Relationships will instead become more selective and situational. It will become harder to classify other countries as either allies or adversaries; they will cooperate on some issues and resist on others. There will be a premium on consultation and coalition building and on a diplomacy that encourages cooperation when possible and shields such cooperation from the fallout of inevitable disagreements. The United States will no longer have the luxury of a “You’re either with us or against us” foreign policy.

Nonpolarity will be difficult and dangerous. But encouraging a greater degree of global integration will help promote stability. Establishing a core group of governments and others committed to cooperative multilateralism would be a great step forward. Call it “concerted nonpolarity.” It would not eliminate nonpolarity, but it would help manage it and increase the odds that the international system will not deteriorate or disintegrate. 🌐

THE KINGDOM OF SAUDI ARABIA

Strategic Powerhouse, Global Strength | Part III

Top 10 by 2010:

Saudi Arabia is on track to be one of world's top 10 most competitive economies by the end of the decade.

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The Making of a Competitive Kingdom

2007 was a very good year for Saudi Arabia. The unprecedented growth, development, and contagious optimism in the country continued unabated. With oil prices reaching up to \$110 a barrel, Saudi smiles are no surprise. The Kingdom's economy was built to thrive even under the \$60 per barrel mark, and the recent surplus has poured valuable liquidity into the economy. However, the Kingdom is determined not to rely solely on such a volatile market, but rather use this window of opportunity and healthy 3.5 percent GDP growth to prove sustainability can in fact become a reality.

Prosperity has become synonymous with the reign of King Abdullah, and the Saudi people's great optimism underlines the monarch's vision for his country's future. Grand new economic and industrial cities arising from the desert, large-scale interconnecting infrastructural networks, state-of-the-art universities and educational facilities, and social and legislative reforms are part and parcel of making Saudi Arabia one of the ten most competitive nations on the face of the earth.

However, 2007 and 2008 will be remembered not for new buildings, megacities, roads, or ports, but for the country's strongest investment in human capital yet, a clear sign that Saudi Arabia is emerging as one of the world's most competitive economies. The nation's most plentiful, prosperous, and renewable resource is its strikingly young and rapidly

expanding population. Thus, the king has put his country on a new path towards competitiveness and prosperity. In addition, the king is seen to be a great reformist and his views towards liberalizing the role of women in Saudi Arabia have come across both domestically and internationally as progressive and positive for the nation.



King Abdullah bin Abdulaziz

On a global level, Saudi Arabia has never been such a vital partner in securing regional and global security, and has played pivotal roles in recent global summits, notably bringing an all-important Saudi presence to the Annapolis peace conference last November. Saudi Arabia is increasingly called upon by states of all sorts to play the regional power broker and, as the heart of Arabia and home of the two holy mosques of Mecca and Medina, it is the role that Saudi Arabia was born to play.

Economists have described this moment in Saudi history as "when all the stars align" and the current economic window as "not to be missed." It is a monumental moment in the Kingdom's development and the region in general. Yet will it be able to sustain its tremendous growth with all the multibillion-dollar investments being made, especially in the fields of education and knowledge provision? The king's vision seems to have become his people's ambition, and with such a widespread motivation to succeed, is there anything that can stop this highly dynamic, confident, and influential Kingdom? ■

Gaining on Competitiveness

Be-coming competitive is a big concept in theory, but even more so in practice. How does a nation “produce goods and services which meet the test of international markets, while simultaneously maintaining and expanding the real incomes of its people over the long term?” to borrow from the OECD definition of Competitiveness. This is the fundamental question facing Saudi Arabia today, and the cornerstone towards building its modern day economy.

“There are three important competitiveness reports,” explains Amr Al-Dabbagh, governor of the Saudi Arabian General Investment Authority (SAGIA). “The World Bank’s Ease of Doing Business Index, the Institute for Management Development’s rankings, and the World Economic Forum Global Competitiveness Index. All in all, these three reports benchmark against 300 different indicators. We have a master plan for improving policies and procedures that correspond to each and every one of these indicators.” Governor Dabbagh’s brainchild, made possible by the King’s vision, is known as the 10x10 program. As SAGIA’s most ambitious goal to date, this program aims to achieve a Top 10 ranking for Saudi Arabia on one of the three indexes by 2010. Accomplishing such a feat will require the complete collaboration of both Saudi Arabia’s public and private sectors, who have been asked to join the 10x10 mission and embrace competitiveness as a practice and philosophy.

To this end, King Abdullah has said that ongoing reforms, in addition to opening several sectors for FDI, would improve business infrastructure in the Kingdom and increase Saudi competitiveness. “We intend to enhance, gradually and continually, the investment environment with the purpose of supporting the private sector.” Already, Saudi Arabia’s progress toward this milestone is impressive. The Kingdom’s National Competitiveness Center (NCC) has been charting the country’s progress, which has risen

in the World Bank’s Ease of Doing Business Index from 76th to 23rd place in just three years, and is currently the number one in the entire Middle East. This is a considerable vote of confidence for the Kingdom’s progress thus far.

The culmination of each year’s efforts has become the Global Competitiveness Forum (GCF), which concluded its second successful iteration in Riyadh last January. Intense debates on how to keep an economy at the forefront of development were fueled by leading experts on competitiveness, including Lee Kuan Yew, Singapore’s mentor minister, and Professor Michael E. Porter of Harvard Business School. Many of Porter’s principles, in fact, have served as blueprints for Saudi Arabia’s strategic development, including clustering and economic cities.

In his keynote speech, the world-renowned competition strategist addressed the important opportunity Saudi Arabia has in fulfilling its goal by fundamentally increasing access to vocational and training programs for Saudi citizens. “There is no possibility of achieving competitiveness without raising the culture of productivity,” said Professor Porter. He lauded Saudi Arabia’s positive results over the years, adding that support for the establishment of small and medium enterprises as well as becoming more active in attracting foreign investment into non-energy sectors was crucial for the Kingdom’s continued success.

Purposely scheduled immediately preceding the World Economic Forum in Davos, the GCF creates a window to the world for the Middle East’s development as a whole. There is no doubt that the entire region is brimming with potential, and if conflicts can be resolved, the long-term economic benefits stand to reach unparalleled heights. This is where Saudi Arabia vies to become a role model, with the GCF as one of the premier platforms for communication. All eyes will be on GCF 2009 to see whether Saudi Arabia is closing in on this goal. ■

In 2008, 50 Global Leaders Discussed Competitiveness at the:

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Q&A with Amr Al-Dabbagh, Governor of SAGIA

As governor of the Saudi Arabian General Investment Authority (SAGIA), Amr Al-Dabbagh is extending his experience as a businessman to help the Kingdom's public and private sectors become a competitive global force. The architect of Saudi Arabia's 10x10 program talks about how foreign investment is about to turn the Arabian Peninsula into the world's new economic epicenter.

Q: In terms of positioning itself as a business hub, what does Saudi Arabia bring to the table?

A: We have focused our approach on two main competitive advantages of the Kingdom; the first is energy and the second is location. This is explicitly spelled out in our vision that we would like to be the energy capital of the world and a hub between East and West. After energy intensity, we have listed ten industries that we want to be in the Top 3 of by 2020, including aluminum, fertilizers, steel, and plastics. Saudi Arabia is the most cost-effective production location on the face of the earth for hosting these energy-intensive industries. Also, the strategic location of Saudi Arabia justifies having these industries, with the transportation segment benefiting from proximity to the European and Asian markets. Our sea posts, railways, and airports complement the whole value chain. Therefore I am interested in attracting investments that are correlated to our area of strength. We are serious about economic reforms and are changing regulations. In the last three years alone, over 40 laws have been published and introduced. Accession to the WTO also ensures that we are integrated and cemented in the global economy.

Q: Economic cities are expected to bring in \$150 billion to the economy by 2020. How do you position the economic cities vs. non-economic city growth in the country, and how is SAGIA maximizing them?

A: Eventually we plan to have six economic cities spread across the South, East, West, North, and two in the center. By 2020 they will have generated 1.3 million new jobs, accommodate 2.4 million people, and have increased GDP per capita from \$13,000 to \$33,000. The economic impact is huge. But this is a new model, it is a public-private partnership; we are inviting the private sector to invest in the infrastructure and the services, and the government provides the support needed to make this project successful. Each of these economic cities will focus on certain clusters and segments. The special economic zone

concept is not new; there are around 3,000 economic zones in the world. The successful ones have doubled the GDP of their countries or regions. Look at Saudi Arabia's Jubail and Yanbu industrial cities, which are semi-economic zones. Jubail alone attracted 50 percent of the entire FDI coming into Saudi Arabia, so capital prefers to go where one party, one regulator is dealt with. I see economic cities as enablers, yet another booster of domestic and foreign investment that has a positive impact on virgin regions and the whole economy.



Lee Kuan Yew and SAGIA Gov. Amr Al-Dabbagh at the 2008 GCF in Riyadh

Q: What challenges lie ahead?

A: The biggest problem we face is human capital. This is a challenge facing many countries, not Saudi Arabia alone; that is why one of the strategic plans is focusing on knowledge-based industries. There we are focusing on four segments: health, life science, information and communication technology, as well as education. We are looking for world-class service providers in education and training to produce a sufficient pool of human resources that are adequate to the marketplace, especially through institutes such as KAUST. The more competitive we are in terms of human resources, in terms of infrastructure, in terms of policies and procedures, quality of life, or health care, the more investments we attract, the more growth we can bring, the more jobs we create. I am very honored to have been chosen for this job in 2004 by His Majesty the late King Fahd, and I felt it is an opportunity for a businessman who benefited from this country to pay back and play a role in the public sector. I see it as a social responsibility, an opportunity to contribute to my community. I think that what we're talking about is not known or understood enough throughout the world, and I want to expose the colors of what we are doing here. ■

Mind Wealth, The New Oil

Of all the magnanimous projects, reforms, and improvements currently taking place in Saudi Arabia, at the end of his reign and beyond King Abdullah will most likely be remembered for the imprint he will have left on the country's education.

Saudi Arabia is one of the world's youngest countries, with 75 percent of its population being under the age of thirty. The king wants to ensure that the millions of young Saudis safely propel the Kingdom into the future, by making education one of the country's strongest assets. In order to achieve this goal of imparting mind wealth upon his people, the king has invested an unprecedented amount of funds into the sector. No less than 25 percent of the 2008 Saudi budget, totaling a grand 105 billion Saudi riyals (\$28 billion), the largest in its history, is being invested into education and manpower development. Large sums will be channeled toward technical and vocational training as well as public and higher education.

On top of all of this, King Abdullah has instated a massive public education overhaul, known as the King Abdullah Project for the Development of Public Education. This project will consist of multiple phases of targeted spending, initially totaling \$3.1 billion. This is clearly revolutionary, as no king before has devoted so much of the country's resources to developing its human capital. With his commitment to raise education's allocation each year from now on, Saudi citizens have now truly become the Kingdom's largest untapped asset.

Minister of Education Dr. Abdullah bin Salih Al-Obaid sees this period in Saudi Arabia's history as a time of great transition. "We believe that during the time of the custodian of the two holy mosques, King Abdullah bin Abdulaziz, Saudi Arabia has entered a new stage of knowledge, and knowledge was his concern even before he became a crown prince." The ministry is in charge of implementing the Education Development Plan that seeks to turn the country into a knowledge-based information society. The eighth phase of the plan was recently rounded off

with considerable rates of success. "Most of the plan goals were achieved. Some were better than expected, because the plan was based on certain financial considerations. Due to the rise of petroleum prices, the country obtained a budget surplus, which the government invested strongly in education and health—therefore it is going to achieve more than what was stipulated in the development plan."

According to Minister Al-Obaid, the number of schools established during the three years of King Abdullah's reign is the same as in the seventy years prior to his coronation. "Hence, we are facing a

"We are facing development demands to transfer the Kingdom from the current traditional lifestyle to the world that is based on knowledge."

**Dr. Abdullah bin Salih
Al-Obaid, Minister of Education**

responding stage for the development demands to transfer the Kingdom from the current traditional lifestyle to the world that is based on knowledge."

This challenge is considerable, taking into account the Kingdom's rapidly rising population. The complete provision of primary and secondary education has been the first step in this direction, with education being compulsory from ages six to fifteen. Beyond that, however, the Ministry of Education is calling upon international investors to play a significant role in the Kingdom's ambitions. Companies and institutions with backgrounds in teacher training, curriculum development, and extracurricular expertise are being approached and encouraged to become involved in Saudi Arabia's transformation.

Leveraging Knowledge

There is a goal to make Saudi education—and thus, its society—more globally oriented. The Ministry of Education conducted a long and thorough survey of many countries around the world exhibiting successful education systems. “We are trying to adopt the strengths of each nation’s educational system and apply them to improve our own,” reveals Vice-Minister of Education Dr. Saeed M Al-Mullais. These include Canada, France, Austria, Finland, and China. In addition, the number of Saudis studying abroad has reached record highs, largely thanks to the decision to increase government spending to subsidize their trips. “We are sending 10,000 students to obtain their bachelor’s, master’s, and PhD degrees from abroad,” says Al-Mullais.

The Kingdom has a long history of successful cultural and educational exchange, particularly with the United States. A full generation of Saudis educated in America is now in control of the economy, and the two nations have in many aspects been brought together by such exchanges. However, since 9/11 it has become more difficult for Middle Eastern students to obtain U.S. visas, and they are therefore attending top schools in countries such as Canada, the United Kingdom, Switzerland, and the Netherlands. “We believe that we should have a global education, both inside our country and abroad,” elucidates Vice-Minister Al-Mullais. “We also invite people to do their scholarship here, not only in higher education but even in general education. 15 percent of our students are from other countries.”

Saudi Arabia intends to leverage its international standing through the creation of specialized new universities. One such shining example is the King Abdullah University of Science and Technology (KAUST) next to the Economic City in Jeddah, the first of its kind in both the Arab and Islamic worlds. KAUST will facilitate Saudi Arabia’s position as a global hub for business and technology by forming management and IT skills that can be injected directly into the Saudi economy. Through the University’s Global Research Partnership, students will gain the expertise taught in universities and enterprises of the United States and around the world, and combine them with Saudi-specific skills needed throughout the market. KAUST has so far established partnerships with Woods Hole Oceanographic Institution (WHOI) in the United

States, Institut Francais du Petrole in France, the National University of Singapore, the Indian Institute of Technology, Bombay (IITB), and, most recently, the American University in Cairo. Through these linkups, KAUST hopes to compete with the world’s top faculties, including the Massachusetts Institute of Technology.

Speaking at the groundbreaking ceremony on October 22, 2007, King Abdullah commented on the university’s capacity to bridge cultures through the pursuit of knowledge. “Inspired by the eternal teachings of Islam that call for seeking knowledge, engaging in development works, and promoting better understanding between peoples, the establishment of this university has been a living idea in my mind for more than 25 years. We hope that the university carries out its noble humanitarian message in a pure and clean atmosphere, taking the help of God and then that of enlightened intellectuals all over the world, without any bias or discrimination,” he said.

“The establishment of (KAUST) has been a living idea in my mind for more than 25 years.”

King Abdullah bin Abdulaziz

The most important milestone of Saudi Arabia’s education drive is the impetus behind gender equality. Female participation in Saudi’s economy is most likely to become its greatest asset. The World Bank may have placed education in the Middle East below average, stressing the need for drastic improvement, but in its recent report on Arab education, Saudi Arabia ranks near the top in terms of gender parity. “Women in Saudi Arabia are getting the same access to education as men,” says Prince Dr. Khalid Abdullah M. Al Saud, vice minister for girls’ education. “In terms of degrees, there are many Saudi women who hold PhD degrees in different fields. In terms of empowerment, women are getting more chances in banks, universities, hospitals, and so forth. We would like women to be empowered, but in the meantime, respected. Through King Abdullah, Saudi Arabia has become a model, because it is utilizing modernity while protecting the social values.” ■

TOP OF THE CLASS BY KING'S COMMITMENT

THE REAL IMAGE OF SAUDI ARABIA



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The Thriving Pulse of Saudi's Health Sector

The health sector in Saudi Arabia is considered by SAGIA to be one of the six pillars of the economy, and many even believe it is the most important in terms of spurring the economy's competitiveness. Regionally, it is one of the largest in terms of size, activity, and potential. Average annual health spending in Saudi Arabia is \$8 billion—75 percent by the government and only 25 percent by the private sector.

According to a 2007 report by Booz Allen Hamilton, an aging but increasingly wealthy population is seeking specialty health care treatment from the private sector. Combined with the sharply growing population, expected to rise from 23 million today to 30 million by 2016, and demand for hospital beds increasing from 51,000 to 70,000 in the same period, the opportunities facing the private health sector are immense. "For international healthcare providers and investors," the report observes, "the coming liberalization of the sector will mean increased access to the largest healthcare market in the Middle East, and an exciting opportunity to help millions of Saudis live longer, healthier lives."

Deputy Minister of Health Dr. Obaid Al Obaid says that in order to meet this rising demand, the ministry has engaged a plan for building new hospitals across the Kingdom to complement 230 already operating under its aegis. Currently in progress are two major hospitals in Riyadh, one specialized hospital in Jeddah, and one in Dammam, but Al Obaid acknowledges that the sheer scale of these projects calls for an active participation from nongovernmental sources. "We are actually in need of the private sector to be involved in building hospitals, especially in the large cities. The Ministry of Health facilitates everything for investors who are willing to buy into the hospitals and the sector overall."

Kingdom Come

Existing healthcare companies in the Kingdom have been keen to partner with international pharmaceutical and healthcare providers that can impart know-how to the local Saudi market. One such company is Tamer Group, which evolved from a single pharmacy founded in 1922 by Dr. Mohammed Said Tamer into a modern Saudi enterprise. Through its deep understanding of the industry, the regulations,

demands, and suppliers, Tamer has attracted the likes of Sanofi-Aventis, Bristol-Myers Squibb, and Viagra manufacturer Pfizer to give their Saudi business interests a big boost.

"Being competitive today in health care is a combination of things," says Ayman Tamer, the group's president. "We work in a highly regulated industry, which will only increase in the future, as authorities want to ensure the quality of health care provision. Then you have a lot of good experience, and with experience comes continuity. Today there are many international pharmaceutical companies that wish to put their flag in the Kingdom. They feel there are big business opportunities and growth potential and want to have a permanent presence here in Saudi Arabia." Tamer therefore sees himself as an international partner's "source for competitive advantage in the Kingdom."

The group also entered into a unique relationship with two of the top pharmaceutical companies in Japan, Astellas and Sankyo, to create the Saudi Arabian Japanese Pharmaceutical Company, known today as SAJA. But Tamer feels that competitiveness comes from not only adding value to the Kingdom, but from maximizing its export potency and further penetrating global markets. "If you really wish to succeed, then more is needed than just local manufacturing and the local market," attests Tamer. "The key is in the export of goods produced here in Saudi Arabia." ■

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Local Advantage

One of the most revered Saudi pharmaceutical production companies is SPIMACO. It is the number-one seller and manufacturer out of approximately 350 companies competing for a dose of the pharma action in the Kingdom. Having turned a healthy net profit of \$32 million in 2007, SPIMACO expects further growth in line with the developing health sector. By producing locally with a trained Saudi labor force, the company not only finds it has a cost-savings advantage, but also that it maintains a crucial competitive edge, as SPIMACO's president, Dr. Abdullah Abdulkader, points out. "Producing and distributing the final products ourselves increases our efficiency. Competitiveness is not about competing for the tallest building or the largest airport, but instead we have to look at how many patients we have, how much research are we conducting and how many people are on scholarship abroad."

For this reason SPIMACO, Tamer, and many other companies involved in the health sector are turning to the research and development-intensive fields of biotechnology and life sciences as new sources of production and intellectual wealth. SAGIA is involved in ushering in an era of biotechnology by aiding the implementation of a biotechnology park in Jeddah. It is equally promoting research-driven institutions throughout each of the forthcoming economic cities that will feed the health care infrastructure. With millions of dollars coming from the king himself, a university such as the King Abdullah University of Science and Technology will help Saudi Arabia drive innovation from within, in close collaboration with the private sector. "We have a biotech research facility with the Science and Technology City and support SAGIA's efforts," says Dr. Abdulkader. "We really identify with their vision that the future of medicine is biotech and life sciences. In 50 years, I am sure that 50 percent of medicine in pharmacies will disappear and be replaced by other forms of medicine that stem directly from the human body itself."

Should Saudi Arabia be able to capitalize on life sciences, the Middle East may well become the global center of innovative health care. With both the government and the private sector's devotion to forwarding a modern approach to health care, the Kingdom is well on its way to becoming a center of medical excellence. ■

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Over half a century after Franklin D. Roosevelt gifted a DC-3 Dakota to then King Abdul Aziz, allowing the Kingdom a leap into modernity, national carrier Saudi Arabian Airlines' fleet has grown to 139, making it the region's leading aviation company. But as the Gulf's spending power grew through recurring oil booms, so too did the transport-expansion capacity of neighboring countries. Competition on the Arabian Peninsula has become fierce, with billions of investment pouring into modernization and fleet expansion by countries such as Qatar and the Emirates. Add to that the entry of low-cost carriers such as National Air Services and SAMA Airlines and you're looking at a whole new playing field.

Saudi Arabian Airline's management decided to take on the challenge on multiple levels. Firstly, a global marketing campaign drew attention to Saudi hospitality and strength as a service provider. Vice President for Customer Service Yousef Attiah explains how the new commercial currently being broadcast on global network channels, using the powerful allegory of an Arabian steed galloping across varying landscapes, ties in with the company's dynamic business vision.

"The horse represents the culture, heritage, and strength of Saudi Arabian Airlines," says Attiah. "It

begins chasing a shadow, striving to move forward and staying ahead in a competitive race, moving towards a higher future. It goes through many locations and scenes, symbolic of the different fronts, challenges, territories, and areas that the airline passes through in search of passenger satisfaction. Eventually it evolves into an electronic horse representing a significant shift in the airline's core; utilizing developments in technology across all aspects to make the great leap forward."

By investing in an upgrade of its business class services and placing an order for 22 Airbus A320 wide-body jumbo jets, the airline aims at maintaining its leading position of the last years. A reworking of its flight schedules capitalizes on the flows of international travel, including annual religious Hajj and Umrah pilgrimages as well as direct flights from Jeddah and Riyadh to New York and Washington, DC. In addition, a privatization process is expected to further its competitive edge, with its catering and technical services units already spoken for and other segments to follow in 2009. "Saudi Arabian Airlines is reputed in providing world-class services with a distinctive Saudi character and warm Arabian hospitality," explains Yousef Attiah. "All our improvements, enhancements, and innovations are based on this principle." ■

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The Saudi Finance Sector Confident, Competitive, and Compliant

The Saudi financial market as we know it today can still be considered as being in its infancy. Until the 1980s, capital markets did not exist in Saudi Arabia. It was really the creation of the Capital Market Authority (CMA) that got the ball rolling and paved the way for the TADAWUL stock market, bond markets, and even the insurance sector. Yet in just a very short time, the Saudi Arabian financial sector has gained sophistication and prosperity and stands ready to capitalize on the unprecedented liquidity flowing through the Kingdom.

In this market of extremely high potential, many finance methods are rapidly gaining ground. One particularly prosperous activity has proven to be private equity, and no one is showing more thrift in this field than the Bahamdan Group (BG), a professionally governed investment house. The Bahamdan family name has for a long time been synonymous with accomplishment in Saudi Arabia. One of the family's major companies, Sara Holding, has been a household name with a regional focus, while two other major holdings focus on Europe and the United States. However, the group is now set on consolidating their various interests under the name Bahamdan, thereby demonstrating that a family firm, the historic model of success in Saudi, can be every bit as competitive as a public entity.

"When I think of competitiveness, I think of all the young entrepreneurs with their great ideas, says Kamal Bahamdan, the group's CEO. "It is not about the beauty of money but the beauty of the mind. We are seeing so many creative people taking their ideas and starting their own companies. Competitive companies based on human capital are the future. Today with all the liquidity they will find the money to see through their initiatives." He of all people should know. The son of Sheikh Abdullah Bahamdan, revered in the Gulf's business community and who as chairman of the National Commercial Bank of Saudi Arabia, the largest Arab bank, was a major driving force in the Kingdom's historic transformation, Kamal graduated from Boston University in 1994 and launched an

investment platform the following year. Against all predictions, the venture proved extremely successful, giving Kamal a lot of momentum. He nurtured this venture for years, spinning off a variety of other platforms in various sectors along the way, each one successful in its own right.

The truly remarkable facet lies in the fact that these investment platforms were incubated and developed in the world's most competitive market, the United States. By 2003, when the business climate was opening up, Bahamdan brought the expertise and knowledge of the venture back to Saudi Arabia.

In essence, the group operates in unique platforms by clustering investments and industries together to provide the best possible know-how transfer and value-added services. Bahamdan believes that formula can be beneficially applied to national development, through strategic investments in the health and educational sectors, which it feels will become some of the most lucrative investments for the group. One of the cornerstones of its platforms strategy, in addition to transfer of know-how and identifying market trends before anyone else, is capturing and fostering top-notch human capital. Kamal Bahamdan, an avid equestrian show-jumping competitor with Olympic credentials, explains that the group has already embarked upon a series of ventures tailored to societal development, all the while continuing to be a major player in the international financial world. "Within the next five years, I would like to see our group acting as bridge out of the region abroad. To bring know-how and technologies from the West and Far East to Saudi Arabia is our goal. We are continuing to bring people, products, and departments from all over the world to the region and our company."

Successes in Saudi finances have not been limited to private equity alone. The changing landscape of the national market has also paved the way for new innovative products in consumer banking. Credit cards, for example, previously unseen in the Kingdom, are expected to thrive as the Saudi mentality embraces the concept of debt. Razi Shafeek Fakh, acting CEO of Bank Albilad, highlights this

change in the financial paradigm, making this an opportune moment to bring about a whole new philosophy of consumer banking to the Kingdom. In addition, despite an international credit crunch, the Saudi mortgage market is about to blossom, as a generation of Saudi homeowners settle down. But most see the greatest window of opportunity in Islamic finance. Banks like Albilad have begun to carve out a niche market for themselves in the provision of sharia-compliant banking. “What I see here in Saudi today excites me,” says Fakih. “There is simply no other market which has the potential that Saudi offers, especially in Islamic banking.”

Bold Moves

One of the fastest movers to capitalize in this field has been Jadwa Investment. From day one, Jadwa has had one goal: to be one of the Kingdom’s, and the region’s, premier sharia-compliant investment houses. And since their inception in August 2006, they’ve been highly successful at doing so. A great deal of planning and strategy went into preparing their

business model. Obviously there is plenty of money in circulation in Saudi Arabia, but Jadwa wanted to find the factor that could make them stand out from the pack, as CEO Ahmed Al-Khateeb points out.

“Everybody is running after this market: Goldman Sachs, Morgan Stanley, UBS, HSBC, Citigroup, and so on. How can we differentiate ourselves? By being a world-class domestic institution.” By that, Al-Khateeb is referring to the talent around which his business revolves. Jadwa has conscientiously built its organization from the ground up around the region’s leading investment minds, which include renowned Chief Economist Brad Bourland and Al-Khateeb himself. In addition to Islamic financial-compliance regulations, an in-depth knowledge of both international and local markets is required in order to offer the most all-around services.

Along these lines, Jadwa Investment teamed up with the Frank Russell Company in 2007 to aid it in reaching a larger market and boost its sharia-compliant offerings. “We look at Jadwa as a window to the international investors when it comes to the local financial market,” comments Al-Khateeb. “If



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international investors would like to invest in the equity market and in any of the real estate projects, we will definitely welcome this and facilitate it.”

Among Jadwa’s boldest moves to date was launching the first regional Sukuk fund, or Islamic bond, one of the Gulf’s most promising markets. This gave Jadwa unprecedented access to the fixed-income, sharia-compliant investment market, which has spawned \$80 billion in Sukuk funds in the past five years, with \$50 billion in additional funds expected to launch this year alone.

Jadwa has also proven itself an ideal partner of choice through a recent purchase of ExxonMobil’s 30 percent stake in the Saudi Aramco Lubricating Oil Refinery Company (LUBEREF). Acquiring the U.S. oil giant’s stake and the resulting partnership with Saudi Aramco thrusts Jadwa into the forefront of Saudi business and has given the small investment bank credibility as a major player in the surging Saudi economy.

Brad Bourland, considered one of Jadwa’s strongest assets and the foremost authority on the Saudi economy, believes the infectious liberalization being witnessed in the region today may have created a rush on opportunities of sorts, but there is nevertheless a well-formed investment efficiency being maintained by the Saudi authorities. With almost 30 years of experience in the Kingdom, his insight into the diplomatic and financial worlds paints a clear picture of where the Kingdom was, where it’s at, and where it will most likely be heading.

“When I was first exposed to the Kingdom in the 1970s,” recalls Bourland, “the planning minister at

that time, Mr. Hisham Nazer, who later became oil minister, came to the U.S. to give a speech. He said, ‘We Saudis are not a wealthy people; all we have is money. We have no roads, no hospitals, no schools, no telecommunication, no infrastructure—but we have a lot of money from oil revenues.’ The challenge was to turn out that money into real economic activity and development. I think now, 30 years later, there is a realization that oil revenues do not serve as an economic model. I think the combination of globalization, market liberalization, and participation of foreign investors will really maximize the potential of this country.” ■



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Alshoula's Spectrum of Competitiveness

When it comes to competitive legacy, one family enterprise stands out from the Saudi crowd: the Alshoula Holding Group. The company began in 1970 with interests in real estate and construction and soon gathered momentum as the country began investing heavily in infrastructure. To this day, the company maintains an expertise in real estate development, with massive new projects springing up in Saudi Arabia and throughout the Gulf. In fact, the company is keen to transport its nearly 40 years of experience in real estate to the region altogether, and has the resume to successfully accomplish this task.

At the Group's helm is HRH Prince Mishal bin Abdulaziz, one of the most senior and powerful members of the Al Saud family. In addition to being one of the most recognized and respected members of the royal family and one of the Kingdom's most prominent businessmen, Prince Mishal has also been appointed by King Abdullah to be chairman of the Bay'ah Council, charged with choosing the successors for the throne. In this light, Prince Mishal will leave his legacy both politically and financially on the Kingdom of Saudi Arabia.

Under his leadership, the group has embarked on an ambitious expansion strategy to broaden its reach in several leading industries. Dhahran Global is the group's oil and gas enterprise. It has executed major projects in the field as well as formed joint ventures for drilling contracts with multinational corporations. The company is planning to dig deeper into the limitless opportunities that present themselves throughout the GCC.

Real estate, however, still maintains a major focus of attention for the Alshoula group. Currently it is developing a host of world-class projects, including commercial complexes, five-star hotels, and luxurious residential and office complexes. The latter includes Ajmakan, a complete \$1.6 billion services complex comprising of commercial and entertainment facilities, villas, palaces, and a five-star hotel in the Al-Khozama district of Riyadh City. Demonstrating the group's knack for

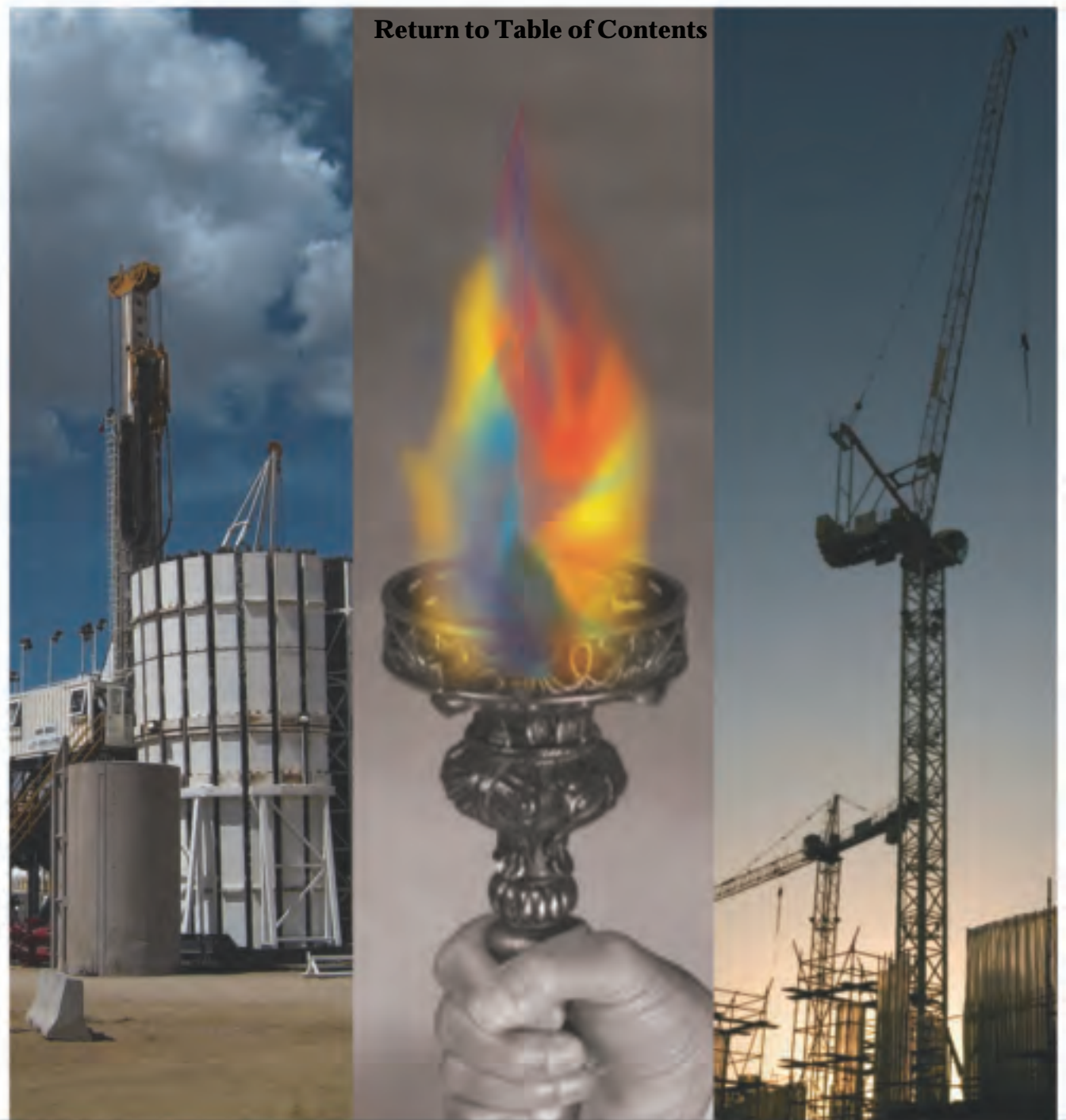
successful partnerships, Ajmakan is a joint venture between Alshoula, Tameer Holding, and the Land Company of Dubai.

Meanwhile in Jeddah, the group is involved in three landmark projects with an accumulated cost of \$15.8 billion: Jeddah Hills, Jeddah Towers, and the Alshoula Hotel. Set on a hilltop with spectacular views toward the Red Sea, North Jeddah, and the mountains to the east, the \$11.2 billion Jeddah Hills tops the bill. The community is made up of 24 residential villages, each featuring a spectrum of amenities arranged in a hub-and-spoke model. A major partner in the 9-square-mile Jeddah Hills is Emaar Middle East. The uniquely and elegantly designed Jeddah Towers will place a 100-story tower adjacent to Jeddah Cornice. It is an alliance with SAMA Dubai International, who is also involved in the extravagant Alshoula Hotel next to the Red Sea.

Further north, the city of Jubail is experiencing major expansions and industrial advancements, and the Royal Commission for Jubail and Yanbu is engaged in a grand opening of their industrial investments. "In this circumstance," says Prince Mishal, "Alshoula Group has decided to offer a large investment project in the form of operation and management of a yacht marina and support services. In addition, a group of residential apartments and commercial showrooms will grace the six blocks of land overlooking Jubail Marina."

But the group is also exporting its vision abroad, most recently to Cairo, Egypt. In the city's Sheikh Zaid district, Alshoula is erecting the Arabian City, a modern family community combining Arabic heritage with Mediterranean flair. It boasts the latest in IT installations, a golf course designed for international championships, and a sports and health club equipped with the latest facilities for physical and mental wellness.

"With the launching of these gigantic multimillion-dollar projects, Alshoula will enter history as one of the pioneers of the 21st-century developers of breathtaking, world-famous architectural icons," says Prince Mishal. ■



Since 1970, the Alshoula Holding Group has served as one of Saudi Arabia's most qualified leaders in mega-project implementation and development. Today, this expertise has spread throughout the Middle-East, with multi-billion dollar real estate, construction, and deep oil drilling projects currently underway throughout the GCC. Once a pioneer in developing the Kingdom, Alshoula will continue its legacy globally. Join us today, and see what legacies are made of.

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Saudi Post: Connecting all the Dots

From the postal command center in the heart of the Saudi Post's headquarters in downtown Riyadh, all eyes are focused on the massive projection screen and illuminated trajectories showing each Saudi Post truck as it goes about its day-to-day deliveries. And while each blinking icon may not individually seem like a driver for economic growth, together they represent the nuts and bolts of one of the most sophisticated postal systems in the world.

From his upstairs office, Dr. Muhammed Benten, CEO of the Saudi Post, smiles in recognition of just how much he and his team have accomplished in the past few years, and what this will bring to the nation in general. "You cannot imagine having a prosperous country with investment and big corporations without a successful and efficient postal infrastructure," says Benten. Yet, as Benten can attest, the creation of an efficient, modern-day postal system is easier said than done, especially considering the fact that, until recently, the Kingdom was largely unaddressed. Jokes Benten, "When you wrote your address, you really described to someone how to get to your home!" Add to this the dilemma of a multilingual demographic and inconsistent spellings of Arabic names in Latin letters, and the task of modernizing Saudi Arabia's postal service becomes that much more difficult.

Yet, undeterred from his objective, Benten assembled a team of global technological leaders with which to partner, including Cisco Systems and Saudi Arabia's own National Technology Group (NTG). Through such collaborations, Saudi Post has been able to forge one of the most elaborate technological backbones for postal delivery anywhere in the world.

"We were inspired by a number of factors, including a standard and numbered address, which we think are very essential for competitiveness of the country and security of the country. We need a high-tech system whereby all documents or parcels are accounted for at all times," notes Benten. The solution to this demand proved to be a comprehensive GPS grid system, pioneered in Saudi Arabia, whereby each address in the Kingdom corresponds to a unique coordinate. "It is a regular grid with natural boundaries," explains Benten. "A lot of mapping and cartography have obviously gone into this. However, you will never be mistaken if you follow the rules. We are the only Arab country that has an active navigator that can pinpoint a house." To maximize this system's efficacy, each Cartesian address is likewise

paired with a GPS-enabled smart mailbox, which syncs with each postman as he makes a delivery and offers instantaneous delivery notification. With this cutting-edge technology in place, Saudi postmen are able to receive each day's deliveries on their equipment with a preprogrammed delivery itinerary that notifies them as the truck approaches the parcel destination.

Beyond routine parcel delivery, however, the Saudi GPS mapping system has strong commercial implications. With such comprehensive coordinate data already compiled, the Post now sits atop a wealth of information that can translate into higher efficiency in the deliveries and services sector. Benten is quick to note the Post's collaboration with Pizza Hut, where pizzas are delivered to digital housing numbers, as an example of this project's commercial viability.

Yet the Post's overhaul of Saudi logistics goes far beyond smart mailboxes and GPS grids. As Benten describes, the role of tomorrow's postal service provider is not simply delivering parcels but "integrating with the electronics age." It is here that Benten's collaborations with Bill Gates and Microsoft have borne fruit, providing every citizen in the Kingdom of Saudi Arabia with a unique, postal-specific email address. Benten and Gates are betting on the inbox becoming the new mailbox and are already exploring ways to take advantage of this unprecedented technological leap forward.

One such venture Benten has launched in collaboration with the Saudi Research and Marketing Group (SRMG) has been Shaher, an innovative direct-mail company that has its sights set on leveraging this delivery mechanism to maximize promotional exposure to opt-in recipients. In this delivery model, relevant JPEG-formatted promotional materials can be sent to the inboxes of willing clients, who can then agree or disagree to receive further materials and samples via post. The result is a highly targeted and cost-effective marketing platform, with significant environmental implications.

Such advances in conventional postal services have not, of course, gone unnoticed, and Saudi Post has received the top accolades of the world's postal community, placing first in postal social responsibility and second in outstanding postal services in 2007. "We have been very fortunate," says Benten, while adding that the real competitiveness of the Post is in its partnerships. "We have future projects and we work with winners," exclaims Benten. "The sky is the limit!" ■

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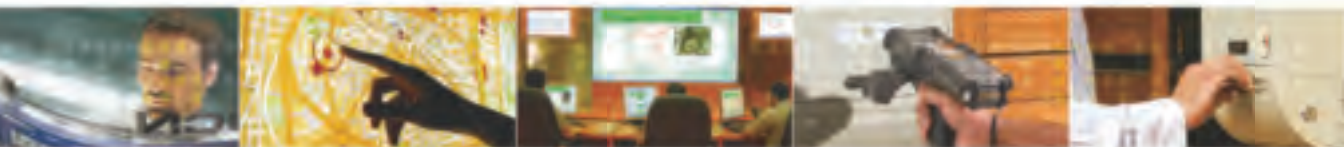


Highlights on Saudi Post Corporation



Some of the International Institutions Awards

During the current era of fast-paced technological advancement, SPC witnessed unprecedented steps on the road to progress. The Corporation deployed great efforts and strived hard to put the postal services on the right track. For this reason it was imperative to lay down a development plan in which postal service are characterized by: Efficiency, reliability, credibility, and speed.



Powering the Kingdom of Energy

That Saudi Arabia produces much of the world's energy will surprise no one. That Saudi Arabia is actively seeking the world's energy expertise is quite another story. Having pegged the energy sector as one of "three priority sectors of strategic importance to the future of the Kingdom," the Saudi Arabian General Investment Authority (SAGIA) has enlisted the help of the global private sector, once discouraged from participating, to aid the Kingdom's energy development and drive economic growth in the "Kingdom of Energy."

The response to this call has been an energy-sector capital projects bonanza throughout the Kingdom, in everything from petrochemicals to fertilizers, to the tune of \$80 billion—music, surely, to the ears of SAGIA's governor, Amr Al-Dabbagh.

Yet apart from investments flowing downstream toward petrochemicals, ARAMCO refining capacity upgrades, and a massive new aluminum development in Ras Az Zawr by Ma'aden, the nation's supercharged mining company, perhaps the most dynamic subsectors at play in Saudi are the power and water supplies.

After decades of underinvestment, the Kingdom of Saudi Arabia is now facing an unprecedented spike in both water and power demand due to both a rapidly expanding population and sharp industrial expansion (ARAMCO alone predicts a 50 percent rise in power usage in just a five-year span). Nationwide estimates published in the 2007 Saudi Arabia Energy Review Report (SAERR) predict demand for both water and power to increase at 6 percent per annum, highlighting the need for large-scale investments, but also forecasting high returns for investors noting "those companies with access to reliable technology and excellent project management and operational skills will tend to have an edge in the development of the sector."

And it is here, at the junction of technology, management, and operational prowess that the country's most successful water and power company has found its niche. Forged in joint venture by Saudi giants Abdullah Abunayyan Group, A.K. Al Muhaidib & Sons, and Al-Rajhi Group's investment vehicle, MADA, ACWA Power Projects has been the most successful developer of the nation's Independent Water and Power Project (IWPP) program in capitalizing upon the rapidly liberalizing regulatory environment in the sector.

But Mohammad Abunayyan, chairman of the ACWA Power Projects and representative of Abunayyan Group's water industry expertise, insists that despite its unprecedented recent success in winning four consecu-

tive major project bids and meeting demanding project deadlines, the company has a long-term approach to its business model. "If we were interested in high returns we would look into other areas like real estate," quips Abunayyan. "This is high risk and requires a long-term commitment."

But risk or not, Mr. Abunayyan and President and CEO Paddy Padmanathan have set an enviable example of competitiveness in developing privately financed power and water projects, for both the Kingdom and the power markets beyond. "The real mission is to localize the knowledge and the know-how and to be able to absorb the knowledge from the international arena," explains Abunayyan. "This translates into the competence and capability of the company and its ability to match any other professional international company."

Both men further point to the company's innovative approach to project development as critical to their success. "You have to have something out of the box, whether it is a financial structure or a technical solution ... to be credible and challenging. It is exactly how we have been able to be competitive and be able to provide winning bids four times in a row." Now managing the development of all four projects valued at more than \$9.1 billion and adding upwards of 4,855 megawatts into the Kingdom's power capacity and 220,000 cubic meters per day of desalinated water, the extent of the company's competitiveness is beginning to show.

Yet Abunayyan feels that the true value of being the nation's most competitive IWPP is not in winning bids but in enhancing Saudi energy competitiveness, with knock-on effects of bolstering employment, innovation, and international partnerships in the Kingdom's energy sector. Abunayyan draws upon each of these points in his call for attracting the world's top talent as future partners in the company's long-term vision, which encompasses both global expansion and alternative energy sources.

"This is our country—we know what to do," says Abunayyan confidently. "Saudi Arabia exudes energy competitiveness of anything energy related." ■

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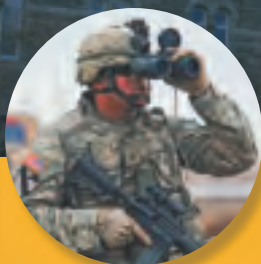
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The Price of the Surge

How U.S. Strategy Is Hastening Iraq's Demise

Steven Simon

IN JANUARY 2007, President George W. Bush announced a new approach to the war in Iraq. At the time, sectarian and insurgent violence appeared to be spiraling out of control, and Democrats in Washington—newly in control of both houses of Congress—were demanding that the administration start winding down the war. Bush knew he needed to change course, but he refused to, as he put it, “give up the goal of winning.” So rather than acquiesce to calls for withdrawal, he decided to ramp up U.S. efforts. With a “surge” in troops, a new emphasis on counterinsurgency strategy, and new commanders overseeing that strategy, Bush declared, the deteriorating situation could be turned around.

More than a year on, a growing conventional wisdom holds that the surge has paid off handsomely. U.S. casualties are down significantly from their peak in mid-2007, the level of violence in Iraq is lower than at any point since 2005, and Baghdad seems the safest it has been since the fall of Saddam Hussein's regime five years ago. Some backers of the surge even argue that the Iraqi civil war is over and that victory on Washington's terms is in sight—so long as the United States has the will to see its current efforts through to their conclusion.

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Unfortunately, such claims misconstrue the causes of the recent fall in violence and, more important, ignore a fatal flaw in the strategy. The surge has changed the situation not by itself but only in conjunction with several other developments: the grim successes of ethnic cleansing, the tactical quiescence of the Shiite militias, and a series of deals between U.S. forces and Sunni tribes that constitute a new bottom-up approach to pacifying Iraq. The problem is that this strategy to reduce violence is not linked to any sustainable plan for building a viable Iraqi state. If anything, it has made such an outcome less likely, by stoking the revanchist fantasies of Sunni Arab tribes and pitting them against the central government and against one another. In other words, the recent short-term gains have come at the expense of the long-term goal of a stable, unitary Iraq.

Despite the current lull in violence, Washington needs to shift from a unilateral bottom-up surge strategy to a policy that promotes, rather than undermines, Iraq's cohesion. That means establishing an effective multilateral process to spur top-down political reconciliation among the major Iraqi factions. And that, in turn, means stating firmly and clearly that most U.S. forces will be withdrawn from Iraq within two or three years. Otherwise, a strategy adopted for near-term advantage by a frustrated administration will only increase the likelihood of long-term debacle.

THE SURGE'S FALSE START

AFTER THE February 2006 bombing of the Askariya shrine in Samarra, the White House started to become increasingly concerned that there were too few U.S. troops in Iraq. A network of retired army officers led by Jack Keane, a former vice chief of staff of the U.S. Army, had been pushing from the outside for an increase in forces, and Senators John McCain (R-Ariz.) and Lindsey Graham (R-S.C.) kept up a drumbeat of criticism of what they saw as a lackluster military effort. The November 2006 congressional elections, which handed the House and the Senate to the Democrats, added to the sense that a new strategy was needed. In a December 2006 memo, Bush's national security adviser, Stephen Hadley, somewhat gingerly noted that the United States might "need to fill the current

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four-brigade gap in Baghdad with coalition forces if reliable Iraqi forces are not identified.”

On December 13, 2006, Bush met with the Joint Chiefs of Staff at the Pentagon to persuade them to allocate more troops to Iraq. It was not an easy sell. U.S. ground forces are not configured to fight such a long war, and the repeated deployment of the same active-duty and Reserve units had taken a toll. The reenlistment rate of young captains, for example, had fallen to an unprecedented low; about half of the West Point classes of 2000 and 2001 had decided against an army career. The pace of unit rotations and the tempo of operations had also taken their toll on equipment, which was wearing out at nine times the normal rate, faster than it could be replaced. The chairman of the Joint Chiefs of Staff made clear his concern about the army being stretched too thin. A shortfall of 10,000 company-grade officers meant that the Reserve units would have to rob both people and materiel from other units. Meanwhile, the mounting expense of the war was crowding out the procurement of new combat systems for the navy and the air force, and there was a growing risk that the military might find itself without the capacity to meet other strategic challenges, whether from Afghanistan, Iran, or elsewhere.

Bush tried to allay these worries, pledging to, among other things, increase the size of the U.S. Army and the Marine Corps and boost defense spending. But the Joint Chiefs also conditioned their reluctant support of the surge on a promise from the president to hold Iraqi Prime Minister Nouri al-Maliki's feet to the fire on political reconciliation. So when Bush unveiled his surge strategy in January 2007 (the deployment of an additional 21,500 troops, through September, with the initial military objective of restoring order to Baghdad), the stated purpose was to ensure that “the [Iraqi] government will have the breathing space it needs to make progress in other critical areas. Most of Iraq's Sunni and Shia want to live together in peace—and reducing the violence in Baghdad will help make reconciliation possible.” Bush quoted Maliki's promise that the Baghdad security plan would “not provide a safe haven for any outlaws, regardless of their sectarian or political affiliation.”

Even then, however, the administration was already starting to doubt Maliki's competence and willingness to pursue reconciliation,

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the principal determinant of long-term stability in Iraq. Two months earlier, Hadley had visited Iraq to assess the prospects for a cross-sectarian political rapprochement and come away unsure of Maliki's stance. "Do we and Prime Minister Maliki," Hadley had wondered in his December 2006 memo, "share the same vision for Iraq? If so, is he able to curb those who seek Shia hegemony or the reassertion of Sunni power? The answers to these questions are key in determining whether we have the right strategy in Iraq." Hadley proposed several ways to test Maliki's intentions and bolster his resolve, including initiatives to rejigger parliamentary support to free Maliki from his Shiite base linked to Muqtada al-Sadr and enable him to take conciliatory steps toward the Sunnis. The United States, however, lacked the influence necessary to put this approach into practice. Before long, events in Iraq revealed the answers to Hadley's questions: in both cases, a resounding no.

The deployment of the five new brigades proceeded more or less as planned, but from the start there was little headway made toward the broader goals of the surge, particularly reconciliation, as measured by the Iraqi government's inability to meet key benchmarks. The Constitutional Review Committee, which was charged with redressing Sunni grievances, made little progress, and there was no progress on de-Baathification reform, amnesty, provincial elections, or the implementation of oil legislation. The Sunni Iraqi Accordance Front had walked away from Maliki's cabinet, and Bush's reportedly regular calls to Maliki urging him to mobilize his government were ineffective. The Iraqi committees created to support the Baghdad security plan were left unfilled, and the three Iraqi brigades needed to help implement it arrived late and understrength. Diplomatic efforts to get Iraq's neighbors involved fizzled.

FROM TOP DOWN TO BOTTOM UP

THE PRESIDENT's hopes for the top-down political efforts that were supposed to accompany the surge quickly faded. As a substitute, however, a new bottom-up strategy was embraced. Bush had observed in his January surge speech that the Sunnis were challenging al Qaeda's presence in Iraq, and a February 2007 National Intelligence Estimate

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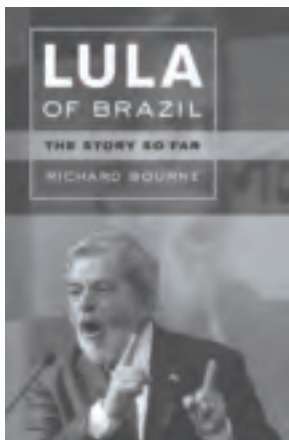


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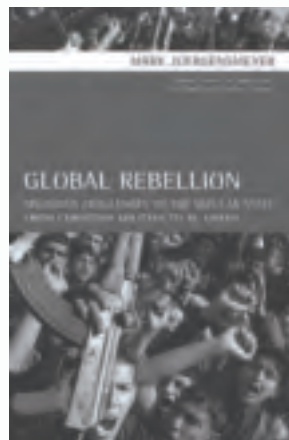
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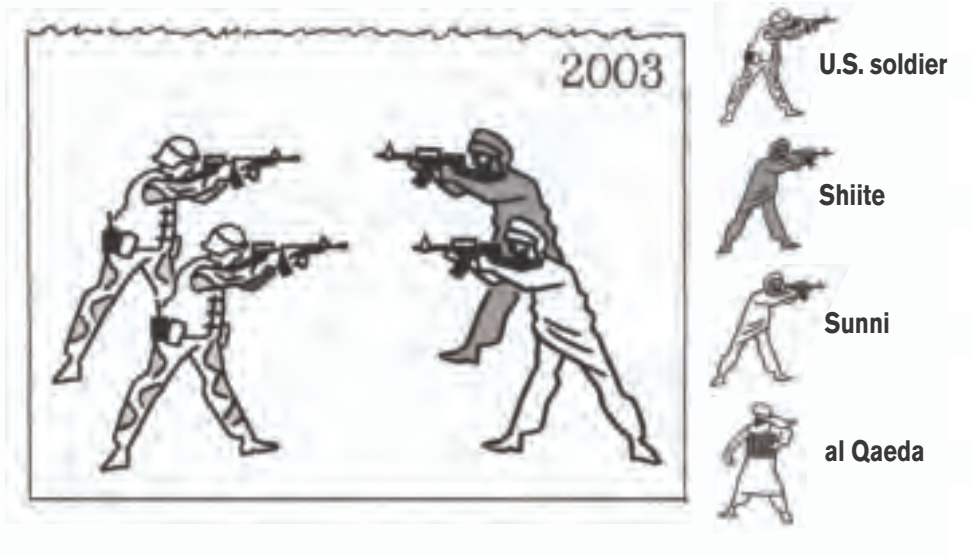
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on Iraq recommended “deputizing, resourcing, and working more directly with neighborhood watch groups and establishing grievance committees—to help mend frayed relationships between tribal and religious groups, which have been mobilized into communal warfare over the past three years.” A few months later, the president signaled a formal shift in strategy in a speech at the Naval War College: “To evaluate how life is improving for the Iraqis, we cannot look at the country only from the top down. We need to go beyond the Green Zone and look at Iraq from bottom up. This is where political reconciliation matters the most, because it is where ordinary Iraqis are deciding whether to support new Iraq or to sit on the fence, uncertain about the country’s future.” What the president was proposing was a shift in the U.S. approach to counter-insurgency. Now, the United States would work to exploit a grass-roots anti-al Qaeda movement already under way by taking the pressure off the insurgents who had begun to point their weapons at the jihadists and funneling money to tribal leaders. In theory, this would help dismantle the jihadist infrastructure and create islands of stability that would eventually join up like “oil spots.”

After the U.S. invasion, the Sunni groups that would go on to make up the insurgency arrived at a marriage of convenience with the foreign and local jihadists who made up al Qaeda in Iraq. The two shared a common goal: to reverse the triumph of the Shiites and restore the Sunnis to their lost position of power. For the Sunni insurgents, the presence of foreign jihadists also helped divert the attention of U.S. forces. Up to a point, therefore, al Qaeda’s excesses—such as its attempt to impose strict Wahhabi-style rule by banning music and satellite dishes and compelling women to cover themselves entirely—were to be tolerated.

But for al Qaeda, the link with the insurgents was supposed to serve two additional purposes that went well beyond the shared goal of chipping away at Shiite predominance—and ultimately went against the interests of the Iraqi Sunnis themselves. The first was to establish an al Qaeda-dominated ministate as a base for carrying out

The surge has brought transitory success by stoking the three forces that undermine stability in the Middle East.



jihad against enemies outside of Iraq. (The November 2005 attack against three Western tourist hotels in Amman, Jordan, allegedly ordered by Abu Musab al-Zarqawi, then the leader of al Qaeda in Iraq, was a harbinger of this wider strategy.) The second was to seize a leading position within the insurgency and thereby block a power-sharing arrangement between Baghdad and the Sunni nationalists, an arrangement that would entail the selling out of al Qaeda by the Sunnis.

The Iraqi Sunnis' enthusiasm for the alliance waned as al Qaeda increasingly attempted to assert its leadership. In October 2006, al Qaeda declared the formation of an Islamic state in Iraq, demanding that Sunni insurgent leaders pledge allegiance to the new (and many believed fictional) jihadist commander Abu Omar al-Baghdadi, whose name was supposed to signify an authentically Iraqi origin. To the nationalist insurgents, accepting the declaration of a separate state and ceding leadership to al Qaeda made little sense. Doing so would have fueled the process of decentralization, emboldened those Kurds and Shiites who sought their own fiefdoms, and, crucially, further distanced the Sunnis from eventual access to Iraq's potentially massive oil revenues. Moreover, despite the spectacular successes that had been attributed to al Qaeda, it was the nationalist Sunnis who provided the backbone of the insurgency and had done most of the killing and dying.



Some tribes had also grown increasingly resentful of al Qaeda's efforts to seize control of resources. The Albu Risha tribe, for example, had lost control over portions of the road from Baghdad to Amman, undermining its ability to raise revenue by taxing or extorting traders and travelers. When the Albu Rishas' leaders protested, the chieftain, Sheik Bazi al-Rishawi, was killed along with one of his sons, and two more of his sons were abducted. In response, Rishawi's fourth son, Sheik Abdul Sattar, assembled a small group of tribal figures (with the help of funds from the local U.S. military commander) under the banner of the Anbar Salvation Council to roll back al Qaeda's influence. The bodies of al Qaeda personnel soon began turning up in alleyways.

This strategic schism might have been papered over had the jihadists not overreacted to the opposition of other insurgent groups. In 2007, there was a wave of sensational killings of Sunni leaders by al Qaeda, including Abdul Sattar (who had met with President Bush two weeks before his death). The assassinations of Sunni leaders warranted retaliation under the prevailing tribal code, opening the door to more systematic cooperation between the tribes and U.S. forces. In the wake of Abdul Sattar's death, a Sunni leader complained that al Qaeda's assassinations had "left resistance groups with two options: either to fight al Qaeda and negotiate with the Americans or fight the Americans and join the Islamic State of Iraq, which divides Iraq. Both options are bitter." After their defeat in the battle of Baghdad—thanks to the



entrenched power of Sadr's Shiite Mahdi Army and the arrival of additional U.S. troops—the Iraqi Sunnis went decisively with the first option, marking the start of the Sunni Awakening groups. The United States, for its part, had its own incentive to cooperate with the insurgents: June 2007, with 126 troop deaths, was the second-worst month for the U.S. military in Iraq, and General David Petraeus, the U.S. ground commander, was facing pressure to reduce casualties quickly. The most efficient way to do so was to strike deals with the newly pliable insurgents.

The deals were mediated by tribal leaders and consisted of payments of \$360 per month per combatant in exchange for allegiance and cooperation. Initially referred to by the United States as “concerned local citizens,” the former insurgents are now known as the Sons of Iraq. The total number across Iraq is estimated at over 90,000. Although the insurgents turned allies generally come well armed, at least one unit leader, Abu al-Abd, commander of the Islamic Army in Iraq, who controls Sunni neighborhoods in Baghdad, has said that he receives weapons as well as logistical support from U.S. units. His arrangement is probably typical. In November 2007, he agreed to a three-month pact, open to extension.

This strategy has combined with other developments—especially the fact that so much ethnic cleansing has already occurred and that violence in civil wars tends to ebb and flow, as the contending sides



work to consolidate gains and replenish losses—to bring about the current drop in violence. The Sunni sheiks, meanwhile, are getting rich from the surge. The United States has budgeted \$150 million to pay Sunni tribal groups this year, and the sheiks take as much as 20 percent of every payment to a former insurgent—which means that commanding 200 fighters can be worth well over a hundred thousand dollars a year for a tribal chief. Although Washington hopes that Baghdad will eventually integrate most former insurgents into the Iraqi state security services, there are reasons to worry that the Sunni chiefs will not willingly give up what has become an extremely lucrative arrangement.

TRIBAL REALITIES

THE SURGE may have brought transitory successes—although if the spate of attacks in February is any indication, the decrease in violence may already be over—but it has done so by stoking the three forces that have traditionally threatened the stability of Middle Eastern states: tribalism, warlordism, and sectarianism. States that have failed to control these forces have ultimately become ungovernable, and this is the fate for which the surge is preparing Iraq. A strategy intended to reduce casualties in the short term will ineluctably weaken the prospects for Iraq's cohesion over the long run.

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Since the mid-nineteenth century, ruling powers in the Middle East have slowly and haltingly labored to bring tribal populations into the fold, with mixed success. Where tribes and tribalism have remained powerful, the state has remained weak. The Ottomans attempted forced sedentarization of the tribes, weakening tribal authorities by disrupting settlement patterns and replacing tribal sheiks with smaller cadres of favored leaders who became conduits for patronage. The colonial powers after World War I faced a different problem: the threat of nationalist urban elites opposed to foreign rule. In an effort to counter defiant urban leaders, they empowered rural tribes on the periphery. In Iraq, the British armed the tribes so that the sheiks could maintain order in the countryside and balance the capabilities of the nominal local governments operating under League of Nations mandates. Thus, the tribal system that Ottoman rule sought to dismantle was revitalized by British imperial policy, and the power of the nominal Iraqi government was systematically vitiating. In 1933, Iraq's King Faisal lamented, "In this kingdom, there are more than 100,000 rifles, whereas the government has only 15,000."

The tribes lost some power over the subsequent decades. This was in part a result of increasing direct British involvement in activities such as law enforcement, land tenure, and water distribution and in part a result of urbanization: as Iraqis moved from the country to the city, their affiliations shifted from the tribe to urban institutions—principally the trade union and the mosque—even as they held on to tribal symbols. When the Baathists took power in 1968, they explicitly rejected "religious sectarianism, racism, and tribalism . . . the remnants of colonialism." The tribes, in their minds, were inevitable rivals of a centralizing state. But after taking control in a coup in 1979, Saddam leaned on his own Sunni tribal networks to staff his security services, army leadership, and bureaucracy, while suppressing other tribal life. He tried to rein in tribes by dispersing Baathist apparatchiks throughout the hinterland, but he nonetheless came to rely on the tribal system as a whole to make up for the shortcomings of the state as times became harder.

During the Iran-Iraq War, Saddam used Shiite tribes to defend regions near the Iranian border, and elsewhere tribal leaders regained some of their traditional authority as the war forced the redeployment

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of Baathist officials to the front. Amid the hardships created by the conflict, the flow of resources from the center shrank, leading to greater self-reliance in tribal areas and the renewed importance of tribal leaders. The Gulf War, and the grinding international sanctions that followed, accelerated these trends. In 1996, a high council of tribal chiefs was established and was granted political privilege, weapons, and land. Selected tribal leaders were allowed to enrich themselves by any means, fair or foul, and in return they were expected to defend the regime. Saddam, in effect, fostered a process of retribalization in Iraq.

Iraq's Arab neighbors, particularly Jordan and Saudi Arabia, provide a counterexample. They won enduring stability by corralling the tribes through a combination of reward and punishment. In Transjordan, King Abdullah I and the British—helped by famine and the effects of the Great Depression—confronted recalcitrant tribes militarily and then secured their allegiance with a steady flow of resources from the emerging state. More recently, Jordan's Hashemite monarchy has preserved the tribes' loyalty by guaranteeing them prestigious positions in the government and the military and by playing them off against the Palestinians. In Saudi Arabia, the al Saud dynasty consolidated its state by subduing the tribal challenge of rebellious Ikhwan and then endowing them with status and a military role. Strategic marriages between the al Saud family and the tribes cemented these ties. Although such efforts occasionally faltered, the thrust of the policy was always clear: to subordinate the tribes to the state.

Now, U.S. strategy is violating this principle by fostering the retribalization of Iraq all over again. In other countries in the region, such as Yemen, the result of allowing tribes to contest state authority is clear: a dysfunctional country prone to bouts of serious internecine violence. Such violence can also cross borders, especially if neighboring states are willing to use the tribes as their own agents. Pakistan provides a particularly ominous example of this dysfunctionality: its failure to absorb its Pashtun population has threatened the viability of the Pakistani state. The continued nurturing of tribalism in Iraq, in a way that sustains tribes in opposition to the central government rather than folding them into it, will bring about an Iraqi state that suffers from the same instability and violence as Yemen and Pakistan.

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U.S. officials in Iraq have taken note of how the current U.S. approach has exacerbated the dangers of tribalism. Last month, a senior U.S. military adviser conceded, “We’re not thinking through the impact of abetting further corruption and perpetuating tribal power.” In December, a U.S. diplomat warned, “The absence of government in a lot of areas has allowed others to move in, whether militias or others.” The net effect has been a splintering of the country rather than the creation of a unified nationalist Sunni front that, having regained its confidence, would be prepared to deal constructively with Baghdad.

THE CRUMBLING CENTER

THE GROWTH of warlordism is another consequence of the surge. By empowering the tribes and other networks without regulating their relationship to the state, the United States has enabled them to compete with one another for local control and what is mostly criminal revenue. It is worth noting that warlordism is not just a creeping Sunni phenomenon. Kurdish and Shiite criminals have been equally adept at exploiting the current security situation to their advantage. Indeed, warlordism appears even to be altering the sectarian divide. In Najaf, where gang warfare has erupted on more than one occasion, supporters of Sadr’s Mahdi Army are engaged in street battles with members of the Badr Organization, even though both are Shiite groups.

Last December, a committee of British MPs charged with examining the security situation in Basra as British forces began to draw down concluded that warlords and criminal gangs had all but taken over the city. “Although the reduction in attacks on UK forces can only be welcome,” the committee’s report noted, “this alone cannot be a measure of success. The initial goal of UK forces in South Eastern Iraq was to establish the security necessary for the development of representative political institutions and for economic reconstruction. . . . This goal remains unfulfilled.”

The United States’ bottom-up strategy is also worsening sectarianism. For many Sunnis, reconciliation means restoration—not inclusion in power-sharing arrangements but regaining control of the state. Instead



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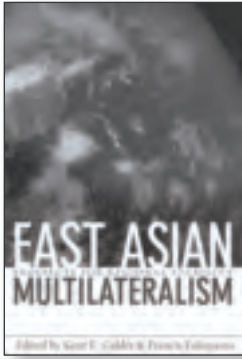
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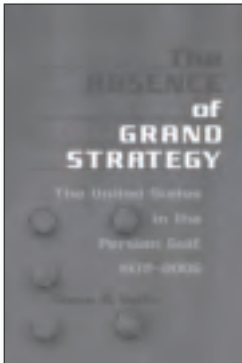
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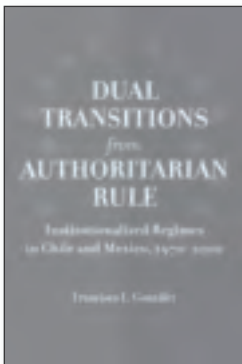
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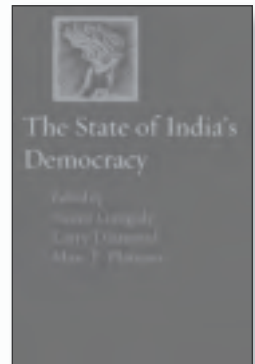
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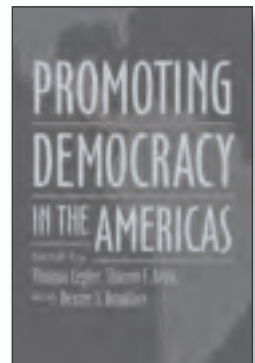
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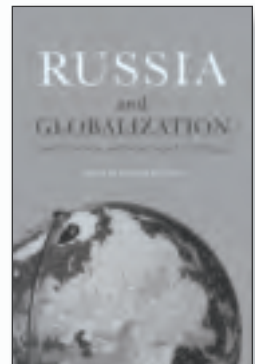
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of discouraging this mindset, the evolution of the surge into a bottom-up operation has validated it, fostering the impression that Washington has at last recognized that its strategic interests lie with the Sunnis. As the Sunnis see it, the current U.S. strategy is a policy of organizing, arming, and training them to challenge Shiite supremacy.

The Shiites and the Kurds naturally have sharply different notions of what reconciliation means. For the Kurds, reconciliation means respect for their claims to autonomy as well as for their potential territorial gains. The Shiites have tended to emphasize the need for justice before reconciliation, which, as they see it, requires that they be compensated for their suffering under previous regimes (not only Saddam's). This, in their mind, necessitates the subordination of Iraq's Sunni population to the Shiite community. Some Shiite leaders have defied such thinking—Ayatollah Ali al-Sistani most prominently—but Sadr has made clear that he will use violence to secure Shiite hegemony, and Maliki's government has shown no willingness to be pried away from Sadr and like-minded Shiites. Indeed, in postconflict situations, reconciliation often founders on the unwillingness of victims to surrender their claims to justice.

Some Sunnis have started to recognize that the United States has no intention of restoring their supremacy. The realization that civilian jobs and vocational training is all that is in store for the 80 percent of the former insurgents who are blocked from membership in the Iraqi army (Shiite leaders want to dominate the army in order to use it as their own instrument of control) has eroded Sunni cooperation with U.S. forces. As one volunteer told a reporter, "The Sunnis were always the leaders of the country. Is it reasonable that they are turned into service workers and garbage collectors? . . . We had not anticipated this from the American forces. Of course we will not accept that." One response has been to head back to al Qaeda. An Awakening commander in the Diyala provincial capital of Baqubah, which has never been fully pacified, said in February, "Now there is no cooperation with the Americans. . . . We have stopped fighting al Qaeda." This was doubtless an exaggeration, but one that pointed to the hard truth that for many Sunnis, Shiite rule remains unacceptable. When former Sunni insurgents no longer believe that Washington will restore them to dominance, their current U.S. paymasters will once again be their targets.

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Given the current trajectory, significant Sunni segments of the post-surge Iraqi state will continue to be funded by the United States, but they will remain beyond the control of either Baghdad or Washington. They will also be in a position to establish ties with neighboring countries. All of this may well accelerate the centrifugal forces unleashed by the bottom-up strategy. When it withdraws from Iraq, the United States will be leaving a country more divided than the one it invaded—thanks to a strategy that has systematically nourished domestic rivalries in order to maintain an illusory short-term stability.

This could mean that Iraq will remain essentially unreconstructed. The authority of the state would plummet, and the United States' ability to influence events, already limited, would become even weaker. Iraq would become a running sore, and successive crises within the country and on its borders would distract Washington from other priorities and sap its ability to normalize relations with Iran. For the Iraqis, safety, security, and economic advancement would remain uncertain. Those who could leave would. Stability would become an ever-receding prospect.

One plausible consequence of this turmoil would be the emergence of a U.S.-trained and U.S.-equipped Iraqi army, increasingly open to former officers of Saddam's military, as a powerful force in Iraqi politics. The professionalism and esprit de corps of the army is already on the rise. Officers who see themselves as having to navigate a maelstrom of unregulated militias, weak and irresponsible government officials, tribes emboldened and then embittered by their U.S. connections, and overbearing but uneven U.S. assertions of control could turn inward, as they did under the British and under Saddam. They might adopt a posture of superiority to politicians, impatience with upstart tribal leaders, and passive-aggressiveness toward their U.S. patrons and then sideline the civilian government and take control of the state. This result might be less disastrous than complete long-term breakdown: to the degree that Iraq needs a mediating military presence to sustain a fragile peace, this role might ultimately be better served by a military with its own corporate identity rather than by U.S. troops. But still, the United States would be confronted by a strong, centralized state ruled by a military junta that would resemble the Baathist regime Washington overthrew in 2003. Rather than an

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anarchic situation, the United States would face potentially aggressive nationalism and a regime unsympathetic to U.S. regional priorities.

RESPONSIBLE RETREAT

AT THIS stage, the United States has no good option in Iraq. But the drawbacks and dangers of the current bottom-up approach demand a change of course. The only alternative is a return to a top-down strategy. To be more effective this time around, Washington must return to the kind of diplomacy that the Bush administration has largely neglected. Even with 160,000 troops in Iraq, Washington lacks the leverage on its own to push the Maliki government to take meaningful steps to accommodate Sunni concerns and thereby empower Sunni moderates. (The legislative package and the de-Baathification reform law passed earlier this year were seriously flawed and did more to spur the Sunnis' anxieties than redress their grievances.) What the United States could not do unilaterally, it must try to do with others, including neighboring countries, European allies, and the United Nations (UN).

In order to attain that kind of cooperation, Washington must make a public commitment to a phased withdrawal. Cooperation from surrounding countries and European partners is unlikely to be forthcoming without a corresponding U.S. readiness to cede a degree of the dubious control it now has over events in Iraq. Currently, the dominant U.S. presence in Iraq allows the rest of the world to avoid responsibility for stability in and around Iraq even as everyone realizes the stakes involved. A plan to draw down U.S. forces would therefore contribute to the success of a larger diplomatic strategy, prompting Middle Eastern states, European governments, and the UN to be more constructive and proactive in working to salvage stability in the Persian Gulf.

The point, therefore, is not to focus on the precise speed and choreography of a troop withdrawal. Rather, what is necessary is to make clear that the United States intends to withdraw. Should the Bush administration suspend the currently programmed withdrawals of the surge force, it would send precisely the opposite message. President Bush, Secretary of Defense Robert Gates, and General Petraeus have

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all signaled their interest in halting any further drawdowns after the last surge brigade has come home this summer. Petraeus, who has already begun to lay out his case in interviews, argues that “the key is to hang on to what you’ve got.” The president has suggested that he is unwilling to withdraw additional troops until after the Iraqi provincial elections—which, although originally scheduled for October, could very well be delayed. It is therefore possible that the next U.S. president will have to decide what to do with approximately 140,000 troops, a considerably larger number than most observers assumed would still be on the ground in Iraq at the end of 2008. (Some consideration will also have to be given to the problem of removing 56,000 contractors and facilitating the departure of a segment of the 30,000–50,000 Iraqi and foreign workers supporting the U.S. presence.)

Given that the laws of physics are as relevant to troop redeployments as are the laws of strategy and politics, the higher baseline bequeathed by Bush would mean a longer timeline for withdrawal.

The tribes feeding off the surge must be weaned from U.S. assistance and linked firmly to Baghdad.

As of last summer, there were 1,900 tanks and other armored vehicles, 43,000 trucks, and 700 aircraft in Iraq. Equipment is scattered over 70 bases throughout the country, along with 38 major supply depots, 18 fuel-storage centers, and 10 ammunition dumps. According to the conservative rule of thumb used by military logisticians, the U.S. Army and the Marine Corps could move a brigade per month from the Iraqi theater. Moving the 15 brigades likely to be in Iraq in January 2009 would require up to 10,000 truck trips through potentially hostile zones within Iraq.

Although fixating on an exact timetable for withdrawal might be unhelpful at this juncture, a new administration should begin to draw down deliberately and in phases as soon as its internal deliberations are complete and the process has been coordinated with Baghdad. These steps could take months, as the new team conducts its policy-review process; military planners plot safe and efficient withdrawal routes; congressional consultations are carried out; conclusions are reached about where the forces being drawn down should be redeployed; planners determine the size, roles, and missions of the residual force;

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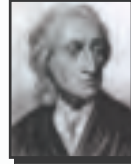
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and the numerous dependencies created by the occupation and the surge are gradually shed. Once under way, however, a drawdown of most of the troops now in Iraq could be completed within two years. The redeployment might proceed more quickly if U.S. public support for the war collapsed, the Iraqi government demanded a swifter withdrawal, or the political situation in Iraq settled down; alternatively, the process might take more time if U.S. forces were under attack, an atrocity claiming the lives of many Americans occurred, or a responsible, reconciliation-minded Iraqi government and a concerned international community sought a slower drawdown.

RECONCILIATION FROM ABOVE

ANNOUNCING A withdrawal will entail certain risks. Aware that U.S. forces will finally be departing, Iraqi factions might begin to prepare for a new round of fighting. The Sunnis, aware of their vulnerabilities to attack by militant Shiite forces without the United States to protect them, might resuscitate their alliance with al Qaeda. The government in Baghdad might be concerned about its own exposure to attack in the absence of a U.S. shield and proceed to forge tighter links with Tehran or encourage greater activism by the Mahdi Army. It is all the more vital, therefore, that the drawdown take place as part of a comprehensive diplomatic strategy designed to limit these risks. The interval between a decision to withdraw and the removal of the bulk of U.S. forces should provide the space in which the UN can convene a multilateral organization to foster a reconciliation process in Iraq.

There is much that can be done to revitalize a top-down approach to reconciliation if it is under UN auspices and led by a credible special envoy. First, the international community should be energized to help Iraq move forward on provincial elections, which would test the popularity of the new Sunni leaders who have emerged during the surge and lash them up to Baghdad. This would have the added benefit of isolating the radical federalists from the majority of Shiites, who would prefer to live in a united Iraq. A UN envoy would have a better chance of brokering a deal on the distribution of provincial and federal powers, the issue that led to the veto of the provincial election

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law, than would Washington. In a multilateral setting that is not conspicuously stage-managed by the United States, regional states, including Iran and Saudi Arabia, could play a pivotal role in this process. Although Tehran's cooperation is inevitably hostage to its broader relations with Washington, UN sponsorship of this effort might provide the leaders of Iran with the cover they need to act in their own interest. The Saudis, for their part, would like to see the UN involved and are prepared to use their influence and money to impel the parties in Iraq toward reconciliation.

Second, an institutionalized multilateral group of concerned states should mobilize the broader international community to assist with the care, feeding, and permanent housing of the millions of refugees and internally displaced Iraqis who have not been able to get to the United States or Europe. This is essential, since refugee camps and squatter settlements are incubators of radicalism and radiate violence. The longer these populations remain unmoored and cut off from education, employment, and access to adequate social services and health care, the harder it will be to resettle them permanently, whether in Iraq or elsewhere.

Third, before a new and more intense phase of the civil war begins, there should be a multilateral process put in place to prod Saudi Arabia and other Persian Gulf states to finance investment projects that provide real employment in Iraq. Furthermore, Iraq's neighbors, including Iran, should be pressing the Iraqi government to bring far more Sunni Awakening volunteers into the regular Iraqi army and, crucially, into the provincial police forces funded by the central government. The latter step would reinforce the positive effects of the provincial elections and the emergence of politically legitimate local leaders. The current commitment to enlist 20 percent of the Awakening's members is far too small to have an impact.

Finally, the tribes feeding off the surge must be weaned from U.S. assistance and linked firmly to Baghdad as their source of support. Intertwining the tribes with Baghdad in this way, as the Iraq specialist Charles Tripp has noted, would yield something very much like the imperial protectorates in the Middle East of the first half of the twentieth century. The "club of patrons" in the capital would dole out goods to tribes through favored conduits. At this juncture, the U.S. military is

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performing the role of the patrons—creating an unhealthy dependency and driving a dangerous wedge between the tribes and the state. Through coordinated action by the UN sponsors of the multilateral process, the government in Baghdad, and U.S. commanders on the ground, payment responsibilities will have to be transferred from the U.S. military to Iraqi government representatives.

There is no guarantee that the old way of giving tribes a taste of the lash followed by a dollop of state largess—the model that successfully integrated tribes in Jordan and Saudi Arabia in the twentieth century—can be successfully applied to a divided Iraq today. Iraq is heterogeneous, unlike Jordan or Saudi Arabia, where the state and the tribes shared a religious heritage. Furthermore, overestimating Iranian or Saudi influence on Iraqi politics and the willingness of the UN Security Council to plunge into the existing morass is all too easy. In any event, it will be a slow and hazardous undertaking. Many things have to happen more or less simultaneously in a carefully coordinated chain of actions. Washington has to announce that it will begin withdrawing the bulk of its forces. The UN secretary-general, with the backing of the Security Council, must select a special envoy. A contact group of key states must be formed under UN sponsorship. Priorities and milestones will need to be set for the distribution of resources within Iraq, the recruitment of Sunnis to the army, provincial elections, foreign investment, dealing with refugees, and development assistance. Crucially, the phasing of the troop drawdown will have to mesh with this diplomatic process but not hinge on its ultimate success. This course is risky and possibly futile. Yet it is still a better bet than a fashionable, short-term fix divorced from any larger political vision for Iraq and the Middle East. 🌐



Serbia's Eurovision

Serbia is in many ways an emerging Southeast European transition country with very attractive figures: an average 5.9 percent growth over the last 6 years, foreign direct investments above \$1 billion five years running (2.5 billion in 2007 alone), and inflation securely fixed in the single digits. Now sights are set on joining the European Union, but can this once war-torn country on the rebound meet the high expectations it has fostered?

The Balkan Continuum

The 1990s were a difficult decade for Serbia and the Balkan region in general. Despite never having been part of the Warsaw Pact, following the fall of the Soviet Union, Yugoslavia rapidly broke up into separate regions declaring independence, causing cultural and religious clashes that finally degraded into the Yugoslav wars. In Serbia, Slobodan Milošević had risen to power and his controversial stand on several issues, including the opposition to the call for independence by Kosovo, an autonomous region of predominantly ethnic Albanians, led to UN sanctions. Political isolation and a sharp economic decline marked the end of the 1990s, despite a fragile peace finally having been brokered in 1999.

But the new millennium brought a whole new set of opportunities to the table. Democracy was taken up after the popular ousting of Milošević, and the healing process was set in motion. Through cooperation with the International War Crimes Tribunal in The Hague and participation in NATO's Partnership for Peace program, Serbia is cleaning up its image. Priorities now lie with building up the economic machine, opening up to Europe, and primarily in resolving the Kosovo issue. "In the past seven years," reflects President Boris Tadic, "we have had 6 or 7 percent growth in our economy. That is a tremendous result. We are planning crucial investments in our infrastructure, finalizing all highways through Serbia in the next five years, modernizing our railways, and we have a plan to build a giant oil pipeline from Romania through Serbia towards Trieste in Italy." The latter would complement a new gas pipeline from Bulgaria and another from Hungary. The infrastructure

push, coupled with successful privatizations, is already having a positive effect on the amount of new businesses and plants being established in Serbia. "In 2007 we had €1.7 billion in Greenfield investments in our economy," says Tadic.

But major steps have also been made in foreign relations, both regional and international. "I am very satisfied with the fact that we finalized negotiations about the Stabilization and Association Agreement (SAA) in the past four months, in 120 days," says President Tadic, referring to the key pre-membership accord with the European Union. As the second largest market in the region (after Greece) with 7.5 million people, and a common language connecting over 20 million throughout ex-Yugoslavia, Serbia has a lot to gain by becoming a full member of the EU. Despite the ongoing dispute about Kosovo's status, Serbia stresses its willingness to continue negotiations with the EU.

According to President Tadic it is the missing link in overcoming the country's imbalanced past and continuing its presently solid growth to attain an even more promising future. "Integration with Europe is our plan, our dream, our main strategic goal. In the next five years I am expecting the image of Serbia to change in a very successful way." Serbia's Minister of Foreign Affairs Vuk Jeremic says that the accession progress of the Western Balkans as a whole hinges on Serbia as its catalyst. "Serbia has picked a direction," asserts Jeremic. "Full EU membership, democracy, rule of law, market economy, and not looking back into the nationalist decade of the 90s." Jeremic, however, stands by Serbia's decision that it will never recognize Kosovo as an independent state. ■

Serbia's Business Resilience

A major challenge that Serbia faces is upgrading the quality of businesses to EU standards. A wave of privatizations and liberalization of the Serbian economy has prepared it for competition, as well as resulting in a budget surplus used to pay off IMF and World Bank debts. Returns on heavy foreign investments in Serbia have already proven highly profitable. The successful purchase and revitalization by U.S. Steel Serbia of the important Smederevo steelworks is a model for businesses throughout the region. Following its sale by the Serbian state in 2003 for \$33 million and a substantial investment of \$150 million, U.S. Steel turned the company around from being one of the country's socialist-era industrial failures into Serbia's largest exporter. Not abated by the risks of investing in Serbia at the time, Richard Veitch, General Director of U.S. Steel Serbia, says that the advantages of the country's strategic location were among the main reasons for the American company to buy into the grand potential. "The benefit we have in being here is that we obtained the opportunity

of investing in a very rapidly growing economy surrounded by EU neighbors, and to supply our products in markets that we, as a company, have not been involved in before."

Following extensive maintenance and upgrading of the facilities in the five years since acquisition, U.S. Steel Serbia now produces over 1.8 million metric tons of steel and steel products per year. "We have met and exceeded the original capital investment in this particular facility," confirms Veitch, adding that the plant's capacity of around 2.2 million metric tons will come on line this year. This, says Veitch, is largely due to the outstanding motivation of the company's 6,000 employees. "People here in Serbia really want to be successful. They want their companies to be a success." U.S. Steel Serbia is now focusing its investments on increasing value added production, environmental solutions, as well as technology and specialized trainings for its employees and being a good neighbor to the local community. The Pittsburgh-based Corporation also refurbished the port of Smederevo for unloading of raw materials and shipment of its products down the Danube River, and has extended its operations to the new port, connected to a main highway and railway network. But in order to truly capitalize on economic opportunities, Veitch says the government's progression in infrastructure is essential. "The stability in supplying natural gas is one of the issues for us. Stable generation and delivery of electricity to major manufacturers, road networks, those are the types of investments that need to be made."



Established local companies have also set solid examples of successful business models. Continuing one of the longest aviation industry traditions in Europe, government-owned Jat Tehnika upholds an eighty-year history of offering the highest quality in aircraft maintenance and servicing. In an industry that has been through several crises in recent years, Jat Tehnika still manages to bring in new, long-term contracts from major international carriers. Jat Tehnika's fully equipped technical centre is EASA Part-145-certified in Europe and has also obtained the American FAA certificate, enabling it to become competitive worldwide. "We have been involved in all areas of the industry, both technical maintenance and production of aircraft," explains Managing Director Budimir Hinic. "Our organization has around one thousand employees with extensive capabilities in complete maintenance of Boeing 737 Classic as well as older aircraft such as Boeing 727 and DC9s. We have customers from Spain, Czech Airlines, and a major contract with British carrier Jet2.com."

The health sector is also a burgeoning market in Serbia, and one of the first persons to see its private potential was Mrs. Jasmina Knezevic, founder and general manager of Bel Medic clinics. Having established the country's first private clinic in 1995, the company has become a benchmark for private health care in Serbia with three clinics in Belgrade. Implementing ISO 9001 standards and maintaining professional partnerships with thirteen international insurance agencies, Bel Medic is the favored health care provider for major organizations and multinational corporations present in Serbia. In 2006, Bel Medic was awarded the "Best of Serbia" accolade in the field of medicine, and the company is now open to regional expansion. "We really believe we can become part of Europe and the developed world," says Knezevic. "Serbia was not popular and we want to change that way of thinking. It is my aim to show that we have been good in the fields of which the developed world is at the top."

Financial Confidence from Within

Many foreign investors understand Serbia's massive potential for servicing the Southeast European region, but some have been weary of the possible risks involved in a nation still actively building its future. Analysts close to the sector, however, state that this is largely a misconception. "Risks exist, but they are far lower than what people imagine," says Milutin Nikolic, cofounder and member of the board of Citadel Securities. "A large part of our job is actually to bridge this gap of risk perception." Nikolic and Chairman Pavle Kavran were two of the first investment specialists to see Serbia's ripe potential at the turn of the new century. They left their good positions at investment banking firms in New York and London to start up Citadel with no more than a laptop in a room. Today, their company consists of fifty-plus employees, has offices in four countries in the region, and during the last

six years has advised on transactions with a total value of over €4.5 billion. The founders have thereby become pioneers of foreign investment and proof of the financial industry's success.

"It was a great year for the Citadel Group," recalls Nikolic. "One of our members—Citadel Financial Advisory—received The Banker magazine's award for best merger and acquisition transaction in Southeast Europe for advising the Serbian government on the sale of



mobile phone operator Mobi 63 [to Telenor]. In addition, our brokerage firm, Citadel Securities, received the Belgrade Stock Exchange Award for the largest amount of transactions in 2006.” Citadel Financial Advisory is the largest adviser to the government in terms of euro volume, as well as the largest adviser to private foreign investors coming to Serbia in euro volume and in the number of transactions. This year also saw the creation of Citadel Asset Management and its first open-end investment fund.

Pavle Kavran points out that the main attraction of Serbia is its profitability within a very promising region. “Serbia recently signed the Central European Free Trade Agreement (CEFTA). This basically means that any investor who has products here that can be sold across the border looks at this as a market of sixty million people. Serbia has a specific free trade agreement with Russia. You can go to Slovenia, Croatia, Bosnia, and down to Albania and Greece. Belgrade and Serbia being so central are ideally positioned for trade between North and South Europe, as well as West Asia.”

Both men realize that the Kosovo issue could put off investors, but having a clear view from the inside, they can assure clients that the domestic economy is able to withstand any shocks on the political scene. Nikolic instead sees a current market trend in the phenomenon of regional ties, of people coming closer together. “Bulgarians investing in Serbia, Croatians investing in Bosnia, Slovenians investing in Kosovo—this is extremely beneficial for everyone. Interlinking the region economically gives economic growth, and it also reduces political risks and goes against all the bad things that happened in the past. It’s all about confidence-building in a market which was bruised. We are investors in Serbia, not only with money, but also with our lives, and every day we’re more convinced that this is the right place to be.” ■

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Beyond Darfur

Sudan's Slide Toward Civil War

Andrew S. Natsios

FEW INTERNATIONAL issues have caught the attention of the American people as much as have the atrocities in Darfur. The Sudanese government and the Janjaweed militias, an Arab supremacist movement, have been carrying out a horrifying campaign of ethnic cleansing against African tribes. Some 2,700 villages have been destroyed, and as a result of the violence and the related starvation and disease, some 250,000 Sudanese have died, most in 2003 and 2004, and another two million have fled to refugee camps. The Bush administration has called these atrocities a genocide. U.S. human rights organizations, U.S. religious institutions, and a burgeoning U.S. student movement have organized a national campaign to ensure that policymakers in Washington do not overlook the crisis. Both the Democratic and the Republican candidates for president have put Darfur on their foreign policy agendas.

But while this crisis simmers, the larger problem of Sudan's survival as a state is becoming increasingly urgent. Trends more ominous than even the carnage in Darfur could bring the country far more bloodshed soon. Long-standing tensions between the Arabs who populate the Nile River valley and have held power for a century and marginalized groups on the country's periphery are mutating into a national crisis

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Andrew S. Natsios

once again. The tenuous 2005 peace deal that ended the civil war between the Arabs in the north and the Christians and the animists in the south is in danger; new strains in these groups' relations nearly broke out into a full-scale war late last year. Now, neither this situation nor the conflict in Darfur can be resolved without reference to the other. More crises loom as well. The Nubian people of the Nile River valley nearly rebelled last year over a dam project that threatened to destroy their homeland, and a 2006 peace agreement between the government and the Beja and Rashaida peoples in eastern Sudan is near breakdown. The year ahead may be the most important in Sudan's postcolonial history: either the country holds free and fair multiparty elections and ends two decades of autocratic rule or it disintegrates, plunging this volatile region into its most severe crisis yet.

The Bush administration can still help avert such a disaster. It played a central role in initiating the Comprehensive Peace Agreement, the deal that ended the civil war between the north and the south in 2005, facilitating negotiations between the parties, and then acting as one of agreement's guarantors. When President George W. Bush appointed

Trends more ominous
than even the carnage
in Darfur threaten
Sudan's survival
as a state.

me to be the special envoy to Sudan in October 2006, he tasked me with monitoring the deal's implementation. The U.S. government also initiated the international aid response to the humanitarian crisis in Darfur and now provides 60 percent of the funds needed to run the refugee and displaced camps there. But Washington's efforts today are misaligned with Sudan's most pressing problems. Wash-

ington spends a disproportionate amount of its staffing and budgetary resources on resolving the crisis in Darfur rather than on supporting the Comprehensive Peace Agreement. This imbalance must be redressed urgently, because peace cannot be achieved in Darfur if it is not secured between the north and the south. The best way for Washington to proceed, moreover, is not by confronting Khartoum but by engaging it, even in the face of likely objections from the Darfur advocacy community. However much one may despise Sudan's regime for committing atrocities, moral outrage is no substitute for practical policies aimed at saving lives and promoting stability.

THE GATES OF HELL

ALTHOUGH SOUTHERN Sudan is extraordinarily rich in oil and mineral wealth and has great agricultural potential, it has been one of the world's least-developed regions. Partly as a result of this and partly as a result of marginalization by the central government in Khartoum, the Christian and animist tribes of southern Sudan have been rebelling against the Arabs that populate the valley of the northern Nile, an area known as the Arab triangle, for much of the time since Sudan's independence from the United Kingdom in 1956. The parties reached a peace agreement in 1972, but with enforcement lagging for years, a new rebellion, led by John Garang, a charismatic southerner and lieutenant colonel in the Sudanese army with a Ph.D. from Iowa State University, broke out in 1983. During the two decades that followed, the north suffered few losses, but an estimated 2.5 million southerners died and an estimated 4.6 million southerners were displaced or became refugees.

By early 2003, with both parties exhausted by the fighting, peace talks between the National Congress Party (NCP) in Khartoum and Garang's Sudan People's Liberation Movement (SPLM) started to show signs of progress. But just then a rebellion led by an alliance of three African tribes—the Fur, the Masalit, and the Zaghawa—broke out in Darfur. Desertification and overpopulation in the region had led camel-herding Arab nomads to compete with African farmers for declining arable land, with Khartoum's repression and its attempts to weaken the dominant Fur tribe complicating matters further. In 2003, Garang encouraged the rebels in Darfur to pressure the government by demanding a power-sharing agreement like the one he was negotiating for the south. To get the NCP's attention, they launched devastating attacks on military outposts, airports, and police stations in Darfur. But the strategy backfired: fearing that rebels elsewhere would imitate those in Darfur, the NCP conducted an ethnic-cleansing campaign in rebel villages throughout the region. As the Africa expert Alex de Waal has written, the atrocities committed in Darfur in 2003 and 2004 were "a counter-insurgency strategy on the cheap."

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Meanwhile, Khartoum continued to negotiate with Garang. The south was already too strong militarily, its oil fields too lucrative, and the costs of the war too draining on the north for Khartoum to walk away from the talks. In January 2005, after mediation by a U.S.-led coalition of African and Western states, the parties signed the Comprehensive Peace Agreement. The deal set up a confederal system, creating in Khartoum the Government of National Unity, a coalition government dominated by the NCP and including participation by the SPLM, and in Juba the semiautonomous Government of Southern Sudan, which the SPLM controls. It stipulated that the southern government should get half of all the revenues derived from oil pumped in the south. It also required that general multiparty elections be held by 2009 and that by 2011 the southerners conduct a referendum to determine whether they should secede from the rest of the country.

The Comprehensive Peace Agreement has been a partial success. The two new governments have been formed. Some \$3 billion in oil revenues have been transferred to the south's treasury. The south's economy is beginning to boom. Most important, the war is over, and millions of displaced people are beginning to return home. But as many southerners point out, the more transformational elements of the agreement, which threaten the NCP's hold on power, have yet to be implemented. In fact, the parties nearly returned to war last fall for just that reason. In March of last year, Khartoum temporarily suspended the oil-revenue payments on which the southern government relies to fund its army and civil service. Last June, Sudanese President Omar al-Bashir canceled orders to withdraw northern-army field commanders still based in the south, even though the peace deal required their full removal by early July 2007. (As of January 2008, northern troops had left the south.) Khartoum then rejected the south's generous proposals for resolving the status of Abyei, a disputed oil-rich area and the ancestral seat of the south's most powerful tribe. The NCP was also stalling on drafting a new election law and carrying out a census, two measures that are prerequisites for the general elections scheduled for 2009. In response, in particular to the Abyei dispute, Salva Kiir Mayardit, president of the Government of Southern Sudan and the south's leader since Garang's death in mid-2005, withdrew his party from

the Government of National Unity last September.

By October, the crisis verged on military confrontation, thanks partly to hard-liners in both camps who held exaggerated views of their own military power and underestimated the other side's strength. Large units from both armies massed at disputed border areas. Three skirmishes occurred, including one that killed ten soldiers. President Bashir announced the remobilization of the Arab militia that had massacred thousands of southerners in the 1980s. In the end, Bashir and Kiir pulled back from war, and after eight contentious issues were resolved on paper, Kiir and other southern leaders rejoined the central government at the end of 2007. But the most controversial matter—the dispute over Abyei—remains, and command and control in both armies is tenuous at best. Thus, the potential for a local commander to initiate hostilities, which could quickly degenerate into general war, is still dangerously high.

Far more than the Comprehensive Peace Agreement is now at risk; the future of the state of Sudan is too. Even as they are supposed to cooperate in implementing the peace agreement, the north and the south are preparing to compete in the required elections. In a mature democracy, such tensions would be a recipe for acrimony, confrontation, and intrigue. In Sudan, they could mean another war. And as one respected African diplomat told me last October, “If the north and the south return to war, it will unlock the gates of hell.”



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ACTING OUT

ONE OF the enduring sources of instability in Sudan is the long-standing policies and tactics of the NCP. The party is a descendant of the National Islamic Front, a party promoting political Islam, which overthrew Sudan's last democratically elected government in 1989 with the help of Bashir, then a general in the armed forces. The NCP has since quietly dispensed with the National Islamic Front's original plan to spread political Islam across Africa and replaced it with a much simpler goal: staying in power. In 1998, the NCP expelled Hassan al-Turabi, the National Islamic Front's leader and main ideologue, who had invited Osama bin Laden to Sudan. Moving away from Turabi's vision, Bashir and the other emergent leaders focused on developing the country's newfound oil wealth. The move has helped keep them in power, but they have committed so many crimes, stolen so much oil money, and alienated so many factions that support for them has dwindled sharply, even in their traditional strongholds in the Arab triangle.

Despite their survival instinct, the NCP leaders are anything but strategic. They are remarkably disciplined when it comes to short-term defensive tactics, but with the exception of the Comprehensive Peace Agreement, they have developed few long-term strategies for dealing with any of Sudan's worst problems. They react and temporize, they divide and rule, but they have sought no way out of the mess they have created. They are prepared to kill anyone, suffer massive civilian casualties, and violate every international norm of human rights to stay in power, no matter the international pressure, because they worry (correctly) that if they are removed from power, they will face both retaliation at home and war crimes trials abroad.

Many NCP leaders believe that the West—especially the United States but also Europe and the United Nations (which they believe is a U.S. front)—is out to depose them and facilitate Sudan's breakup. They see the hybrid UN–African Union peacekeeping force in Darfur as a pretense for carrying out this strategy and are especially fearful that it will collect evidence of the 2003–4 slaughters in preparation for war crimes trials before the International Criminal Court in the Hague. To them, the 3,000-strong European Union peacekeeping force being deployed along Chad's border with Sudan is the vanguard of

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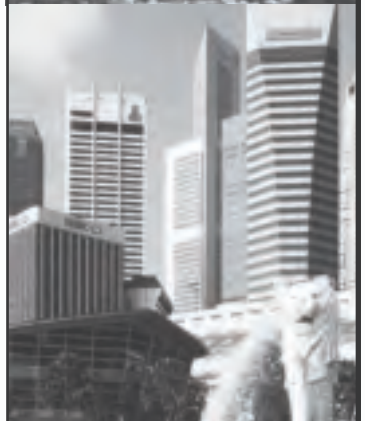
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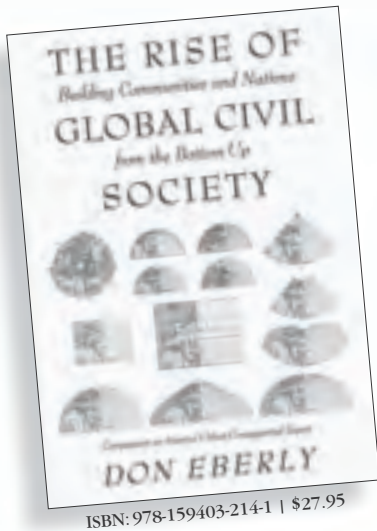
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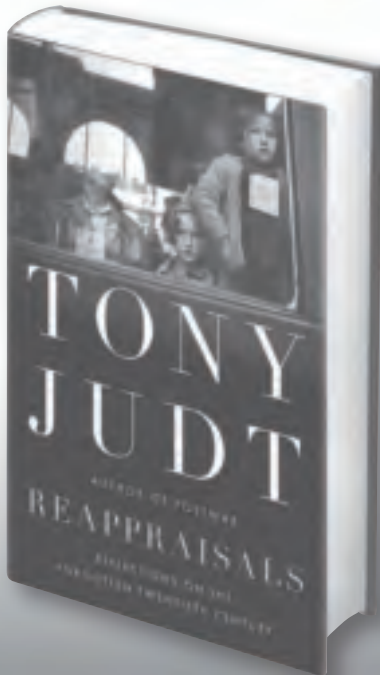


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Beyond Darfur

an invasion—which is one reason the NCP helped try to overthrow the government of Chadian President Idriss Déby in early 2008. In fact, the more aggressively the international community pursues war crimes trials and Western advocacy groups demand justice in Darfur, the more aggressively the NCP is likely to resist the UN-AU peacekeeping force there, even after it is fully deployed.

Part of the reason the NCP has been able to resist international pressure so far is that Sudan's oil revenues are rising. The money allows the party to buy off opponents at home, guarantees a national growth rate of 12–14 percent a year, helps maintain prosperity in the Arab triangle, and supports a massive internal security apparatus. It also insulates the NCP from outside pressure. It has blunted, for example, the effects of the U.S. economic sanctions regime that the Clinton administration put in place in 1997 and that President Bush expanded and extended last year. These measures have hurt Sudan's banking and financial system enough that the Sudanese business community is pressing Khartoum to normalize relations with the outside world. But the pressure has been insufficient to force a major policy shift; the sanctions are disruptive but do not threaten the NCP's survival. Tightening them further is not an option: shutting off Sudan's oil exports altogether would deprive the south of revenues on which its survival and stability depend. Senior southern leaders have told me, moreover, that they would view any move by Khartoum to cut off oil revenues to the south as an act of war.

HARDBALL

ANOTHER SOURCE of instability is the hard-line tactics that the SPLM recently adopted toward the northern Arabs, largely out of frustration over the failure of international diplomacy and outside pressure to get Khartoum to implement the Comprehensive Peace Agreement. Last fall, southern leaders withdrew from the national government just before peace talks were to take place between Khartoum and the Darfur rebels in Sirte, Libya. The move was intended to put pressure on the NCP: just as the party was hoping to reach a negotiated resolution to the Darfur crisis, the south's leaders belied its claim that it was representing a united national government. As one senior

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European diplomat told me, “The NCP is not accustomed to having the southerners play hardball, and that is exactly what they are doing.”

The NCP’s worst nightmare is now unfolding. Many of the party’s adversaries, traditional and new, on the periphery of the country are now coalescing around the SPLM. During and just after the Sirte peace talks, the southerners undertook a major effort to unite Darfur’s 27 rebel groups. The goal was not simply to facilitate the Darfur peace process, which was paralyzed by infighting among the rebels, but also to create a political and military alliance among all the marginalized groups that oppose the NCP. The SPLM even brought to Juba Sheik Musa Hilal, the notorious organizer and commander of the Janjaweed militias, who is reportedly facing potential indictment for war crimes. Hilal had grown disillusioned with NCP leaders for getting his tribe to do their dirty work and because he believed they would turn him over to the International Criminal Court to save themselves. (The NCP’s panicked response to the southerners’ overture was to offer Hilal a senior position in the national government; he accepted.) An anti-NCP alliance has been forming for some time at the country’s colleges and universities, traditional bellwethers of political opinion.

The power shift between the north and the south is also evident in the evolution of the two sides’ relative military strength. Unlike the totalitarian dictatorships of Kim Jong Il in North Korea and Saddam Hussein in Iraq, the NCP does not have an absolute monopoly on the use of violence at home. The SPLM’s sizable army has had more than two decades of guerrilla experience. By the mid-1990s, it was regularly defeating conventional Sudanese government military units, and by 2001 it was threatening Khartoum’s control over key oil fields. Western intelligence has consistently underestimated the force’s capability and overestimated the importance of international pressure on the NCP’s decision to start negotiating an end to the north-south conflict in 2002. In fact, Khartoum was simply losing: the conflict was draining the central government’s coffers, and southern rebels were endangering the oil fields; the annual costs of the war reportedly exceeded the value of the oil revenues that the north now sends to the south each year. The NCP calculated that signing the peace agreement would increase the chances of its own survival.

Beyond Darfur

Since then, three factors have seriously weakened the NCP and its armed forces. First, more than a thousand officers who had been trained in the West or displayed strong leadership skills were forced into early retirement in 2005 and 2006 because they were seen as the group most likely to lead a coup against the NCP. The move not only purged the military of potential traitors; it stripped it of its best senior commanders. Second, tens of thousands of enlisted men who came from Darfur and refused to fight their fellow Darfuris were also removed and have been replaced with the terrifying but ill-trained Janjaweed cavalry. Third, repeated defeats on the battlefield have thoroughly demoralized the troops. In August 2006, Bashir ordered a major military offensive in the hope of defeating the Darfur rebels once and for all, even though his generals had strongly advised against it. It turned into a major embarrassment: in

every battle, Khartoum's army was roundly defeated. The central government's modest air force still has a monopoly on airpower, and the north's armored units are much stronger than those of the southern force. But if Napoleon was right in saying that three-quarters of military power is morale, Khartoum now has limited power. According to Human Rights Watch and *Jane's Defense Quarterly*, the NCP has tried to make up for in new technology what it lacks in personnel, purchasing billions of dollars' worth of new weapons systems from China, Iran, and states in the former Soviet bloc. This is a strategy of desperation, for these weapons are unlikely to give the north the military edge it wants—especially not over the SPLM's army, which is far more motivated and which, thanks to U.S. government assistance, is increasingly becoming capable of defending its territory.

The NCP has other reasons to feel vulnerable. The Nile River Arabs, who represent about five percent of the country's population, fear that even the Arab triangle is at risk of being overtaken by the southerners who migrated to the north during the civil war. Judging by the people walking the streets of Khartoum in 1989, the year of my first visit, the city was Arab; now it seems pronouncedly African. President Bashir has remarked privately that he may end up being the

The Nile River Arabs have developed a siege mentality, which complicates any attempt to solve Sudan's crisis.

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last Arab president of Sudan. Even Arabs who oppose the regime say they are uneasy about their future. About 1.6 million of the southerners displaced by the civil war have returned home, but another two million have opted to stay in the north, even with the Arabs pressuring them to leave and the southern government urging them to return home. Now, the streets of Khartoum are pervaded by a combination of fear and anger—fear of what might happen if war resumes and anger over alleged intrigues and broken commitments. When Garang died in a helicopter accident in July 2005, many southern migrants in Khartoum rioted, killing Arabs and burning and looting their businesses, because they believed he had been assassinated. Arabs still talk about these incidents, and NCP leaders are terrified. The government regularly conducts house-to-house searches for weapons. During the early stages of the Darfur crisis, the NCP circulated stories alleging that a conspiracy was brewing in Khartoum among university students from one of the rebelling Darfur tribes. It rounded up the suspects for interrogation, and they have since disappeared into the Sudanese prison system. Some senior NCP leaders now refer to the southerners as a cancer on the country and say they would welcome the south's secession. Such a sentiment was inconceivable a year ago, when the NCP's unrelenting refrain was that Western powers were doing too little to encourage the country's unity.

The situation is volatile. Hard-liners in the south may be tempted to provoke a confrontation with the north based on the belief that their transformed army can dominate the battlefield. Some of them are now resisting a compromise on Abyei and making maximalist demands. Meanwhile, the NCP, which feels that the north is increasingly vulnerable to an invasion by southern forces, has been mobilizing the Arab militias that committed atrocities against southerners during the civil war. It has also been trying to exacerbate divisions within the south—between the doves and the hawks in the SPLM, between the dominant Dinkas and smaller tribes, between people with privileged access to jobs and power in Juba and people who suffer the effects of poverty, widespread corruption, and inadequate public services. Because of the north's declining military preparedness, growing opposition to the NCP on its own turf, and fear among the party's leaders that they are losing control,



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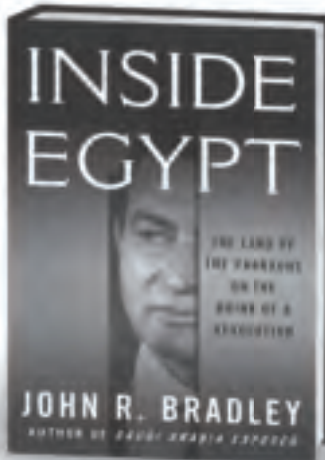
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Beyond Darfur

the Nile River Arabs have developed a siege mentality, which will complicate any attempt to solve Sudan's crisis.

THE WRONG WAY

IF THE north continues to obstruct the implementation of the Comprehensive Peace Agreement, the south will surely go to war. And if the fighting resumes, Khartoum will not be able to confine the conflict geographically, as it has in the past: with a new locus of political and military power in Juba supported by a large army, the war would come to Khartoum very quickly, likely causing large casualties on both sides and potentially widespread retributive violence.

Sudan's collapse would mean far more than a massive humanitarian emergency; it would also mean a security and economic disaster. Disintegration could destabilize Sudan's nine neighbors—including oil-rich Chad and Libya and the United States' allies Egypt and Ethiopia—by sending masses of refugees beyond its borders and drawing in dangerous groups. Bin Laden was based in Sudan in the early 1990s, and in 2007 al Qaeda threatened to send holy warriors to fight any UN peacekeepers that might be deployed to Darfur. The economic consequences of Sudan's collapse would also be serious. Sudanese oil currently represents a modest but rising share of the world's total supply; some oil engineers claim that Sudan may have the largest unexplored reserves in the world. If shipments to China, India, Malaysia, and Sudan's other major clients were precipitously halted, these countries would seek oil elsewhere, forcing up world prices of crude, as well as the cost of gasoline to Americans.

Given the stakes, the U.S. government's overarching strategic objective in Sudan should be to slow down the forces of dissolution before it is too late. So far, the United States' Sudan policy has been hampered by its alternating between an ideological crusade to rid Sudan of the reviled NCP and a pragmatic approach that promotes gradual reform. Washington pursued regime change in the 1990s, confronting and seeking to isolate Khartoum; pragmatism drove the more recent negotiations that yielded the Comprehensive Peace Agreement.

The approach emphasizing regime change has posed several problems. Severe pressure from Washington—economic sanctions, being

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tagged a state sponsor of terrorism, and diplomatic downgrading—did force Khartoum to expel bin Laden in the mid-1990s. But considering that the NCP is still in power today, it is clear that the policy has been a failure overall. The U.S. government is not very good at forcing regime change anywhere. And in Sudan, which is substantially

The West's strategy of confrontation, which I once supported, cannot yield a solution to either Darfur's or Sudan's crisis.

bigger and more complex than Afghanistan or Iraq, the task is particularly difficult. Regime change cannot address the major challenge that Garang often mentioned to me, namely how to “de-NCPify” Sudan after the NCP government is removed. Garang believed that if his movement ever assumed power, its central problem would be dealing with the one to two million Sudanese who together have been controlling all levels of the state

for two decades. The NCP rules not simply through its governing council but also through an extensive party organization, the national civil service (which NCP operatives have taken over from career officers), hundreds of thousands of agents and informants in the security and intelligence apparatuses, and a growing industrial complex.

The NCP infrastructure is massive, complex, and ruthless. It will not simply disappear; it has no place to go. Judging by the recent histories of the Balkan states, the Democratic Republic of the Congo, Haiti, Iraq, and the former Soviet republics, Sudan's old order will not leave quietly if it is offered no way out. If the NCP is forcibly deposed, it will likely reconstitute itself underground in the form of tribal militias and criminal mafias. Unless the interests of the Nile River Arabs are represented in a coalition government or protected by some constitutional arrangement, whatever is left of the party will try to infiltrate and destabilize the new regime. Several powerful NCP leaders have threatened in private to make the country ungovernable if they are forced out of office. Because of the tribal hatreds that the party has nurtured and manipulated over the years, retributive violence could break out on a grand scale. Everyone would be at risk, particularly in greater Khartoum.

This is but one reason why the West's strategy of confrontation, which I once supported, has not produced—and cannot produce—a

Beyond Darfur

solution to either Darfur's crisis or Sudan's. U.S. advocates and government officials once hoped that pressure could dislodge the NCP. It now seems clear that promoting regime change unintentionally reinforced the regime's intransigence and encouraged more violence. Careful and dispassionate observation of the NCP's behavior suggests that the party becomes more irresponsible and brutal when it feels threatened, from within Sudan or by the international community. As Western pressure on Khartoum has grown over the past few years, the NCP has established formal ties to Mahmoud Ahmadinejad's regime in Iran and Hugo Chávez's in Venezuela. Last year, the U.S. Congress passed a divestiture statute protecting U.S. state governments, municipalities, universities, and companies from shareholder lawsuits if, on political grounds, they choose to sell the stocks they hold in companies that do business in Sudan. Within a month, the Sudanese government tried to overthrow the Chadian government through proxies, massively bombed civilian targets in Darfur after a rebel offensive, and launched a ground attack on UN peacekeeping troops.

SAVE SUDAN

ENGAGEMENT IS now the only policy that has any chance of success. With experience showing that the NCP can resist outside pressure thanks to Sudan's growing oil wealth, an approach offering rewards for compliance and cooperation is more likely to work than one based on punishing recalcitrance. Washington should offer Khartoum the chance to normalize U.S.-Sudanese relations incrementally if it takes tangible steps to settle the Darfur crisis and implement the transformational provisions of the Comprehensive Peace Agreement. The NCP is particularly interested in being removed from Washington's list of terrorist sponsors. This change in status could mean the lifting of sanctions as well as new access to U.S. technology for oil refining—and a chance for Khartoum to increase its oil revenues by as much as 40 percent, according to oil industry experts. The Bush administration is now trying to adopt a more pragmatic approach that would allow such measures, but opposition in Congress and among the Darfur advocacy movement might make that impossible. This would be unfortunate, because much good has come from engagement with Khartoum in the

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past: it produced the Comprehensive Peace Agreement—the Bashir government's only forward-looking accomplishment to date.

Washington should spearhead efforts to ensure the full implementation of the Comprehensive Peace Agreement, while following the UN's and the AU's lead in trying to secure a negotiated peace in Darfur and in getting it enforced by UN-AU peacekeepers. Darfur cannot be saved if Sudan is not, and saving Sudan depends, more than anything else, on the Comprehensive Peace Agreement's implementation. Preparations for the national elections are moving at a tortoise's pace because the NCP knows its chances of winning are negligible. Many Sudanese fear that the party will try to invoke the insecurity in Darfur as an excuse to cancel the contest. That would be disastrous, because if Khartoum refuses to hold the elections, steals them by rigging the process, or blocks the 2011 referendum on the south's secession, war will most certainly break out. The best way to convince the NCP to drop its obstructionist tactics is to offer it more positive incentives and fewer negative ones. The NCP is more likely to allow the general elections (and accept the presence of international peacekeepers in Darfur) if its leaders no longer fear that their clique will face retribution if the party loses or that they might be tried for war crimes before the International Criminal Court. Washington has agreed to cooperate with the court (whose creation it opposed) under pressure from domestic constituencies calling for the NCP to be punished for the 2003–4 atrocities in Darfur. But threatening to hold the trials is jeopardizing the chances for peace. The Comprehensive Peace Agreement says not one word about prosecuting war crimes or compensating the victims of atrocities for just this reason: back in 2003, during the peace negotiations, Garang wisely realized that if he demanded justice, the north-south war would not end (he also knew the southerners had committed their share of atrocities). Instead of war crimes trials, the South African model of a truth and reconciliation commission might be considered.

Engaging Khartoum would also directly serve the north-south peace process. Washington alone cannot save Sudan—only the Sudanese can do that—but it can support those forces, in the north and in the south, that seek a nonviolent, incremental path toward long-term peace. U.S. policy should continue to focus on preventing a return to war while developing formulas for wealth sharing in all parts of the

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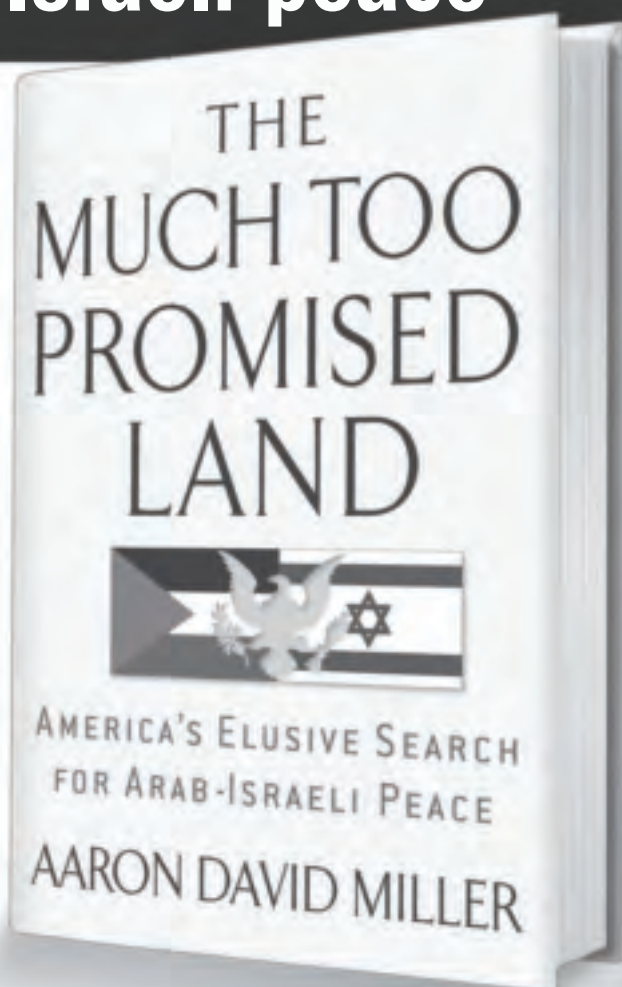
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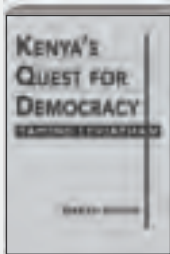
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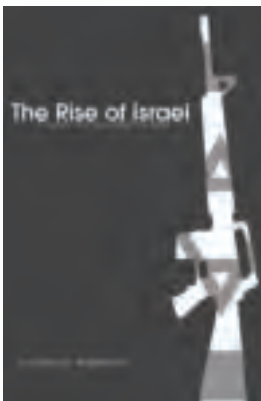
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Beyond Darfur

country and a compromise on the status of Abyei. This last element is essential, because if war ignites Sudan, Abyei will likely have been the spark. (China and Saudi Arabia, whose leaders Khartoum respects, could help, much as they helped convince President Bashir to support the deployment of UN troops to Darfur.) In a similar spirit, Washington should press the UN, the NCP, the SPLM, and Sudan's traditional political parties to plan now for the aftermath of the 2011 referendum, in case the southerners decide to secede, as seems likely.

The Bush administration should also continue to develop its incremental road map for improving U.S. relations with Sudan—something NCP leaders have repeatedly told me they want—in exchange for a political settlement in Darfur and for Khartoum's implementation of the most transformational provisions of the Comprehensive Peace Agreement. A tangible improvement in relations might convince President Bashir to turn away from the NCP's

hard-liners and toward its moderates and oversee a nonviolent transition to a pluralist democracy or at least a more inclusive society. (Washington successfully used a similar approach with South Africa in the early 1990s and Burundi at the turn of the century.)

The NCP's leaders are worried that U.S. policy might change to their disadvantage under the next U.S. president and that they have

only until the end of 2008 to improve relations with Washington—a point that I have reinforced in all of my conversations with them. Unfortunately, rapprochement may face substantial resistance in the United States because the erroneous impression that tens of thousands of civilians continue to be slaughtered in Darfur is driving both a confrontational advocacy campaign and aggressive congressional action. But I believe it is the only approach that can save Sudan.

Engaging Khartoum would also mean abandoning the tempting but foolhardy option of military intervention, except under extreme circumstances. No Western government, not even the United States (regardless of who is its next president), is likely to invade Sudan or blockade its port on the Red Sea, because either move would constitute an act of war and involve high military risks. In any case, the use of

However justified, moral outrage is no substitute for practical policies aimed at saving lives and promoting stability.

Andrew S. Natsios

U.S. airpower against Sudan would be justified, ethically or politically, in only two instances: if the Sudanese armed forces launched an unprovoked attack against the south or if Khartoum tried to violently shut down the refugee camps in Darfur and massacre or forcibly return people to their homes. Any U.S. military action would endanger the humanitarian aid effort that is keeping more than two million persons displaced from Darfur alive. Meanwhile, the number of deaths in Darfur has dropped dramatically since 2003–4, and last year more than half of them were among Arab tribes fighting over Africans' land. No civilian life is expendable, of course, but the current losses hardly justify the potential humanitarian consequences of military intervention. The time for military action has passed; if there was one, it was during the massive atrocities of 2003 and 2004, when 96 percent of all the deaths in Darfur from the recent conflict occurred. Khartoum has effectively lost control of the region and is unlikely to regain it anytime soon. And although many southerners believe an attack from the north is imminent, I think it is unlikely given the NCP's current military weakness.

In light of the NCP's tendency to protect itself at all cost and the limited effectiveness of international diplomacy so far, internal pressure may be an important way to secure the NCP's cooperation. Washington should therefore increase its support for the SPLM and help the south develop a credible conventional military force, an initiative President Bush and Secretary of State Condoleezza Rice instructed me to organize, and treat as a priority, in 2006–7. The southerners' brinkmanship nearly caused a war last fall, but it did temporarily get Khartoum to respond to their demands. While being careful not to embolden the SPLM too much, Washington should further empower it in order to both deter potential aggression from Khartoum and press the NCP to reform. This would mean reducing the southern force's considerable size (currently a major drain on Juba's budget), subordinating the force to civilian authority, ensuring that its main purpose is defensive, providing it with tactical training, strengthening its command and control to reduce the risk of an accidental war, and tightening discipline within it overall. The U.S. government should not provide the southerners with weapons systems they could use for offensive purposes—hard-liners might use them to provoke Khartoum—but it should

Beyond Darfur

immediately help the south develop an air defense system to serve as a deterrent against an air attack from the north. Building a much stronger southern Sudan—militarily, politically, and economically—is the best insurance policy against the north’s efforts to block reforms or destabilize the south. The \$167 million appropriated by the U.S. Congress in fiscal year 2007 for the reconstruction of southern Sudan is insufficient to create a visible peace dividend; more funds are needed. Last year, when I was special envoy to Sudan, my office requested \$600 million for a reconstruction program to be overseen by the U.S. Agency for International Development but only received \$120 million. The remainder should be appropriated now.

Although U.S. policymakers must never forget what happened in Darfur in 2003–4, those who focus on the region’s past run the risk of compromising the entire country’s future. During the critically important year ahead, Washington should pursue a prudent and nuanced but aggressive policy of engagement—this is both good policy and the right thing to do. Washington should also remember, however, that even good policy does not always succeed. The NCP may be too paranoid and obstructionist, the SPLM too suspicious of Khartoum, and Washington’s leverage too limited for even enlightened measures to stem Sudan’s dissolution. But given the terrible potential for a humanitarian catastrophe, the strategic consequences that would come from Sudan’s collapse, and the likely costs of reconstruction, Washington has no option but to try. 🌍

The Trouble With Congo

How Local Disputes Fuel Regional Conflict

Séverine Autesserre

WHEN, IN 2006, Joseph Kabila became the first democratically elected president of the Democratic Republic of the Congo, many Congolese and international observers hoped that stability had finally come to the country. During the previous decade, Congo had been ravaged by widespread violence, including the world's deadliest conflict since World War II—a conflict that involved three Congolese rebel movements, 14 foreign armed groups, and countless militias; killed over 3.3 million Congolese; and destabilized most of central Africa. In 2001, the United Nations dispatched to the country what was to become its largest and most expensive peacekeeping mission. A peace settlement was reached in 2003, paving the way for the 2006 elections. The entire effort was touted as an example of a successful international intervention in a collapsing state.

Yet over two million more Congolese have died since the official end of the war. According to the International Rescue Committee, over a thousand civilians continue to die in Congo every day, mostly due to malnutrition and diseases that could be easily prevented if Congo's already weak economic and social structures had not collapsed during the conflict. In mid-2007, in the eastern province of Nord-Kivu, low-level fighting between government forces and troops of the renegade Tutsi general Laurent Nkunda escalated into a major confrontation, both playing off and exacerbating long-standing animosity between

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The Trouble With Congo

the Tutsis, the Hutus, and other groups. Since then, clashes have killed hundreds, maybe thousands, of fighters and civilians and forced half a million people to relocate. Congo is now the stage for the largest humanitarian disaster in the world—far larger than the crisis in Sudan.

The international community has admittedly been facing a very complex situation: all the parties have legitimate grievances, but all are also responsible for massive human rights violations; the fighting involves many armed groups, and these often fragment and shift alliances. Still, the main reason that the peace-building strategy in Congo has failed is that the international community has paid too little attention to the root causes of the violence there: local disputes over land and power. If anything, international efforts to bring peace have enhanced local tensions. While it focused on organizing the presidential, legislative, and provincial elections of 2006, the international community overlooked other critical postconflict tasks, such as local peace building and overhauling the justice system. Meanwhile, the electoral process fueled ethnic hatred and marginalized ethnic minorities, making the reemergence of armed movements all the more likely.

The international community must fundamentally revise its strategy. It must focus on local antagonisms, because they often cause or fuel broader tensions, and regional and national actors hijack local agendas to serve their own ends. Until the local grievances that are feeding the violence throughout eastern Congo are addressed, security in the entire country and the Great Lakes region overall will remain uncertain.

YOUR LAND IS MY LAND

TENSIONS AT the levels of the individual, the family, the clan, the village, and the district are a critical source of instability and violence in Congo. Control over land, especially, has historically been a major bone of contention in rural areas because the stakes are high and the interested parties numerous. Land matters because for many people it is the key to survival and feeding one's family. For many more, it is both a primary method of gaining the social capital needed to integrate local structures and a means of securing natural resources.

In the territories of Masisi and Walikale, in Nord-Kivu, different ethnic groups, clans, and families are fighting over competing claims.

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There are centuries-old antagonisms among native Congolese communities, such as the Hundes, the Nandes, and the Nyangas. But the fiercest disputes oppose them to Congolese of Rwandan descent. In the early part of the twentieth century, Belgian colonial administrators relocated over 85,000 people, both Hutu and Tutsi, from overpopulated Rwanda to the sparse Kivu provinces in Congo, and in the 1960s and 1970s various waves of Tutsis fled there to escape pogroms in Rwanda. Today, Congolese of Rwandan descent, especially the Tutsis among them, own most of the land, but the Hundes and the Nyangas continue to claim it as their own on the grounds that it was never rightfully sold or given away.

These competing claims have gotten far more complicated since the 1990s, as the 1994 genocide in Rwanda and various wars, invasions,

Congo is now the stage for the largest humanitarian disaster in the world—far larger than the crisis in Sudan.

and refugee movements caused multiple shifts in the ownership or control of land in the Kivus. Many Tutsis in the region, in particular, whether Congolese or Rwandan, have fled prosecution several times over the past decade, abandoning their plots or selling them at a discount and then claiming them back again, sometimes by force, on their return.

The provincial authorities have resolved some of these disputes since the peace deal in 2003, but land ownership is at the core of the current fighting in Nord-Kivu. Throughout eastern Congo, historical grievances of this kind also fuel battles between (and within) dozens of mini factions from different tribes, clans, and families—such as the Hemas and the Lendus in Ituri, in the eastern part of the province of Orientale, and the Bembes, the Holoholos, and the Kalangas in northern Katanga—and greatly impede the peaceful return of refugees and displaced persons.

Control over land is also a ticket to natural resources. Congo has massive reserves of gold and diamonds, most of the world's columbo-tantalite and cassiterite (essential materials for most electronic equipment), and many deposits of rare minerals. Since the end of the war, most of the local ethnic militias in northern Katanga, which are known as the Mai Mai, have regrouped around mining sites throughout the region and fought among themselves or against soldiers of the



national army for their control. In 2005, in the town of Shabunda, in Sud-Kivu, soldiers pitted persons with competing claims over mineral-rich areas against one another and then disarmed them when small-scale violence broke out—only to exploit the concessions for themselves or hand them over to third parties. Provincial and national commanders were reportedly bribed into looking the other way.

In most cases, economic tensions feed politically motivated hostilities, and vice versa. Access to resources means the ability to buy arms and reward troops, and thus to secure political power; political power, in turn, guarantees access to land and resources. Tensions between the so-called indigenous communities and people of Rwandan descent (who are often still considered immigrants even though many of them have lived in Congo for generations) also influence claims over political

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representation. In Nord-Kivu, the Hutus and the Nandes, the province's two largest ethnic groups, have fought each other over control of provincial politics. Factionalism and shifting alliances complicate matters further. In each village, different members of the same family or different branches of the same clan compete to be designated chief under traditional law. In 2002, Hunde and Nyanga elites fought large-scale battles for control of the town of Pinga, in Nord-Kivu. Hutus and Tutsis of Rwandan ancestry, who had combated indigenous groups together during the late 1990s and early 2000s, split apart in 2006, after a law confirmed that most of the Hutus among them were also Congolese citizens, with rights to land ownership and political representation, thus making the alliance less important to them. Since then, they have tried to partner with the Nandes, who won leadership of Nord-Kivu in the 2006 elections. As a result of this shift, the province's Tutsis have lost hope of gaining political representation and become both more marginalized and more radicalized.

THE CIRCLES OF HELL

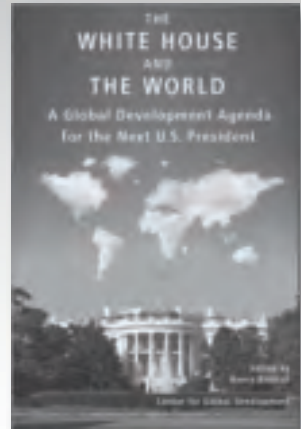
FOR DECADES, these local tensions have also fueled broader struggles at the regional and national levels—and, at times, the other way around. Both Congolese and foreign politicians have long manipulated local leaders and fragmented militias to enrich themselves, advance their careers, or rally support for their causes. Local actors have also recruited national allies. For example, in 1963, three years after Congo's independence, tensions over access to land and representation in local administrations in Nord-Kivu led to tremendous violence between the “indigenous” groups and the “immigrant” ones. To undermine the “immigrants” claims over land, the “indigenous” communities contested their Congolese nationality; the “immigrants” then turned to national politics for an alternative strategy. They won the backing of then President Mobutu Sese Seko, who favored promoting ethnic minorities because they could help him govern without threatening his regime. Several people of Rwandan descent thus got top political positions, which they leveraged to help other people of Rwandan descent increase their own economic, political, and social power, notably in the Kivus. Still, in the early 1980s, the

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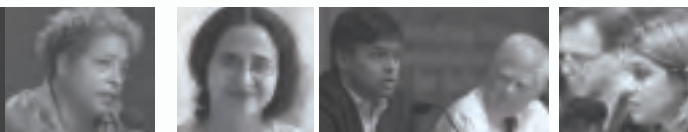
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The Trouble With Congo

“indigenous” lobby managed to get a law passed denying “immigrants” Congolese citizenship. The measure was not implemented, but it jeopardized the political and economic status of people of Rwandan descent and strongly reinforced their fear of disenfranchisement. Throughout the 1970s and 1980s, tensions over land and power caused frequent skirmishes in Nord-Kivu.

These problems exploded in the 1990s, this time with a regional dimension. In 1994, following the genocide in Rwanda and the Tutsis’ subsequent rise to power in Kigali, one million Rwandan Hutu refugees, including many militia members, flowed into the Kivus, bringing with them raw rivalries from home. Indigenous Congolese groups of all stripes organized themselves into Mai Mai forces, and many allied themselves with the defeated Rwandan Hutus, who were thankful for any support that would help them survive in Congo’s jungle and for access to mining resources and thus a means to buy arms. The interests of Paul Kagame’s newly empowered Tutsi government in Rwanda converged with those of the Congolese Tutsis. Both sides originally intended merely to protect their kinsfolk, but they quickly started using their military might to seize land or capture political power.

The fighting in the Kivus quickly evolved into a full-scale regional and national war. In 1996, the growing unpopularity of the Mobutu regime among Congo’s neighboring countries, as well as in the West, prompted the formation of an alliance among a Congolese rebel group with many members of Rwandan descent; the governments of Rwanda, Burundi, Angola, and Uganda; and southern Sudanese rebels. Within a year, the coalition overthrew Mobutu and replaced him with its spokesperson, Laurent Kabila. When the Rwandan army invaded Congo to support the rebellion, it had two basic objectives: hunting down Rwandan Hutu rebels in the Kivus and protecting the Congolese of Rwandan ancestry there. It soon developed a third: exploiting Congo’s mineral resources.

Once in power, Kabila quickly turned on his former allies. He fired his Rwandan advisers, ended Congo’s military cooperation with Rwanda, and began inciting the population to racial hatred toward Rwandans and Congolese of Rwandan ancestry. With these groups feeling increasingly threatened, in 1998 the governments of Rwanda, Burundi, and Uganda helped engineer a new rebel movement led

Séverine Autesserre

by Congolese Tutsis. This alliance was less successful than that of 1996 because it met with opposition from the governments of Angola, Namibia, and Zimbabwe, which sided with Kabila. The conflict quickly turned into a stalemate, with a fierce guerrilla war raging in the eastern provinces. Kabila managed to contain Rwanda and its allies for several years thanks to local proxies, the Mai Mai and Rwandan Hutu militias. In the meantime, however, people of Rwandan descent and Rwandan elites developed lucrative networks for trafficking resources. The Rwandan army officially withdrew from eastern Congo after the peace deal in 2003, but part of the Rwandan establishment has continued to unofficially provide financial, logistical, and military support to Congolese fighters of Rwandan origin there.

For decades, local tensions over land and power have fueled broader struggles at the regional and national levels—and the other way around.

Over the past few years, these long-standing local disputes in eastern Congo have also been exacerbated by political developments at the national level. For example, many experts argue that Hema and Lendu factions from Ituri have been violently asserting themselves partly in reaction to their having been excluded from the lengthy peace process that ended the last war in 2003. Similarly, the highly selective fashion in which national actors picked Mai Mai representatives to the transitional assembly that ran the country until the 2006 elections created widespread infighting among Mai Mai forces in the Kivus and northern Katanga.

These tensions could have been managed peacefully, but the 1998–2003 war destroyed the existing institutional means to do so. Congo's justice system has collapsed, like much of the state at large. The war dislocated many communities, disrupting the operation of traditional conflict-resolution mechanisms. The government's all-around poor performance, especially its failure to reestablish the rule of law in the eastern provinces, has perpetuated a culture of impunity, which has facilitated the use of violence, and the widespread availability of small arms has made force an easily accessible option for almost anybody. The national security forces cannot be relied

The Trouble With Congo

on to maintain stability, because the utter lack of economic development in the eastern provinces means that belonging to an armed group is one of few profitable occupations.

Today, most of the Mai Mai in Nord-Kivu remain allied to Rwandan Hutu militias, support President Joseph Kabila (the son of and immediate successor to Laurent Kabila, who died in 2001), and continue to oppose the armed Tutsi groups—all because doing so is still the best way for them to consolidate their claims to ancestral land rights and positions of authority. The Tutsis, for their part, have recently rallied around Nkunda, who belonged to the Rwanda-backed rebel movement that fought the Congolese government during the last war. He refuses to disarm and integrate his troops into the national army in order to better protect his ethnic community, which he believes is once again threatened by various local and national Congolese groups. In keeping with Congo's history since independence, the dispute between the Mai Mai and the Tutsis has a regional dimension, too: Nkunda is said to be recruiting fighters and obtaining arms from Rwanda.

Thus, for much of the 1990s and early years of this century, local tensions in the Kivus have repeatedly prompted outbreaks of ethnic violence, with so-called indigenous groups forming alliances with Rwandan Hutu militias and, in response, the Rwandan government supporting Congolese fighters of Rwandan ancestry and intervening in the name of national security. And the situation, which shows that local troubles in eastern Congo jeopardize the entire country's stability, is consistent with recent academic research about civil wars. The Yale political scientist Stathis Kalyvas, among other scholars, has shown how in many conflict environments, land disputes, social antagonisms, professional jealousies, family feuds, and romantic rivalries become the fodder for tensions at the regional and national levels. Local leaders learn to couch their feuds in the rhetoric that dominates the national discourse—be it about ideology, ethnicity, religion, or class—in order to enlist support from government actors. Conversely, national politicians use local players to find the recruits, resources, and information they need to pursue their own objectives. Local violence may be fueled by regional and national antagonisms, but it is above all motivated by distinctively local tensions.



MAGNUM/GILLES PERESS

The wretched of the earth: refugees at a camp in Goma, Congo, 1994

SEEING THE TREES FOR THE FOREST

DISTINCTIVELY LOCAL agendas motivate a large part of the ongoing violence in Congo, yet diplomats, UN officials, and journalists have focused almost exclusively on the regional and national problems. To ease economic and security tensions between Congolese and Rwandan actors, for example, diplomats and UN officials have organized numerous dialogues and conferences in the region and elsewhere, including some with the Congolese, Rwandan, Burundian, and Ugandan governments to discuss their support for various rebel groups, the repatriation of Congolese refugees, and developing a code for the exploitation of Congo's natural resources. In times of crises, the UN leadership and African and Western states, such as South Africa, the United States, and European Union countries, have put pressure on the Rwandan government, in some cases by threatening to withdraw international aid, in order to prevent it from invading Congo again. After the 2003 peace agreement, former warlords were continuing to fight one another politically and militarily, while Congolese military

The Trouble With Congo

leaders at all levels were diverting funds destined for the national army. African and Western diplomats from the 15 states and organizations involved in Congo's postconflict transition endeavored to convince the warlords to integrate their soldiers into the army, supervised the disbursement of soldiers' pay to prevent the diversion of funds, and trained a few integrated brigades.

But this effort overlooked the critical fact that today local conflicts are driving the broader conflicts, not the other way around—and with counterproductive effects. Most notably, the international community's insistence on organizing elections in 2006 has ended up jeopardizing the peace. There was no outbreak of violence on the day of the polls; many Congolese were enthusiastic about voting for the first time in their lives. But the elections cemented Kabila's strongman government, which is bent on harassing the opposition and carrying on Mobutu's legacy of corruption—two destabilizing factors. The election process itself was also damaging. After the calm that immediately followed the voting, many provinces experienced renewed tensions along ethnic lines because of candidates who had propagated hatred during their campaigns in order to boost their popularity. The campaign was marred by major intimidation and fraud, which significantly tipped the balance of power at the provincial level. In Bas-Congo and Kasai-Oriental, the contest further marginalized minorities. The Tutsis of Nord-Kivu could not get any representatives into the provincial assembly because some 40,000 of them are refugees in Rwanda and cannot vote. The National Assembly, moreover, now counts many radicals bent on cleansing Congo of people of Rwandan descent. The Tutsi minority's renewed fears that an ethnic-cleansing campaign may be in the offing was a major reason for Nkunda's popularity late last year and, indirectly, for the renewed fighting in Nord-Kivu.

Instead of focusing solely on large-scale peacekeeping and elections, the international community should have also taken on other critical postconflict tasks, such as institution building. But since 2003, diplomats and UN officials have left it up to Congolese authorities, Congolese religious leaders, and nongovernmental organizations (NGOs) to conduct bottom-up peace-building work. And with only a few exceptions, Congolese authorities and religious leaders have been unable or unwilling to conduct peace building locally—when they have not been

Séverine Autesserre

involved in fueling the violence outright. A handful of NGOs, Congolese and international, have implemented local conflict-resolution projects, but their numbers have been too few, and they have faced too many challenges to make much of a difference.

The UN-led peace process also did almost nothing to promote good governance or reinforce Kinshasa's administrative hold on the eastern provinces. This was a major flaw, because the reestablishment of the rule of law could have deterred some human rights abuses, assuaged resentment over past communal violence, and brought to all Congolese a level of personal and material security that might have lessened their dependence on armed groups. Instead, rivalries were left to fester.

The result, besides a return to major violence, has been the worsening of the underlying problems. The conflicts have become increasingly decentralized, and the parties have fragmented—meaning that the basic issues have become even more localized than before. Journalists and policymakers often talk of the Rwandan Hutu militias, Tutsi

The international community's insistence on organizing elections in 2006 has ended up jeopardizing peace in Congo.

dissidents, and the Mai Mai as if these were coherent groups, but none has a unified command structure. In the past several years, the Rwandan Hutu militias have increasingly fractured; now, factions fight one another over the spoils of looting, leadership antagonisms, and whether to return to Rwanda. Subgroups among the Tutsis in the Kivus have distinct and sometimes inconsistent agendas. Although the Tutsis in Nord-Kivu are currently aligned with Nkunda, relations between them can be

tense. In Sud-Kivu, the Tutsis are divided between rich and poor clans, with the rich reportedly supporting the local dissidents sometimes called the Group of 47 and the poor backing the Kabila government. Meanwhile, there is no hierarchy controlling the Mai Mai, not nationally and sometimes not even within a single city. Some Mai Mai groups are allied with government troops (especially in Nord-Kivu), but others are fighting against them and among themselves (especially in Sud-Kivu and northern Katanga). The factions are so subdivided that many brigade commanders do not control their own battalion commanders. Even the national army cannot rein in its soldiers; both

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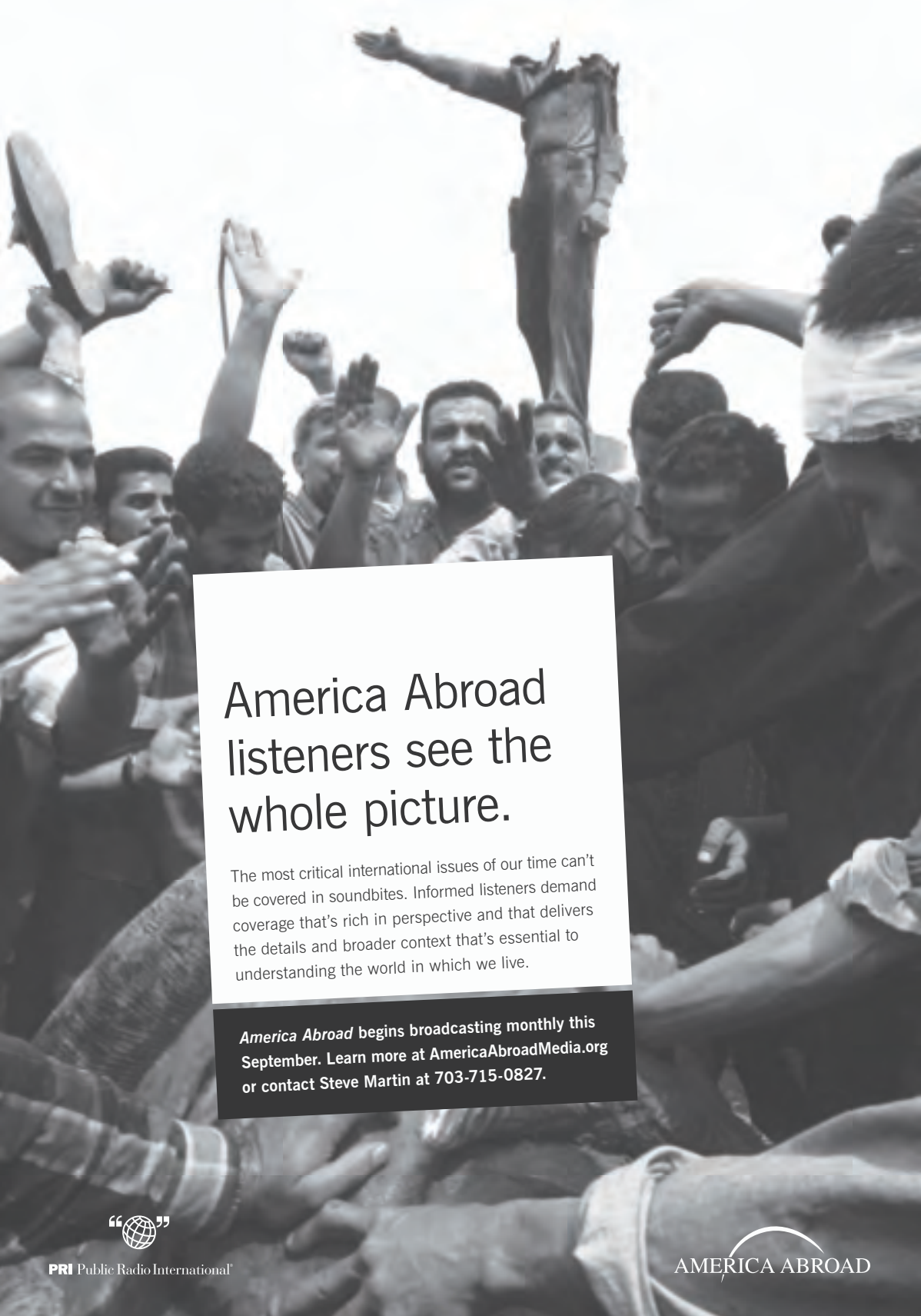
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The Trouble With Congo

officers and members of the rank and file regularly loot, rape, and commit other human rights violations or strike deals with the militias they are ostensibly fighting in order to gain access to resources.

THINKING LOCAL, ACTING LOCAL

GIVEN THE recent clashes, it is clear that more work is urgently needed to deal with the violence at the regional and national levels. Western and African governments must intensify diplomatic pressure on the Kabila government and on Nkunda in order to stop the fighting immediately. Disbursing more humanitarian and development aid would help prevent many deaths by providing much-needed medical and nutritional assistance, which the Congolese health system cannot do. The UN Security Council should request that the UN use its peacekeeping troops to protect those populations in immediate danger rather than focusing on protecting UN buildings and equipment. And the U.S. government must drastically change its Rwanda policy, threatening to sanction Kigali unless it prevents cross-border activities in support of Nkunda.

But far more important, international actors must radically rethink their peace-building strategy if they want to accomplish more than yet another temporary cease-fire. Since 2003, most diplomats and UN staff members have been held back from getting involved at the local level by four widespread assumptions: they have treated Congo as a post-conflict situation, they have assumed that violence is pervasive throughout the country, they have relegated intervention to the national and international realms, and they have acted as though holding elections is an effective tool of peace and state building. In fact, Congo today is in the midst of a civil war, violence is not a normal feature of life there, local peace building is a legitimate task for international actors, and elections do little to stabilize countries or build institutions, and they sometimes hurt. Treating only the consequences of the ongoing conflict without addressing its underlying causes is absurd; the situation in Congo must be approached from the bottom up.

The very first priority must be resolving land disputes in eastern Congo. For starters, the Congolese government must enact new land legislation that upholds the rights of vulnerable people (such as women,

Séverine Autesserre

minorities, and returnees) and clarifies exactly when and how legal or traditional ownership rights apply. Throughout the country, but especially in the eastern provinces, the new legislation must mandate a review of all land property deeds. Local NGOs and judicial employees must be sent to rural areas to explain property law to the population there, which generally knows little of its rights. The new law must also include a special provision for resource-rich lands. Mining contracts for Katanga and Kasai-Oriental, among other places, are currently being reviewed; the process must be extended to all of Congo, especially to the Kivus and Ituri, where control over resources is an especially volatile issue.

Land reform must also establish formal mechanisms for resolving disputes through the local courts, to be staffed with both judicial employees and representatives of the affected communities, or through ad hoc arrangements. Whenever necessary to ensure fairness or prevent creating new resentments, people whose property is being taken away should be compensated with money or in kind. For example, the beneficiaries of redistribution could be required to help the former owners build another house or to share their harvest with them. All adjudications should be handled free of charge so that the most disenfranchised people have a chance to claim what is theirs.

In areas where many families, clans, or ethnic groups are deprived of the land they need to survive (such as in Masisi, in Nord-Kivu, or Kabare, in Sud-Kivu), the new legislation must also create provincial commissions to design a fair redistribution policy. These should include representatives from every local community and social group, Congolese experts on land issues, and neutral observers. They should focus on redressing injustices and on finding sustainable solutions. As the International Crisis Group suggests, for example, in the territories of Masisi and Walikale, in Nord-Kivu, such a commission should cancel all the title deeds for estates and ranches issued since Congo's independence. It should also compensate the former owners of expropriated land and assign some of it to landless families (notably among the Hundes, the Hutus, the Nyangas, and the Tutsis, who are the main groups living in Masisi and Walikale) for individual or collective use based on whether it is fit for agriculture or animal grazing. Broad land reforms such as these would prevent new disputes,

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improve intercommunal relations, and help extend state authority to the mining sites in the region. It would also go some way toward ensuring that the return of Tutsi refugees to the Kivus does not trigger another major crisis.

It is important that these efforts target all the communities in the Kivus, not just the population with Rwandan ancestry and its traditional enemies. Even more broadly, it is also important that all local actors have a chance to air and resolve their grievances, be they about land, sharing traditional and administrative power, or anything else. To ensure a lasting peace, NGOs should help recreate social links between communities in conflict. The most effective strategy is to create enterprises, health centers, markets, and schools in whose success all the parties have a stake. A similar approach has worked in parts of Bosnia and Herzegovina, Cambodia, and Tajikistan. Combined with land reform, such a broad reconciliation program could help stem violence, address most of the grievances that gave rise to the Mai Mai, shrink the pool of local recruits for regional and national warlords, reintegrate refugees and displaced persons, and start rebuilding state institutions.

THE SUPPORT GROUP

IDEALLY, THE Congolese would lead these initiatives. But the government in Kinshasa is weak and corrupt, and Congolese NGOs and civil-society representatives often lack the funding, logistical means, and technical capacity to implement effective peace-building programs. International actors can help, but only if they make resolving local conflicts a top priority instead of concentrating only on humanitarian programs or macro issues such as elections (as most groups currently based in the eastern provinces are doing). Diplomats and UN staffers have little experience developing and implementing comprehensive programs addressing local violence. They should urgently build up their capacity by hiring experts on Congo and Rwanda and local conflict resolution, sharing those specialists' knowledge with all existing staff, and creating specialized offices or departments in these areas.

Since last year, international actors have taken tiny steps in the right direction. The United States and the United Kingdom have opened consulates in Goma, the capital of Nord-Kivu. The UN peacekeeping

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mission in Congo (known by its French acronym MONUC) redeployed troops to the eastern provinces, mostly to Nord-Kivu, and is setting up buffer zones to separate the main combatant groups. The few existing NGOs that focused on local conflict resolution in the region are more active than ever. The NGO Initiative pour un Leadership Cohésif en RDC, for example, has organized several workshops with local and national elites in order to help them work out their differences, and the Life and Peace Institute has intensified the funding, as well as the teaching and logistical support, it gives to those Congolese NGOs that do the best work promoting conflict resolution in the Kivus.

But this is not enough. Furthermore, even well-intentioned initiatives are often ill conceived. In January 2008, for example, the Congolese

To accomplish more than yet another temporary cease-fire, international actors must tackle the situation in Congo from the ground up.

government, with strong diplomatic and UN support, organized a peace conference in Goma to find a solution to the specific problems of the Kivus. Participants did have a chance to discuss their grievances over local political power, land expropriation, and mining resources, but these topics were not a priority. The conference focused instead on neutralizing the most prominent warlords, such as Nkunda and the major Mai Mai chiefs. A cease-fire agreement was signed.

But the gathering's main accomplishment, a nonbinding "act of engagement," proposed no concrete solutions for local antagonisms. And the fighting never stopped, not even during the conference.

Donors would do better to expand the funding available for local conflict resolution by increasing their aid budgets or shifting their assistance priorities away from elections. They should focus on helping the Congolese government and representatives from all the eastern communities work on land reform and the review of mining contracts by providing independent experts on land and judicial matters. Donors should also fund the training of local Congolese NGOs and justice officials so that they can be deployed as observers to the land-redistribution commissions or sent to villages to educate the rural population. And they should provide the NGOs with the funds to compensate the parties

The Trouble With Congo

who will lose land. To ensure that any additional money goes to efficient programs, donors should ask the experts on local conflict resolution and the specialists on Congo and Rwanda in their consulates to identify reliable local peace builders in the eastern provinces. They should offer financial support to the Congolese NGOs that organize peace talks and reconciliation programs, such as Plate-forme des Associations de Développement de Bunyakiri, which brings together military, political, business, and ethnic elites of the territory of Bunyakiri, in Sud-Kivu, and Arche d'Alliance, which helps victims of human rights violations in Sud-Kivu and promotes the reform of existing human rights legislation.

MONUC has an important supporting role to play. Although some of its troops have been involved in resource trafficking, sexual violence, and some brutal joint operations with Congolese army personnel, the force's presence has had a positive impact overall. If nothing else, it has so far prevented the conflict in Nord-Kivu from escalating into a regional or national war. Going forward, MONUC should start working on resolving local conflicts and distributing its resources differently than it does now. (New directives from the UN's Department of Peacekeeping Operations and MONUC's leadership would allow for this, but a Security Council resolution emphasizing the dangers of local tensions and MONUC's responsibility in local peace building is preferable, as it would help overcome any resistance by UN staffers on the ground.) In the eastern provinces, MONUC should deploy more military police and special operations forces and fewer traditional troops, because the former are better trained for action at the local level, especially in logistically difficult environments. In their daily work, military and civilian UN staffers should help provincial authorities develop the capacity to oversee the exploitation of mining sites. In addition, MONUC should recruit well-trained local peace building officials for deployment in the eastern provinces, downsizing its staff in Kinshasa if necessary. MONUC should also send civilian staffers with the authority to draw on military, diplomatic, or development resources to monitor local tensions and suggest how best to broker peace. The existing Congolese NGOs are ill equipped to address the local tensions caused by military antagonisms or manipulated by regional and national actors, and so international donors and UN agencies should

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step in to assist them. Such interventions would help address the broader dimensions of the violence by both deterring local warlords and offering them the possibility of development assistance.

In the long term, local peace will be sustainable only if the Congolese state is stable and its institutions are built up at all levels. To that end, the Congolese government must develop ways to integrate all the armed groups, including Nkunda's troops and the Mai Mai, into the national army; rebuild its justice system (an essential step toward ending impunity and thus deterring violence, assuaging communal resentment, and promoting good governance); and solve the security problem posed by the Rwandan Hutu militias (by resettling those Rwandan Hutus who are not guilty of war crimes and launching a campaign with MONUC to capture any perpetrators of atrocities on the Congolese population and the few Rwandans guilty of genocide still present in the Kivus). These would be extremely difficult tasks anywhere, and Congo, with its weak state, fragmented political arena, refugee flows, and poor infrastructure, is a particularly challenging environment. But with over a thousand people still dying there every day and the Kivus in the midst of a conflict that could easily engulf the Great Lakes region again, something must be done. The best approach is to make a priority of treating core problems at the local level, especially long-standing land disputes, rather than focusing exclusively on managing their broader consequences. When it comes to Congo, international actors should work, quite literally, from the ground up. 🌍

YEMEN

A Bright Future Ahead

The New Yemen

Prior to 1962, Yemen was isolated from the rest of the world. Moreover, it was divided against itself. However, since two pivotal revolutions in '62-'63 and, more recently, the unification of the North and South on May 22, 1990, Yemen has been reborn and has made amazing strides in the process of becoming a modern democratic state. We have since held three parliamentary elections and two presidential and local elections that have been acknowledged as being free and fair by local NGOs, the National Democratic Institute, and the European Union Election Monitoring Commission.

Following unity, we set to work on addressing the many challenges facing Yemen. Expanding education and literacy, establishing stability and the rule of law in all areas of the country, and diversifying the economy – all amid the backdrop of a rapidly expanding population – are just a few of these. We have also been working to institute administrative and financial reforms and establish programs with the aim of developing the political and economic landscape, in-line with international standards. In 2006, we launched a nation-wide anti-corruption campaign designed to root out corruption in its many forms and at all levels. We established an independent anti-corruption unit whose job it is to monitor the fiscal activities of government agencies and strictly enforce standards of practice. More than 90 cases of corruption have been investigated in preparation for referral to the courts.

We have instituted a system of tendering that is fully transparent and beyond reproach. We have also separated the executive branch from the judicial branch by replacing the president as head of the judiciary. We have encouraged women, who represent half the population, to play an active role in all walks of life. Yemeni women now fill a number of important governmental and diplomatic posts, including two ministers. A major focus of the past two years has been reforming laws and policies governing financial practices with the goal of attracting more international investment to the country.



We introduced a “one-window” policy whereby all possible issues related to investment projects from start to finish can be addressed within a single government agency, the General Investment Authority.

Terrorism, both domestic and international, is one of the major challenges facing the global community today. Yemen, both individually and in close cooperation with the international community, has exerted intensive efforts to combat terror and eradicate its sources.

Yemen has achieved tangible success in this field, whether by apprehending terrorist elements, or through an innovative campaign of dialogue conducted by a number of enlightened religious scholars and intellectuals, the aim of which is to rehabilitate youths who have been misled, having been influenced by extremist ideas, but who did not carry out any violent acts. This campaign is also aimed at integrating them back into society by convincing them to abandon extremist ideas and return to the righteous path. These efforts have been highly effective. Last year witnessed the implementation of the first phase of a campaign to reduce the presence of weapons in the country. Thousands of weapons have been confiscated from the civilian population, weapons shops have been closed down, and weapons have been banned in all major cities. We have been working in close cooperation with our allies, and especially with the United States, to combat terrorism. Our commitment to this has never wavered, even given our extremely limited resources. We have also shifted budgets in order to better address our security needs.

We are firmly committed to democratic reforms and modernization. Meanwhile, we are fully aware that our first priority must be the welfare of our people by developing and diversifying the economy and thus improving the living standards of all Yemenis. In the meantime, we believe that stability and security in Yemen will maintain and reinforce stability throughout the region and the globe.

Ali Abdullah Saleh,
President of the Republic of Yemen

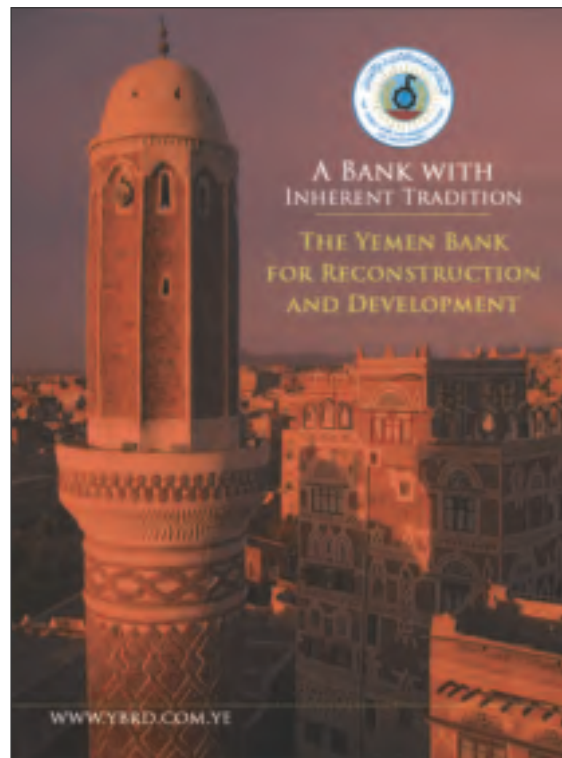
New Reforms Shape Yemen's Future

Yemen's economy is heading for a 5.4 percent growth this year, up from 2007's 3.3 percent real GDP level. The upward trend is largely the fruit of far-reaching reforms as outlined in the 2006 National Reform Agenda. It focuses on four key areas: increasing political participation, improving governance, enhancing public administration, and revitalizing the business environment. Maintaining strong growth is of utmost importance for Yemen as its population is growing at 3 percent per annum, and the government desperately needs to reduce poverty.

"One of the main objectives of this agenda is to improve government performance and give more room to the private sector and its initiatives," says Yemen's Deputy Prime Minister Abdulkarim Ismail Al-Arhabi. Both legislative and economic reforms have been adopted to streamline the country's performance, yet Al-Arhabi concurs that the ambitious agenda is not an easy one. "It is about change. It takes time for people to absorb new reforms. What is important, however, is the institutional capacity to absorb them." To this end, both the anticorruption law and the highly reformed procurement law, developed with the assistance of British and American consultancies, go a long way in establishing transparency. Joining the Extractive Industries Transparency Initiative in 2006 marked an additional milestone for these efforts. "Now we have the best legislation in the region, used as a model by the World Bank," says Al-Arhabi.

The reforms are equally aimed at energizing Yemen's international profile, through which it stands to gain increased investor interest. This is particularly the case in the financial sector. "Yemen's admission either to the WTO or the GCC would certainly enhance and develop this sector through the entry of international banks into the financial and banking services market," says Finance Minister Noman T. Alsuhaibi. "Not merely through the magnitude of capital and monetary flow, but also through international expertise that will eventually instigate, and even obligate, local banks to develop and diversify their services, either through innovating new banking activities or through a merger of their relatively small capitals and activities into a large local bank." That way, Alsuhaibi says, the sector will be able to compete on a regional level and meet international standards.

Despite its current social and economic challenges, Yemen remains a country of profound history and civilization with a unique geographical location, rich in human and natural resources, and a large market of over twenty-one million people. "In addition to oil," says Minister Alsuhaibi, "we have gas, free zones, industrial zones, transportation, communications, tourism, fish wealth, and more. This is accompanied by a huge unexploited manpower that can be trained to even meet job demands in neighboring countries." With Yemen's new reforms implemented, the future looks a whole lot brighter. ■



Banking on Consolidation

One of the primary focuses of Yemen's reform program concerns bolstering the non-oil sectors. Of these, the most promising is likely to be that of commercial banking. Already at the end of August 2007, the foreign assets of Islamic and commercial banks registered more than \$820 million. In particular, the state commercial banks are taking advantage of the reforms and building stronger links to customers and international partners. "This sector should reinstitute its priorities," says Minister of Finance Noman T. Alsuhaibi, adding that the creation of large Yemeni banking institutions would enable them to meet the requirements of progressive economic activities. "In this framework, we should not ignore the significance of micro-loans in financing economic activities of small producers and investors, a role that banks operating in Yemen should assume."

Fulfilling a major role in financing the development of key economic sectors is the national Cooperative and Agricultural Credit Bank. Having recently celebrated its twenty-fifth year in banking, CAC Bank offers not only corporate and retail services but is also a specialized lender for the agricultural and fishery sectors. It currently maintains the largest branch network in Yemen. "In 2005 we launched an aggressive plan to become a leader in retail banking in Yemen," explains Hafedh F. Mayad, chairman of CAC Bank. "The targeted markets were the individuals in the medium- and low-income fraction of the society." With this approach, CAC Bank tripled its number of clients in only two years.

The next step for the bank is to undergo a thorough restructuring and modernization to prepare it for a partial privatization in 2009. It has already joined in partnership with Doha Bank to establish a new Islamic bank and an insurance arm in Yemen. By the end of 2008, CAC Bank hopes to reach its target of increasing its capital to \$50 million.

Centralization and modernization of core banking services is also being undertaken by one of the country's first banks, the Yemen Bank for Reconstruction and Development (YBRD). Established in Sana'a in 1962, the YBRD has embarked on an aggressive and organic growth strategy to expand its forty-two branches as well as corporate and retail services. The bank's chairman, Mr. Abdulla Salem Al-Gifri, is confident that the YBRD is fully capable of meeting the needs of international clients in the years to come, having recently selected Informer Financial to install and initiate its new core banking system.

"YBRD was the first institution to introduce and popularize the use of banks for deposits and savings, and for financing foreign trade transactions. Through

hard work, perseverance, a good reputation and management, and the confidence of its customers, the YBRD maintains its significant market position." Al-Gifri says that the bank, with its 97 billion rials (\$500 million) in total assets, will continue to prove itself equal to the competitive challenges posed by Yemen's banking sector today.

The drive for change in the country's banking sector is already starting to gain international recognition. Abdul Rahman Moh'd Alkuhali, general manager of the National Bank of Yemen (NBY) points out that due to the strength of the bank's assets and the relations it enjoys with correspondent banks and customers, Capital Intelligence upgraded the bank's foreign currency rating to "B-" long term, "B" short term, and the financial rating to "BB-." "This rating is close to those of some of the major banks in the Gulf States," says Alkuhali.

By implementing state-of-the-art technology in its internal network of branches that reach out as far as the Yemeni island of Socotra, NBY was able to maintain its strong position in the market and post a fourth consecutive year in profit earnings, booking a 30 percent net profit increase. "In addition to the introduction of lease financing, Islamic products and services, eCommerce, and other personal and corporate banking products, the bank will enhance its capital adequacy to consider financing numerous large and strategic projects," reveals NBY's Alkuhali. "We are committed to keep the innovation process at the top of our priorities." ■

The poster for the National Bank of Yemen (NBY) highlights its achievements in 2007. It features the bank's logo and name in Arabic and English. The main title is "National Bank Of Yemen Achievements 2007".

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Connectivity Key to a Network of Progress

One of the earliest countries in the Gulf region with a cellular market was Yemen, which recently welcomed its fourth operator. “The telecom sector is really promising, as the market can sustain all these competitors,” says Minister of Telecommunication Kamal H. Al Jebry. The big push forward came in 2001 when Sabafon inaugurated its mobile service. A joint venture of six main private partners, Sabafon soon captured the spirit of progress, setting up the largest GSM cellular network, covering 68 percent of Yemen’s population. In January 2007 the company reached a new milestone in its operations by signing a agreement with HSBC to fund a \$50 million expansion plan. It enabled Sabafon to cooperate with Siemens’ networks group in upgrading its existing system. “Siemens is closely cooperating with operators to launch new services and advance the wireless communication in the regions that are not fully equipped yet,” said Dr. Jan Cron, vice president Middle East and general manager of Siemens Communications Mobile Networks, at last year’s signing ceremony. The investment includes the installation of EDGE technology for Sabafon in Yemen, one of the first countries in the region to do so.

According to Sabafon’s chairman, Sheikh Hameed Al-Ahmar, the deal underlines the fact that Yemen continues to be a dynamic and leading marketplace in the region. “We are engaged in a daily and weekly evaluation of what’s happening in our market,” says Al-Ahmar.

“We always try to introduce the latest services to our clients and subscribers.” Through its large network of franchises and agencies around Yemen, Sabafon is tapping into all segments of potential subscribers, particularly the young generation of Yemenis. “Another factor in Yemen,” continues Al-Ahmar, “is that there is just a small percentage of women who are allowed by their husbands and fathers to use a mobile. But this is changing, so the more women are allowed to enter into the service, the more subscribers you have for the competitors to attack.”

The youngest addition to the mobile market is Y-GSM. Y’s campaign slogan “And Yemen is happy,” is a positive bridge between quality of service and quality of life. Encouraged by the country’s political stability, Y’s investors are particularly keen on contributing to Yemen’s development. Chief Executive Officer Imad Hamed attests that the team of forty-two international experts at Y is passing on its background of quality, management, and know-how to its young Yemeni teams. “We now have four hundred employees who are experienced in telecommunication. Indirectly we are creating between ten thousand and fifteen thousand job opportunities—technicians, for example.” Hamed adds that 80 percent of its products are IT-based solutions, a competitive edge for Y in addition to its customer service. “Our objective today is not to be number one, but we want to be the best at what we offer.” ■

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SABAFON

There Will Be Growth

Yemen perches on the Red Sea and the Gulf of Aden, at the crossroads of vital oil transport routes from the Arabian Gulf to Europe, Asia, and Africa. But unlike its influential oil-producing neighbors elsewhere on the Arabian Peninsula, Yemen's own natural resources have been limited. According to the Central Bank of Yemen, oil revenues decreased to \$3.087 billion in 2007, compared to \$4.1 billion in 2006, due to a decline in oil production from sixty-four million barrels in 2006 to forty-two million barrels in 2007. But Deputy Prime Minister Abdulkarim Ismail Al-Arhabi claims this situation is due to change in Yemen. "We are very much focusing on oil and gas exploration," explains Al-Arhabi. "We definitely have some prospects in the future."

Minister of Oil and Minerals Khalid Mahfoudh Bahah says that because of the large amount of available exploration blocks, there are still very promising concessions to be gained. "We have around one hundred blocks that consist of the whole geological map of Yemen. Currently, twelve blocks are producing around 324,000 barrels a day. Then we have twenty-six blocks under exploration and fourteen awaiting final parliamentary approval. We are announcing new bid rounds every year now."

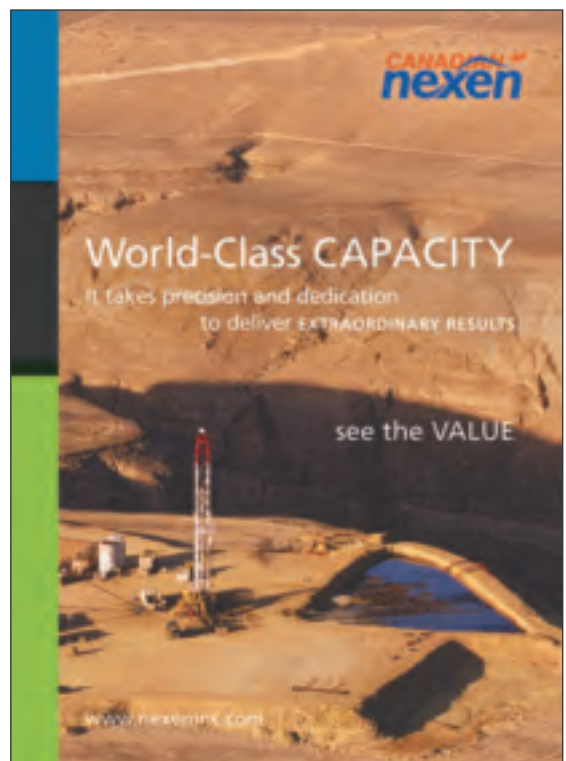
Two government-owned refineries, at Aden and Marib, add value to Yemen's oil production, and both are being upgraded to capacities of 150,000 and 25,000 barrels per day, respectively. In the same category, Yemen, together with international companies, is building a \$7.3 billion Liquefied Natural Gas Project to treat its approximately seventeen trillion cubic feet of gas reserves. Total revenues of the LNG Company would amount to \$17 billion, the biggest financial source for Yemen for the coming twenty years.

Nevertheless, high oil export prices have sustained a positive current account balance and international extractive companies active in Yemen still regard the country as a significant asset. Canadian-based global energy company Nexen Inc. expects to generate approximately 15 percent of its projected 2008 cash flow from its Yemen operations. "In 2007, we invested \$139 million and added three million barrels of oil equivalent of proved

reserves," the company's February 2008 financial statement said. "In 2008, we expect to produce between 50,000 and 55,000 barrels of oil equivalent before royalties here."

Nexen's President and General Manager Gregor S. Mawhinney says that although their Yemen production is currently on decline, operations are stabilizing and new opportunities may arise in the company's second block, acquired in 2005. "There is an exploration program currently taking place in Block 51. We will be drilling two to three exploration wells there this year." For Mawhinney, the act of giving back to Yemen is just as important as the company's explorative success. "There will be a time down the road when Nexen leaves Yemen and we would like to think that what we leave behind is a very strong workforce and technology that can be used in the future."

Norwegian company DNO also believes a richer future for Yemen is in plain view. "We have an extensive program in Yemen with great potential," DNO's Chief Executive Helge Eide said recently. Eide also praised the company's drilling efforts in new Yemeni onshore wells, and said that the annual production from that region was in line with DNO's target for the fiscal year. General Manager Colin Kramer says DNO currently produces 15,000 barrels of oil per day from two blocks, and has accounted for 70 percent of the Yemeni sales. "Yemen has been a very important country for the development of DNO," says Colin Kramer. "That's for sure." ■



Yemen Confides in Entrepreneurship

During Yemen's pursuit of economic growth came the realization that the government needed to diversify away from oil-related businesses and, more importantly, increase the private sector's activity. To this end, the General Investment Authority of Yemen (GIA) streamlined the cost and time of registration processes by establishing essential ministry and relevant agency offices within its own premises. As a result, in the first half of 2007 alone, GIA launched 145 projects valued at over 133 billion rial (\$670 million).

"I believe that we live in a historical moment," says Mr. Salah Al-Attar, president of GIA, adding that the country has been benefiting for many years from high oil prices. "This is still a virgin market and so we have some advantages, such as relatively low operating costs. We would like to be a first-class destination on the Southern Arabian Peninsula, a window to Africa and the world." GIA believes Yemen's appeal for investors lies in the establishment of a stock market, the creation of small enterprises and accelerated privatizations, a huge potential in mineral extraction, and the possibility to attract mass tourism.

To a certain extent this vision has already been achieved by one of Yemen's largest and most revered commercial entities, the Hayel Saeed Anam Group (HSA). Its trading, industry, agriculture, and marine resources divisions have sprung the deserts and seas to reach many regional and international countries.

"We are exporting to thirty-eight countries, mainly in Africa, the GCC, Malaysia, and Indonesia," explains Shawki Ahmed Hayel Saeed. "Most of our expansion has been mainly to improve our capabilities for export." For this year it has planned the construction of a \$200 million cement plant, its largest project in Yemen to date, as well as a new hospital.

The group started trading seventy years ago in Aden and has built up a solid base through five trading companies. Major partners include Unilever, Ford, and Honda. In the 1970s and 1980s it greatly expanded its industrial activities with a strategy to improve the quality of life in Yemen through increased labor opportunities. "We have learned a lot from exporting, especially in terms of market needs and demands. The HSA Group strategy is to venture into big projects. The hotel sector and hospitals are good examples, but we are also starting in retail and will be expanding with a supermarket chain across the country."

The HSA Group's strong global relations have made it an ambassador of sorts for Yemen's private business sector. It is also one of the major and strategic sponsors of the World Economic Forum in Davos, and a member of the board of the Arab Business Council. Mr. Shawki Ahmed Hayel Saeed agrees that the perception of Yemen abroad is not optimal. This is why tourism should take center stage in the country's diversification efforts, as it has the capability to both render a better understanding of the country's rich culture and create more business and employment opportunities.

"Tourism is a big field of investment for Yemen. It is improving, and if we concentrate, a lot of people will benefit and improve the economic situation in Yemen," Saeed points out. Since the 1950s, one of HSA Group's main objectives has been social support. It was the first company in Yemen to employ women. Currently, one thousand women are on HSA's payroll



in positions ranging from manufacturing to management and department heads, and many are university graduates. “In Arabic we have a saying and a way of life that says you have to spend money to help the poor and society. People are a main source. It is a sector in itself. For investors you need two things: good people and good partners. Unless you have good support it will be very hard making money without these.”

Another long-standing member of the Yemeni trading community, the Shihab Insurance and Trading Agencies, also emulates this trust in people. With over 570 employees, Shihab is one of the largest distribution and consumer goods companies in the republic. According to Operation Directors Mohammed Akil Shihab and Naji Younes, trade has been at the heart of the Yemeni people for hundreds of years, and is probably the most significant factor in bringing nations together. “When people know that you are in a partnership with big names, they believe in you. We have translated that trust into reality by making their products a success in the market, making them market leaders.”

But Yemen does not solely rely on the private sector to support and materialize the government’s vision of development. This is a key motivation for one of the country’s most diversified government owned companies, the Yemen Economic Corporation (YECO). Its activities span a spectrum from the construction of a food industries complex in Bajil to investments in textile industries and an industrial gas factory. Most recently, YECO built and equipped an integrated tourist city in the capital, Sana’a, containing fifty residential units with two hundred apartments and four towers of sixty-four apartments each. YECO General Manager Ali Mohammed Al-Kuhlani says it is the commercial sector’s responsibility to look after the necessities of Yemen’s people and to be a linking chain between all sectors. Working with the government’s strategy, Al-Kuhlani’s objective for YECO is to “push our economy to a good place in the future. We have good relations with all private sectors in Yemen. With their collaboration we want to grow our collective economic future.” ■

Applying Ideological Tactics in Fighting Terrorism

Since the events of September 11, 2001, nations across the globe have been pulling together to find the most effective way of stopping the advances of terrorism and Islamic extremism in their tracks. Yemen, a peaceful, friendly Islamic republic, is no exception. Even without the vast U.S. counterterrorism budget at its disposal, Yemen’s government and clergy have been gaining ground on their own terms.

In 2002, President Ali Abdullah Saleh approached the issue on a basis of intellectual dialogue. Working on the premise that ideology can only be fought with ideology, detained terrorists—al Qaeda operatives among them—were engaged in a two-way conversation with an influential cleric and judge. Verses of the Koran served as the counterargument to the extremists’ support for a holy war. The strategy turned out to be effective, in that at long last prisoners were engaged in identifying and pacifying jihadists still at large in Yemen, in return for their own freedom. This tactic initially raised concerns within the Arab and Western worlds, but soon neighboring countries such as Saudi Arabia and Egypt realized the results were having a positive effect, adopting the method in their own antiterrorism programs. Serving as informants, released prisoners have exposed sleeper cells and foiled a number of attacks.

Currently, ex-jihadists in Yemen are trying to mediate with a younger, more violent generation of militants,

widely believed to have been behind a July 2007 suicide bombing in Marib in which eight Spanish tourists lost their lives. Direct attacks on these groups are therefore necessary, but the consensus is that the best way to save Yemen’s young from falling into the clutches of extremists is by altering the educational curricula, especially in Islamic schools, to promote science, languages, and geography in order to spread more awareness and understanding of the world. Hence development, investment, and structural aid to Yemen, particularly from the United States, are crucial in eradicating the sources of terrorism: poverty, unemployment, and ignorance.

“The United States is very important for us,” says Deputy Prime Minister Abdulkarim Ismail Al-Arhabi. “We are allies together in the war against terrorism. So far Yemen has done quite well and the United States recognizes the importance of Yemen in creating stability for the whole region.” Even if the two countries don’t always see eye to eye on tactics, all involved agree that nobody benefits from terrorism. ■

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The Case Against the West

America and Europe in the Asian Century

Kishore Mahbubani

THERE IS a fundamental flaw in the West's strategic thinking. In all its analyses of global challenges, the West assumes that it is the source of the solutions to the world's key problems. In fact, however, the West is also a major source of these problems. Unless key Western policymakers learn to understand and deal with this reality, the world is headed for an even more troubled phase.

The West is understandably reluctant to accept that the era of its domination is ending and that the Asian century has come. No civilization cedes power easily, and the West's resistance to giving up control of key global institutions and processes is natural. Yet the West is engaging in an extraordinary act of self-deception by believing that it is open to change. In fact, the West has become the most powerful force preventing the emergence of a new wave of history, clinging to its privileged position in key global forums, such as the UN Security Council, the International Monetary Fund, the World Bank, and the G-8 (the group of highly industrialized states), and refusing to contemplate how the West will have to adjust to the Asian century.

Partly as a result of its growing insecurity, the West has also become increasingly incompetent in its handling of key global problems. Many

KISHORE MAHBUBANI is Dean of the Lee Kuan Yew School of Public Policy at the National University of Singapore. This essay is adapted from his latest book, *The New Asian Hemisphere: The Irresistible Shift of Global Power to the East* (Public Affairs, 2008).

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Western commentators can readily identify specific failures, such as the Bush administration's botched invasion and occupation of Iraq. But few can see that this reflects a deeper structural problem: the West's inability to see that the world has entered a new era.

Apart from representing a specific failure of policy execution, the war in Iraq has also highlighted the gap between the reality and what the West had expected would happen after the invasion. Arguably, the United States and the United Kingdom intended only to free the Iraqi people from a despotic ruler and to rid the world of a dangerous man, Saddam Hussein. Even if George W. Bush and Tony Blair had no malevolent intentions, however, their approaches were trapped in the Western mindset of believing that their interventions could lead only to good, not harm or disaster. This led them to believe that the invading U.S. troops would be welcomed with roses thrown at their feet by happy Iraqis. But the twentieth century showed that no country welcomes foreign invaders. The notion that any Islamic nation would approve of Western military boots on its soil was ridiculous. Even in the early twentieth century, the British invasion and occupation of Iraq was met with armed resistance. In 1920, Winston Churchill, then British secretary for war and air, quelled the rebellion of Kurds and Arabs in British-occupied Iraq by authorizing his troops to use chemical weapons. "I am strongly in favor of using poisoned gas against uncivilized tribes," Churchill said. The world has moved on from this era, but many Western officials have not abandoned the old assumption that an army of Christian soldiers can successfully invade, occupy, and transform an Islamic society.

Many Western leaders often begin their speeches by remarking on how perilous the world is becoming. Speaking after the August 2006 discovery of a plot to blow up transatlantic flights originating from London, President Bush said, "The American people need to know we live in a dangerous world." But even as Western leaders speak of such threats, they seem incapable of conceding that the West itself could be the fundamental source of these dangers. After all, the West includes the best-managed states in the world, the most economically developed, those with the strongest democratic institutions. But one cannot assume that a government that rules

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competently at home will be equally good at addressing challenges abroad. In fact, the converse is more likely to be true. Although the Western mind is obsessed with the Islamist terrorist threat, the West is mishandling the two immediate and pressing challenges of Afghanistan and Iraq. And despite the grave threat of nuclear terrorism, the Western custodians of the nonproliferation regime have allowed that regime to weaken significantly. The challenge posed by Iran's efforts to enrich uranium has been aggravated by the incompetence of the United States and the European Union. On the economic front, for the first time since World War II, the demise of a round of global trade negotiations, the Doha Round, seems imminent. Finally, the danger of global warming, too, is being mismanaged.

Yet Westerners seldom look inward to understand the deeper reasons these global problems are being mismanaged. Are there domestic structural reasons that explain this? Have Western democracies been hijacked by competitive populism and structural short-termism, preventing them from addressing long-term challenges from a broader global perspective?

Fortunately, some Asian states may now be capable of taking on more responsibilities, as they have been strengthened by implementing Western principles. In September 2005, Robert Zoellick, then U.S. deputy secretary of state, called on China to become a "responsible stakeholder" in the international system. China has responded positively, as have other Asian states. In recent decades, Asians have been among the greatest beneficiaries of the open multilateral order created by the United States and the other victors of World War II, and few today want to destabilize it. The number of Asians seeking a comfortable middle-class existence has never been higher. For centuries, the Chinese and the Indians could only dream of such an accomplishment; now it is within the reach of around half a billion people in China and India. Their ideal is to achieve what the United States and Europe did. They want to replicate, not dominate, the West. The universalization of the Western dream represents a moment of triumph for the West. And so the West should welcome the fact that the Asian states are becoming competent at handling regional and global challenges.

THE MIDDLE EAST MESS

WESTERN POLICIES have been most harmful in the Middle East. The Middle East is also the most dangerous region in the world. Trouble there affects not just seven million Israelis, around four million Palestinians, and 200 million Arabs; it also affects more than a billion Muslims worldwide. Every time there is a major flare-up in the Middle East, such as the U.S. invasion of Iraq or the Israeli bombing of Lebanon, Islamic communities around the world become concerned, distressed, and angered. And few of them doubt the problem's origin: the West.

The invasion and occupation of Iraq, for example, was a multi-dimensional error. The theory and practice of international law legitimizes the use of force only when it is an act of self-defense or is authorized by the UN Security Council. The U.S.-led invasion of Iraq could not be justified on either count. The United States and the United Kingdom sought the Security Council's authorization to invade Iraq, but the council denied it. It was therefore clear to the international community that the subsequent war was illegal and that it would do huge damage to international law.

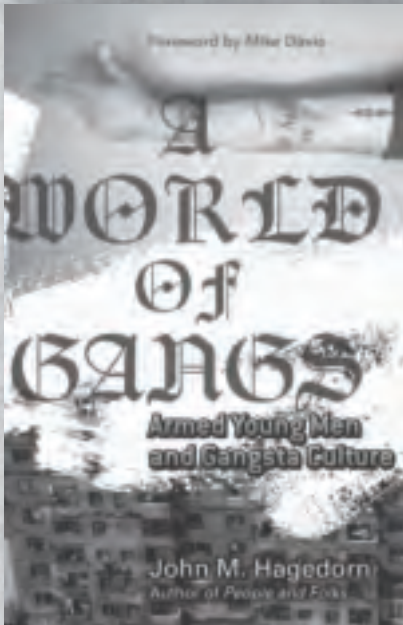
This has created an enormous problem, partly because until this point both the United States and the United Kingdom had been among the primary custodians of international law. American and British minds, such as James Brierly, Philip Jessup, Hersch Lauterpacht, and Hans Morgenthau, developed the conceptual infrastructure underlying international law, and American and British leaders provided the political will to have it accepted in practice. But neither the United States nor the United Kingdom will admit that the invasion and the occupation of Iraq were illegal or give up their historical roles as the chief caretakers of international law. Since 2003, both nations have frequently called for Iran and North Korea to implement UN Security Council resolutions. But how can the violators of UN principles also be their enforcers?

One rare benefit of the Iraq war may be that it has awakened a new fear of Iran among the Sunni Arab states. Egypt, Jordan, and Saudi Arabia, among others, do not want to deal with two adversaries and so are inclined to make peace with Israel. Saudi Arabia's King Abdullah

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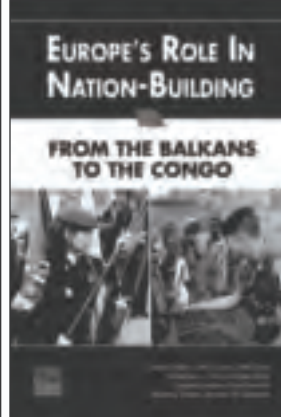
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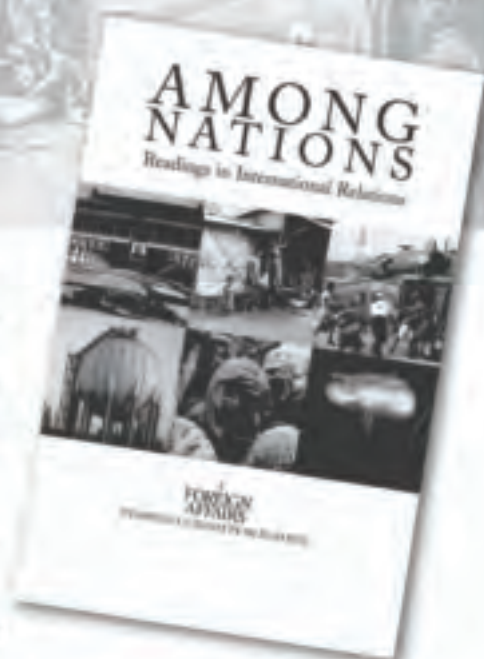
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used the opportunity of the special Arab League summit meeting in March 2007 to relaunch his long-standing proposal for a two-state solution to the Israeli-Palestinian conflict. Unfortunately, the Bush administration did not seize the opportunity—or revive the Taba accords that President Bill Clinton had worked out in January 2001, even though they could provide a basis for a lasting settlement and the Saudis were prepared to back them. In its early days, the Bush administration appeared ready to support a two-state solution. It was the first U.S. administration to vote in favor of a UN Security Council resolution calling for the creation of a Palestinian state, and it announced in March 2002 that it would try to achieve such a result by 2005. But here it is 2008, and little progress has been made.

The United States has made the already complicated Israeli-Palestinian conflict even more of a mess. Many extremist voices in Tel Aviv and Washington believe that time will always be on Israel's side. The pro-Israel lobby's stranglehold on the U.S. Congress, the political cowardice of U.S. politicians when it comes to creating a Palestinian state, and the sustained track record of U.S. aid to Israel support this view. But no great power forever sacrifices its larger national interests in favor of the interests of a small state. If Israel fails to accept the Taba accords, it will inevitably come to grief. If and when it does, Western incompetence will be seen as a major cause.

NEVER SAY NEVER

NUCLEAR NONPROLIFERATION is another area in which the West, especially the United States, has made matters worse. The West has long been obsessed with the danger of the proliferation of weapons of mass destruction, particularly nuclear weapons. It pushed successfully for the near-universal ratification of the Biological and Toxin Weapons Convention, the Chemical Weapons Convention, and the Nuclear Nonproliferation Treaty (NPT).

But the West has squandered many of those gains. Today, the NPT is legally alive but spiritually dead. The NPT was inherently problematic since it divided the world into nuclear haves (the states that had tested a nuclear device by 1967) and nuclear have-nots (those that had not). But for two decades it was reasonably effective in preventing

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horizontal proliferation (the spread of nuclear weapons to other states). Unfortunately, the NPT has done nothing to prevent vertical proliferation, namely, the increase in the numbers and sophistication of nuclear weapons among the existing nuclear weapons states. During the Cold

The world has lost trust in the five nuclear weapons states and now sees them as the NPT's primary violators.

War, the United States and the Soviet Union agreed to work together to limit proliferation. The governments of several countries that could have developed nuclear weapons, such as Argentina, Brazil, Germany, Japan, and South Korea, restrained themselves because they believed the NPT reflected a fair bargain between China, France, the Soviet Union, the United Kingdom, and the United

States (the five official nuclear weapons states and five permanent members of the UN Security Council) and the rest of the world. Both sides agreed that the world would be safer if the five nuclear states took steps to reduce their arsenals and worked toward the eventual goal of universal disarmament and the other states refrained from acquiring nuclear weapons at all.

So what went wrong? The first problem was that the NPT's principal progenitor, the United States, decided to walk away from the postwar rule-based order it had created, thus eroding the infrastructure on which the NPT's enforcement depends. During the time I was Singapore's ambassador to the UN, between 1984 and 1989, Jeane Kirkpatrick, the U.S. ambassador to the UN, treated the organization with contempt. She infamously said, "What takes place in the Security Council more closely resembles a mugging than either a political debate or an effort at problem-solving." She saw the postwar order as a set of constraints, not as a set of rules that the world should follow and the United States should help preserve. This undermined the NPT, because with no teeth of its own, no self-regulating or sanctioning mechanisms, and a clause allowing signatories to ignore obligations in the name of "supreme national interest," the treaty could only really be enforced by the UN Security Council. And once the United States began tearing holes in the fabric of the overall system, it created openings for violations of the NPT and its principles. Finally, by going to war with Iraq without UN authorization, the United

States lost its moral authority to ask, for example, Iran to abide by Security Council resolutions.

Another problem has been the United States'—and other nuclear weapons states'—direct assault on the treaty. The NPT is fundamentally a social contract between the five nuclear weapons states and the rest of the world, based partly on the understanding that the nuclear powers will eventually give up their weapons. Instead, during the Cold War, the United States and the Soviet Union increased both the quantity and the sophistication of their nuclear weapons: the United States' nuclear stockpile peaked in 1966 at 31,700 warheads, and the Soviet Union's peaked in 1986 at 40,723. In fact, the United States and the Soviet Union developed their nuclear stockpiles so much that they actually ran out of militarily or economically significant targets. The numbers have declined dramatically since then, but even the current number of nuclear weapons held by the United States and Russia can wreak enormous damage on human civilization.

The nuclear states' decision to ignore Israel's nuclear weapons program was especially damaging to their authority. No nuclear weapons state has ever publicly acknowledged Israel's possession of nuclear weapons. Their silence has created a loophole in the NPT and delegitimized it in the eyes of Muslim nations. The consequences have been profound. When the West sermonizes that the world will become a more dangerous place when Iran acquires nuclear weapons, the Muslim world now shrugs.

India and Pakistan were already shrugging by 1998, when they tested their first nuclear weapons. When the international community responded by condemning the tests and applying sanctions on India, virtually all Indians saw through the hypocrisy and double standards of their critics. By not respecting their own obligations under the NPT, the five nuclear states had robbed their condemnations of any moral legitimacy; criticisms from Australia and Canada, which have also remained silent about Israel's bomb, similarly had no moral authority. The near-unanimous rejection of the NPT by the Indian establishment, which is otherwise very conscious of international opinion, showed how dead the treaty already was.

From time to time, common sense has entered discussions on nuclear weapons. President Ronald Reagan said more categorically

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than any U.S. president that the world would be better off without nuclear weapons. Last year, with the NPT in its death throes and the growing threat of loose nuclear weapons falling into the hands of terrorists forefront in everyone's mind, former Secretary of State George Shultz, former Defense Secretary William Perry, former Secretary of State Henry Kissinger, and former Senator Sam Nunn warned in *The Wall Street Journal* that the world was "now on the precipice of a new and dangerous nuclear era." They argued, "Unless urgent new actions are taken, the U.S. soon will be compelled to enter a new nuclear era that will be more precarious, psychologically disorienting, and economically even more costly than was Cold War deterrence." But these calls may have come too late. The world has lost its trust in the five nuclear weapons states and now sees them as the NPT's primary violators rather than its custodians. Those states' private cynicism about their obligations to the NPT has become public knowledge.

Contrary to what the West wants the rest of the world to believe, the nuclear weapons states, especially the United States and Russia, which continue to maintain thousands of nuclear weapons, are the biggest source of nuclear proliferation. Mohamed ElBaradei, the director general of the International Atomic Energy Agency, warned in *The Economist* in 2003, "The very existence of nuclear weapons gives rise to the pursuit of them. They are seen as a source of global influence, and are valued for their perceived deterrent effect. And as long as some countries possess them (or are protected by them in alliances) and others do not, this asymmetry breeds chronic global insecurity." Despite the Cold War, the second half of the twentieth century seemed to be moving the world toward a more civilized order. As the twenty-first century unfurls, the world seems to be sliding backward.

IRRESPONSIBLE STAKEHOLDERS

AFTER LEADING the world toward a period of spectacular economic growth in the second half of the twentieth century by promoting global free trade, the West has recently been faltering in its global economic leadership. Believing that low trade barriers and increasing trade interdependence would result in higher standards of living for

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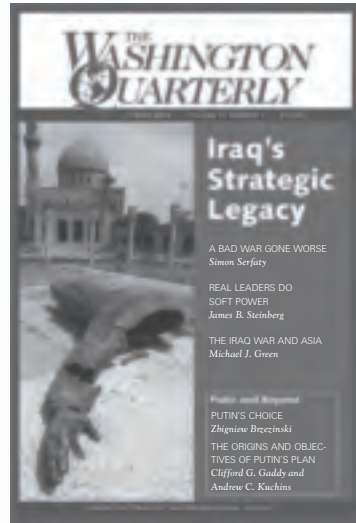
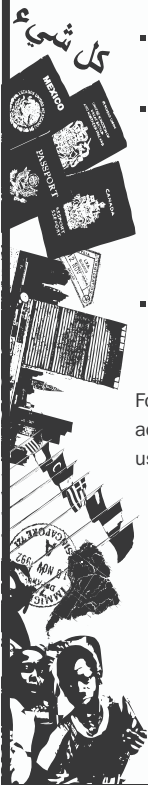
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all, European and U.S. economists and policymakers pushed for global economic liberalization. As a result, global trade grew from seven percent of the world's GDP in 1940 to 30 percent in 2005.

But a seismic shift has taken place in Western attitudes since the end of the Cold War. Suddenly, the United States and Europe no longer have a vested interest in the success of the East Asian economies, which they see less as allies and more as competitors. That change in Western interests was reflected in the fact that the West provided little real help to East Asia during the Asian financial crisis of 1997–98. The entry of China into the global marketplace, especially after its admission to the World Trade Organization, has made a huge difference in both economic and psychological terms. Many Europeans have lost confidence in their ability to compete with the Asians. And many Americans have lost confidence in the virtues of competition.

There are some knotty issues that need to be resolved in the current global trade talks, but fundamentally the negotiations are stalled because the conviction of the Western “champions” of free trade that free trade is good has begun to waver. When Americans and Europeans start to perceive themselves as losers in international trade, they also lose their drive to push for further trade liberalization. Unfortunately, on this front at least, neither China nor India (nor Brazil nor South Africa nor any other major developing country) is ready to take over the West's mantle. China, for example, is afraid that any effort to seek leadership in this area will stoke U.S. fears that it is striving for global hegemony. Hence, China is lying low. So, too, are the United States and Europe. Hence, the trade talks are stalled. The end of the West's promotion of global trade liberalization could well mean the end of the most spectacular economic growth the world has ever seen. Few in the West seem to be reflecting on the consequences of walking away from one of the West's most successful policies, which is what it will be doing if it allows the Doha Round to fail.

At the same time that the Western governments are relinquishing their stewardship of the global economy, they are also failing to take the lead on battling global warming. The awarding of the Nobel Peace Prize to former U.S. Vice President Al Gore, a longtime environmentalist, and the UN's Intergovernmental Panel on Climate Change confirms there is international consensus that global warming is a real

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threat. The most assertive advocates for tackling this problem come from the U.S. and European scientific communities, but the greatest resistance to any effective action is coming from the U.S. government.

The West has to learn to share power and responsibility for the management of global issues with the rest of the world.

This has left the rest of the world confused and puzzled. Most people believe that the greenhouse effect is caused mostly by the flow of current emissions. Current emissions do aggravate the problem, but the fundamental cause is the stock of emissions that has accumulated since the Industrial Revolution. Finding a just and equitable solution to the problem of greenhouse gas emissions must begin with assigning responsibility both for the current flow and for the stock of greenhouse gases already accumulated. And on both counts the Western nations should bear a greater burden.

When it comes to addressing any problem pertaining to the global commons, such as the environment, it seems only fair that the wealthier members of the international community should shoulder more responsibility. This is a natural principle of justice. It is also fair in this particular case given the developed countries' primary role in releasing harmful gases into the atmosphere. R. K. Pachauri, chair of the Intergovernmental Panel on Climate Change, argued last year, "China and India are certainly increasing their share, but they are not increasing their per capita emissions anywhere close to the levels that you have in the developed world." Since 1850, China has contributed less than 8 percent of the world's total emissions of carbon dioxide, whereas the United States is responsible for 29 percent and western Europe is responsible for 27 percent. Today, India's per capita greenhouse gas emissions are equivalent to only 4 percent of those of the United States and 12 percent of those of the European Union. Still, the Western governments are not clearly acknowledging their responsibilities and are allowing many of their citizens to believe that China and India are the fundamental obstacles to any solution to global warming.

Washington might become more responsible on this front if a Democratic president replaces Bush in 2009. But people in the West will have to make some real concessions if they are to reduce significantly

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their per capita share of global emissions. A cap-and-trade program may do the trick. Western countries will probably have to make economic sacrifices. One option might be, as the journalist Thomas Friedman has suggested, to impose a dollar-per-gallon tax on Americans' gasoline consumption. Gore has proposed a carbon tax. So far, however, few U.S. politicians have dared to make such suggestions publicly.

TEMPTATIONS OF THE EAST

THE MIDDLE EAST, nuclear proliferation, stalled trade liberalization, and global warming are all challenges that the West is essentially failing to address. And this failure suggests that a systemic problem is emerging in the West's stewardship of the international order—one that Western minds are reluctant to analyze or confront openly. After having enjoyed centuries of global domination, the West has to learn to share power and responsibility for the management of global issues with the rest of the world. It has to forgo outdated organizations, such as the Organization for Economic Cooperation and Development, and outdated processes, such as the G-8, and deal with organizations and processes with a broader scope and broader representation. It was always unnatural for the 12 percent of the world population that lived in the West to enjoy so much global power. Understandably, the other 88 percent of the world population increasingly wants also to drive the bus of world history.

First and foremost, the West needs to acknowledge that sharing the power it has accumulated in global forums would serve its interests. Restructuring international institutions to reflect the current world order will be complicated by the absence of natural leaders to do the job. The West has become part of the problem, and the Asian countries are not yet ready to step in. On the other hand, the world does not need to invent any new principles to improve global governance; the concepts of domestic good governance can and should be applied to the international community. The Western principles of democracy, the rule of law, and social justice are among the world's best bets. The ancient virtues of partnership and pragmatism can complement them.

Democracy, the foundation of government in the West, is based on the premise that each human being in a society is an equal stakeholder

Kishore Mahbubani

in the domestic order. Thus, governments are selected on the basis of “one person, one vote.” This has produced long-term stability and order in Western societies. In order to produce long-term stability and order worldwide, democracy should be the cornerstone of global society, and the planet’s 6.6 billion inhabitants should become equal stakeholders. To inject the spirit of democracy into global governance and global decision-making, one must turn to institutions with universal representation, especially the UN. UN institutions such as the World Health Organization and the World Meteorological Organization enjoy widespread legitimacy because of their universal membership, which means their decisions are generally accepted by all the countries of the world.

The problem today is that although many Western actors are willing to work with specialized UN agencies, they are reluctant to strengthen the UN’s core institution, the UN General Assembly, from which all

Some Asian countries are now ready to join the West in becoming responsible custodians of the global order.

these specialized agencies come. The UN General Assembly is the most representative body on the planet, and yet many Western countries are deeply skeptical of it. They are right to point out its imperfections. But they overlook the fact that this imperfect assembly enjoys legitimacy in the eyes of the people of this imperfect world. Moreover, the General Assembly has at times shown more common

sense and prudence than some of the most sophisticated Western democracies. Of course, it takes time to persuade all of the UN’s members to march in the same direction, but consensus building is precisely what gives legitimacy to the result. Most countries in the world respect and abide by most UN decisions because they believe in the authority of the UN. Used well, the body can be a powerful vehicle for making critical decisions on global governance.

The world today is run not through the General Assembly but through the Security Council, which is effectively run by the five permanent member states. If this model were adopted in the United States, the U.S. Congress would be replaced by a selective council comprised of only the representatives from the country’s five most powerful states. Would the populations of the other 45 states not deem any such

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proposal absurd? The West must cease its efforts to prolong its undemocratic management of the global order and find ways to effectively engage the majority of the world's population in global decision-making.

Another fundamental principle that should underpin the global order is the rule of law. This hallowed Western principle insists that no person, regardless of his or her status, is above the law. Ironically, while being exemplary in implementing the rule of law at home, the United States is a leading international outlaw in its refusal to recognize the constraints of international law. Many Americans live comfortably with this contradiction while expecting other countries to abide by widely accepted treaties. Americans react with horror when Iran tries to walk away from the NPT. Yet they are surprised that the world is equally shocked when Washington abandons a universally accepted treaty such as the Comprehensive Test Ban Treaty.

The Bush administration's decision to exempt the United States from the provisions of international law on human rights is even more damaging. For over half a century, since Eleanor Roosevelt led the fight for the adoption of the Universal Declaration of Human Rights, the United States was the global champion of human rights. This was the result of a strong ideological conviction that it was the United States' God-given duty to create a more civilized world. It also made for a good ideological weapon during the Cold War: the free United States was fighting the unfree Soviet Union. But the Bush administration has stunned the world by walking away from universally accepted human rights conventions, especially those on torture. And much as the U.S. electorate could not be expected to tolerate an attorney general who broke his own laws from time to time, how can the global body politic be expected to respect a custodian of international law that violates these very rules?

Finally, on social justice, Western nations have slackened. Social justice is the cornerstone of order and stability in modern Western societies and the rest of the world. People accept inequality as long as some kind of social safety net exists to help the dispossessed. Most western European governments took this principle to heart after World War II and introduced welfare provisions as a way to ward off Marxist revolutions seeking to create socialist societies. Today, many Westerners believe that they are spreading social justice globally with

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their massive foreign aid to the developing world. Indeed, each year, the members of the Organization for Economic Cooperation and Development, according to the organization's own estimates, give approximately \$104 billion to the developing world. But the story of Western aid to the developing world is essentially a myth. Western countries have put significant amounts of money into their overseas development assistance budgets, but these funds' primary purpose is to serve the immediate and short-term security and national interests of the donors rather than the long-term interests of the recipients.

The experience of Asia shows that where Western aid has failed to do the job, domestic good governance can succeed. This is likely to be Asia's greatest contribution to world history. The success of Asia will inspire other societies on different continents to emulate it. In addition, Asia's march to modernity can help produce a more stable world order. Some Asian countries are now ready to join the West in becoming responsible custodians of the global order; as the biggest beneficiaries of the current system, they have powerful incentives to do so. The West is not welcoming Asia's progress, and its short-term interests in preserving its privileged position in various global institutions are trumping its long-term interests in creating a more just and stable world order. Unfortunately, the West has gone from being the world's primary problem solver to being its single biggest liability. 🌐



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Reviews & Responses



AP/WIDE WORLD PHOTOS

Leader of the pack: a pro-Taliban protest in Quetta, Pakistan, October 2001

Defeating al Qaeda will require both
destroying the organization's leadership and
disrupting the continued resonance of
its radical message.

The Myth of Grass-Roots Terrorism *Bruce Hoffman* 133

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Review Essay

The Distant Horizon

What Can “Big History” Tell Us About America’s Future?

Paul Kennedy

A Splendid Exchange: How Trade Shaped the World. BY WILLIAM J. BERNSTEIN.

Atlantic Monthly, 2008, 384 pp. \$30.00.

The Great Experiment: The Story of Ancient Empires, Modern States, and the Quest for a Global Nation. BY STROBE TALBOTT.

Simon & Schuster, 2008, 496 pp. \$30.00.

Day of Empire: How Hyperpowers Rise to Global Dominance—and Why They Fail.

BY AMY CHUA. Doubleday, 2007,

432 pp. \$27.95.

Twenty years ago, the distinguished economic historian David Landes wrote an article in *The New Republic* about what he called “Big History.” It was a review of William McNeill’s extraordinary *The Pursuit of Power: Technology, Armed Force, and Society Since A.D. 1000* and of my own more modest work *The Rise and Fall of the Great Powers*. By the term “Big History,”

he did not have in mind such multivolume works as Arnold Toynbee’s 12-volume *A Study of History*, or Samuel Morison’s 15-volume *History of United States Naval Operations in World War II*, or Joseph Needham’s impossible to count how many volumes of *Science and Civilisation in China*. Nor did Landes mean to imply by the use of “big” that this mode of inquiry was superior to that of the history-from-below school that had emerged, spectacularly, in the 1960s. He had no quarrel with accounts of life in Provençal villages, of northern Italian millers, or of trade unionists in Lancashire. He was simply calling readers’ attention to a different category or, if you like, a different level of historical writing.

What Landes had in mind were single-volume books whose authors took hold of

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a vast topic and then wrestled it to the ground, comprehended it, and explained it to readers—in sum, gave it historical sense. This creative intellectual grappling with big themes described, of course, Landes' own pedagogic journey, a career in which the subjects attempted became bolder and grander: from *Bankers and Pashas: International Finance and Economic Imperialism in Egypt* to *The Unbound Prometheus: Technological Change and Industrial Development in Western Europe From 1750 to the Present* and *The Wealth and Poverty of Nations: Why Some Are So Rich and Some So Poor*.

Landes' is a hard act to follow, and most of us historians have been happy to sail, at some distance, in his wake. Three recent books, however, have taken up the challenge of Big History: William Bernstein's *A Splendid Exchange*, Strobe Talbott's *The Great Experiment*, and Amy Chua's *Day of Empire*. All are significant contributions, and one, Chua's, has a chance of becoming a classic. They are ambitious, heavily supported by wide reading and many notes, and willing to take intellectual risks. None resembles anything like a history textbook, and all are better read—better appreciated and better criticized—by someone with a good background in world history. Still, that should not deter general readers interested in humankind's larger story. Indeed, such readers should be intrigued by these very different attempts to make sense of the broad sweep of history.

In an age of sound bites and the awful daily vision of human beings chattering into their cell phones as they hustle down the street, it is deeply satisfying that a small number of people still take the time to ponder and make connections between

events over centuries. Landes was right: there will always be a place for books such as these, for they fulfill a basic human instinct to impose some order on the past.

RISE AND FALL

Bernstein's superb history of world trade concentrates heavily on the premodern (that is, pre-steam-engine) age. Bernstein published his impressive *The Birth of Plenty: How the Prosperity of the Modern World Was Created* just a few years ago, and this new study stands squarely on the shoulders of that work—and then rises to new heights. *A Splendid Exchange* is a work of which Adam Smith and Max Weber would have approved. And it is all the more interesting because it is written by someone who is deeply knowledgeable about and active in the financial world yet finds the time to write graceful and insightful history with a delicate display of scholarship that conceals a vast erudition. What really marks Bernstein out is his talent in understanding, and then explaining, international commercial linkages.

A Splendid Exchange is a history of material goods that, in their relevant centuries, were deemed extremely desirable by societies that did not possess them—tin, grain, iron, spices, textiles, steam engines, armaments, rubber, oil—of the merchants and companies that moved those goods to market, and, by extension, of the financial networks that sustained these trades. This is not simply, however, a catalog of material culture; if it were, Bernstein's subtitle about shaping the world would make no sense. The real point, although perhaps Bernstein does not make it strongly enough, is the interaction of commerce and finance with politics and strategy. The cities of Antwerp and

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Amsterdam around 1600, for example, were not just places where the North Sea herring trade and the English wool trade met up, profitably, with the long-range banking techniques of Lombardy. They, and their environs, were also the locations for the largest shipbuilding industry in the world at that time; for a flourishing armaments trade; and for a lively pamphlet press that had taken advantage of the Gutenberg revolution to disseminate all manner of ideas about free thought, free religion (that is, Protestantism), and the freedom of international trade (as in the writings of the Dutch jurist Hugo Grotius). These factors, along with the geography of the region, gave the Low Countries the ability reach out across the oceans and exert political and social power for centuries.

The chronological range of Bernstein's book is staggering, although unevenly spread, spanning from ancient Sumer to the present day. Bernstein juggles this saga of human endeavor (and the massive bibliography of works he has himself

consumed) with a deft use of specific examples and anecdotes that illustrate his larger narrative. Take, for example, the lively account of the rise of the lucrative coffee trade, from a single-source commodity grown and harvested in Arabia Felix (today part of Yemen) to a product that by the seventeenth and eighteenth centuries had established a global demand, with consumers residing in places as far afield as Indonesia and the East End of London; a widening plantation base in Africa, Asia, and South America; and some ferociously competitive trading networks. Consider, also, Bernstein's skillfully presented vignettes of important theorists of and pundits on free trade—Robert Heilbroner's "worldly philosophers." A discussion of the economist David Ricardo, for example, allows Bernstein to insert a clear and simple explanation of the tricky principle of comparative advantage.

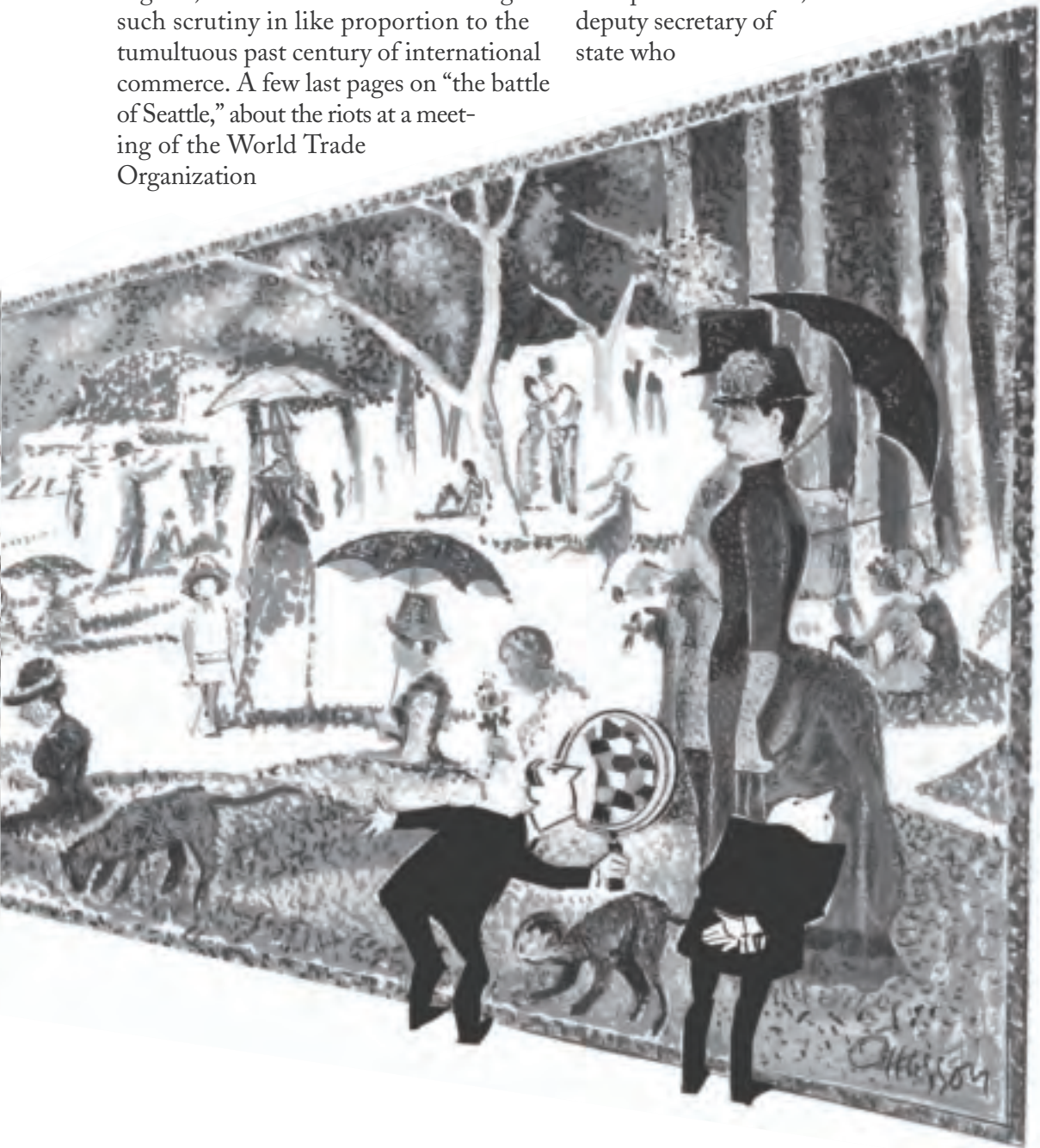


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Bernstein's fine book ends far too fast. Unlike most other large histories, in which the narrative swells as it moves toward the contemporary world, *A Splendid Exchange* shrinks rapidly from 1900 onward. Bernstein is clearly happiest with his preindustrial merchants and dealers, with silk routes and sugar islands. That is great, but one wishes he had brought such scrutiny in like proportion to the tumultuous past century of international commerce. A few last pages on "the battle of Seattle," about the riots at a meeting of the World Trade Organization

in 1999, and on today's red-hot debate over the merits or demerits of globalization is not enough.

Talbott's *The Great Experiment* has a very different teleology—a good half of it deals with the years after 1945—yet is equally interesting and enjoyable to read. This book was, I suspect, a fairly risky enterprise for Talbott, a former deputy secretary of state who



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now heads the Brookings Institution. Not only does it take him much further back in time than do any of his works on the Soviet Union, Ronald Reagan and Mikhail Gorbachev, or the end of the Cold War, but he also ventures to give us an unusual hybrid of a book, partly a sweeping history of what might be termed “the rise of the West,” partly a personal account of the transformations that have occurred in international affairs over the past 30 years or so. The danger here is that reviewers will find this tome to be neither fish nor fowl and see it as a rather self-indulgent account of humankind’s progress from King Nebuchadnezzar II to life beyond the current Bush presidency—which indeed it is, since the language ranges from the obvious/historical (“Napoleon Bonaparte understood the power of ideas and violence when they were combined”) to the personal/anecdotal (“During one of my trips to New York shortly afterward, Albright and I went out to dinner [Chinese, I recall] and . . .”). Sometimes it reminded me of eighteenth-century books with titles like *A History of All the Worlde With Special Reference to Mine Own Times, and Thoughts Upon the Future*.

Yet *The Great Experiment* is valuable precisely because it offers a current public intellectual and policy practitioner’s view of the centuries-old caravan of human progress, with its mixture of disasters and triumphs. Like a spotlight hitting a jagged hillside, it illuminates only the most prominent aspects. But in that selectivity lies the book’s strength, and in its audacious sweep lies its claim to be included in this discussion of Big History. Talbott’s spotlight illuminates Cicero’s pleadings for a republic rather than an empire and casts a nice light on the contrast between

Thomas Hobbes’ notion of “perpetual war” and Immanuel Kant’s argument for “perpetual peace.” The book also has nifty vignettes on Woodrow Wilson’s failures and Harry Truman’s successes at postwar settlements and an intriguing commentary on Dwight Eisenhower and Dag Hammarskjöld’s joint diplomacy to end the 1956 Suez crisis—Eisenhower out of *raison d’état* concerns, Hammarskjöld out of an abiding wish to establish a universal rule of law. It is also studded with bad guys, with conquerors and mass murderers, many of whom dreamed of establishing their own “world order.” But even if these characters may have slowed down, or even temporarily checked, the broader Tennysonian advance toward a parliament of man, they never succeeded in reversing the advance toward global civil society.

The Great Experiment is, all in all, a Whiggish tome in modern guise, and worth a serious read on that score alone. Even if in its final few pages he worries about the twin, unprecedented threats to humankind of nuclear conflagration and catastrophic climate change, Talbott asserts both the possibility and the imperative to head off such dangers and improve the world: “In taking the steps necessary for survival, we will give ourselves the chance of taking global governance to a higher and more promising level.” Perhaps, but Talbott is making a heavy investment in the faith that today’s leaders and publics possess far greater wisdom than those of the past.

THE TOLERANT HEGEMON

The biggest of these Big Histories is Chua’s *Day of Empire*. Indeed, it has an almost Toynbeeian sweep, although without Toynbee’s numbing detail (or his religiose conclusions). Persia, Rome, the Tang

The Distant Horizon

dynasty, the Mongols, medieval Spain, the Dutch republic, the Ottomans and the Moguls, the British, the Axis powers, and, finally, the Americans—they are all here. Moreover, they are all here in equal measure, that is, with virtually the same amount of detail and care and space given to each historical case, so that the book is neither front-heavy (like Bernstein's) nor back-heavy (like Talbott's). And although it does not use many non-English-language sources, the endnotes are a wonderful guide and encouragement to further reading.

The other great strength of Chua's book is that it has a distinctive thesis, a clear argument of the sort that Landes so liked. The thesis is about "the toleration of empires": the most powerful nation at any given moment in history has been more tolerant of other peoples and ethnic and religious minorities than its competitors. The idea, as Chua admits, seems absurd at first reading: Do not great empires (or hyperpowers, her preferred category) achieve their greatness by conquest and ransacking, by eliminating local elites, by the intimidating presence of armies of occupation? Yes, to be sure—omelettes are made by breaking eggs, and empires are initially established by sheer military force. But Chua's focus is more interesting. How, once established, do empires maintain themselves, generation after generation and, in many cases, for centuries?

The answer is by co-optation, or, to use a nicer word, toleration. Useful subjects (and one has to stress in equal measure "useful" and "subjects") were given a place within the imperial system, and not simply a demeaning, slavish place but one that offered advantage and advancement. The great historians of the late Victorian empire Ronald Robinson and John Gallagher

had already identified this phenomenon some four decades ago when they wrote of the role of "collaborators" in that amazing worldwide system. In his later years, Robinson turned his attention to the collaboration between the ruling system and those socioeconomic groups that flourished below, but he never converted it into a fully rounded work or produced a recognizable thesis.

Chua has done just that, with verve and aplomb. And as soon as one gets into the text, the chief argument is convincing: for an empire, co-optation is better than slaughter. The Romans were masters of this stratagem of recognizing native talent and turning it to their advantage. So were the Ottomans—how long would that hyperpower have lasted, one wonders, without the Jewish and Armenian traders and the Hungarian gun makers? The more inclusive the empire, the stronger it was. It is no coincidence, for example, that the British Empire was at its zenith when a brilliant, eccentric Jew called Benjamin Disraeli was its prime minister and an Indian radical nationalist named Dadabhai Naoroji was elected member of Parliament for Central Finsbury (ironically, Margaret Thatcher's later constituency). By contrast, it was when racial and ethnic intolerance prevailed—Chua has a chapter titled "The Rise and Fall of the Axis Powers"—that the hyperpower doomed itself. In 1984, George Orwell projected the horrific vision of a jackbooted conqueror stomping on a victim's face forever. What Chua is saying is that vicious intolerance can never last. A kinder, gentler imperialism, however, can endure for centuries.

The most difficult and most tortuous chapter of this fine book is, inevitably, the last: it is on the present and future of

Paul Kennedy

the American hyperpower and its truly weird combination of a global reach and global physical footprint (today the U.S. military has a presence, large or small, in about 100 countries worldwide) and a firm refusal to take formal juridical control of distant lands, as seemed so natural to the Romans, the Ottomans, the Spanish, and the British. This combination is not an unmitigated blessing. If anything, it makes the United States' geopolitical juggling act much more difficult. Since the United States will not execute a policy of "conquer and then tolerate," it has to pursue one consisting solely of diplomatic co-optation, of gentle or rough persuasion, and of building "coalitions of the willing."

Readers will not be surprised that Chua finds the White House's policies over the past seven years to have been depressingly lacking. Whether a new leadership can change course she leaves to the future. What is clear, to her, is that political and religious tolerance and cultural understanding matter a lot. This has interesting implications for the nature of international power and the future of U.S. power. The political scientist Joseph Nye has persuasively argued that the United States' efforts to secure its interests abroad are played out on three different, if interconnected, chessboards: those of military power, economic power, and ideological or cultural "soft power."

It is reasonable to argue that the United States' military power, being so massive, will face few direct challenges in the years ahead, even if it will always find it tricky to handle asymmetric threats from terrorists and other nonstate actors. It is also reasonable to suggest that on the international economic chessboard, the United States

has now reentered a multipolar world after an unusual half century of its own preeminence; the European Union, Japan, China, India, and perhaps Russia and Brazil can and will all claim a seat at the high table.

But what of the realm of soft power? In the early to mid-1990s, it was generally assumed that the United States possessed lots of it. Now the conventional belief is that Washington has frittered away that advantage due to its flawed foreign policies of the past seven years. The periodic global opinion polls taken by the Pew Research Center, not to mention the White House's low standing among the American people, would support that contention.

Still, if it is any consolation, the thrust of Chua's book is that the United States' current unpopularity worldwide is reversible—and that the best way to reverse it might be by taking a page out of the playbook of previous hyperpowers. Those empires learned an important lesson: the need for accommodation, cutting deals, and cultivating allies—and keeping the steel behind the curtain, for use only in emergencies. 🌐

Review Essay

The Myth of Grass-Roots Terrorism

Why Osama bin Laden Still Matters

Bruce Hoffman

Leaderless Jihad: Terror Networks in the Twenty-first Century. BY MARC SAGEMAN. University of Pennsylvania Press, 2008, 208 pp. \$24.95.

Since Rudy Giuliani's early exit from the Republican presidential primary, the issue of terrorism has barely been mentioned by any of the candidates in either party. Given its absence from this year's U.S. presidential campaign, it is easy to forget how prominent a role terrorism played in 2004. Many observers believe that Osama bin Laden's dramatically choreographed videotaped appearance on October 29, 2004, may have tipped the vote in President George W. Bush's favor by reminding Americans of the horrors of 9/11 and instilling a fear of future attacks. And although terrorism has largely been ignored as a campaign issue thus far, bin Laden and al Qaeda may deliberately raise its visibility once again.

The publication of *Leaderless Jihad* is therefore timely. Its author, Marc Sageman, brings unique credentials to the study of terrorism. European-born but American-educated, Sageman holds a doctorate in political sociology and is a practicing psychiatrist. He served in the U.S. Navy as a flight surgeon before joining the CIA in 1984. During the late 1980s, Sageman was based in Islamabad and worked closely with the Afghan mujahideen forces that were fighting the Soviets.

Sageman's first book, *Understanding Terror Networks*, was an important work that received little public attention when it was published four years ago. It provocatively challenged the conventional wisdom that victory in the war on terrorism would be achieved by killing and capturing bin Laden, his main ideologue, Ayman al-Zawahiri, and the rest of al Qaeda's

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Bruce Hoffman

leadership. According to Sageman, al Qaeda was not an organization to be systematically destroyed but a social network that had to be disrupted. The only effective defense against Salafi terrorists, he claimed, was a thorough understanding of the web of relationships that sustained them—something that was sorely lacking in both the government and academe at the time.

Sageman continues this line of argument in *Leaderless Jihad*. The gravest threat facing the United States and the West today, he maintains, is not a revived al Qaeda straddling the lawless border between Afghanistan and Pakistan. Rather, he contends, the true menace comes from loose-knit cells of Western-born Muslims or Muslim immigrants studying and working in the West. These disaffected “bunches of guys” are often friends, roommates, or classmates who undergo the process of radicalization together.

Although these informal local terrorist groups are certainly a critical part of the global terrorist network, *Leaderless Jihad*'s salient weakness is its insistence that this dimension represents the entire threat facing the United States today. This shortcoming can largely be explained by Sageman's brusque dismissal of much of the existing academic literature on terrorism in general and terrorist networks in particular.

THE CENTER HOLDS

Sageman's impressive resumé cannot overcome his fundamental misreading of the al Qaeda threat, which is at the heart of his book. He contends:

The present threat has evolved from a structured group of al Qaeda masterminds, controlling vast resources and issuing commands, to a multitude of informal

local groups trying to emulate their predecessors by conceiving and executing operations from the bottom up. These “homegrown” wannabes form a scattered global network, a leaderless jihad.

According to Sageman, al Qaeda has ceased to exist as either an organizational or an operational entity and is therefore irrelevant to U.S. security concerns. Sageman believes that “al Qaeda Central has receded in importance” and goes so far as to assert that it has been “neutralized operationally.” Instead, the principal terrorist threat today, Sageman claims, comes from diffuse low-level groups.

But this view flies in the face of the two most recent authoritative analyses of terrorist threats to the United States: the July 2007 National Intelligence Estimate and the annual threat assessment presented by the director of national intelligence, Mike McConnell, to the Senate Select Committee on Intelligence this past February. The publicly released portion of the 2007 NIE, for example, stated unambiguously that al Qaeda “is and will remain the most serious threat to the Homeland, as its central leadership continues to plan high-impact plots, while pushing others in extremist Sunni communities to mimic its efforts and to supplement its capabilities.” This was also the unambiguous conclusion offered by the former CIA and National Security Council official Bruce Riedel in these pages a year ago (“Al Qaeda Strikes Back,” May/June 2007). The unmistakable message is that al Qaeda is a remarkably agile and flexible organization that exercises both top-down and bottom-up planning and operational capabilities. It is not exclusively focused on the grass-roots dimension that is *Leaderless Jihad*'s sole

The Myth of Grass-Roots Terrorism

preoccupation. The NIE further stated, “We assess the group has protected or regenerated key elements of its Homeland attack capability, including: a safehaven in the Pakistan Federally Administered Tribal Areas (FATA), operational lieutenants, and its top leadership.” These findings are dismissed by Sageman as “alarmist” without any further analytic explanation or empirical justification whatsoever.

McConnell’s recent testimony both expanded on and amplified the NIE’s basic conclusion that al Qaeda is alive and well and plotting high-profile terrorist attacks much as it did before 9/11. “Al Qaeda and its terrorist affiliates continue to pose significant threats to the United States at home and abroad, and al Qaeda’s central leadership based in the border area of Pakistan is its most dangerous component,” McConnell warned. He went on to explain how al Qaeda continues to exercise top-down direction and guidance even though it “has lost many of its senior operational planners over the years. . . . The group’s adaptable decisionmaking process and bench of skilled operatives have enabled it to identify effective replacements.” Finally, McConnell’s observation that members of al Qaeda in Iraq have been dispatched “to establish cells in other countries” casts further doubt on Sageman’s claims regarding al Qaeda’s bottom-up organizational structure.

These “alarmist” assessments are not confined to the U.S. intelligence community. In a landmark public speech in November 2006, Eliza Manningham-Buller, then the director general of the British Security Service, or MI5, was unequivocal in her evaluation of the threat posed by a resurgent al Qaeda with still functioning command-and-control capabilities. “We are

aware of numerous plots to kill people and to damage our economy,” Manningham-Buller stated. “What do I mean by numerous? Five? Ten? No, nearer 30 that we currently know of,” she continued. “These plots often have links back to al Qaeda in Pakistan, and through those links al Qaeda gives guidance and training to its largely British foot soldiers here on an extensive and growing scale.”

Sageman also employs historically groundless parallels in order to bolster his case that today’s terrorist threat is an exclusively bottom-up phenomenon. The Irish Republican Army did not, as *Leaderless Jihad* maintains, begin “in a pub in Boston” and cross “the ocean to Ireland during World War I.” The IRA was the product of a series of underground associations that were formed in Ireland in the eighteenth century, migrated to the United States in the middle of the following century, and then gave rise to the terrorist campaigns of various successive organizations, such as the Irish Revolutionary Brotherhood, the Irish Republican Brotherhood, the Fenian Brotherhood, and Clan na Gael. Even more egregiously inaccurate is Sageman’s claim that the anarchist movement was responsible for starting World War I. While Sageman is correct that “the murder of the Archduke Franz Ferdinand triggered World War I,” his assertion that the “anarchists carried out these killings even though there was no central organization to coordinate their actions” is ludicrous. Those more familiar with either the history of terrorism or the origins of World War I will know that the assassin, Gavrilo Princip, was neither an anarchist nor one of a “bunch of guys” who had serendipitously gravitated toward one another and decided to commit

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a terrorist act. Rather, he was a dedicated member of the militantly anti-Hapsburg organization Young Bosnia, which was in turn connected to the infamous clandestine Serbian organization the Black Hand, which itself received aid and training from the intelligence department of the Serbian army's general staff.

MADNESS TO THE METHOD

Sageman's historical ignorance is surpassed only by his cursory treatment of social networking theory, which forms the foundation of the scientific methodology he claims to employ. *Leaderless Jihad's* first chapter, titled "How to Study Terrorism in the Twenty-first Century," takes exception to much of the literature on terrorism, which, in Sageman's opinion, is unscientific, relies too much on narrowly explanatory case studies and profiles of leading terrorist figures, is too heavily dependent on information gleaned from government sources, and amounts to "nothing more than arguments made for the sake of scoring political points."

Such criticism of the field is neither new nor unjustified. Thirty years ago, the world's preeminent authority on military strategy, Michael Howard, complained that the field of terrorism studies had "been responsible for more incompetent and unnecessary books than any other outside . . . of sociology. It attracts phoneyes and amateurs as a candle attracts moths." But Sageman's own critique of the contemporary literature appears sniping and petulant. It would seem less so if Sageman had provided specific examples and citations of the studies that he believes have contributed so little to the understanding of terrorism, explained exactly why they are so wanting, and demonstrated how his approach is superior.

Indeed, Sageman's analysis would have been clearer and more scientifically rigorous had he employed essential and basic tools of social science research and built on the core theories of social and terrorist networks, including the pathbreaking work of Stephen Borgatti, Kathleen Carley, David Krackhardt, and Jeffrey Reminga on covert social networks; Aparna Basu, Valdis Krebs, Ami Pedahzur, and Arie Perliger on the structural and sociological characteristics of terrorist social networks; and David Jones, Shaul Mishal, and Michael Smith on how terrorist networks operate. No references to any of these authors of standard studies are found in *Leaderless Jihad's* citations.

Instead, the reader is told that "until recently, a large part of the literature on terrorism concentrated on definitions of terrorism"—with the citation justifying this fatuous assertion referencing a book published in 1984. What little explanation follows briefly describes how trial transcripts and media accounts are the most reliable sources for terrorism research. According to Sageman, academic publications are the least useful because "most academic experts on terrorism are experts in other fields who do not follow the literature on terrorism closely and therefore pick selectively only those facts that support their arguments."

Leaderless Jihad employs a methodology that the author calls "middle-range analysis." This approach claims to examine "the terrorists themselves, fully embedded in their environment"; it does this "from the bottom up to see exactly what is happening on the ground in the hope of explaining the larger phenomenon of terrorism." Given that Sageman was trained as a psychiatrist, it is not surprising that

he favors analyzing terrorism from an individual perspective rather than taking an organizational or collective approach. But the benefits of bottom-up versus top-down approaches to the study of terrorism have been debated by scholars for years. Indeed, one of the finest books in the field focuses on precisely this question. *Origins of Terrorism: Psychologies, Ideologies, Theologies, States of Mind*, edited by Walter Reich (a psychiatrist, too) and published nearly 20 years ago, is still in print, yet it is conspicuously absent from Sageman's bibliography.

Leaderless Jihad founders precisely on what Sageman claims are its strengths: the empirical data on which his analysis is based and his technique of examining terrorism as a social movement. For a book that extols scientific methods and the importance of facts, *Leaderless Jihad* has a surprisingly curt discussion of methodology and only a brief elucidation of the data to be tested. Sageman claims that he began building a database from information about the 19 terrorists who carried out the 9/11 attacks. That grew to contain a sample of 172 jihadists, on which his previous book was based, and then to contain the more than 500 profiles from which this work is derived. Of this database, however, Sageman says only that it contains "information on people and their relationships with other terrorists, nonterrorists, ideas, and the social, political, economic, cultural, and technological context." He goes on to argue that a good database "should trace the evolution of these relationships to see how they form, intensify, and fade so as to describe them over time." From a social science perspective, however, these types of unidentified or vaguely identified data sources and

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unclear collection procedures pose serious problems. Furthermore, Sageman does not explain how his collection of data conforms to the scientific standards of academic inquiry that he finds so lacking in the work of most terrorism scholars.

AL QAEDA'S LONG TAIL

Sageman's one-size-fits-all claim that jihadists are "essentially romantic men and women chasing a dream" and his sweeping assertion that "there are no [al Qaeda] sleeper cells in the United States" are devoid of evidence. Likewise, his belief that key Pakistani jihadist organizations are solely "focused on liberating Kashmir from India" and not bent on imposing harsh theocratic rule on Pakistan—or on crushing democracy and fighting NATO forces in Afghanistan—is fundamentally misguided.

Sageman fails to see that the current threat is not only the product of radicalization but also the realization of strategic organizational decisions al Qaeda made at least a decade ago. As far back as 1999, British authorities knew of al Qaeda's long-standing campaign of subversion among Muslims in the United Kingdom. At the time, they believed that some 3,000 British Muslims had already left and returned to the country after receiving terrorist training at al Qaeda camps in Afghanistan, Pakistan, Yemen, and elsewhere. Just as the former MI5 head described, al Qaeda members had succeeded in embedding themselves in the United Kingdom's Muslim community and drawing support from receptive elements in their new neighborhoods. Al Qaeda could thus identify, indoctrinate, and exploit new recruits who had not previously come under the scrutiny of local or national law enforcement agencies.

In other words, much of the terrorist threat in the United Kingdom today stems from deliberate, long-standing subversion by al Qaeda—a fact that Sageman's book completely dismisses.

Al Qaeda is much like a shark, which must keep moving forward, no matter how slowly or incrementally, or die. Al Qaeda must constantly adapt and adjust to its enemies' efforts to stymie its plans while simultaneously identifying new targets. The group's capacity to survive is also a direct reflection of both its resilience and the continued resonance of its ideology.

Defeating al Qaeda will require analysis grounded in sound empirical judgment and not blinded by provocative theories, seductive methodologies, or wishful thinking. Moreover, the United States and its allies must refocus their attention on Afghanistan and Pakistan, where al Qaeda began to collapse after 9/11 but has now regrouped. And they must recognize that al Qaeda cannot be defeated by military means alone. Success will require a dual strategy of systematically destroying and weakening enemy capabilities—that is, continuing to kill or capture senior al Qaeda leaders—and breaking the cycle of terrorist recruitment among Sageman's radicalized "bunches of guys." Only by destroying the organization's leadership and disrupting the continued resonance of its radical message can the United States and its allies defeat al Qaeda. 🌐

Recent Books on International Relations

Political and Legal

G. JOHN IKENBERRY

The Post-American World. BY FAREED ZAKARIA. Norton, 2008, 288 pp. \$25.95.

The Second World: Empires and Influence in the New Global Order. BY PARAG KHANNA. Random House, 2008, 496 pp. \$29.00.

It is by now commonplace to argue that the world is in the midst of a great move away from the era of U.S. dominance. These two books seek to map this changing global landscape, offering vivid portraits of a decentralized world system in which all roads do not lead to Washington. With characteristic elegance and insight, Zakaria offers a striking picture of the rapid growth of the non-West. It is not just China or even Asia as a whole that is on the rise; it is the wider market-driven developing world. The coming order will be not an “Asian century” but a rich, globalized amalgam of East and West. Zakaria posits that this is today’s great story, auguring a transformation as profound as the rise of the West and the United States’ ascendancy. Washington’s best strategy, he argues, is to accommodate, rather than resist, these modernizing states, allowing them to become “stakeholders in the new order”

in exchange for their strategic cooperation. The future that Zakaria describes is one the United States itself brought forth through decades of global leadership—but to operate successfully within it, the United States will need to give up its unipolar pretensions, engage other great powers, and champion rules and institutions that are forged out of compromise and mutual adjustment.

Khanna offers a panoramic view of global power shifts, arguing that China and the European Union are joining the United States to form a world with three “relatively equal centers of influence.” Each power center has its own “diplomatic style”: the United States works through “coalitions,” China operates through “consultations,” and Europe seeks “consensus.” The fate of world order, however, will hinge on how the next tier of states—the so-called Second World, or “tipping-point states”—choose to ally with or resist these three competing poles. Most of the book is a sort of travelogue in which Khanna reports his observations about the ideas and aspirations of peoples he meets across the Second World. Some readers will find the breezy reporting appealing, and others will find it all a bit insubstantial. What is missing is a developed theory of world politics to guide the empirical narrative. A vaguely

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realist perspective lurks, but very little is said about how power, order, legitimacy, institutions, democracy, or global capitalism operates—or even how they matter.

Zakaria roots his analysis in the deep forces of capitalism and modernization, whereas Khanna focuses on power politics and clashing diplomatic styles. But both see a world in which the United States necessarily yields power and influence to others. The question is, in the process, does it help create a one-world system that serves its interests or a world of competing geopolitical blocs that does not? Perhaps ironically, the United States will have a great deal of influence over which of these ways the world turns.

The Balance of Power in International

Relations: Metaphors, Myths, and Models.

BY RICHARD LITTLE. Cambridge

University Press, 2007, 328 pp. \$32.99.

The balance of power is the oldest and most invoked idea in the study of international relations. The rivalries of ancient city-states and modern great powers alike would be difficult to understand without it. The end of the Cold War, however, ushered in an era of U.S. dominance in which traditional great-power balancing has been noticeably absent—and so scholars are again debating the idea's merits. This book, by a distinguished British scholar, provides a welcome intellectual history of the many uses and meanings of the term "balance of power." What Little finds most striking is the variation in how the logic of balancing has been understood. To some, power balancing was the inevitable and conflict-ridden byproduct of anarchy and insecurity; to others, it was the unifying principle of a stable and cooperative international society. Little spends most of the book examining

the balance-of-power ideas of four leading postwar realist scholars: Hans Morgenthau, Hedley Bull, Kenneth Waltz, and John Mearsheimer. He tries to assemble a composite theory, but this is less interesting than his overall message: the balance of power is not an immutable law of nature so much as a way of thinking about the world.

Nations, States, and Violence. BY DAVID D.

LAITIN. Oxford University Press,

2007, 168 pp. \$27.95.

In this provocative little book, a Stanford political scientist presents an intriguing account of nationalism and its implications for conflict and cooperation. Laitin takes aim at the popular view that nationalism is dangerous, fueling a global surge in ethnic and civilizational conflict. The evidence actually reveals the opposite: most ethnic and nationalist groups live in peace with their neighbors. Drawing on a decade of work with his colleague James Fearon, Laitin details the more specific and circumstantial causes of ethnic and nationalist violence, ultimately pointing to the failure of states to enforce agreements between parties in fragmented societies. His more interesting claim is that nationalism, along with culture and language, can best be understood as a functional mechanism for social coordination rather than as a matter of primordial identity or ancient attachment. The virtue of this functionalist vision is that it helps explain the complex ways in which different national and linguistic groupings peacefully coexist within states. Laitin sees the European Union as the great showcase of how national identities can adapt to and exist alongside more encompassing multicultural identities that evolve to facilitate social cooperation. How useful this perspective is for the rest of the world is less clear.

Recent Books

Embattled Garrisons: Comparative Base Politics and American Globalism.

BY KENT E. CALDER. Princeton University Press, 2007, 340 pp. \$60.00 (paper, \$24.95).

The United States' military dominance is built on a worldwide system of bases. This important book provides a much-needed survey of the history and politics of these "global guardians." As Calder argues, military bases on foreign soil have long been fixtures of empire, but the U.S. postwar network of forward-deployed forces is historically unique in its global reach and geopolitical role. In contrast to Chalmers Johnson's "empire of bases" thesis, Calder's argument suggests that the U.S. system of bases has generally played a stabilizing role and worked to the advantage of all parties. But the amount of political support for these far-flung security partnerships varies widely—and Calder's chief concern is to identify the factors that generate stability and those that create conflict. Calder ends by affirming the strategic value of forward deployments and suggesting that the "Singapore model"—in which facilities are maintained but with minimal U.S. military personnel—may be the wave of the future.

Economic, Social, and Environmental

RICHARD N. COOPER

Common Wealth: Economics for a Crowded Planet. BY JEFFREY D. SACHS.

Penguin Press, 2008, 400 pp. \$27.95.

The central premise of this wide-ranging book is that the current trajectory of human activity is not sustainable. Continued growth in income and population—

marks of success by some measure—will not lead to an exhaustion of natural resources, as is sometimes feared. It will, however, lead to increased ecological stress, especially in the forms of climate change, a loss of biodiversity, and regional shortages of fresh water. Combined with persistent poverty and continued population growth—particularly among idle young men—this stress will lead to civil turmoil, transborder migration, and fragile or failed states vulnerable to terrorism and crime. For Sachs, these challenges are not occasion for despair about the future but rather lead him to call for vigorous cooperative action on a global scale—requiring a markedly different approach to foreign policy by all countries, especially the United States. In his view, the challenges are serious but soluble, and at a modest cost relative to Americans' wealth; he offers numerous concrete suggestions for action.

Global Warming: Looking Beyond Kyoto.

EDITED BY ERNESTO ZEDILLO.

Brookings Institution Press, 2008, 237 pp. \$26.95.

Climate change is gradually moving up the policy agenda in many countries. And it is likely to continue to do so in the coming decades, albeit irregularly, depending on new information and on the incidence of dramatic climatic events, such as Hurricane Katrina. It is a complex, multifaceted issue, to which this book provides an excellent introduction. The volume gathers essays by leading experts, ranging from climate scientists to economic modelers to lawyers, prepared after a conference at Yale University in late 2005. The authors provide a diverse range of views on the hardness of the scientific evidence for climate change; on the prospects for building an international cooperative arrangement on

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the basis of the Kyoto Protocol, which expires in 2012; and on alternatives to the Kyoto Protocol. Five contributions usefully assess the background and the prospects for future action in six economies: the United Kingdom, which will meet its Kyoto target; Canada, which will fall far short; Russia, which has no policy in place to deal with climate change but will nonetheless meet its generous target; the European Union, which has installed a carbon-emissions trading market; and China and India, both of which insist that economic development takes strong policy precedence over climate change and therefore refuse to contemplate quantitative emissions targets.

U.S. Taxation of Foreign Income. BY GARY CLYDE HUFBAUER AND ARIEL ASSA. Peterson Institute for International Economics, 2007, 319 pp. \$26.95.

Taxation of income is devilishly complicated in a globalizing world economy. Two or more jurisdictions may compete for the same income, even while defining income and tax-deductible expenses differently. And they may compete to acquire the income through tax incentives, as corporate activity and personal portfolios become increasingly mobile. The economist and lawyer Hufbauer and the lawyer Assa provide an admirable guide through the maze of U.S. corporate income taxation, including (mercifully in appendices) brief histories of how the United States got to where it is today. The authors find the current thicket of tax rules governing foreign-source income unsatisfactory, in part because of a lack of clear objectives. They propose shifting the taxation of active business income (but not passive, or portfolio, income) to a territorial basis—that is, the Internal Revenue Service would tax only business

income earned in the United States, not that earned globally, as it does now. This, the authors argue, would allow U.S. corporations to compete more effectively with foreign firms in locating production activities abroad while retaining high-value headquarters and research-and-development activities in the United States.

World Trade Politics: Power, Principles, and Leadership. BY DAVID A. DEESE. Routledge, 2007, 240 pp. \$150.00 (paper, \$42.95).

The core of this book is a brief but fine history of the post-1945 international trade regime. It is useful for anyone either coming to the subject for the first time or wishing to be reminded of the dynamics surrounding the major multilateral trade negotiations over the past half century. This core provides a case study of national and individual leadership in international negotiations, which is of special interest to political scientists, and a discussion of why international negotiations succeed or fail. Three forms of leadership—structural (deriving mainly from a dominant economic position), entrepreneurial, and intellectual—are distinguished. All played roles in the multilateral trade negotiations and the creation of the World Trade Organization. The book ultimately considers the evolution of the international trade regime to be a marked success in the realm of international cooperation, despite there being fiercely opposing domestic interests within many countries.

The Accelerating Decline in America's High-Skilled Workforce: Implications for Immigration Policy. BY JACOB FUNK KIRKEGAARD. Peterson Institute for International Economics, 2007, 132 pp. \$18.95.

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Remarkably and puzzlingly, young American adults today have no higher educational attainment than their parents, breaking a centurylong trend. Other countries, in contrast, show a continuing rise in educational attainment, such that young adults in at least eight other rich countries, plus Russia, now show a higher average educational attainment than do Americans. Kirkegaard concludes from his analysis of such trends that if the United States wants to retain its preeminent technological position in the world, it needs to revamp significantly its immigration policy toward high-skilled individuals, as several other countries have already done. He judges that a wholesale overhaul of U.S. immigration policy, which is still based overwhelmingly on family unification, is politically unrealistic, however desirable it may be. He proposes a number of relatively modest changes, along with changes in visa policies toward temporary high-skilled workers, and provides a cogent analysis of an unnecessarily complex, expensive, and incoherent system.

Military, Scientific, and Technological

LAWRENCE D. FREEDMAN

The Seventh Decade: The New Shape of Nuclear Danger. BY JONATHAN SCHELL. Metropolitan Books, 2007, 272 pp. \$24.00.

Now into their seventh decade, nuclear weapons should be thinking about their retirement, but, irritatingly, they seem to be full of life. Instead of expiring with the Cold War, they have found new purposes and new potential owners. Schell

has been trying to rid the world of nuclear weapons since his eloquent *The Fate of the Earth* appeared in 1982. As the disarmament cause has now been taken up by establishment figures who would once have derided Schell's vision as utopian, it is good to have this articulate restatement of the case for abolition, along with Schell's musings on the durability of nuclear arsenals. The book opens with the standard canter through the history of the nuclear age, with a focus on the psychological hold of the weapons on policymakers ("The Bomb in the Mind"). With the Cold War over, policymakers began focusing on proliferation, but unfortunately they saw their countries' nuclear arsenals as part of the solution rather than the problem. (For this the current Bush administration receives much blame.) So the world remains in thrall to the bomb's "terror and allure," and only a determined break with the past will allow it to escape. *The Seventh Decade* may not be fully convincing as history or as practical politics, but it reinforces the growing sense that humankind is riding its luck—and that addressing this deadly legacy should be as high up on the international agenda as climate change or pandemic disease.

The Myth of the Eastern Front: The Nazi-Soviet War in American Popular Culture.

BY RONALD SMELSER AND EDWARD J. DAVIES II. Cambridge University Press, 2007, 342 pp. \$75.00.

The underlying thesis of this book is that although the American public was enthusiastic about its glorious Russian allies during the war, a new narrative took over once the Nazis were defeated. The Cold War led to a growing disposition to take a harsh view of the Russians, which was

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reinforced by Soviet behavior in postwar Europe. More important, a number of Hitler's leading generals were given an opportunity to write the history of the Eastern Front to help develop lessons for the Americans on fighting the Russians, and in doing so they provided a sanitized version of events. The basic line was to play up the great fighting qualities of the Wehrmacht; play down any role it had in atrocities, including the Holocaust; and blame Hitler for all strategic misjudgments. As Smelser and Davies demonstrate, the reality was far less flattering to the Germans, with the generals implicated in Hitler's racial policies and strategies and their troops involved in the implementation. The authors also show how romantic images of tough military professionals, detached from any political context, has led to cultish reenactments of Wehrmacht operations. As an exercise in historiography, this is fascinating. The authors highlight the objectionable aspects of this warped narrative, although the actual impact on U.S. perceptions is less clear.

Chasing Ghosts: Unconventional Warfare in American History. BY JOHN J.

TIERNEY, JR. Potomac Books, 2006, 308 pp. \$26.95 (paper, \$17.95).

The Echo of Battle: The Army's Way of War. BY

BRIAN McALLISTER LINN. Harvard University Press, 2007, 320 pp. \$27.95.

The New American Way of War: Military Culture and the Political Utility of Force.

BY BEN BULEY. Routledge, 2007, 192 pp. \$140.00.

"Americans have never felt comfortable in unconventional situations," observes Tierney. Even as the U.S. military operations in Afghanistan and Iraq have reaffirmed this, the question remains: Is

such discomfort the result of institutional biases, cultural dispositions, or just a lack of aptitude for unconventional warfare? In his excellent book, Tierney demonstrates that when Americans have been disadvantaged in conventional war, as in the American War of Independence (or the Confederacy in the Civil War), they have adopted effective guerrilla tactics. The problems have come when their enemies have used such tactics themselves, in which case the U.S. response has tended to be brutal, punishing not only the fighters but their communities as well. In the second part of his book, Tierney covers U.S. overseas interventions, mainly in the Americas but also in such places as the Philippines and Vietnam. The record he lays out illustrates the problems: impatience with protracted and inconclusive struggles; a cultural preference for "conventional, frontal war"; forgetfulness about the importance of integrating a political with a military strategy—all of which lead to a preoccupation with winning a decisive battle rather than securing political allegiances.

Linn's book complements Tierney's. Linn addresses how the U.S. Army has regarded its main business, which is preparing for regular warfare. In doing so, he makes the important point that key debates over missions and doctrines are apt to take place in peacetime, when there is a chance not only to reflect on past wars but also to ponder the next. Although he shows just how lively and imaginative these debates can be, Linn also notes that despite decades of contrary experience, "Army officers have consistently underestimated the difficulty of unconventional warfare, military occupation, and pacification." This, he suggests, is a reflection of the limitations of the army's three key traditional intellectual

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and martial roles: guardians, who have a scientific focus and a preoccupation with defending the homeland; heroes, practical men with a warrior ethos; and managers, who believe in the necessity of mobilizing all of society's resources to be well prepared for titanic struggles. This classification can be illuminating but faces the familiar problem of seeking to place individuals into categories they would not necessarily choose for themselves. Nonetheless, this is a well-researched book, full of insight and good sense.

Buley, who is interested in whether the "war on terror" has resulted in a "new American way of war" suggests that in this case the innovation has come during the course of the campaign, perhaps because both the military and the civilian leadership were so spectacularly ill prepared for what they were getting into. Buley, a fervent Clausewitzian, argues that the pursuit of a technocratic vision of "Immaculate Destruction" led to the neglect of the need to link military means to political ends and of the essential fact that conflict is always unpredictable.

The United States

WALTER RUSSELL MEAD

Marching Toward Hell: America and Islam

After Iraq. BY MICHAEL SCHEUER.

Free Press, 2008, 384 pp. \$27.00.

Readers searching for examples of Jacksonian American foreign policy will find much to study in Scheuer's latest bestseller. For Scheuer, the interest of the American elite in building world orders is a utopian distraction from the real and urgent business of the American state: killing those who seek to kill Americans. Worse, the

far-reaching global ambitions of the elite, in combination with its fatally naive ideas about the way the world works, have set the United States on a path that creates new enemies—new enemies that the weak-minded, hapless elite cannot defeat. Scheuer, who headed the CIA's counterterrorism task force charged with monitoring Osama bin Laden, believes that U.S. policies ranging from support of Israel to the promotion of secular democracy have alienated Muslims, that al Qaeda and similar movements are making enormous progress in capitalizing on this alienation to build ever-larger and more deadly terror movements, and that from the time of George H. W. Bush's presidency to the present day the U.S. foreign policy establishment has failed to treat this threat with the seriousness it deserves. There is much to be said for Scheuer's view, and perhaps a bit more to be said against it. However, those interested in U.S. foreign policy should read this book with close attention. It highlights attitudes and concepts that are deeply rooted in the American political tradition, and if current measures fail and the United States should experience additional serious terror attacks, Scheuer's views will find increasing political support.

Ike: An American Hero. BY MICHAEL

KORDA. Harper, 2008, 800 pp. \$34.95.

Dwight Eisenhower was one of the greatest American generals and remains perhaps the most underrated American president. In an age of self-dramatizing political leaders—of men such as Winston Churchill, Charles de Gaulle, Dean Acheson, Douglas MacArthur, and George Patton—Eisenhower favored a

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simpler and less fussy style of political and military leadership. This is one of the reasons he was so indispensable; the military and political prima donnas of the Allied leadership needed someone like Eisenhower to keep the Allied war effort on an even keel. Korda sees the three years of Eisenhower's military leadership of the Allies' efforts in Africa and Europe as the climax of Eisenhower's life and devotes great attention to the various spats and controversies that sputtered on for decades in the memoirs of different Allied leaders. Readers will wish Korda had spent more time on Ike's political career; Korda's gift for strong narrative and for presenting complex issues in a straightforward way has equipped him to write a magnificent account of the Eisenhower presidency. This Korda chose not to do: Ike gets elected president on page 657 and leaves Washington for Gettysburg on page 720.

Washington Irving. BY BRIAN JAY JONES.

Arcade, 2008, 456 pp. \$30.00.

Washington Irving was the United States' first "man of letters," the first American to achieve international fame and financial security from his pen. He was also an accomplished, politically engaged diplomat; Secretary of State Daniel Webster once said that he dropped all other business when one of Irving's dispatches from Spain arrived. In this, too, Irving was a pioneer: a stint in the diplomatic or consular service later became a fairly common stage in the life of a successful American writer. Beginning as a Federalist, Irving switched first to the National Republicans and then to Andrew Jackson's Democrats, pioneering another American literary tradition: an alliance between

elite cosmopolitan intellectuals and the Democratic Party. (Nathaniel Hawthorne would follow this path.) Irving was also one of the first Americans to follow in the footsteps of such men as Benjamin Franklin and Thomas Jefferson: while remaining deeply engaged in American life and culture, he was also intimately connected with the cultural and intellectual life of Europe, knowing everyone and going everywhere. Jones' briskly written and comprehensive biography of this unjustly neglected figure is a pleasure to read and belongs in the library of any serious student of the United States' engagement with the world.

FDR. BY JEAN EDWARD SMITH.

Random House, 2008, 880 pp. \$20.00.

There is no shortage of biographies of Franklin Delano Roosevelt, but Smith is one of the titans of American biography and makes this mostly familiar story vivid and fresh. Biographers of the Roosevelts tend to divide between partisans of Eleanor and supporters of Franklin. Although he provides an unblinking account of FDR's failings as a husband (and a slightly less thorough account of his shortcomings as a father), Smith clearly prefers Franklin to Eleanor and argues that his political sense, fallible as it sometimes was, made him a far more effective figure than his more principled but less flexible wife. The treatment of FDR's foreign policy is particularly good, and Smith's defense of FDR's response to the plight of European Jewry is convincing. The great strength of this book lies in its ability to present so many sides of Roosevelt so clearly and so well. Sometimes callow, sometimes smug, often playful, and always devious, FDR was

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perhaps the greatest master of U.S. politics who ever lived, and Smith helps readers understand many of the facets of this extraordinary man.

Literary Essays and Reviews of the 1920s and 30s: "The Shores of Light," "Axel's Castle," Uncollected Reviews. BY EDMUND WILSON. EDITED BY LEWIS DABNEY.

Library of America, 2007, 958 pp. \$40.00. The invaluable Library of America continues its great work with the publication of a new volume of collected essays by Wilson. U.S. Policymakers and academic students of international relations are too often unfamiliar with the culture and literature of their own country, to say nothing of that of the other countries with which they must deal. Wilson's work stands as a lasting example of the contributions that a literary education and sensibility can bring to the understanding of nations and their affairs. In *Patriotic Gore*, he analyzed the consequences of the Civil War in American life, and therefore in American politics, with rare intelligence; *To the Finland Station* offered Americans an extraordinary introduction to the mental world of communism and therefore a vital preparation for Americans coming to grips with the Cold War; *Axel's Castle* (reprinted in this book) introduced a generation of Americans to literary modernism and to the concepts and culture that helped shape the twentieth century, and it traced the flow of ideas and influence back and forth across the Atlantic. To read Wilson is to encounter the ideas and texts that helped define the sensibilities and worldviews of two generations of the American elite.

Western Europe

PHILIP H. GORDON

Where Have All the Soldiers Gone? The Transformation of Modern Europe. BY JAMES SHEEHAN. Houghton Mifflin, 2008, 284 pp. \$26.00.

This gem of a book is the story of the battle between pacifism and militarism in Europe over the past century—and the story of how pacifism won. At the start of the twentieth century, pacifism and militarism “existed side by side” in Europe. Influential writers, such as Ivan Bloch and Norman Angell, argued that modern technology had made warfare so potentially violent that it could not possibly make sense any longer, while their critics, such as the German military historian Hans Delbrück and the American strategist Alfred Thayer Mahan, insisted that war could still be necessary, just, and even glorious. The unprecedented destruction of two world wars catastrophically illustrated Bloch's and Angell's point—the first leaving a majority of Europeans determined “never again” to wage war, the second driving that message home to the entire continent. Postwar Europeans, after two generations of fratricide, focused on building “civilian states,” a posture made possible by the U.S. nuclear umbrella. Still today, Sheehan reports, despite the end of the Cold War and fitful efforts to develop the European Union's defense capabilities, European military budgets continue to fall and Europe's citizens reject military force as a tool of national policy. The sources of Europe's antimilitarism have been examined by other scholars, but Sheehan's vivid historical narrative adds value by giving the

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reader a real feeling for how their experience with warfare as an allegedly rational policy tool led Europeans to abandon it. This book is a model for how good history can be used to explain the present.

NATO's Gamble: Combining Diplomacy and Airpower in the Kosovo Crisis, 1998–1999. BY DAG HENRIKSEN. Naval Institute Press, 2007, 304 pp. \$48.00 (paper, \$24.00).

The path to Kosovo's independence, proclaimed in February 2008, was paved by the 78-day NATO bombing campaign of 1999, which eventually led to Serbia's withdrawal from the province and the subsequent UN trusteeship. *NATO's Gamble* provides good background to the current situation, but the author's main interest is in examining Kosovo as a case study in the application of military coercion, and airpower specifically. His main thesis is that NATO went to war without a strategy, having never reconciled its internal differences over whether to emphasize force or diplomacy, whether to act under its own authority or only under a UN mandate, and whether to bomb "strategic" targets, such as Serbia's leadership in Belgrade, or focus on more politically acceptable military targets in the field. A captain in the Royal Norwegian Air Force, Henriksen has little patience for the messy nature of an ad hoc war fought under the direction of 19 countries with very different strategic cultures. He understands that fighting as an alliance inevitably requires compromise and flexibility but insists that NATO could have done better—and had better do so if it faces similar situations in the future. The story of NATO in Kosovo demonstrates the benefits of fighting as a coalition—but also the costs.

Constitutional Patriotism. BY JAN-WERNER MÜLLER. Princeton University Press, 2007, 186 pp. \$19.95.

In the mid-1980s, the German political philosopher Jürgen Habermas popularized the concept of "constitutional patriotism," the idea, as Müller explains it, that political attachment "ought to center on the norms, the values and, more indirectly, the procedures of a liberal democratic constitution." The notion struck a chord in Germany, where even two generations after the Nazi era, many were still uncomfortable with traditional nationalism yet wanted to belong to a political community that was more narrowly defined than humanity as a whole. Müller carefully and fairly examines the history, the advantages, and the drawbacks of the concept and concludes that there is merit in the notion that political attachment can be based on liberal norms rather than blood or faith. Müller's constitutional patriotism does not mean ignoring history or ethnicity in the definition of a political community (as critics of the concept imply it does) but rather means complementing them with the thought that people can be brought together by loyalty to a constitution. The discussion is particularly relevant to the case of the European Union, which, in the absence of a shared history or culture, might find value in alternative concepts of political belonging.

Architects of Delusion: Europe, America, and the Iraq War. BY SIMON SERFATY. University of Pennsylvania Press, 2007, 184 pp. \$45.00.

Serfaty, an expert on Europe and U.S. foreign policy at the Center for Strategic and International Studies and Old Dominion University, brings a historical

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perspective to this study of transatlantic relations in regard to the Iraq war. Drawing on an intimate knowledge of postwar European history, he sees continuities with the past in the way key players on both sides approached the issue: France, for example, concluding that it could maximize its influence by standing up to the United States and the United Kingdom trying to do so by standing alongside it. But there were also discontinuities. Serfaty is as unsparing in his criticism of Germany's unilateralism—a sharp break with German tradition—as he is in his criticism of the Bush administration. Less a narrative about the Iraq diplomacy than an essay about the strategic cultures on both sides of the Atlantic, *Architects of Delusion* is marked by the author's palpable regret that neither European nor U.S. leaders put the premium on transatlantic (and intra-European) solidarity, which he believes is both necessary and possible. Serfaty rejects the popular thesis that Europe and the United States are inevitably growing apart, but the sad tale he tells in this book will leave readers wondering whether the transatlantic alliance that existed before the Iraq war can really be restored.

European Islam: Challenges for Society and Public Policy. EDITED BY SAMIR AMGHAR, AMEL BOUBEKEUR, AND MICHAEL EMERSON. Centre for European Policy Studies, 2007, 227 pp. \$30.00.

Written by an array of specialists from a number of different countries, this balanced, scholarly assessment examines the state of Europe's Muslim communities, the challenges they face, and the efforts European governments are making to cope with the

resulting demographic and cultural changes. In a particularly provocative contribution, the French scholar Olivier Roy challenges much of the conventional wisdom on the subject of Muslim extremism. He argues that the radicalization of Europe's Muslim youth is not directly related to Middle Eastern political crises, pointing out that no Afghan, Iraqi, or Palestinian has been involved in recent terrorist attacks in Europe and that such acts have rarely been tied to events in the Middle East. Instead, Roy believes that radicalism grows from the cultural alienation felt by many Muslims in Europe, a problem neither British "multiculturalism" nor French "assimilationism" has been able to solve. Rejecting what he sees as vain attempts to sponsor a "good and moderate Islam," Roy encourages Europeans to make room for Islam as a "mere" religion—that is, separating religion from culture. *European Islam* sheds light on a controversial and still poorly understood topic.

Western Hemisphere

RICHARD FEINBERG

Fidel Castro: My Life; A Spoken Autobiography. BY IGNACIO RAMONET AND FIDEL CASTRO. Scribner, 2008, 736 pp. \$40.00.

Prior to his prolonged illness, Castro sat for over a hundred hours with the editor of *Le Monde Diplomatique* to compose this oral history. The obsequious Ramonet allows Castro to "make his argument to the world," recording many dubious assertions without challenge and even permitting the interviewee to edit the manuscript and infuse it with excerpts from his speeches.

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The overall result is a missed opportunity. Much of the material, particularly Castro's polemics against his enemies and denunciations of the cruelties of capitalism, is familiar and stale. Occasionally, however, amid the commentaries on the famous personalities and momentous events that have filled Castro's 80-plus years, there are glittering nuggets. Of greatest contemporary import, Castro recounts his telephone conversations with Hugo Chávez during the 2002 coup attempt in Venezuela: the supreme political strategist coached the beleaguered Chávez on the ultimately successful "surrender but not resign" gambit. Castro also offers generally favorable assessments of Presidents Kennedy, Carter, and Clinton (but not of George W. Bush). When Ramonet asks whether the United States might drift into an authoritarian regime, Castro opines—Americans will be relieved to learn—that U.S. "institutions, traditions . . . and political values would make that virtually impossible."

Hostile Intent: U.S. Covert Operations in Chile, 1964–1974. BY KRISTIAN GUSTAFSON. Potomac Books, 2007, 288 pp. \$29.95.

This provocative contribution by a Canadian army officer turned scholar makes good use of newly declassified U.S. government documents, fresh interviews, and Chilean accounts to reexamine the intent, efficacy, and impact of U.S. interventions in Chile. Gustafson focuses on the fascinating interplay among bureaucratic actors in the White House, the CIA, and the State Department (the Defense Department's story remains to be fully told). During the 1960s, Gustafson argues, when U.S. policy was well coordinated with astute guidance from the State Department and a coherent

team in the U.S. embassy in Chile, the CIA executed effectively, heavily funding "democratic" mass media, political parties, and trade unions. But when Richard Nixon and his national security adviser, Henry Kissinger, panicked on the election of the Socialist Salvador Allende and back-channeled the CIA into desperate, ill-prepared actions with unforeseen consequences (the assassination of General René Schneider), the policy backfired. Less persuasive is Gustafson's rather muddled and contradictory handling of U.S. involvement, or supposed lack thereof, in the chain of events leading to the fateful coup that killed Allende. Surely, after years of covertly stoking the flames of escalating political polarization, external intervention bears some blame for the bloody repression and prolonged military rule that followed.

Can Latin America Compete? Confronting the Challenges of Globalization.

EDITED BY JERRY HAAR AND JOHN PRICE. Palgrave Macmillan, 2008, 320 pp. \$84.95.

Here is an excellent primer for readers in search of an accessible, comprehensive, and balanced review of contemporary Latin American economic development in a global context. Twenty-one contributors analyze 14 critical drivers of national competitiveness, including central issues such as macroeconomics, education, and technology but also capturing such indirect variables as water systems, judicial reform, and public safety. The many weighty topics are lightened by fluid prose and enlivened by startling facts: only 14 percent of the region's roads are paved, and most English-language classes start in seventh grade with but two hours of instruction per

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week. Among the expert authors are Mauricio Carrizosa (taxes), Luis Guasch (regulatory agencies), Linn Hammergren (judiciaries), Peter Knight (technology), Jeff Puryear (education), Christopher Sabatini (labor), and Lee Tablewski (infrastructure). Cumulatively, the volume offers a refined sense of the learning by doing and the diffusion of successes that are occurring throughout the region. The bottom line: Latin America is progressing but still not fast enough to stay abreast of East Asia or eastern Europe. To speed smart reforms, the key is to forge domestic coalitions powerful enough to overcome the resistance of recalcitrant vested interests.

Fair Growth: Economic Policies for Latin America's Poor and Middle-Income Majority. BY NANCY BIRDSALL, AUGUSTO DE LA TORRE, AND RACHEL MENEZES. Center for Global Development and the Inter-American Dialogue, 2008, 216 pp. \$24.95.

Birdsall, president of the influential Center for Global Development, and de la Torre, chief economist at the World Bank, have teamed up to provide a new generation of students with this user-friendly “tool kit” of technical measures designed to yield more equitable growth paths in Latin America. Less iconoclastic than their book’s title might suggest, the authors reaffirm many policies long advocated, albeit with uneven salience, by the multilateral development institutions. Building on the Washington consensus, these numerous market-oriented initiatives would advance at once efficiency and equality, speeding growth and competitiveness while spreading the fruits of growth more widely. Fearful of a populist protectionist backlash, the authors imply that antipoverty

programs targeting only the extremely poor are too narrowly conceived to demonstrate that democracy delivers to the majority. Rather, in the manner of the New Deal, they urge ambitious, multipronged social democratic strategies that explicitly champion the welfare of fully 70 percent of the population—that is, all but the already prosperous and powerful. *Fair Growth* could make a useful handbook for the next administration in Washington—for its Latin American program and also for its domestic social agenda.

Economic Growth and Integration in Central America. EDITED BY DOMINIQUE DESRUELLE AND ALFRED SCHIPKE. International Monetary Fund, 2007, 110 pp. \$30.00.

How is it possible that a fertile region less than three hours by airplane from Houston and Miami remains mired in extreme poverty? These International Monetary Fund economists cannot fault Central American macroeconomic policies, which have been relatively strong and stable. Searching further afield, they use statistical “growth accounting” to discover what most every investor in the region intuits: faulty institutions—weak judiciaries, bureaucratic corruption and red tape, costly customs delays—are major impediments to faster growth. The most powerful families use their well-oiled connections to work around such obstacles, while mere mortals are entangled in the maze of politicized regulations. Lacking expertise in the political economy behind these institutional obstacles, the economists simply note that it will take broad-based political coalitions to unravel them. Fortunately, the U.S.–Central American Free Trade Agreement (CAFTA) should help to improve the business climate

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and bolster investment and productivity by catalyzing regional efforts to make rules and regulations more transparent and harmonious and therefore less burdensome. Another potential CAFTA benefit: region-wide standards for corporate taxes and transfer pricing could reverse the proliferation of wasteful tax exemptions, enabling governments to raise the revenues they so badly need to directly address mass poverty.

Eastern Europe and Former Soviet Republics

ROBERT LEGVOLD

Dirty Diplomacy: The Rough-and-Tumble Adventures of a Scotch-Drinking, Skirt-Chasing, Dictator-Busting, and Thoroughly Unrepentant Ambassador Stuck on the Frontline of the War Against Terror. BY CRAIG MURRAY. Scribner, 2007, 384 pp. \$26.00.

To call him controversial scarcely does justice to British understatement. A self-confessed womanizing, hard-drinking, bar-crawling Scot and British ambassador to Uzbekistan from 2002 to 2005, Murray earned the antipathy of the Islam Karimov regime and the displeasure of the British home office by raising an unrelenting ruckus over the Uzbeks' harsh authoritarianism, including their extensive use of torture. His disdain for his London superiors because of their unwillingness to see the Uzbek regime as it was and say so for fear of jeopardizing Tashkent's role in the war against terrorism is matched only by his criticism of the more fervid soft-pedaling

marking post-9/11 U.S. policy. Before he was sacked, Murray poked into many quarters of political, social, and commercial life in Uzbekistan, and he here provides a sharp-edged account of it all. His saga must be something of a wonder for students at the University of Dundee, where he is now rector.

The Ghost of Freedom: A History of the Caucasus. BY CHARLES KING. Oxford University Press, 2008, 320 pp. \$29.95. The title of this book comes from Aleksandr Pushkin's poetic evocation of the Caucasus as the outsider's romantic dream of freedom. King uses this as the main thread for his account of the region's enormously complex, star-crossed history from its incorporation into the Russian empire in the first quarter of the nineteenth century to the unsettled present. He stresses, in particular, the region's place in the imagination of foreigners, beginning with the Russians. Both parts of the Caucasus—the northern portion still in Russia and the three countries to the south that are uneasily joined by the ferociously independent people of the mountains—receive his careful attention. King picks and chooses events and themes seemingly designed to give proper depth to an understanding of the fiery, violent decade and a half since the collapse of the Soviet Union. Because he is equally comfortable as a historian of the wider Black Sea region and as a historian of the Balkans, his sense of what matters has a scale that a narrow history of the region would lack.

On the Ideological Front: The Russian Intelligentsia and the Making of the Soviet Public Sphere. BY STUART FINKEL. Yale University Press, 2007, 346 pp. \$55.00. One often thinks of the Bolsheviks' assault

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on freedom in terms of newspapers closed, political parties crushed, and civil liberties eliminated. Indeed, all this is quite true, but it misses the more fundamental and revolutionary aspect of their innovation. For the inspiration was not simply dictatorial whim but also a deep bias against the very concept of a vibrant, open, and creative public sphere. For the Bolsheviks, this idea was nonsense—a dangerous distraction from the transcendent truth of which they were the bearers. Finkel explores this underlying dimension as well as anyone has. His vehicle is an exhaustive retelling of the regime's wholesale attack on intellectual society in the early 1920s, the years of the supposedly semiliberal New Economic Policy. He deals, each in turn, with the destruction of the professoriate, of what today would be called nongovernmental organizations, of cultural and literary societies, and of the world of publishing. What was destroyed was not merely intellectual life and its essential fruits but also its very basis, a ravaging that today's Russia has not entirely escaped.

The New Cold War: Putin's Russia and the Threat to the West. BY EDWARD LUCAS. Palgrave Macmillan, 2008, 272 pp. \$26.95.

Lucas is no simpleton, and he does not for a moment mean to suggest that the menace of today's Russia equals the challenge the Soviet Union raised during the Cold War. But menace he does see. Russia, to his reporter's eye, has again fallen into the hands of despots warring against the rule of law; personal freedom; and fair elections, laws, and courts—and, as bad, a leadership out to resubjugate its neighbors and “to harm [the West], frustrate us,

and weaken us.” Money and energy resources are the new insidious tools of penetration and subversion, no longer the overt hammer of military power. Lucas is a fine writer, and his prose has all the verve and punch that the best of his magazine, *The Economist*, has to offer. In a final flourish, he exhorts U.S. and European leaders to shed their wishful thinking and gird themselves to “win the New Cold War” by collectively paying the price of freedom from dependence on Russian gas; commandeering their capital markets to deny access to predatory Russian companies; kicking Russia out of organizations in which it does not belong, such as the G-8; and trumpeting the virtue of Western values over the misbegotten preferences of Russia's present leaders.

Collapse of an Empire: Lessons for Modern Russia. BY YEGOR GAIDAR.

TRANSLATED BY ANTONINA W. BOUIS. Brookings Institution Press, 2007, 332 pp. \$29.95.

Gaidar begins with an erudite, historically wide-ranging account of the collapse of many empires, ancient and modern, and then moves on to a briefer summation of the reasons contemporary authoritarian regimes also perish. This is but an impressive prelude to a detailed exposition of why the Soviet Union failed—indeed, why at some point it had to fail. It was not, as many in his country want to believe, because of external intrigues or treasonous Soviet leaders but because of the “very nature of the system.” An anti-Marxist, Gaidar includes in his argument a strong element of economic determinism: economic development in the modern age dooms empires and

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authoritarians. The Soviet Union swirled to its death in an economic crisis, driven in no small part by its misplaced dependence on oil wealth. His quite explicit purpose is not simply to warn his fellow Russians against counting too heavily on oil revenues and yielding too easily to authoritarian solutions but also to strike against what he sees as a growing threat, the lingering hold of a “post-imperial nostalgia” on much of the political elite. This, he contends, is not only bad for Russia but also dangerous for everyone else.

Religion and Politics in Post-Communist Romania. BY LAVINIA STAN AND LUCIAN TURCESCU. Oxford University Press, 2007, 288 pp. \$55.00. Fashion in the social sciences has lately edged away from a preoccupation with ethnicity and ethnic conflict to the not totally unrelated topic of religion and politics. The appearance of dedicated centers and programs as well as publication series confirms the rise (not coincidentally with a heavy focus on Islam). In keeping with the trend, religion has reemerged as a crucial dimension of state-society relations in postsocialist societies. Because these two authors have long given thought to the matter—not least because they lived it, and at a price, when still in communist Romania—they bring seasoned judgments and a rich analytic framework to the subject. In Romania, the story revolves around the Romanian Orthodox Church, but there are other players, including minority religions and secular intellectual elites. Stan and Turcescu first parse the contending views of how organized religion should figure in the country’s political life into four alternative models and then explore how religion and politics have

unfolded in Romania in six policy areas, from elections and the manipulation of nationalist themes to religion in schools and several other hot-button social issues.

Middle East

L. CARL BROWN

The Politics of Chaos in the Middle East. BY OLIVIER ROY. Columbia University Press, 2008, 160 pp. \$24.95.

The New Middle East. BY MARINA S. OTTAWAY, NATHAN BROWN, AMR HAMZAWY, KARIM SADJADPOUR, AND PAUL SALEM. Carnegie Endowment for International Peace, 2008, 46 pp. Free.

“Ordinarily, any dominant power tries to maintain the status quo, whereas the Americans destroyed it and overturned the strategic balances of the Middle East.” Building on this appraisal of U.S. actions following 9/11, Roy offers an overview of diplomacy and war in the Middle East during the past seven years. He reveals not a neat binary organizing theme of “us against them” in a would-be war on terrorism but the “chaos” of cross-currents with neither U.S. actions nor U.S. conceptions fitting the reality on the ground. He highlights the pattern of “reverse alliances,” such as the United States bringing Iraqi Shiites to power while confronting a Shiite Iran and the United States betting on a power structure in Pakistan that sees good reason to get along with the Taliban. In Roy’s reading, the presumed overarching importance of Islam in politics gives way to Sunni-Shiite diversity and the continuing importance of nationalism. Al Qaeda

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remains relatively marginal. As for U.S. efforts to promote democracy and civil society, Roy offers an ironic account worthy of Jonathan Swift. A larger irony is implicit in this little book: the United States could have achieved more in the Middle East by attempting less.

The New Middle East comes close to a similar conclusion. It presents the performance of the United States in terms of three “clusters” of countries and three major issues, all interrelated. The clusters are Iran-Iraq, Syria-Lebanon, and Israel-Palestine. The issues are nuclear proliferation, “the failure of the freedom agenda,” and sectarianism. After carefully giving poor marks to U.S. policy in dealing with all these topics, *The New Middle East* suggests the changes needed. In sum, the United States should be less confrontational, less ideological, and more aware of the limits to what it could and should be doing in the Middle East. Easily read in a single sitting, *The New Middle East* deserves more than one reading.

Artillery of Heaven: American Missionaries and the Failed Conversion of the Middle East. BY USSAMA MAKDISI. Cornell

University Press, 2007, 280 pp. \$35.00. The efforts of American Protestant missionaries in the Middle East have often been depicted in epic terms: they came and set in motion the process of modernization epitomized by such institutions as the American University of Beirut. A variant view folds missionary activities into the larger story of an intrusive West picking the Middle East to pieces. Neither does justice to a more complex reality. Both concentrate overly on the outsider and give too little agency to the indigent society. Makdisi, with an elegant

reconstruction of this confrontation of cultures in nineteenth-century Lebanon, moves away from such simplifications. He brings to life the handful of American missionaries presuming to proselytize among Christianity’s oldest churches. He introduces Maronite bishops, feudal lords, and Ottoman governors confronting changes that challenged their standing. Framing this rich history is the story of two Lebanese converts, the one dying while in Maronite custody, the other personifying new orientations slowly taking root. This richly researched study not only accomplishes the historian’s basic task of explaining what happened and who was involved. It also contributes to a better understanding of the confrontation between the West and the Middle East in modern times.

The New Turkish Republic: Turkey as a Pivotal State in the Muslim World. BY GRAHAM E. FULLER. U.S. Institute of Peace, 2007, 160 pp. \$14.95.

After several opening chapters setting out Turkey’s Ottoman, Kemalist, and Cold War legacies, Fuller turns to an appraisal of the ruling Justice and Development Party and its relations with the Muslim world. Next comes a chapter surveying the factors making for Turkey’s regional standing, followed by eight short chapters treating Turkey’s ties with neighboring states as well as Europe, Eurasia, and the United States. This serves well to demonstrate Turkey’s multifaceted foreign relations. Fuller sees Turkey as returning to play an important role in Middle Eastern and Eurasian politics after a long period of “abnormal isolation.” He also projects a likely downgrading of Turkey’s ties to Washington, mostly as a natural

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result of the changing geopolitical reality but also in part stemming from U.S. actions and assumptions. Fuller offers a generally positive appraisal of Turkey's foreign policy performance, and he suggests that the United States can and should accommodate itself to this new reality.

Arguing the Just War in Islam. BY JOHN KELSAY. Harvard University Press, 2007, 272 pp. \$24.95.

This book moves beyond those simplifications that would either depict the militancy and terrorism of many Islamist groups as emblematic or charge that such groups are hijacking a peaceful religion. Kelsay shows that the ideologies of al Qaeda and the many other Islamist groups are a part of the Islamic discourse but that they are only part of a larger and more complex whole, which he describes by tracing the evolving historical and theological record from the rise of Islam to the present. His use of "just war" in the title is significant. Islamic ideas of jihad involve nothing less than the religious teachings concerning when a Muslim is entitled (or required) to go to war and how that war should be conducted. Jihad may be compared with the Christian "just war" doctrine, but it also has its own historical and theological specificity. There are, Kelsay shows, Muslim scholars and activists invoking the same venerable Islamic discourse to reach more pluralistic and democratic positions. They seem to make less of a mark today than the Islamists do, and it is perhaps telling that many of them live outside the Muslim world. Still, the ideological struggle within Islam continues alongside the violence. *Arguing the Just War in Islam* provides a fine account of this important ideological confrontation.

Dreams and Shadows: The Future of the Middle East. BY ROBIN WRIGHT.

Penguin Press, 2008, 480 pp. \$26.95. With insights and expertise gained over 35 years of reporting on the Middle East, Wright explores whether major changes in the direction of democratization are afoot. Separate chapters on Egypt, Iran, Lebanon, Morocco, Syria, and the Palestinians, as well as a short but devastating critique of U.S.-occupied Iraq, add up to representative rather than comprehensive coverage. Largely absent are all the states on the Arabian Peninsula, the Maghreb states lying between Egypt and Morocco, as well as Turkey, Jordan, and Sudan. Wright has rightly chosen to cover what she knows best. The result is a nuanced and historically accurate account emphasizing individuals—not just the powerful but also those who would be bearers of change, such as Morocco's Fatima Mernissi and Iran's Abolkarim Soroush, plus others brilliantly brought to life in this insightful and readable book.

Asia and Pacific

LUCIAN W. PYE

India: The Emerging Giant. BY ARVIND PANAGARIYA. Oxford University Press, 2008, 544 pp. \$39.95.

This is a massive research study that will command the respect of scholars who like to pore over tables, graphs, and charts in search of patterns and connections in the data. Panagariya not only is a distinguished professor of economics at Columbia University, but he has also been a chief economist at the Asian Development Bank and served at the World Bank and

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the International Monetary Fund. It is therefore not surprising that his focus is on the policy choices of the Indian government. He is able to tell the story of India's economic growth by highlighting different phases of its economic policy: the country went down the wrong road in the 1950s and 1960s but has corrected its course with liberal policies more recently. Panagariya clearly demonstrates how India would have been better off if it had followed the example of South Korea and embraced a more liberal approach earlier. He ends with a very favorable evaluation of India's prospects, but his enthusiasm is kept in check by the acknowledgment that the country is not about to overtake China.

The State of India's Democracy. EDITED BY SUMIT GANGULY, LARRY DIAMOND, AND MARC F. PLATTNER. Johns Hopkins University Press, 2007, 231 pp. \$18.95.

This symposium volume brings together more than a dozen American and Indian scholars to evaluate the state of India's democracy. It is standard practice to honor India by declaring it, without further analysis, to be the world's largest democracy. The authors of this volume, in contrast, take it as a given that there are many different versions of democracy and that India is a special case. They begin by analyzing India's party system and election results and how the relationship of politics to society leads to the management of ethnic conflicts. A key factor in the strength of Indian democracy is the country's successful federalism, the balance achieved between the central government and state and local authorities. Another key factor in India's democracy

is its judiciary. Overall, however, the success of Indian democracy is very much determined by the country's civil society and the pride Indians take in their democratic institutions. At the same time, Indians are bothered by corruption in public affairs. The emergence of marginalized elements has further opened the door to graft.

Billions of Entrepreneurs: How China and India Are Reshaping Their Futures—and Yours. BY TARUN KHANNA. Harvard Business School Press, 2008, 368 pp. \$29.95.

The title of this book might suggest that it is not a serious scholarly study, which in fact it is. Although the claim of "billions" of entrepreneurs is a bit much, there is no denying that both China and India are now at last having success in advancing their economies and that a driving force in their economic growth is their private sectors. Khanna has written an objective and insightful comparison of China and India. His analysis of Indian developments is particularly outstanding, because it is based on his firsthand experiences in India. But he does not hold back in his praise of Chinese successes. The result is a very fair-minded report on the two Asian giants.

Asia, America, and the Transformation of Geopolitics. BY WILLIAM H. OVERHOLT. Cambridge University Press, 2007, 366 pp. \$24.99.

Overholt, of the RAND Corporation, has built his analysis of the relations between the U.S. government and Asian governments around the proposition that officials are slow to change their foreign policy thinking and hence are prone to operate with outdated assumptions. Thus, long

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after the collapse of the Soviet Union, Washington continued to act as though the Cold War had not ended. People anxious to get recognition in official circles found it useful to employ the vocabulary and concepts of those who had been successful in the post–World War II debates. Bureaucratic arrangements that had served well during the Cold War stayed in place, and indeed expanded, as is the nature of bureaucratic institutions. Even now, Overholt sees a United States that continues to hold on to Cold War assumptions in its relations with China, Japan, and Southeast Asia.

Vishnu's Crowded Temple: India Since the Great Rebellion. BY MARIA MISRA. Yale University Press, 2008, 592 pp. \$35.00. As India enters its 60th year of independence, it is appropriate for historians to look back to give readers a sense of where India has come from and where it may be heading. The Oxford historian Misra has taken up the challenge of writing a coherent history of India from the mid-nineteenth century to the present. She has not avoided the complexities and contradictions of Indian culture and social life, such as India's simultaneous commitment to democratic egalitarianism and to a hierarchical caste system. India's political culture trains leaders to tolerate contradictions and to accept traditional ideas of hierarchy, difference, and privilege while also supporting democratic ideals of equality. *Vishnu's Crowded Temple* may be a bit of a tough read for newcomers to India, but it helps make sense of that distinctive society for people with some background knowledge.

Africa

NICOLAS VAN DE WALLE

Starved for Science: How Biotechnology Is Being Kept Out of Africa. BY ROBERT PAARLBERG. Harvard University Press, 2008, 256 pp. \$24.95.

The persistent failure of African nations to modernize their agricultural sectors remains one of the key constraints on economic growth in the region. With one or two exceptions, productivity in African states has been stagnant for 30 years. In Asia, the “green revolution” helped spur a dramatic increase in farm output and productivity, largely through the development of new plant varieties, combined with significant increases in input use, but this revolution has never been extended to sub-Saharan Africa. In this sharply argued book, Paarlberg suggests that African farmers are the victims of an antiscience bias in both their governments and the international community. Examining the specific case of genetically engineered seeds designed to better resist insects and drought, Paarlberg argues that African governments have been convinced into putting all their efforts into ramping up a regulatory apparatus that is deadening for their food sector rather than investing in much-needed and entirely safe technologies. Such opposition to genetic engineering does not extend to, say, the development of new drugs—in part, Paarlberg argues, because Western consumers derive no benefits from biotechnological advances in agriculture and so, primarily through nongovernmental organizations, inflict a frivolous “imperialism of rich tastes” on

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African farmers. Carefully argued and grounded in a rich understanding of African agriculture, this no doubt controversial book deserves to be widely read.

When Things Fell Apart: State Failure in Late-Century Africa. BY ROBERT H. BATES. Cambridge University Press, 2008, 216 pp. \$19.99.

What accounts for the economic and political collapse of so many African states since independence? In this pithy book, Bates offers a general explanation that emphasizes the material and political needs of state elites in the region. Deeply gloomy about the region, Bates argues that small government revenues in what are relatively poor states, and their heightened volatility after the mid-1970s, shortened the time horizons of politicians and lessened their incentives to act for the public good. By stealing from the public till to ensure their own survival in power, they progressively destroyed their countries' economies and destabilized politics; different ethnic groups then started competing for increasingly scarce resources, and rebellions emerged in the countryside. Bates concludes that the wave of democratization of the last two decades is unlikely to promote political stability since incumbents will react to this new threat to their hold on power with more corruption and violence. Bates paints in broad brushes and ignores the states in the region, such as Botswana, Cape Verde, and Mauritius, that have not followed this script but actually enjoyed stability, economic growth, and reasonably democratic politics. The argument is supported by anecdotes, and a more sophisticated quantitative analysis is provided in a brief appendix.

Negotiating the Net in Africa: The Politics of Internet Diffusion. EDITED BY ERNEST J. WILSON III AND KELVIN R. WONG.

Lynne Rienner, 2006, 238 pp. \$49.95. The essays in this book focus on the early years of the Internet in Africa. The spread of the Internet has been slowed down by the region's low income and the poor quality of its communications grid. Nonetheless, the authors find fairly striking differences in the speed of innovation and diffusion across African states, and they try to explain them through a political-economy approach. There are no overarching patterns across the cases, but the key role of individual entrepreneurs, their connections to the public sector, and their ability to get both political support and funding for their projects appear to have been key to the early spread of Internet connections. Early development also seems, perhaps ironically, to have been abetted by the technological illiteracy of political leaders. In addition, the crisis of the traditional telecommunications sector, which was largely bankrupt in the early 1990s, created space for Internet entrepreneurs and lessened opposition to its development. Readers who are not afraid of technical acronyms will be rewarded with often rich analyses of this important emerging sector of African economies.

Peacekeeping in Sierra Leone: The Story of UNAMSIL. BY FUNMI OLONISAKIN. Lynne Rienner, 2007, 205 pp. \$45.00 (paper, \$18.95).

Making Liberia Safe: Transformation of the National Security Sector. BY DAVID C. GOMPERT, OLGA OLIKER, BROOKE K. STEARNS, KEITH CRANE, AND K. JACK RILEY. RAND, 2007, 116 pp. \$22.00.

Two of the most horrific civil wars of the

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twentieth century have ended in recent years, in Sierra Leone and Liberia. The book by Olonisakin sheds considerable light on the path back to peace in Sierra Leone, and the RAND study of Liberia offers a program to rehabilitate the security sector—and in the process suggests how devastating for basic public institutions over a decade of violent depredation can be. Olonisakin's objective is to analyze the history of the UN peacekeeping efforts in Sierra Leone in the late 1990s and the early years of this century. After a humiliating beginning—a substantial proportion of UN troops were captured and disarmed by rebels in 2000—UNAMSIL (the UN Mission in Sierra Leone) would eventually turn itself into a model multilateral peacekeeping mission. By 2002, it was the biggest peacekeeping force in the world, with over 17,000 troops. Olonisakin credits organizational learning for this turnaround, by both key staff members in the field and the often maligned bureaucrats on the East River in New York. Most striking, the UN was able to orchestrate the bringing to justice of a number of the civil war's warlords on various human rights violations and crimes against humanity. Olonisakin tells the story well, and the book includes many of the key UN documents in a valuable appendix.

The RAND study begins the story of Liberia roughly where Olonisakin ends his analysis of Sierra Leone. The end of violence in Liberia has left the country without an effective national security sector, given the profound dysfunctionality of the army, the police, and the justice and intelligence organizations, after two decades of intense politicization, corruption, and general underfunding by incompetent and venal governments.

Another UN peacekeeping force, UNMIL (the UN Mission in Liberia), is now in the process of being wound down, and national security institutions need to take its place. How should these institutions be structured so as to encourage democratic control and effectiveness at an affordable cost? This study offers a series of useful guidelines, both for Liberia and for the international community and the United States. The authors might have mentioned, though, that the last major U.S. effort at security assistance in the region was in fact in Liberia in the 1980s, with less than compelling results. 🌐

Letters to the Editor

Padma Desai on Russia; Amy Zegart on the CIA; Louis Fisher and Ryan Hendrickson on Congress and war powers; and others

PUTIN'S RUSSIA

To the Editor:

Michael McFaul and Kathryn Stoner-Weiss (“The Myth of the Authoritarian Model,” January/February 2008) make several erroneous judgments regarding the current Russian scene. The Russian economy has grown in the last seven years at an annual rate of 6.5 percent. The ongoing debate among economists and other informed observers of Russia is over whether this is a result of exceptionally high (and rising) oil prices, and hence a reversible phenomenon if the price of oil collapses, or the result of substantive changes in the last decade that made high growth rates sustainable. At a major World Leaders Forum and a scientific conference attended by distinguished Russia scholars at Columbia University last April, participants shared the view that Russia’s economic performance was not a flash in the pan caused by oil; rather, the consensus was that important policy changes had taken place. Still, no responsible Western scholar of Russia (nor even a supporter of former Russian President Vladimir Putin) has suggested that the high growth rates in Russia are a product of Putin’s authoritarian ways. The claim by McFaul and Stoner-Weiss that this argument is made is simply creating a straw man.

The authors also exaggerate former President Boris Yeltsin’s democratic accomplishments in order to make a compelling case against Putin’s supposed authoritarian consolidation. Yeltsin, they argue, started to develop “all the basic elements of an electoral democracy.” Yeltsin and his young reformers did indeed demolish the communist planned economy and the authoritarian arrangements; they planted the liberal idea in the land of Lenin and Stalin and changed the course of Russian history. But they did not introduce, much less develop, basic liberal democratic institutions, such as a party system, fair elections, a free press, or strong legal and financial organizations. These were unlikely to spring fully grown, like Athena from the brow of Zeus, in a country with a long history of tsarist and communist authoritarianism.

McFaul and Stoner-Weiss claim that “electronic and print media outlets not controlled by the state multiplied [under Yeltsin].” This is misleading. During the Yeltsin presidency, Russian TV networks and the press, strapped for cash and lacking advertising revenues, turned to the money-wielding oligarchs. According to the Russian Media Fund, a U.S.-based media-advocacy group backed by the International Center for Journalists and others, non-media oligarchs moved into the media

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business in order to take advantage of the tax exemption for profits enjoyed by media companies. As a result, the media then became mouthpieces of the special interests of the few oligarchs who dominated the scene and sought to control the state.

The authors also provide a flawed assessment of Putin's economic policies, including those regarding the Russian energy sector. In Putin's view, the Russian energy sector, which has driven Russia's economic growth since 2000, could not be left completely to the initiative of the private sector, domestic or foreign. Putin sought to balance private profit making with what he regarded as the broader national interest. His policies did not constitute the blanket "renationalization" of the energy sector that the authors allege. Rosneft, a state-owned oil company, will counter Lukoil, a private oil company. Gazprom, the 51 percent state-owned natural gas monopoly, has acquired a 51 percent stake in the Sakhalin-2 oil and natural gas unit, which was previously owned by Royal Dutch/Shell, Mitsui, and Mitsubishi. And BP has been reduced to a minority stake in the Kovykta natural gas unit in western Siberia, with Gazprom acquiring 51 percent ownership. In each of these cases, the process involved the Kremlin flexing its muscles, but the details and the numbers suggest strategic policy maneuvering. Foreign minority partners will supply needed cash, management expertise, and technology in the energy sector, which would not have been true if there had been a sweeping renationalization.

Beyond the energy sector, much of Russian industry, including businesses in aluminum, steel, aircraft, or automobile manufacturing, is less controlled by the Kremlin, more prone to inviting active

Western business participation, and more open to competitive pressures from foreign multinationals. The flourishing retail sector remains fully open to the participation of foreign firms. Doing business in Russia is not for the faint-hearted, but according to current indications, foreign investors, including Shell and BP will continue to participate in the economy, from the energy sector down to retail businesses. Their involvement will help maintain the country's high growth rates.

Finally, McFaul and Stoner-Weiss complain about the legislation restricting foreign nongovernmental organizations (NGOs), as if Russia were the only country restricting their entry. They do not seem to be aware that over 400,000 Russian NGOs are engaged in a variety of activities relating to health care and environmental issues at the local level. Is it not sensible for Russian civil society to grow from within instead of depending on foreign largess, which taints the recipients and prevents them from grounding their activities in Russian society itself?

It would seem that their excessive Putin and Kremlin bashing prevents the authors from recognizing the positive impact of the economic revival on the lives of Russians. I lived and traveled in the Soviet Union in 1964 and remember that Orwellian landscape of bleak monotony, state control, and pervasive fear. I have been studying Russia ever since and visiting frequently. Today, it is a different country, undergoing remarkable changes. To suggest that it will morph into another Angola is to lose all perspective.

PADMA DESAI

Gladys and Roland Harriman Professor of Comparative Economic Systems and Director, Center for Transition Economies, Columbia University

Michael McFaul and Kathryn Stoner-Weiss reply:

We do not claim that Russia today is the Soviet Union. We write, “Russians are richer today than ever before.” Our article attempts to explain why. Contrary to Padma Desai’s oversimplification of our analysis, we emphasized both the impact of rising oil and gas prices and the “important policy changes.” But the policy changes that jump-started growth were undertaken before Putin came to power. Russia’s real economic turnaround came after the financial meltdown in August 1998, which forced the Russian government to pursue prudent fiscal policies and a more rational exchange-rate policy. As a result of these reforms—carried out by a left-of-center government headed by Yevgeny Primakov—Russia’s economy began to grow a year before Putin became prime minister and 18 months before he became president.

We did note that Putin implemented some important macroeconomic reforms, such as the 13 percent flat income tax, a reduction in the corporate tax, and the creation of a stabilization fund. But tracing the relative impact of these reforms, against the backdrop of the fundamental macroeconomic reforms before Putin and the rising oil and energy prices while he was president, is the harder analytic task for Putin apologists such as Desai, because there have been other real economic, social, and political costs associated with his rule. As we document in our article, Putin’s transfer of the assets of the privately owned Yukos to the state-owned Rosneft destroyed hundreds of millions of dollars in value in the company and created a less profitable, less productive enterprise. And all independent measures show rising levels of

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corruption in Russia under Putin. The real question is not how well the Russian economy is growing now but how well it could be growing under a less autocratic form of government.

Desai writes about Putin's "authoritarian ways," but she also tries to defend his regime by recounting the flaws in Yeltsin's democracy and suggesting that we are not aware of Russia's 400,000 NGOs. But many of these NGOs, especially those working on anything considered to be remotely political, are being shut down, forced out of business by a restrictive new law, and their leaders are being imprisoned. In early March, Lev Ponomarev, a Russian colleague of ours in the NGO community, was arrested, along with others, for participating in a peaceful demonstration against the overmanaged "election" of Putin's successor, Dmitry Medvedev.

Regarding the Yeltsin era, we agree that the "oligarch"-owned media outlets might have become "mouthpieces of the special interests." However, one wonders what Desai would say about the oligarchs who own Fox News, CNN, *The Wall Street Journal*, *The Washington Post*, *The Nation*, *The New York Times*, or *The Weekly Standard*. And even if a totalitarian dictatorship had run Russia in the 1990s (it did not), how would that justify Putin's "authoritarian ways" today?

Finally, we disagree with Desai's assertion that we have created a straw man in recounting that some argue that it was Putin's regime that helped produce economic growth and better governance in Russia. The evidence to the contrary is far too substantial. Both the Russian and the Western media are filled with accounts of how Putin's strong hand spurred growth. *Time* magazine named Putin its Person

of the Year, in part based on this logic. And inside Russia, public opinion polls confirm that a majority of people have accepted the alleged tradeoff between less political freedom and more wealth. President-elect Medvedev based his campaign on maintaining Putin's "strong" state and economic success. Maybe Desai can afford to ignore all this. But judging from the overwhelming reaction to our article, including from Putin himself, it appears that we are arguing against not a straw man but a strongman.

CIA CHRONICLES

To the Editor:

Paul Pillar ("Intelligent Design?" March/April 2008) spent most of the 1990s doing counterterrorism analysis at the CIA and rose to be the deputy director of its Counterterrorism Center. My book *Spying Blind: The CIA, the FBI, and the Origins of 9/11* is highly critical of that center and finds that its weaknesses contributed to 11 operational failures prior to 9/11. How can an individual who served at the heart of the organization being criticized render an unbiased view of that organization's performance?

In his review of my book, Pillar attacks, among other things, my criticism of systemic weaknesses in the CIA's watch-listing program. He thinks it worked well overall, a claim flatly contradicted by evidence presented by the CIA's own inspector general's office. The inspector general's internal 9/11 review, made public last year, noted that none of the 50 to 60 CIA officials who could and should have watch-listed two of the 9/11 hijackers did so and concluded, "Basically, there was no coherent, functioning watchlisting program."

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These and all the other findings in my book are based on facts, not feelings or fiction. My research included analysis of every unclassified report of intelligence and counterterrorism issued during the 1990s; every intelligence threat assessment presented to Congress; every State of the Union address, as well as other high-profile speeches by public officials; thousands of pages of public documents I obtained from the CIA, the Justice Department, the FBI, the congressional intelligence committees, and the 9/11 Commission; and interviews I conducted with 75 government officials (including senior CIA officials) over a five-year period. Pillar's review of my book gives the impression that I simply drank the Kool-Aid and then photocopied pages from the 9/11 Commission report.

Pillar did not even mention my book's core argument, that intelligence-agency adaptation failures stem more from organizational deficiencies and enduring impediments to fixing them than from individual mistakes. The intelligence agencies continue to flounder today for the same reasons they have struggled in the past: no organization changes easily from within. Self-interested bureaucrats, legislators, and presidents naturally impede executive-branch reforms, and the fragmented U.S. government ensures that legislative overhaul is an uphill battle. Good ideas to improve U.S. intelligence have been around for years. The hard part is getting any of them implemented. Understanding how and why barriers to reform transcend individual presidents, CIA directors, and crises is the first step toward overcoming them.

AMY B. ZEGART

*Associate Professor of Public Policy, UCLA
School of Public Affairs*

Paul Pillar replies:

Dwelling on the sources, rather than the substance, of arguments rarely adds to one's understanding of a subject. Such an approach leads one to overlook errors of sources one prefers to trust, as well as valid observations from sources one distrusts. Amy Zegart's letter catalogs the reports on which she relies but never addresses how they led her to inaccuracies, noted in my essay, about pre-9/11 strategic intelligence. Nor does she mention the contradictions, which I also noted, within her argument on this subject.

The one substantive point Zegart's letter does address, about the watch-listing of terrorist suspects, involves a different sort of contradiction. The CIA inspector general's report she quotes was one of two reports by that office about the agency's pre-9/11 work on terrorism. The other one—completed in August 2001, before post-9/11 hindsight kicked in—is a dramatically different document: it describes the Counterterrorism Center as “a well-managed component that successfully carries out the agency's responsibilities to collect and analyze intelligence on international terrorism.” That report tells of a “vastly improved” relationship with the FBI and recommends almost no changes. So which, if either, of these two reports should one trust?

Intelligence failures have many possible causes, of which organizational shortcomings of the sort Zegart posits are only one. One will never understand the limits and possibilities of intelligence if one does not also understand the many severe challenges that are intrinsic to the business—and which Zegart barely acknowledges in *Spying Blind*.

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CHINESE WAYS

To the Editor:

In “The Rise of China and the Future of the West” (January/February 2008), G. John Ikenberry offers a compelling series of arguments for why China will not attempt to overturn the liberal order. But he is wrong to assume that the absence of confrontation implies gradual integration. It does not. China is pursuing a different strategy: forging a route around the West by constructing an alternative international system in the developing world. The norms of China’s parallel political order are alien to those Ikenberry wishes to see preserved.

There is a lot of wishful thinking but much less evidence to suggest that China is adopting the political norms that Americans believe define the liberal order. Beijing’s foreign policies in the developing world, for example, reject the core liberal notion that the international community has the right and the responsibility to protect the individual. China places sovereign state rights above and beyond obligations to individuals or international organizations. In China’s world, states deal with one another only in regard to their economic and security objectives. Human rights, domestic governance rules, and other components of the Western liberal order are off the table. What the Chinese offer as their version of an international system is very different from the one the West has come to accept.

Ikenberry suggests that China’s deep participation in the international system depends on, and is evidence of, China’s willingness to play by the United States’ rules. This analysis misses the degree to which the leaders of the Chinese Communist Party have, both domestically and

internationally, effectively disaggregated economic and political liberalism. They have successfully orchestrated an economic ascendance that allows China to connect to the international economic order on its own terms. China’s sheer economic might, in turn, has rendered the country far less susceptible to the political leverage the West has wielded over its economic partners in the past. Whose rules are really going to be in play when state-owned and state-directed Chinese investment funds bail out U.S.-based privately owned banks?

The weakness of Ikenberry’s analysis ultimately lies in the too simple way he asks the starting question: “Will China overthrow the existing order or become a part of it?” Beijing has other choices, and the Chinese are just as smart and energetic as the Americans are. The false dichotomy that Americans see (that China will either challenge or join the Western order) dangerously obscures the degree to which China can and is constructing a world without the West, a world that is surprisingly autonomous from the liberal international order. The dominant academic paradigm—that rising powers will either challenge or assimilate to the existing order—will need to be changed to explain the rise of China and its consequences for world politics.

NAAZNEEN BARMA

ELY RATNER

STEVEN WEBER

*New Era Foreign Policy Project,
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MARKET BLUES

To the Editor:

Robert Kimmitt (“Public Footprints in Private Markets,” January/February 2008) provides an overview of sovereign wealth

Letters to the Editor

funds (swfs) in the global economy that is helpful but incomplete. His proposed principles for a policy response are well intended but neither workable nor adequate. Kimmitt delineates four kinds of sovereign investment. In fact, there are six. His category of swfs should be divided into three parts, stabilization funds, state-holding corporations, and future generation, or future welfare, funds. Each of these has different investment horizons, different investment benchmarks, different risk-management frameworks, and different oversight requirements.

Kimmitt emphasizes how important it is for swf investment to be driven by economic, rather than political, concerns. But he does not—and cannot—explain with clarity how to distinguish these two motivations. For example, it was economically sensible for the Chinese national oil company CNOOC to bid on the U.S. firm Unocal, just as it was economically attractive for Dubai Ports World to own U.S. ports. Where does economics end and politics begin? Economics dictates that China should secure a larger share of the world's natural and physical resources to keep its growth juggernaut on course. Because other countries hold the same objective simultaneously, China's goal becomes political.

Finally, despite emphasizing, although not clarifying, the importance of economic, as opposed to political, considerations, Kimmitt unhelpfully and unnecessarily omits the principle of reciprocity from his list of recommended policy principles. Although he admits that “many countries with swfs are themselves far too closed to foreign investment,” he dismisses the salience of a more explicit, bilateral application of reciprocity “because it is in the

United States' interest to be open to market-driven investments.” But it is almost certainly not in the interest of the United States to permit countries that restrict its investments, block its goods and services, and undermine its quest for energy independence to invest freely in its natural resources, means of production, infrastructure, leading brand names, intellectual capital, and technology.

TERRENCE R. KEELEY

Managing Director, Global Central Bank Services, UBS Securities LLC

CONGRESS AT WAR

To the Editor:

William Howell and Jon Pevehouse (“When Congress Stops Wars,” September/October 2007) suggest that Congress has been far more influential in shaping U.S. military action abroad than previously thought. We disagree. Such a view does not reflect the overwhelming historical evidence since World War II. Moreover, their argument undervalues Congress' constitutional responsibility to independently check the president prior to war. In most cases, Congress has chosen the politically expedient route of deferring to the president. The principal reason for this support has been not partisan calculations, as Howell and Pevehouse argue, but rather lawmakers' unwillingness to exercise their constitutional powers and understand the need for legislative checks.

The Korean War is an excellent example of this deference. Few members of Congress balked when President Harry Truman, a Democrat, argued for unilateral authority to use force; the GOP widely supported Truman's move toward war. He did not even go to Congress for authorization; he went to the UN Security

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Council. Although some congressional Republicans later criticized President Truman's handling of the Korean War, there was little willingness to use constitutional measures to end the war.

In the case of the Gulf of Tonkin resolution of August 1964, the House voted unanimously to support a military response to two alleged attacks by North Vietnam. Overcome by fear, Congress did not divide along party lines, as would be expected, and subsequent opposition to President Lyndon Johnson's war came mainly from Johnson's fellow Democrats, not from Republicans. Likewise, in 1965 virtually no member of Congress argued that Johnson's unilateral decision to deploy 30,000 additional troops to the Dominican Republic violated any constitutional principle. Members of the opposition Democratic majority also raised few constitutional complaints about President Ronald Reagan's 1983 invasion of Grenada. According to Secretary of State George Shultz's own account, no member of Congress was consulted prior to the invasion. For the most part, congressional Democrats applauded Reagan's 1986 unilateral strikes on Libya despite a lack of consultation with Congress prior to military action. In 1989, the Democratic majority supported the Republican president George H. W. Bush's invasion of Panama, even though Congress was given only five hours' prior notice and thus could not vote before the operation was launched.

Perhaps the best reflection of congressional abdication of responsibility occurred when President Bill Clinton deployed more than 20,000 U.S. troops to Bosnia in 1995; both congressional chambers voted to "support the troops but not the policy." In 1999, once the war in Kosovo had begun, the

Republican House leadership opposed the efforts of Representative Tom Campbell (R-Calif.) to assert Congress' constitutional war powers. During the Clinton years, much like during the Cold War era, Congress—regardless of which political party was in the majority—tended to avoid checking presidential war powers.

Howell and Pevehouse contend that partisan politics best explains Congress' willingness to initially support President George W. Bush in his launching of Operation Iraqi Freedom. But just as the Democrats were wrong in August 1964 in arguing that the best way to avoid war in Vietnam was by passing the Gulf of Tonkin resolution, the Republicans (and their Democratic supporters) made a mistake in 2002 in claiming that the best way to avoid a war against Saddam Hussein was to pass the Iraq resolution.

As the Democrats were moving into their new House and Senate leadership offices in 2007, President Bush announced the deployment of 30,000 additional troops to Iraq. Such a policy ran directly counter to the campaign pledges made by many Democrats during the 2006 midterm elections, who had called for a specific timetable for troop withdrawal or marked reductions in U.S. troop levels. Instead, in direct contrast to what most Democrats ostensibly stood for, Bush moved forward with his troop surge, and the Democrats did little to stop it. Now, after a year of debate, the Democratic Congress has still given the commander in chief all the funding he has sought for the war.

Certainly, the opposition party in Congress may occasionally muster the energy to hold hearings and bark its complaints about a military mission in progress. But this is not the same thing as checking a

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president prior to war. It is rare to find a Congress that is willing to prevent a determined commander in chief from taking military action when he wants to.

Rather than partisanship, the deficiencies and failures of the congressional votes in 1964 on Vietnam and in 2002 on Iraq reflect the inability, or unwillingness, of lawmakers to understand that they make up a separate branch of government with the duty to scrutinize executive claims and avoid wars that undermine the nation's interests. The framers believed that individual liberties and rights were protected not by trust in a president but by a system of divided government that puts a premium on deliberation and shared power. Congress has forgotten that basic tenet at great cost.

LOUIS FISHER

Senior Scholar, Law Library, Library of Congress, and the author of more than a dozen books, including Presidential War Power

RYAN C. HENDRICKSON

Associate Professor of Political Science, Eastern Illinois University, and the author of The Clinton Wars: The Constitution, Congress, and War Powers

To the Editor:

William Howell and Jon Pevehouse are correct that partisanship has played an important role in U.S. decisions to go to war in the modern era, but it has hardly been "decisive." From the Reagan administration through those of the two George Bushes, Democratic-controlled Congresses acquiesced in Republican military interventions in Lebanon, Panama, Afghanistan, and Iraq. Similarly, Republican Congresses did not obstruct the Democrat Bill Clinton's military actions in Haiti, Bosnia, Iraq, or Kosovo.

Holding hearings, imposing reporting requirements, adopting resolutions stating that Congress should authorize any future military action, and sponsoring independent legislation opposing military action amount to no more than putting up a fuss, unless they actually culminate in significant legal constraints on presidential power. Congressional Democrats are now challenging the Republican administration over the Iraq war but lack the necessary 60 votes to obtain cloture in the Senate and put real political pressure on President George W. Bush to change course in Iraq. Senate Democrats' failure so far to reach a meaningful compromise with over half a dozen disaffected Republican Senators suggests that they still lack both the will and the capacity to influence military policy. Partisanship here means exploiting Republican weakness in the upcoming elections rather than passing significant legislation.

STEPHEN R. WEISSMAN

Former Staff Director, Subcommittee on Africa, House Foreign Affairs Committee, and the author of A Culture of Deference: Congress's Failure of Leadership in Foreign Policy

THE ROAD TO THE ARCTIC

To the Editor:

Scott Borgerson's article "Arctic Melt-down" (March/April 2008) is an addition to the recent wave of Arctic journalism rife with Wild West imagery of chaos and lawlessness—a reporting trend spurred by Russia's August 2007 flag-planting stunt on the North Pole. Arctic frontier jargon that included "land grab" and "ungainly scramble" is now augmented by Borgerson's "gold rush" and "legal no man's land." While Borgerson correctly identifies the

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many sources of tension in the region, he is wrong when he writes that “the Arctic region is not currently governed by any comprehensive multilateral norms.” The Arctic is not the “legal vacuum” invoked in his piece; it is a region governed by international law and, for the maritime issues that are the main subject of the article, specifically by the international law of the sea. With one exception (“growing talk of Greenland petitioning Denmark for political independence”), all of the Arctic problems that Borgerson raises—offshore hydrocarbon exploration and exploitation, overlapping maritime claims, wide-margin continental shelves, the dumping of nuclear reactors, indigenous whaling, and a variety of shipping issues, including contested shipping routes, the use of flags of convenience, vessel-source pollution, and ship-based tourism—are quintessential law-of-the-sea problems, around which a robust and widely adopted body of international law has grown.

Oddly, Borgerson seems to argue that because the Arctic Ocean is plagued by the full range of ocean problems, it is exempt from the rules designed specifically to address those same problems. This is illogical and wrong. The Arctic is an ocean to which the law of the sea applies, just as it does to all oceans, whether or not they suffer from a raft of “vexing problems” (and most of them do). Not only does the law of the sea apply to the Arctic in theory; it is being applied in practice. One recent example is the process of submitting science-based wide-margin continental shelf claims to the Commission on the Limits of the Continental Shelf. Russia submitted its claim to the commission in 2001. Norway submitted a claim in 2006, and Canada and Denmark are expected to

do so before their respective submission deadlines of 2013 and 2014. So far, this has been a deliberate and orderly process.

There exists a comprehensive legal regime that defines the rights and obligations of states in, over, and under the world’s oceans. It comes complete with customary rules, framework and subsidiary conventions, and dispute-settlement mechanisms and institutions. It applies to the Arctic Ocean.

Whether such a regime stinks of world government or rings of international cooperation, it is far from a “legal vacuum.” Of course, the mere existence of rules designed to promote the peaceful use of the oceans cannot foreclose the possibility of Borgerson’s “armed mad dash for [the Arctic’s] resources.” But if the Arctic descends into anarchy, it will be despite the rules that are already firmly in place.

COALTER G. LATHROP

President, Sovereign Geographic, Inc.

Scott Borgerson replies:

I strongly believe that it is in the United States’ national interest to join the UN Convention on the Law of the Sea as soon as possible. That said, the treaty’s drafters never could have envisioned perennial sea ice turning into open water. For this reason, the provisions of the UNCLOS (written in 1982) do not fully address the dilemmas presented by the special case of the Arctic Ocean.

Foremost among these challenges is the politically complicated task of carving up the Arctic’s vast and rich resource pie. UNCLOS established the Commission on the Limits of the Continental Shelf to make recommendations to coastal states on matters related to the establishment of the outer limits of their continental

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shelves. But this procedure, outlined in Article 76 of UNCLOS was not written with the Arctic Ocean's unique geography in mind. As a result, this understaffed commission is facing an onslaught of competing claims on which it must make "recommendations." It would be much better and more efficient for the Arctic powers to gather around a negotiating table to strike a grand compromise and then to collectively submit, as the treaty requires, "relevant information, including geodetic data," for the commission's blessing.

Other legal complications abound, including the United States' and Canada's differing interpretations of UNCLOS' articles regarding the legal status of the Northwest Passage. Canada claims its Arctic archipelago to be "internal waters" and maintains that the area is subject to full Canadian sovereignty. The United States, however, views the Northwest Passage as a "strait used for international navigation" and thus insists that all ships, but especially those of the U.S. Coast Guard and the U.S. Navy, have a right to "innocent passage." Both arguments have merit, but so far the United States and Canada have been unwilling to bring this issue up for arbitration or judgment because neither party is fully confident it will win. In the meantime, these close allies continue to muddle through with the 1988 "agreement to disagree" as their only legal disposition of the passage. This diplomatic compromise

is unlikely to last once this previously impenetrable shortcut transforms into a viable seaway.

Equally troublesome is the application of Article 234 of UNCLOS, which applies to "ice-covered" waters. Canada has used it as a guide to create its "Arctic Shipping Pollution Prevention Regulations," and Russia has taken advantage of the provision to develop its "Guide of Navigation Through the Northern Sea Route." Meanwhile, the United States presently lacks comparable guidelines. Furthermore, there are no uniform standards for the environmental policing of the Arctic or of the international shipping companies whose vessels are already plying these waters.

The European Union's foreign policy chief, Javier Solana, and the EU's commissioner for external relations, Benita Ferrero-Waldner, just issued a study highlighting the global dangers that will result from climate change. The potential for conflict in the melting Arctic topped their list. They share my view when they argue in the study that in order to manage increasing Arctic maritime activity, the international community needs to "revisit existing rules of international law, particularly the Law of the Sea." UNCLOS offers a solid foundation on which to build creative diplomatic solutions for governing the Arctic, but by itself it is not enough.

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President Eisenhower



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It was just two years later that I first championed the idea of creating a DEPARTMENT OF NATIONAL GOALS. As I wrote in 1962: *"Our country has made no pronouncement to fire the imagination of mankind with a vision of how great a place the world can become if all countries and all people will work together for the common good. Our intentions are good, our motives are noble, our strength is great – but we lack the big idea. The torch has not been lighted. The people of the world are waiting for us to inspire them but no inspiration has come."*

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