

JAVAD ZARIF: WHAT IRAN WANTS

MAY/JUNE 2014

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Big Fracking Deal

Shale and the Future of Energy

Ukraine and World Order

Paul Kagame on Rwanda's Rebirth

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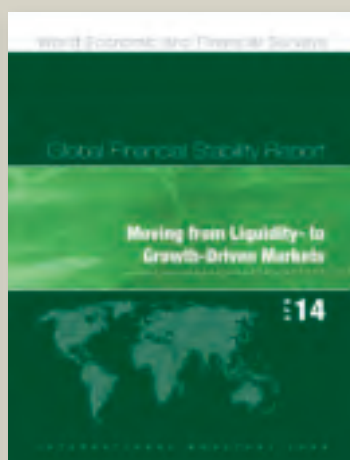
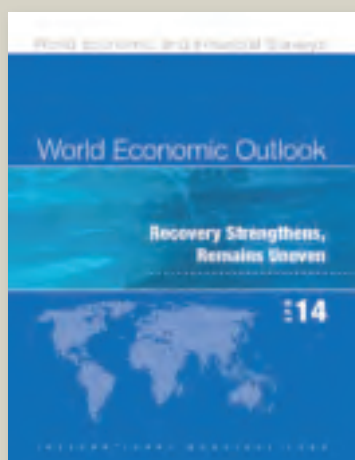
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After completing a master's degree in international business economics in the UK, Simon Sylvester-Chaudhuri soon realized it was the global energy industry that truly intrigued him. To gain the competitive edge, he would need to learn all that he could about energy trends, global energy policy development, and the investment decisions and strategies that drive this rapidly evolving sector. He enrolled in the [NYU School of Continuing and Professional Studies \(NYU-SCPS\) Center for Global Affairs M.S. in Global Affairs](#) with a concentration in [Environment/Energy Policy](#), completing extensive fieldwork in and on China as well as the Arctic, and securing a position at the New York City Accelerator for a Clean and Resilient Economy (NYC ACRE). Recently named The Energy Collective and Shell New Energy Fellow, he is now established in an industry that offers tremendous opportunity in developing and responsibly utilizing global energy resources.

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Archibald Cary Coolidge, Founding Editor
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A product of Japan and Spain, **MARGARITA ESTÉVEZ-ABE** is a graduate of Keio University, in Japan, and Harvard University and is currently a professor of political science at the Maxwell School of Citizenship and Public Affairs at Syracuse University. The author of *Welfare and Capitalism in Postwar Japan*, she has also written extensively on the comparative political economy of gender. In "Feeling Triumphant in Tokyo" (page 165), she explores the troubling reemergence of Japanese nationalism under Prime Minister Shinzo Abe.



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SHALE AND THE FUTURE OF ENERGY

The shale revolution in oil and gas production is here to stay. It will spread more rapidly than most think. And all of that is a good thing for the world.

— Edward Morse

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Power to the People

What Will Fuel the Future?

*Gideon Rose and
Jonathan Tepperman*

When we started putting together a package on the rapidly evolving future of energy, our first thought was to survey exciting innovations across the sector. But the closer we looked, the more we realized that one big thing—shale—loomed above the rest. So we decided the occasion called for hedgehogs rather than foxes, and curated the package accordingly.

To kick it off, Citi's Edward Morse, one of the world's leading energy experts, explains just how much U.S. oil and natural gas production from shale has grown in recent years, why the growth will continue, and how that will drive a fundamental change in global energy markets. Then, Robert Hefner of the GHK Companies, who has himself played a key role in the development of the modern U.S. natural gas sector, describes why the revolution could have taken off only in the United States and why other countries will struggle to replicate its success. And Fred Krupp, the president of the Environmental Defense Fund, runs through the real environmental dangers the shale revolution entails and shows how they can—and must—be successfully addressed.

Shale may be the biggest energy story today, but it is not the only one. For the first time in a century, thanks to new technologies, the question of how cars, buses, trucks, and planes will be powered is up for grabs. The once unassailable dominance of the internal combustion engine is being challenged from many angles. Just who or what wins will have enormous implications, and David Levinson of the University of Minnesota handicaps the race. Meanwhile, nuclear energy—long touted as the world's potentially greenest power source—is also in flux, and Per Peterson, Michael Laufer, and Edward Blanford describe the promise and pitfalls of that sector. To round out the package, finally, we enlisted U.S. Assistant Secretary of Defense Sharon Burke to explain the crucial role of the Defense Department both as the United States' largest energy consumer and as a major incubator of cutting-edge technologies.

In this package, as in others, our aim has not been to pick winners or losers; the market is making those decisions already, in real time. Rather, by bringing the world's best minds to bear on the most important topics, we seek to offer specialists and general readers alike an accurate guide to what will fuel the future, and why. 🌍

GIDEON ROSE is Editor of *Foreign Affairs*.

JONATHAN TEPPERMAN is Managing Editor of *Foreign Affairs*.

Welcome to the Revolution

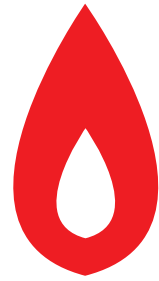
Why Shale Is the Next Shale

Edward L. Morse

Despite its doubters and haters, the shale revolution in oil and gas production is here to stay. In the second half of this decade, moreover, it is likely to spread globally more quickly than most think. And all of that is, on balance, a good thing for the world.

The recent surge of U.S. oil and natural gas production has been nothing short of astonishing. For the past three years, the United States has been the world's fastest-growing hydrocarbon producer, and the trend is not likely to stop anytime soon. U.S. natural gas production has risen by 25 percent since 2010, and the only reason it has temporarily stalled is that investments are required to facilitate further growth. Having already outstripped Russia as the world's largest gas producer, by the end of the decade, the United States will become one of the world's largest gas exporters, fundamentally changing pricing and trade patterns in global energy markets. U.S. oil production, meanwhile, has grown by 60 percent since 2008, climbing by three million barrels a day to more than eight million barrels a day. Within a couple of years, it will exceed its old record level of almost

ten million barrels a day as the United States overtakes Russia and Saudi Arabia and becomes the world's largest oil producer. And U.S. production of natural gas liquids, such as propane and butane, has already grown by one million barrels per day and should grow by another million soon.



What is unfolding in reaction is nothing less than a paradigm shift in thinking about hydrocarbons. A decade ago, there was a near-global consensus that U.S. (and, for that matter, non-OPEC) production was in inexorable decline. Today, most serious analysts are confident that it will continue to grow. The growth is occurring, to boot, at a time when U.S. oil consumption is falling. (Forget peak oil production; given a combination of efficiency gains, environmental concerns, and substitution by natural gas, what is foreseeable is peak oil demand.) And to cap things off, the costs of finding and producing oil and gas in shale and tight rock formations are steadily going down and will drop even more in the years to come.

The evidence from what has been happening is now overwhelming. Efficiency gains in the shale sector have been large and accelerating and are now hovering at around 25 percent per year, meaning that increases in capital expenditures are triggering even more potential production growth. It is clear that vast amounts of hydrocarbons have migrated from their original source rock and become trapped in shale and tight rock, and the extent of these rock formations, like the extent of the original source rock, is enormous—containing resources far in excess of total global conventional

EDWARD L. MORSE is Global Head of Commodities Research at Citi.

proven oil reserves, which are 1.5 trillion barrels. And there are already signs that the technology involved in extracting these resources is transferable outside the United States, so that its international spread is inevitable.

In short, it now looks as though the first few decades of the twenty-first century will see an extension of the trend that has persisted for the past few millennia: the availability of plentiful energy at ever-lower cost and with ever-greater efficiency, enabling major advances in global economic growth.

WHY THE PAST IS PROLOGUE

The shale revolution has been very much a “made in America” phenomenon. In no other country can landowners also own mineral rights. In only a few other countries (such as Australia, Canada, and the United Kingdom) is there a tradition of an energy sector featuring many independent entrepreneurial companies, as opposed to a few major companies or national champions. And in still fewer countries are there capital markets able and willing to support financially risky exploration and production.

This powerful combination of indigenous factors will continue to drive U.S. efforts. A further 30 percent increase in U.S. natural gas production is plausible before 2020, and from then on, it should be possible to maintain a constant or even higher level of production for decades to come. As for oil, given the research and development now under way, it is likely that U.S. production could rise to 12 million barrels per day or more in a few years and be sustained there for a long time. (And that figure does not include additional potential output from

deep-water drilling, which is also seeing a renaissance in investment.)

Two factors, meanwhile, should bring prices down for a long time to come. The first is declining production costs, a consequence of efficiency gains from the application of new and growing technologies. And the second is the spread of shale gas and tight oil production globally. Together, these suggest a sustainable price of around \$5.50 per thousand cubic feet for natural gas in the United States and a trading range of \$70–\$90 per barrel for oil globally by the end of this decade.

These trends will provide a significant boost to the U.S. economy. Households could save close to \$30 billion annually in electricity costs by 2020, compared to the U.S. Energy Information Administration’s current forecast. Gasoline costs could fall from an average of five percent to three percent of real disposable personal income. The price of gasoline could drop by 30 percent, increasing annual disposable income by \$750, on average, per driving household. The oil and gas boom could add about 2.8 percent in cumulative GDP growth by 2020 and bolster employment by some three million jobs.

Beyond the United States, the spread of shale gas and tight oil exploitation should have geopolitically profound implications. There is no longer any doubt about the sheer abundance of this new accessible resource base, and that recognition is leading many governments to accelerate the delineation and development of commercially available resources. Countries’ motivations are diverse and clear. For Saudi Arabia, which is already developing its first power plant using indigenous shale gas,



Pipe dreams: a natural gas well in Sichuan, China, November 2013

the exploitation of its shale resources can free up more oil for exports, increasing revenues for the country as a whole. For Russia, with an estimated 75 billion barrels of recoverable tight oil (50 percent more than the United States), production growth spells more government revenue. And for a host of other countries, the motivations range from reducing dependence on imports to increasing export earnings to enabling domestic economic development.

RISKY BUSINESS?

Skeptics point to three problems that could lead the fruits of the revolution to be left to wither on the vine: environmental regulation, declining rates of production, and drilling economics. But none is likely to be catastrophic.

Hydraulic fracturing, or “fracking”—the process of injecting sand, water, and chemicals into shale rocks to crack them

open and release the hydrocarbons trapped inside—poses potential environmental risks, such as the draining or polluting of underground aquifers, the spurring of seismic activity, and the spilling of waste products during their aboveground transport. All these risks can be mitigated, and they are in fact being addressed in the industry’s evolving set of best practices. But that message needs to be delivered more clearly, and best practices need to be implemented across the board, in order to head off local bans or restrictive regulation that would slow the revolution’s spread or minimize its impact.

As for declining rates of production, fracking creates a surge in production at the beginning of a well’s operation and a rapid drop later on, and critics argue that this means that the revolution’s purported gains will be illusory. But there are two good reasons to think

that high production will continue for decades rather than years. First, the accumulation of fracked wells with a long tail of production is building up a durable base of flows that will continue over time, and second, the economics of drilling work in favor of drilling at a high and sustained rate of production.

Finally, some criticize the economics of fracking, but these concerns have been exaggerated. It is true that through 2013, the upstream sector of the U.S. oil and gas industry has been massively cash-flow negative. In 2012, for example, the industry spent about \$60 billion more than it earned, and some analysts believe that such trends will continue. But the costs were driven by the need to acquire land for exploration and to pursue unproductive drilling in order to hold the acreage. Now that the land-grab days are almost over, the industry's cash flow should be increasingly positive.

It is also true that traditional finding and development costs indicate that natural gas prices need to be above \$4 per thousand cubic feet and oil prices above \$70 per barrel for the economics of drilling to work—which suggests that abundant production might drive prices down below what is profitable. But as demand grows for natural gas—for industry, residential and commercial space heating, the export market, power generation, and transportation—prices should rise to a level that can sustain increased drilling: the \$5–\$6 range, which is about where prices were this past winter. Efficiency gains stemming from new technology, meanwhile, are driving down break-even drilling costs. In the oil sector, most drilling now brings an adequate return on investment at prices below \$50 per barrel,

and within a few years, that level could be under \$40 per barrel.

THINK GLOBALLY

Since shale resources are found around the globe, many countries are trying to duplicate the United States' success in the sector, and it is likely that some, and perhaps many, will succeed. U.S. recoverable shale resources constitute only about 15 percent of the global total, and so if the true extent and duration of even the U.S. windfall are not yet measurable, the same applies even more so for the rest of the world. Many countries are already taking early steps to develop their shale resources, and in several, the results look promising. It is highly likely that Australia, China, Mexico, Russia, Saudi Arabia, and the United Kingdom will see meaningful production before the end of this decade. As a result, global trade in energy will be dramatically disrupted.

A few years ago, hydrocarbon exports from the United States were negligible. But by the start of 2013, oil, natural gas, and petrochemicals had become the single largest category of U.S. exports, surpassing agricultural products, transportation equipment, and capital goods. The shift in the U.S. trade balance for petroleum products has been stunning. In 2008, the United States was a net importer of petroleum products, taking in about two million barrels per day; by the end of 2013, it was a net exporter, with an outflow of more than two million barrels per day. By the end of 2014, the United States should overtake Russia as the largest exporter of diesel, jet fuel, and other energy products, and by 2015, it should overtake Saudi Arabia as the largest exporter of petrochemical

feedstocks. The U.S. trade balance for oil, which in 2011 was -\$354 billion, should flip to +\$5 billion by 2020.

By then, the United States will be a net exporter of natural gas, on a scale potentially rivaling both Qatar and Russia, and the consequences will be enormous. The U.S. gas trade balance should shift from -\$8 billion in 2013 to +\$14 billion by 2020. U.S. pipeline exports to Mexico and eastern Canada are likely to grow by 400 percent, to eight billion cubic feet per day, by 2018, and perhaps to ten billion by 2020. U.S. exports of liquefied natural gas (LNG) look likely to reach nine billion cubic feet per day by 2020.

Sheer volume is important, but not as much as two other factors: the pricing basis and the amount of natural gas that can be sold in a spot market. Most LNG trade links the price of natural gas to the price of oil. But the shale gas revolution has delinked these two prices in the United States, where the traditional 7:1 ratio between oil and gas prices has exploded to more than 20:1. That makes LNG exports from the United States competitive with LNG exports from Qatar or Russia, eroding the oil link in LNG pricing. What's more, traditional LNG contracts are tied to specific destinations and prohibit trading. U.S. LNG (and likely also new LNG from Australia and Canada) will not come with anti-competitive trade restrictions, and so a spot market should emerge quickly. And U.S. LNG exports to Europe should erode the Russian state oil company Gazprom's pricing hold on the continent, just as they should bring down prices of natural gas around the world.

In the geopolitics of energy, there are always winners and losers. OPEC

will be among the latter, as the United States moves from having had a net hydrocarbon trade deficit of some nine million barrels per day in 2007, to having one of under six million barrels today, to enjoying a net positive position by 2020. Lost market share and lower prices could pose a devastating challenge to oil producers dependent on exports for government revenue. Growing populations and declining per capita incomes are already playing a central role in triggering domestic upheaval in Iraq, Libya, Nigeria, and Venezuela, and in that regard, the years ahead do not look promising for those countries.

At the same time, the U.S. economy might actually start approaching energy independence. And the shale revolution should also lead to the prevalence of market forces in international energy pricing, putting an end to OPEC's 40-year dominance, during which producers were able to band together to raise prices well above production costs, with negative consequences for the world economy. When it comes to oil and natural gas, we now know that though much is taken, much abides—and the shale revolution is only just getting started. 🌐



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The United States of Gas

Why the Shale Revolution Could Have Happened Only in America

Robert A. Hefner III

Less than a decade ago, the future of American energy looked bleak. Domestic production of both oil and gas was dwindling, and big U.S. energy companies, believing their fortunes lay offshore, had long since turned away from the mainland. But then something remarkable occurred: a surge of innovation allowed companies to extract vast quantities of natural gas trapped in once-inaccessible deposits of shale. The resulting abundance drove down U.S. gas prices to about one-third of the global average.

Natural gas has been a godsend for the United States. Already, gas has spurred a manufacturing renaissance, with investors spending and planning hundreds of billions of dollars on new facilities such as chemical, steel, and aluminum plants. The shale boom has created hundreds of thousands of new high-paying, middle-class jobs, and now, more than one million Americans work in the oil and gas industry—an increase of roughly 40 percent between 2007 and

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2012. Moreover, because natural gas currently supplies about 25 percent of the total energy consumed in the United States (a figure that is rapidly growing), the boom is saving U.S. consumers hundreds of billions of dollars a year. Combined with the other benefits, those savings have given the United States a long-term economic advantage over its competitors and helped the country recover from the Great Recession.

As much as other countries may envy this catalyst for domestic growth, they will not be able to replicate it, because only the United States possesses the unique ingredients necessary to fully develop shale resources. A legal system that enshrines the private ownership of land and the resources below it, along with open capital markets and a reasonable regulatory system, has led to the growth of thousands of independent oil and gas companies, all of which are in intense competition with one another. As a result, nearly four million oil and gas wells have been drilled in the United States, versus 1.5 million in the rest of the world. The bustle of drilling activity in the United States has also led to increases in innovation within the industry on an order of magnitude that other countries can only dream of.

Although other places, such as China and Europe, have substantial shale resources, they don't have the entrepreneur-friendly system needed to develop those resources quickly and productively. So long as politicians don't get in the way, then, the United States will profit handsomely from the shale revolution for decades to come.



BEHIND THE BOOM

The story of America's shale revolution involves classic Yankee ingenuity—although not on the part of big oil. Beginning in the 1970s, production from onshore U.S. oil and gas fields declined as those fields became what the industry calls “mature.” So the major oil companies were forced to abandon the development of new resources on U.S. soil. In order to find giant new oil fields, they shifted their exploration efforts to remote foreign lands and deep offshore waters. Such investments were enormously expensive and often required decades to negotiate and develop. In order to build the capital resources and global reach necessary to deal with national governments and complete mammoth projects, the major oil companies began to acquire or merge with their peers. Oil, they recognized, was usually cheaper to buy on Wall Street than find in the ground.

Over the next few decades, however, these companies became excessively bureaucratic and developed tunnel vision. Focused principally on replacing their dwindling oil reserves, they invested their capital in giant foreign deposits, such as the Kashagan field, in Kazakhstan, which has an estimated 13 billion barrels of recoverable oil; its first phase of development alone cost \$50 billion.

Meanwhile, smaller, independent companies—which earn the lion's share of their revenue at the wellhead and little of it downstream (at the refining stage, for example)—were forced to innovate or die. Beginning in the late 1990s, natural gas prices were climbing, and the companies were learning that the United States' underground shale

formations contained vast volumes of natural gas. So such firms as the GHK Companies (of which I am the founder and CEO) attempted to crack open the shale in vertical wells and release the gas by injecting sand, water, and chemicals into the rock, a process known as hydraulic fracturing, or “fracking.” But it simply wasn't profitable.

Then, George Mitchell, an independent oil man wildcatting in the Barnett formation, in Texas, began to break the code. His innovation was to drill horizontally into the shale, exposing thousands of feet of gas-bearing rock, rather than the 100 feet or so (or often just ten or 20 feet) encountered in a vertical well. In short order, gas prices got even higher and Mitchell's techniques got even better, and he started achieving some commercial success. In 2002, Devon Energy, sensing the coming revolution, bought Mitchell's company and ramped up the innovation necessary to develop the Barnett formation. Chesapeake Energy and other independent companies soon joined in, thus kicking off the U.S. shale boom. Within the decade, Chesapeake surpassed ExxonMobil as the largest U.S. natural gas supplier, and not long after, the United States surpassed Russia as the world's largest natural gas producer.

Not only did independent companies transform the natural gas industry; they did the same with oil. The newfound gas supplies had caused the price of U.S. natural gas to drop from a high of over \$13.50 per thousand cubic feet in 2008 to around \$3–\$4 per thousand cubic feet in 2009. Natural gas had become so cheap that the independents were again forced to innovate to stay alive. With gas selling at the equivalent of less than \$25 per barrel of oil, but oil



Made in America: a fracking site in Tioga, North Dakota, November 2013

selling at about \$100 per barrel, they began applying the technologies they had successfully developed for gas to extract oil from shale formations with low permeability, known in the industry as “tight” reservoirs. And the results were similarly impressive—such that the United States now stands to surpass Russia as the world’s second-biggest oil producer by the end of the decade and, according to the International Energy Agency, could even surpass Saudi Arabia to become the world’s largest producer by then.

None of this could have happened without the United States’ unique legal framework. It grants landowners the rights not only to the surface of their property but also to everything below—all the way, theoretically, to the center of the earth. In the rest of the world, these mineral rights are virtually all owned, or strictly controlled, by sovereign

governments. In the United States, any company can strike a deal with a willing landowner to lease the rights to the oil and gas beneath his land and start drilling, a setup that has spawned Darwinian competition among entrepreneurs in order to survive and grow. And so the United States boasts more than 6,000 independent oil and gas companies and an equal number of associated service companies, compared with the handful of independents and service companies that exist overseas.

At each of these American companies’ wells, dozens of minds work on each part of the development process. Using 3-D models of subsurface seismic activity, engineers, often remotely and in real time, monitor the exact location the drill bit, so that it can stay in the most prolific zones of the shale formation, and optimize the size of the cracks created by fracking, so that they are neither too

large nor too small. It's as if each well has its own miniature Silicon Valley. Having been repeated thousands of times, these and many other techniques have allowed companies to maximize their productivity, cutting their costs and well completion times in half from where they began.

Consider how much can change in one year alone. In 2013, on properties in Oklahoma in which the GHK Companies hold interests covering 150 square miles, one large U.S. independent company drilled and completed over 100 horizontal wells. Had those wells been drilled vertically, they would have exposed only about 1,000 feet of shale, whereas horizontal drilling allowed nearly 100 miles to be exposed. And rather than performing the 100 injections of fracking fluid that a vertical well would have made possible, the company was able to perform between 1,000 and 2,000 of them. The company's engineers also tinkered with such variables as the type of drill bits used, the weight applied while drilling, the rotation speed of the drill, and the size and number of fracking treatments. Thanks to that continuous experimentation, plus the savings from scale (for example, ordering tubular steel in bulk), the company managed to slash its costs by 40 percent over 18 months and still boost its productivity. The result: in 2014, six or seven rigs will be able to drill more wells and produce as much oil and gas as 12 rigs were able to the year before.

Since the shale boom began, over a decade ago, companies have drilled about 150,000 horizontal wells in the United States, a monumental undertaking that has cost approximately \$1 trillion. The rest of the world, however, has drilled

only hundreds of horizontal wells. And because each borehole runs horizontally for about one mile (and sometimes even two miles) and is subjected to ten or more fracking injections, companies in the United States have fracked about 150,000 miles of shale about two million times. That adds up to around a thousand times as much shale exposed inside the United States as outside it.

LESSER RIVALS

It is highly unlikely that other countries will ever catch up to the United States. True, China and Europe sit on vast shale resources (in China's case, possibly containing more natural gas than U.S. reserves). But those resources won't get extracted anytime soon. Since other countries cannot sustain thousands of independent oil and gas companies, their resources must be exploited by bureaucratic, slow-moving national companies and international giants (which have to deal with even more bureaucratic governments and often Byzantine legal and regulatory systems). Hammering out huge shale deals in foreign countries and then completing the resulting projects will take decades. Even in China, where the government exercises near-complete control of both surface and subsurface land use, only a few national companies and a few more foreign ones are planning on developing shale gas. And because fewer minds will be working on fewer operations, it will take longer to move up the learning curve and the productivity gains will be smaller than in the United States. So costs will be high, and profits, thin.

In many democracies, development is also being slowed by the "not in my

backyard” syndrome. Unlike Oklahomans and Texans, who have grown up with the oil and gas industry, foreign populations are usually unfamiliar with it; most of the 1.5 million oil and gas wells outside the United States are located either in deep offshore waters or remote onshore areas. And because governments in other countries own or control virtually all the underground resource rights, landowners have no skin in the game. Receiving none of the economic benefits and facing only the downsides of intrusive projects in their own backyards, they justifiably tend to resist drilling projects.

Such is the case in Europe, where the problem is magnified by a hyperactive green movement determined to block the development of shale gas. France has banned fracking entirely, and Germany has put a de facto moratorium in place. Without a massive change in attitude, Europe will take even longer than China to develop its shale gas resources. Even if it does develop them, the results will be less robust and very slow in coming.

Europe is also burdened by misguided energy policies. At the beginning of this century, European politicians argued that their continent should lead the world in shifting to green energy and reducing carbon dioxide emissions. They committed tens of billions of dollars of taxpayers’ money to subsidize green energy projects, principally to develop wind and solar power, that were not yet efficient or reliable enough to compete. Unfortunately, it is doubtful that Europe’s move toward green energy will result in the utopian future its advocates have predicted. In order to meet growing power demands, dirty coal freed up by the U.S. shift to natural gas is already finding its way to Europe. The reality is

that these European countries have saddled themselves with a costly, not very efficient energy infrastructure that will act as a brake on long-term economic growth. And so while the United States reindustrializes, Europe, without new political leaders who better understand the economics of energy, may well face decades of deindustrialization and economic stagnation.

THE GIFT THAT KEEPS ON GIVING

The shale revolution has its naysayers, who point to the cyclical nature of natural gas prices in the past to argue that future price spikes could render the fuel unreliable and costly. But past volatility resulted from stringent government price controls followed by a complex process of deregulation and from the high risk involved in exploring for pockets of conventional natural gas. In other words, prices were subject to both the vagaries of national policy and the complexities of subsurface geology.

Neither of those problems exists today, since price controls were abandoned long ago and U.S. companies now know exactly where vast quantities of accessible natural gas lie, and so the extraction of gas is a reliable manufacturing process rather than a crapshoot. The future price of natural gas will be determined not so much by the size of the supplies of gas found, as was the case with conventional natural gas, as by the manufacturing cost of extraction. Prices, therefore, should stay steady in the long run, possibly even for the next half century. They may even fall as the industry continues to lower costs and improve productivity at the wellhead. Additional innovation downstream—in the transportation, distribution, and consumption sectors—

has not yet even truly begun. When it does, efficiency gains will generate billions of dollars more in consumer savings.

The bottom line is that thanks to the shale revolution, the United States has already insulated itself from unpredictable fluctuations in global natural gas prices and is coming close to doing so in terms of oil prices. Domestic oil shortages due to foreign natural disasters or political disruptions could someday become a thing of the past, particularly if natural gas starts fueling U.S. cars and trucks. Growing energy independence will give Washington a leg up on its competitors. Should the flow of oil be threatened by some event in the Middle East, such as the fall of the Saudi regime, the United States will be able to weather the storm better than any other large economy.

Cheap and abundant natural gas adds to the country's geopolitical capital in a more direct way: it significantly strengthens the U.S. economy. Americans pay a fraction of the price for natural gas that the rest of the world's consumers do, saving as much as \$300 billion annually compared with consumers in China and Europe. Already, the development of the United States' enormous shale oil and gas reserves has boosted U.S. GDP by as much as one percent. In fact, without the growing oil and gas revolution, the U.S. economy would likely have slipped back into recession and added hundreds of thousands of fewer jobs. Today, most of the states enjoying the shale boom have lower levels of joblessness than the national average: thanks to drilling in the Bakken formation, for example, North Dakota's unemployment rate is only 2.6 percent, the lowest in the country. The United States'

growing economic advantage could last until the middle of this century or beyond.

Unless, that is, it is squandered. In California and New York, two of the country's largest economies, antifracking activists and state politicians have managed to slow the development of shale resources to a snail's pace. Both states contain large shale formations (the Monterey in California and the Marcellus in New York), the development of which would provide a major boost to both state and national economic growth. Politicians need to recognize that today America has an unprecedented opportunity for long-term economic growth that can generate good middle-class jobs, help it leave the Great Recession behind for good, and grant it geopolitical advantages over its competitors for decades to come. It would be a shame not to seize it. 🌐



Don't Just Drill, Baby—Drill Carefully

How to Make Fracking Safer for the Environment

Fred Krupp

The energy business has a way of making smart people look dumb. Experts were blindsided by the shale revolution in the United States. For most of the last few decades, they had assumed that U.S. domestic energy supplies were dwindling. Then, advances in horizontal drilling and hydraulic fracturing, or “fracking”—the injection of high-pressure streams of sand, water, and chemicals into underground shale and other rock to unlock oil and natural gas trapped there—significantly boosted total U.S. natural gas production, by as much as 25 percent in recent years, forcing many experts to change their tune. Horizontal drilling and fracking are now having an even bigger impact on domestic oil production: five years ago, most new onshore rigs were drilling for shale gas, but today, most are drilling for oil in shale and so-called tight rock formations. Experts are confidently pointing to the benefits of abundant supplies of this unconventional oil and gas for the U.S. economy: lower energy costs, new jobs, and even a revival in some parts of the manufacturing

sector. Politicians from both parties, meanwhile, are vying to be the most enthusiastic boosters of domestic natural gas.

Yet these same experts and policy-makers are in danger of being blindsided again, by failing to grasp the extent of the growing concern among Americans over the environmental costs of unconventional oil and gas production—a crisis of confidence that threatens to halt the boom in some states. From Pennsylvania to North Dakota, more and more people are expressing concern about the environmental problems associated with this production, including local air pollution from drilling sites known as “well pads,” the contamination of drinking water from spills or leaky wells, and noise and dust from trucks serving drilling sites.

Some U.S. communities and states, and even entire foreign countries, have responded to these worries by choosing to press pause on the development of their unconventional oil and gas resources. New York State, which sits atop the Marcellus Shale, a rock formation that extends through Pennsylvania to West Virginia and holds an estimated 141 trillion cubic feet of recoverable natural gas, imposed a statewide moratorium on fracking in 2010. Last year, in Colorado, the cities of Boulder and Fort Collins voted to ban fracking for at least five years, and nearby Lafayette prohibited all new oil and gas wells. Similar efforts are under way in other states, including California. In 2011, France declared its own moratorium on fracking; after its 2013 election, the German government did the same, pending an environmental risk assessment. And although the British

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government appears eager to exploit the United Kingdom's vast shale gas reserves, public unease and protests could block development there from moving forward, as well.

Until recently, many people assumed that natural gas would, on balance, prove beneficial for the environment. After all, unlike coal-fired power plants, natural-gas-fired ones produce negligible amounts of mercury, sulfur dioxide (which causes acid rain), and other air pollutants. Moreover, when burned, natural gas produces much less carbon dioxide than coal. But producing natural gas can impact the environment in several ways, including by releasing methane, a highly potent greenhouse gas that has the potential to reduce or even erase any near-term climate advantage. So the best one can say is that natural gas has the potential to provide a net environmental benefit—if the serious problems associated with it can be resolved. And that remains a big if. Add the growing concern that cheap natural gas could crowd out investments in solar and wind power and other renewable sources of zero-carbon energy, and it's no wonder that so many Americans have turned against shale gas and fracking more generally.

DIRTY WATER

Opposition to shale gas is not irrational. Local concerns stem from real problems. Three years ago, while serving on a panel set up by then U.S. Energy Secretary Steven Chu to examine the risks and realities of shale gas, I visited rural Pennsylvania to see the industry's impact firsthand. There, I met a mother who told me that she had been forced to leave her family farm because of severe air pollution from shale gas wells. The

pollution had made her young son ill. He was staying with friends so that he could attend school; she was living out of her car.

Things were even worse in Pinedale, Wyoming, a town that has just 2,000 residents but, due to its gas operations, smog rivaling that found in Los Angeles. Last year, the American Lung Association, which grades counties annually on their air quality, gave the county containing Pinedale an F for smog. In the last decade, Denver's once-notorious smog had dissipated, largely because of the introduction of cleaner vehicles. But now, it is back, thanks to the oil and gas industry. In fact, although smog levels are decreasing in cities across the United States, in Colorado, they have ticked upward since 2010. The state's 51,000 oil and gas wells, most of which were drilled in the past decade, are now its largest source of smog-producing volatile organic compounds—harmful air pollutants that escape from storage tanks, valves, and other equipment.

Shale gas exploitation may also be polluting the water. The gas industry insists that there is no scientific evidence that fracking, which usually takes place thousands of feet below the water table, can contaminate water. But fracking is only one part of unconventional gas operations, and scientists and observers contend that other parts of the process, when improperly executed, can in fact do so. In a 2011 study, the Ground Water Protection Council, an association of state regulators, concluded that the gas industry, through poor well construction and surface spills, had directly caused ground-water contamination in Ohio and Texas.

Despite the economic benefits of shale gas, the environmental risks have dragged



All hat, no hydrocarbons: protesting fracking in Los Angeles, May 2013

public opinion of it to an all-time low. In a Pew poll conducted in September 2013, 49 percent of respondents opposed fracking, whereas just 44 percent favored it. In 2012, John Deutch, a former director of the CIA and the chair of Chu's natural gas panel, said that the group's report showed that "the environmental impacts here were real." If the gas industry wanted to get people behind shale gas, he said, it "had to have a method of measurement and continuous improvement."

The industry cannot spin the facts to gain public acceptance or brush aside the harmful local impacts of drilling. Nor can it ignore the prospect that leaks and other releases of natural gas, which is composed primarily of methane (methane is also released all along the natural gas supply chain and from oil wells), could accelerate climate change. Unburned methane is a particularly powerful greenhouse gas. According to the Intergovernmental Panel on Cli-

mate Change, during its first 20 years in the atmosphere, methane is 84 times as potent a greenhouse gas as carbon dioxide.

WHAT LIES BENEATH

To understand the dangers of methane leakage from oil and gas development, consider how it affects the balance between the energy the earth absorbs from the sun and the energy the earth radiates back into space—a concept known as "radiative forcing." The bigger the difference between the amount of energy coming to the earth and the amount leaving it, the greater the global warming. Climate pollutants, such as methane, soot, and the class of refrigerants called "hydrofluorocarbons," currently cause over one-third of radiative forcing—and methane accounts for most of that amount and is expected to continue to do so. So reducing methane emissions is essential to mitigating climate change.

Today, about one-third of methane emissions in the United States come from the oil and gas industry. For natural gas, the most recent scientific research suggests that the break-even point for methane emissions—when an emissions rate that was any higher would make the switch from coal to natural gas worse for the climate in the short run—is 2.7 percent of production. No one can say with certainty how much methane is actually leaking from wellheads, processing plants, pipelines, and other natural gas facilities. The Environmental Protection Agency estimated in 2012 that total methane emissions in the United States from the natural gas supply chain represented 1.5 percent of all U.S. natural gas produced, meaning that 1.5 percent of the gas was lost through emissions. But that number may understate the true level: a 2013 Harvard study found that total U.S. methane emissions could be 50 percent higher than the EPA's estimate.

The Environmental Defense Fund, the nongovernmental organization I have led for the past 29 years, has studied natural gas closely. Two years ago, it launched 16 scientific research projects designed to fill in the gaps in what is known about methane leakage across the natural gas supply chain. The projects involve about 100 universities, research institutions, and, crucially, oil and gas companies.

The first of the 16 studies, the results of which appeared last year in *PNAS* (*Proceedings of the National Academy of Sciences*), measured methane emissions from 190 drilling sites in the United States. Although it found total emissions from the production of natural gas to be similar to the EPA's estimate, it discovered that emissions from certain sources were

much higher than the EPA found. Valves and compressors located at well pads, for example, all leaked more methane than the EPA estimated. Emissions from chemical injection pumps, which are used at wellheads to keep pipelines flowing or to neutralize corrosive substances, were found to be twice as high as the EPA's estimate.

The study also pointed to the promise of new emissions controls mandated by the EPA during well completions—a technique for capturing methane released at the end of the fracking process. When companies conducted “reduced emissions completions,” as the process is known, the amount of leakage was much lower than the EPA's estimate for wells not conducting them. The EPA will require all new natural gas wells to employ this technique beginning in January 2015, but it does not cover oil wells, many of which also produce considerable quantities of methane. Given how effective the process is, it should be required across the board.

There is little reason for the gas industry to balk at these requirements and other methods of reducing emissions, since many of them cost very little. A study commissioned by the Environmental Defense Fund and released this year by the consulting firm ICF International analyzed 11 ways to reduce methane from 19 emissions sources. Such measures include shifting to lower-emitting pneumatic valves and closely monitoring and repairing equipment to reduce unintended methane leaks. If the most cost-effective reductions were fully adopted, the gas industry would actually save roughly \$164 million annually. Overall, ICF found that using currently available technologies alone,

40 percent of methane emissions could be eliminated over the next five years for less than a penny per thousand cubic feet of gas produced.

COLORADO RULES

Reducing the shale gas industry's methane emissions is important, but that alone will not restore the public's confidence in natural gas. The creation last year of the Center for Sustainable Shale Development, in Pittsburgh, however, could help. A collaboration among oil and gas companies, environmental groups, and philanthropic organizations, the center set 15 voluntary environmental standards to improve shale gas development practices in the Appalachian basin. Drilling companies can seek certificates of operational excellence in two categories—air and climate and water and waste management—through an independent auditor. Among the companies participating are Chevron, Shell, EQT, and CONSOL Energy. Although these voluntary efforts by industry leaders can help distinguish the best from the rest and raise the bar for all, only strong rules enforced by a system that demands compliance will fully protect public air, water, and health from hazardous oil and gas development.

States have the leading role in regulating the oil and gas industry. More than 20 of them have adopted rules requiring companies to disclose which chemicals they use in fracking; at least another seven have such requirements under consideration. But work must still be done to develop regulations that can get around the industry's claims of trade secrecy, which oil and gas companies invoke to resist public disclosure of the chemicals they use. Eighty-four

percent of all fracking jobs use chemicals that the industry says are trade secrets. Competitive businesses rely, of course, on intellectual property protections to foster innovation, and trade secrecy could, in some cases, encourage the development of greener chemistry. But when it comes to chemicals that could threaten water tables, the public's interest should trump the industry's concerns, and strict disclosure rules should be put in place for these chemicals.

States are also getting better at monitoring the construction and maintenance of wells. Gas wells consist of steel pipes surrounded by cement, which isolates ground water from the gas and fluids that travel through the wells. But poorly constructed well casings and weak cement can increase the chances that the ground water will be contaminated. Texas recently overhauled its outdated well-construction requirements, incorporating several dozen improvements, such as enhanced testing of well integrity, more stringent criteria for cement jobs, and new safety procedures during fracking. Many of these improvements were part of the model regulations that the Environmental Defense Fund and the company Southwestern Energy had drafted over the past several years. Environmental activists have hailed the new rules.

States are making progress on methane leakage, too. In February, Colorado adopted the first rules anywhere in the United States that directly regulate methane emissions, over the opposition of industry trade associations in the state. Taking a cue from the leadership of Governor John Hickenlooper, who declared last year his intention to eliminate methane emissions in Colorado,

the Environmental Defense Fund and three of Colorado's largest oil and gas producers—Anadarko Petroleum, Encana, and Noble Energy—developed a proposal for regulations to reduce air pollution, which shaped the final rules. Now, companies must find leaks and fix them and use stronger emissions controls for storage tanks, dehydrators, and gas vents from wells. For that equipment, the regulations force companies to eliminate 95 percent of uncontrolled toxic pollutants and volatile organic compounds.

The Colorado rules are a major breakthrough and a bellwether for other states seeking to minimize the air pollution produced by the oil and gas industry. The process led by Hickenlooper could chart a path for the energy industry and environmentalists to work together to not only reduce emissions but address other environmental issues as well.

Other countries with large shale gas reserves are likely to follow the United States' lead in developing them, so the regulations in Colorado and elsewhere in the country will set the tone well beyond U.S. borders. China has the world's largest recoverable shale gas reserves, over 1,000 trillion cubic feet, more than the United States and Canada combined. Poland, with 148 trillion cubic feet, has the largest shale gas reserves in western Europe, and France isn't far behind. European countries currently import much of their natural gas from Russia, and many Europeans worry about the use of gas supplies as a political weapon, so tapping these reserves could reduce Russia's leverage.

Shale gas is not the solution to global climate change. But it can help reduce the use of high-carbon coal in the United States—and perhaps in China, Europe,

and elsewhere. Reforming this growing segment of the gas industry must not overshadow another, bigger challenge: accelerating the transition to truly clean, renewable energy.

For the next 20 years, however, slowing the rate of climate change is critical in order to give communities and wildlife a better chance to adapt. Reducing emissions of climate pollutants such as methane can reduce the rate of warming over the next few decades. Scientists have long warned that the unprecedented current rate of climate change is the greatest threat to biodiversity. And the human cost is apparent in more frequent and more intense extreme weather, from hurricanes and heat waves to droughts.

Working to reduce the emissions of pollutants that accelerate climate change is a project that industry leaders and environmentalists in the United States should be able to agree on. By forging unlikely alliances based on a mutual understanding of what is at stake, the environmental community and the oil and gas industry can create strong, sensible standards that reduce the risks of unconventional oil and gas development—and ensure that the economic windfall benefits the environment, too. 🌱



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Electric Avenue

How to Make Zero-Emissions Cars Go Mainstream

David M. Levinson

In 1896, a 33-year-old engineer working for the Detroit branch of Thomas Edison's Edison Illuminating Company traveled to New York for the firm's annual convention. The automobile was the obvious technology of the future by then, but it wasn't yet clear what would propel it: steam, electricity, or gasoline. Edison had been tinkering with batteries that could power a car, so he was interested to hear that the engineer from Detroit had invented a two-cylinder gasoline vehicle. After hearing a description of the car, Edison immediately recognized its superiority.

"Young man, that's the thing; you have it," Edison told the inventor. "Keep at it! Electric cars must keep near to power stations. The storage battery is too heavy. Steam cars won't do either, for they have to have a boiler and a fire. Your car is self-contained—it carries its own power plant—no fire, no boiler, no smoke, and no steam. You have the thing. Keep at it."

The engineer's name was Henry Ford, and he did keep at it. By 1908, the Ford

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Motor Company's Model T was the best-selling car in America. And for a century to come, the limitations Edison recited largely kept electric vehicles off the road.

Yet electric vehicles have a major inherent advantage over gasoline-powered ones: they use less energy to drive a given number of miles. The internal combustion engine wastes around 70 percent of its fuel on generating heat rather than thrust, whereas electric motors can waste as little as ten percent (although significantly more than that is wasted when one includes generating electricity back at the power plant and transmitting it). Moreover, because they can plug into the grid, electric vehicles can draw from multiple sources of power, including renewable energy. Switching from gas to electricity for transportation offers the potential to dramatically reduce carbon emissions, especially if the original energy source is clean.

And now, more than a century after the internal combustion engine won the battle to power transportation, the fight is starting up in earnest once again. In the last decade and a half, hybrid-electric vehicles have found their way onto the market and gained a small, if devoted, following. Because they rely on both an internal combustion engine and a battery, hybrid-electric vehicles have overcome the range problem that had plagued vehicles powered by only electricity. Such cars as the Honda Insight and the Toyota Prius, both released in the United States around 2000, tapped into consumers' desire to broadcast their concern for the environment or their technological progressiveness. Some U.S.



states rewarded the owners of hybrids with access to high-occupancy-vehicle lanes, and the federal government offered them a tax credit of up to \$3,400.

Companies soon began selling vehicles that burned even less gasoline. In 2010, General Motors reentered the electric vehicle market with a hybrid-electric vehicle called the Chevy Volt (the company famously killed its first attempt, the EV1, in the 1990s). The Volt is a plug-in hybrid-electric vehicle, meaning that it gets most of its energy from electricity, not gas. Unlike simple hybrid-electric vehicles, in which the internal combustion engine charges the battery, plug-in electric vehicles charge their batteries from the electricity grid.

Around this time, the Nissan Leaf and the Honda Fit EV, both of which are fully electric, also came on the market. All-electric vehicles are remarkably efficient. The Fit EV, for example, uses just 18 kilowatts per 100 kilometers of driving—the equivalent of 118 miles per gallon, according to the Environmental Protection Agency. It can travel 82 miles on a single charge. Newer companies, meanwhile, are building high-end electric cars. In 2012, Tesla Motors, founded by the entrepreneur Elon Musk, sold more than 2,500 of its Model S cars. These start at \$70,000 and boast a range of up to 265 miles.

Yet last year, Americans bought only around 490,000 traditional hybrids, 49,000 plug-in hybrid vehicles, and 48,000 all-electric vehicles—a tiny fraction of the some 14 million cars and light trucks sold in the country every year. Electric vehicles serve mostly as status symbols. In order for the market to reach a size that makes a real difference to total carbon emissions, they will have to appeal to

more than just green and technophilic drivers; they will need to make economic sense to the average buyer.

The good news is that advances in batteries, fuel cells, lightweight cars, and charging networks are making electric vehicles look more promising than ever before. To accelerate the economies of scale necessary for the widespread adoption of electric vehicles, the government currently subsidizes the production and consumption of such cars. But in the absence of major technological improvements, these policies have proved insufficient. If policymakers took the politically unpopular step of taxing people for the carbon their cars emit, electric vehicles would capture a larger market share.

DRIVING RANGE

The key challenge with electric vehicles involves figuring out how to store more energy in less mass—in other words, increasing what is known as energy density—and how to make the resulting battery affordable. Although it is possible that some breakthrough will change everything, at current rates of improvement in the battery market, it is likely to take another decade or two before electric vehicles can match the range and cost per distance of gas-powered cars. Moore's law, which predicts a doubling of computing power every two years or so, doesn't apply to batteries.

Still, energy density is getting better, doubling every ten years or so. Over the last six decades, the maximum energy density of rechargeable batteries increased from 25 watt-hours per kilogram to 210. At that rate, by 2030, the figure should reach 500 watt-hours per kilogram—the point at which the range for battery-



Plug and play: the Chevy Volt, Detroit, January 2009

powered cars will be comparable to that for gas-powered cars.

Onboard batteries are only one possible technology for powering electric vehicles. Ultracapacitors, which store energy in electric fields, charge and discharge quickly, thereby enabling vehicles to accelerate faster and capture more energy from braking. Ultracapacitors, however, have a shorter life span than batteries and don't store as much energy. But new materials may overcome these restrictions. Besides, cars could use both batteries and ultracapacitors, a combination that might prove better than either on its own.

Fuel cells, which convert such chemicals as hydrogen into electricity, could also propel cars. In the late 1990s, excitement surrounding hydrogen fuel cells peaked. But although their cost has fallen, fuel cells have yet to be cost effective in comparison with batteries, much less internal combustion engines.

In many places, liquid biofuels generated from biomass such as corn, sugar cane, algae, switchgrass, and wood are already used for transportation. In Minnesota, for instance, E10, a fuel that is ten percent corn-based ethanol and 90 percent gasoline, is standard, and E22, comprised of 22 percent sugar cane, is common in Brazil. When filled with 100 percent ethanol, flexible-fuel vehicles, which can use a wide range of mixes of ethanol and gasoline, are typically 20 percent less fuel-efficient than when filled with gasoline. But over the long run, cars using only ethanol approach the point of being carbon neutral, since the carbon emitted through burning biofuels is reabsorbed by plants, which can again be turned into fuel. That said, such fuels entail the not insignificant costs of planting, growing, harvesting, and shipping.

As the shale boom takes hold, trucks are increasingly running on natural gas,

which emits less pollution and carbon dioxide than conventional gasoline. When liquefied or compressed, natural gas can be transported easily. Across the United States, companies are constructing networks of liquefied natural gas fueling stations for long-distance trucking. For the moment, given the lack of distribution points, liquefied natural gas makes more sense for fleet vehicles, which return to their bases every day, providing a convenient fueling place. Natural gas can also be produced from biomass, such as manure and crop waste. When purified into a gas called biomethane, it has an even lower carbon impact.

One solution to electric vehicles' range problem is to simply move less mass and therefore consume less energy. It doesn't make sense to push two tons of metal and plastic just to transport one or two people, and some automakers are miniaturizing their offerings. Weighing in at just 1,600 pounds, the Smart Fortwo is one of the smallest mass-produced cars on the market. Although the vehicle hasn't quite caught on in the United States, where sales have been below 1,000 per month, it has in Europe, where space is at a premium and government policy discourages the use of cars.

Two-wheel electric vehicles, which weigh even less, are enormously popular in developing countries, where they fill the gap between bicycles and automobiles. But they have not yet gained traction in the developed world, where the same infrastructure there that supports bicycles—bike lanes, bike-sharing networks, and so on—could be adapted for electric bikes. Electric bicycles are unlikely to catch on in the United States anytime soon. Land-use patterns there

are not conducive to bicycling, and drivers may be reluctant to downsize too much, in part due to concerns about safety. Until self-driving vehicles alleviate most safety risks, American cars will remain big.

The range problem for electric vehicles could also be solved by the construction of a comprehensive network of charging stations. First, however, the automotive industry needs to agree on a standard, just as it did for the size of fuel-pump nozzles. Currently, different plug-in cars use different charging devices, although the industry is making progress on standardization. It is also working on technology that charges batteries quickly, but so-called fast-charging stations are fast only compared to conventional charging. They still take upward of 30 minutes for an 80 percent charge, much longer than it takes to fill up at the pump.

Designs that allow empty batteries to be quickly swapped out for charged ones may help, too. The idea dates back to 1900, and it was revived in 2007 by the Israeli entrepreneur Shai Agassi, whose company hoped to develop a network of battery-exchange centers before it went bankrupt in 2013. In order for quick-swap batteries to take hold, batteries will have to be standardized so that the economies of scale kick in. Until automakers converge on an interchangeable standard for batteries or one firm comes to dominate the industry, drivers arriving at exchange centers will risk finding out that their battery type is not in stock. Although that happens with other car parts, such as tires, the difference is that garages don't promise to replace tires in a matter of minutes.

Another way to make electric cars practical is even more speculative: a

rental service of self-driving cars that could be ordered on demand. In such a scheme, travelers would receive fully charged electric vehicles for their trips and, for long journeys, a replacement vehicle along the way. It would work much like the Pony Express, the mid-nineteenth-century mail service linking Missouri to California, which swapped out horses at a series of relay stations. Self-driving vehicles should enter the high end of the car market around 2020 and become standard by around 2030. These “robo-cars” need not be electric, but as cars get smarter, they should be able to charge themselves, alleviating some of the concerns associated with electric vehicles. And if the range problem persists, perhaps drivers will use something other than cars, or will stay with liquid fuel for the few long trips they make.

TAX TIME

If technological progress is coupled with smart government policy, then these high-tech dreams could become everyday reality. When it comes to funding research on alternative-fuel vehicles, the United States has pursued the right strategy. The federal government has wisely avoided putting all its eggs in one basket, instead spreading research grants across a variety of technologies, most of which do not seem terribly promising but each of which has its partisans. Many small bets are more likely to find a winner than a few large ones; this is not the time for a new Manhattan Project or Apollo program.

As for consumer incentives, the U.S. government provides an infant-industry subsidy of \$2,500 in tax credits for buyers of plug-in electric vehicles and has in the

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past provided other subsidies for buyers of fuel-efficient vehicles. Several U.S. states and some foreign countries provide additional subsidies.

A better, although more politically difficult, policy would be to charge those who burn gasoline and diesel fuel for the full economic and social cost of their decision. Right now, pollution is essentially free in the United States; drivers don't pay anything for the emissions that come from their tailpipes, even if they're driving a jalopy from the 1970s. If the government were to charge people for the health-damaging pollutants their cars emit and enact a carbon tax, the amount of pollution and carbon dioxide produced would fall. Consumers would drive less, retire their old clunkers, and be more likely to purchase electric vehicles. (An increase in oil prices—due to a lack of new discoveries, increasing demand in the developing world, or something else—would have the same effect.)

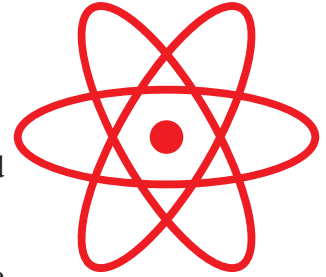
The United States already has a modest gas tax, which, although it was not designed for this purpose, does have the side effect of disincentivizing carbon emissions. But many economists favor a full-fledged carbon tax on fuels, the revenue of which could be used to fund environmental agencies' efforts to mitigate damages from pollution and climate change. It could be offset by tax cuts elsewhere. Yet if raising taxes were politically easy, this would have been done long ago.

The government cannot rely on the gas tax forever. Since its 1919 debut, in Oregon, the tax has come to serve as the main source of road funding at the state and federal levels. Already, transportation funding is beginning to shrink due to improvements in fuel economy, and

the Highway Trust Fund is teetering on the brink of insolvency. With the rise of alternative-fuel vehicles, the current funding arrangement will fail.

The immediate solution is for policymakers to take the politically unpopular step of raising the gas tax. In the long run, however, something else will need to be done. There is no reason to move away from the tax now, but as gasoline engines eventually lose market share, the government should think of and organize roads as a public utility, like electricity and natural gas. That would mean making drivers pay user fees, such as a per-mile charge that varied by the time of day and the type of vehicle used.

Assuming that the economy continues to grow and companies continue to innovate, vehicles powered by electricity or other non-oil-based energy sources will eventually become a mainstay of the American garage. As the market adjusts and early adopters experiment with new vehicles, each energy source may come to temporarily dominate a market niche. But in the end, economies of scale suggest that one technology will win out for a long time. And so the battle for the automobile now looks much like it did at the beginning of the twentieth century. The definition of victory—the invention of an energy-efficient method of getting around—is clear. But the eventual winner—whether it be electricity, fuel cells, biofuels, natural gas, or something else—is not. 🌐



Nuclear Freeze

Why Nuclear Power Stalled— and How to Restart It

Per F. Peterson, Michael R. Lauffer, and Edward D. Blandford

These days, the long-term role that nuclear power will play in the global energy market remains uncertain. That would have come as a surprise to the scientists and engineers who, during the 1950s and 1960s, pioneered the study of nuclear fission, built test reactors, and designed nuclear-powered airplanes and rockets. They would also have been surprised, and likely dismayed, that the light-water reactor—the technology that powered the first nuclear submarine, in 1954—remains the dominant commercial technology for producing fission energy. The glacial rate of change in nuclear technology over the last 60 or so years is why many energy analysts characterize current nuclear reactor technologies as “mature.”

Other highly regulated U.S. industries, such as biotechnology, commercial

aviation, and even commercial space launch, have enjoyed far faster rates of innovation than nuclear energy. The slow pace of nuclear innovation results primarily from the high costs and risks the industry presents to would-be first movers: even before they begin the time-consuming process of building a new plant, utility companies and the firms that manufacture reactors must invest a great deal of capital and then wait a long time to acquire licenses from the U.S. government. And in the last few years, utilities have lost interest in building new reactors in the United States thanks to the boom in the domestic production of shale gas, which has made natural gas the preferred fuel for new U.S. power plants.

But cheap U.S. shale gas is no long-term solution for the economic and environmental costs of global energy production. Natural gas prices are historically quite volatile, and although U.S. shale gas is certainly cleaner than coal, it is nevertheless a fossil fuel, and burning it still produces harmful levels of carbon dioxide. Nuclear power remains the best way to reliably produce electricity for homes and businesses on a large scale. That is why the continuing deficit in nuclear innovation is so troubling—and why Washington needs to seek additional strategies to incentivize and support nuclear innovation.

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DIFFICULT TIMES

Since the late 1970s, there has been a marked slowdown in the growth of nuclear power in the United States. By 1978, U.S. utility companies had ordered

264 nuclear plants; since then, only half of those have been built. And those that were built cost a great deal and took a long time to complete. The 54 U.S. nuclear power plants that completed construction between 1970 and 1980 took an average of 5.7 years to build; after 1980, the average construction time increased to 12.5 years, and average construction costs more than doubled, adjusting for inflation.

Many factors contributed to these rising costs and longer construction times. For one thing, work on nuclear plants slowed down after the federal government stiffened regulations in the wake of the Three Mile Island accident in 1979, when a reactor at a nuclear plant in Pennsylvania partially melted down and released small amounts of radioactive material into the environment. But perhaps the most important obstacles resulted from the fragmented structure of the U.S. utility industry and the extraordinary diversity of the plant designs that utility companies ordered. For decades, U.S. reactor construction was dominated by four major companies that designed and built nuclear plants: Westinghouse, GE, Combustion Engineering, and Babcock & Wilcox. As nuclear technology advanced, these manufacturers frequently changed and updated their designs to increase power output, believing that doing so would reduce costs for the utilities that owned and operated the plants and thus increase the plants' value. Instead, the frequent updates significantly increased construction costs, sometimes leading utility companies to abandon the projects altogether.

The utilities themselves made things worse by customizing the nonreactor elements of their plants to fit their

individual visions for how the plants should operate. Indeed, utilities often started construction on plants after having completed as little as 40 percent of the design process. This made it difficult for suppliers and vendors to reduce costs through standardization, since each plant they serviced had its own particular requirements.

On the other hand, the near-total lack of standardization also had a silver lining: because each plant presented its own set of challenges to engineers and technicians, it encouraged innovation in operations and maintenance. Thus, while innovation in reactor design has been slow, the industry has excelled at small-scale innovation: tweaks and improvements that allowed existing plants to operate better and better over the last four decades. Moreover, the diversity of the plant designs compelled the U.S. Nuclear Regulatory Commission to develop a substantially stronger and more independent system of scientific and technical assessment compared to the systems of other national nuclear regulatory agencies, which explains why the most important recent advances in commercial reactor technology have been developed in the United States.

Two other factors allowed for small-scale innovation and improvements within the nuclear industry. The U.S. utilities industry consists of regional monopolies that do not compete directly with one another, which means they can cooperate more closely than firms in most other industries. And after the Three Mile Island accident, every utility company that ran a nuclear plant realized that the future of the industry depended on preventing future accidents. That realization prompted



Atomic opportunity: the Temelin nuclear plant, Czech Republic, March 2011

U.S. utilities to cooperate with one another even more, by sharing detailed information about their operations, an effort that paid off by greatly improving the reliability of U.S. nuclear plants.

FISSION VISION

The structural factors that fostered innovation in the operation and maintenance of existing nuclear plants did not have the same positive effect on innovation in the design and construction of new nuclear plants. Still, although large-scale innovation has lagged, the U.S. nuclear industry has made two major strides over the last two decades when it comes to nuclear plant technology.

Arguably the most important advance has been the development of passive safety systems for reactors, which are featured in two recent U.S. models,

Westinghouse's AP1000 and GE's Economic Simplified Boiling Water Reactor. One of the main challenges nuclear engineers face is how to keep a reactor cool in the event of an accident. When a reactor shuts down, as it is designed to do when something goes wrong, the radioactive byproducts of nuclear fission continue to generate heat. Failure to remove that heat can damage the reactor's nuclear fuel and result in the release of radiation. The vulnerability of traditional safety systems, which rely on electric power to remove the heat, was demonstrated by the 2011 Fukushima Daiichi nuclear disaster in Japan, in which the primary cause of the accident was the loss of all sources of electric power after a tsunami. Passive safety systems, by contrast, rely on gravitational forces to remove excess heat. With the advent of improved computer

modeling in the 1990s, designers were able to demonstrate the reliability of these passive systems and thus obtain licenses to build reactors that used them.

In addition to eliminating the need for external electric power sources, passive safety systems also reduce the number of valves and pumps in nuclear plants by at least 50 percent, which decreases the amount of space needed to house a reactor. And by eliminating equipment and power sources that plant personnel have to inspect and maintain frequently—and that security forces must guard—passive safety systems also make plants less labor-intensive and less vulnerable to sabotage.

The second major advance in nuclear power is the use of modular construction methods, which were pioneered by the shipbuilding and petrochemical industries. Modular construction involves manufacturing parts of buildings in a factory and then moving those modules into place and assembling them at a construction site: think IKEA furniture assembly, but with welding. Cruise ships, among other things, have been built this way since the 1990s. The nuclear industry embraced modular construction more recently and has benefited from computer-aided manufacturing tools that now make it even easier to build so-called small modular reactors (SMRs).

Because SMRs are smaller than traditional reactors, building them takes less time. Utility companies can also use SMRs to increase the power output of a nuclear plant gradually over time, as needed, instead of sinking capital into building large reactors based on long-range estimates of expected future demand. And since the risk that fuel will be damaged during an accident

increases along with a reactor's size, SMRs also improve safety, by dividing the fuel used at a nuclear plant among a group of smaller reactors.

The development of SMRs has benefited from collaborative relationships among universities, for-profit companies, and the U.S. government. The experience of an American energy start-up called NuScale Power serves as a good example. The company grew out of a research collaboration begun in 2000 between the Idaho National Engineering and Environmental Laboratory (now the Idaho National Laboratory) and Oregon State University. With critical funding from the U.S. Department of Energy, the research team began experiments to design a small reactor. Their success attracted venture capital funding, which allowed the researchers to design a smaller reactor than previously possible, one that features a fully passive safety system. In 2007, the university spun off its research to create NuScale, which is currently seeking certification for the new design.

Following on NuScale's preliminary success, three more U.S. reactor manufacturers have begun the design and licensing process for new SMR models—a bit of momentum that owes a great deal to federal funding. Government support of that kind helps would-be first movers by reducing the risk that free-riding competitors will take advantage of any breakthroughs without sharing any of the significant initial costs.

ATOMS FOR PROFIT

Despite the progress represented by passive safety systems and modular construction, the U.S. nuclear industry struggles to get American-made equip-

ment into new reactors when they are built overseas. And the promise of these new technologies has been overshadowed by the general lack of enthusiasm in the United States for new reactor deployment—a result of the low domestic energy prices produced by the boom in shale gas. The boom is already showing signs of slowing down, and future prices for U.S. natural gas will almost certainly be as volatile as their historical values. Nevertheless, thanks to the United States’ extraordinarily rich shale resources and extensive natural gas distribution system, U.S. prices will probably remain substantially lower than average prices worldwide.

That means that utility companies in the United States will continue to treat nuclear energy with a certain level of skepticism—even when it is produced with cheap, safe, and innovative technologies such as SMRs. That will make it hard for U.S. manufacturers of SMRs to sell enough reactors to recover their development costs, which means they will increasingly search for markets overseas for their innovations, most likely through multinational commercial joint ventures. One place they might find opportunities is China, which currently has 20 nuclear plants in operation, with 28 more under construction and plans for an even larger expansion in the future.

U.S. manufacturers will also continue to rely on assistance from the federal government. Taking a cue from the important role that federal funding has played in the development of SMRs, Washington should consider supporting a whole range of exciting new innovations in nuclear energy. The best approach is for the government to establish performance objectives without prescribing

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the methods to achieve them: federal policies work better when they establish goals, reduce barriers, and reward innovation, but do not select the means. In addition to providing financial support, Washington needs to reduce the amount of time it takes the government to certify U.S.-manufactured components for export, so that American firms can compete more easily with foreign suppliers that face less cumbersome regulatory procedures.

Moreover, in order to make American technological leadership more credible, Washington must put its own nuclear house in order. Today, the United States has no federal nuclear waste program, following the Obama administration's 2009 decision to abandon the long-planned Yucca Mountain nuclear waste repository in Nevada, which was selected as a central storage site in 1987 but never built. Last summer, a bipartisan group of four U.S. senators introduced the Nuclear Waste Administration Act of 2013, designed to implement the suggestions of the Blue Ribbon Commission on America's Nuclear Future (of which one of us was a member), which President Barack Obama established in 2010. The bill would launch a new consent-based process to identify and develop new storage and disposal facilities and would create a federal agency to negotiate long-term agreements with state, local, and tribal authorities. The bill does not preclude a future decision to license and construct the Yucca Mountain site; instead, it represents a new effort to innovate, and to find a better solution to the problem of nuclear waste, as still required by current U.S. statute.

The Senate bill has yet to come up for a vote, and even if it passes, it faces likely resistance in the House. But its passage is crucial to the future of nuclear energy: without a reliable plan for how to store or dispose of nuclear waste, the United States will squander the opportunities represented by the promising innovation taking place in the nuclear industry. If the industry and Washington can work together to solve the problems of waste storage and disposal and foster innovations that will make nuclear power even cheaper and safer than it already is, the technology's best days might yet lie ahead. 🌐

Powering the Pentagon

Creating a Lean, Clean Fighting Machine

Sharon E. Burke

In the immediate aftermath of World War II, the U.S. naval aviator Thomas Moorer questioned Takeo Kurita, a former vice admiral of the Imperial Japanese Navy, as part of the U.S. military's postwar interrogation of Japanese commanders. Kurita told Moorer that one of the most significant reversals of fortune Japan had suffered during the war was the loss of fuel supplies. "We ran out of oil," Kurita said, and by the end of the war, the Japanese military had grown so desperate, it was operating its equipment on fuel distilled from old tires, rice, and even pine needles. "What I learned then," Moorer would note years later, "was never lose a war, and the way to lose a war is to run out of oil."

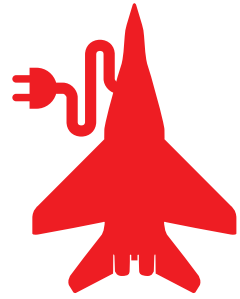
Last year, the U.S. Department of Defense was the single largest consumer of fuel in the United States, using about 90 million barrels of oil, at a cost of nearly \$15 billion. The fuel requirements of the U.S. armed forces accounted for approximately 1.3 percent of all U.S. petroleum demand and more than 80 percent of the federal government's total fuel consumption.

Although the United States is not in any immediate danger of running out of

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oil today, the U.S. military's heavy reliance on fuel could become a liability, given that U.S. forces must be able to travel long distances on short notice. And President Barack Obama's rebalancing of U.S. strategic interests to the Asia-Pacific region only further underscores the importance of U.S. mobility.

The U.S. military's fuel demands may not seem problematic today. But they will be in a future in which a range of potential adversaries could target supply lines with precision, thanks to advanced weapons. To confront that risk, the Pentagon hopes to transform the U.S. military from an organization that uses as much fuel as it can get to one that uses only as much as it needs. It plans to build a force that requires less energy to operate and can adapt its use of various energy supplies and technologies to fit the needs of different contingencies and campaigns. The Pentagon still has a long way to go before it can realize these goals. But from bases in Afghanistan that have cut their energy use by a quarter to the development of more efficient engines, the U.S. military has already begun improving its energy security in ways that make economic, environmental, and strategic sense. The stakes are also high for the civilian economy. The International Energy Agency has estimated that the world will need to invest some \$37 trillion in new energy technologies by 2030 in order to meet rising global demand. Therefore, a more energy-efficient U.S. military may well help drive the



innovation so urgently needed in the civilian economy, too.

NEVER BREAK THE CHAIN

Since the birth of the petrochemical industry in the mid-nineteenth century, fuel has fed victory—and defeat—in war. “At the present time, my chief difficulty is not the Germans but gasoline,” General George Patton wrote in August 1944, as fuel shortages at the front limited the U.S. Third Army’s advance into Germany. “If I could only steal some gas, I could win this war.”

Today, U.S. forces in Afghanistan have few such complaints, thanks to the long reach of U.S. military logistics and the Pentagon’s well-honed ability to secure energy supplies on the international market. But getting fuel supplies to the battlefield still carries significant risks. Consider Combat Outpost Jaghato, south of Kabul, one of hundreds of small U.S. bases throughout Afghanistan. Before the camp closed last year, it housed nearly 100 soldiers. They carried out most of their combat and training missions on foot but still went through an average of about 500 gallons of fuel every day to run armored vehicles and generators, which provided electricity for, among other things, computers, lights, and heaters.

Given the difficult, dangerous terrain that surrounded the outpost, most of Jaghato’s fuel arrived via twice-monthly aircraft deliveries. According to the Pentagon’s analysis, moving fuel by air to such remote positions takes about two gallons of fuel for every gallon supplied. Counting transportation and protection requirements, a gallon of fuel for outposts such as Jaghato has an effective cost of roughly \$40.

But not every combat outpost in Afghanistan has its fuel delivered this way. Other locations are supplied by truck from the Pakistani port of Karachi and then overland through Pakistan. This method of delivery is generally cheaper than sending fuel by air, depending on the route and the escort requirements, but in some cases, it exposes the supplies and personnel to a significant risk of attack by the Taliban and other groups on both sides of the Afghan-Pakistani border. Thousands of Afghan, Pakistani, U.S., and NATO military and civilian personnel in Afghanistan and Pakistan have been killed or wounded by improvised explosive devices, suicide bombings, or ambushes while clearing routes and escorting or moving ground convoys, some 70 percent of which are typically ferrying fuel and water supplies, according to the U.S. Army.

Although any battlefield involves such risks and expenses, the 2014 Quadrennial Defense Review, the Pentagon’s signature strategy document, foresees a future of more attacks designed to interfere with the free movement of U.S. forces. Indeed, such attacks—what the Pentagon calls “anti-access/area-denial” tactics—have already been a cause for concern for both military and commercial interests, from the improvised explosive devices in Afghanistan to sea mines in the Strait of Hormuz and piracy off the Horn of Africa. And according to a 2012 report by General Martin Dempsey, chairman of the Joint Chiefs of Staff, new, technologically sophisticated weapons, such as precision-guided mortars and missiles, antisatellite weapons, and unmanned aerial, ground, and underwater vehicles, are making these tactics even more dangerous. The report



Gas guzzler: refueling in Helmand Province, Afghanistan, February 2011

noted that logistics will certainly be a target for adversaries wielding such weapons, and U.S. forces' appetite for fossil fuels and electricity will be a particular vulnerability.

Energy supply and demand trends are part of this changing geostrategic picture, as well, but in ways that can be hard to predict. Domestically, recent improvements in energy efficiency and oil and gas production are good news for the U.S. economy—for the balance of trade, job growth, and the manufacturing sector. But there are also secondary, emerging geopolitical effects. For example, the U.S. Energy Information Administration has forecast that China will become the world's largest oil importer this year. Although China and the United States will both continue to benefit from a calm global oil market and freedom of movement through the Strait of Hormuz and other chokepoints, China's import

dependence is rising as the United States' is falling sharply. China's increased direct trade with energy-producing nations, such as Russia, Saudi Arabia, and perhaps even Iran, will shape the strategic interests of all countries. At the same time, all these nations are developing their own anti-access/area-denial capabilities to target supply lines and limit the movements of adversaries. For now, these shifting energy relationships and defense investments do not threaten U.S. economic or security interests. But the Pentagon is watching these trends closely.

EVERY LITTLE BIT HELPS

The U.S. military will always need energy, and supply lines are always attractive targets during times of war. One way to limit the military's vulnerability would be simply to use less fuel—to reduce risk by reducing reliance. To that end, the Pentagon plans to invest \$9 billion over

the next five years to boost the efficiency and protect the energy supplies of U.S. military equipment. Almost 90 percent of these funds will go toward reducing the demand for fuel in combat, mostly by improving the efficiency of everything from battleships to fighter jets.

The remaining ten percent of the Pentagon's energy investment will be aimed at diversifying its fuel supplies and making them more reliable. That includes testing and evaluating advanced fuels for use in military equipment. The Pentagon has already certified for use blends of fuel made from petroleum mixed with coal, natural gas, or renewable biomass, which means that U.S. forces will be able to buy such fuel on the commercial market in the future. These investments will also support a larger national goal to develop domestic low-carbon liquid fuels.

The Pentagon is already applying energy innovations in the field. Since 2012, a U.S. Army program known as Operation Dynamo has supplied about 70 U.S. bases and outposts in Afghanistan, including Jaghato, with more energy-efficient generators, shelters, and lighting, as well as improved energy-storage and electricity-distribution equipment. At Jaghato, the upgrades cut the outpost's total fuel demand by a quarter, allowing the military to make an estimated 45 fewer air deliveries of fuel over the course of a year.

Given that the Department of Defense consumed more than four billion gallons of fuel last year, saving 125 gallons a day at Jaghato may seem like a drop in the barrel. But it is an important drop: even a small savings at the edge of a battlefield can make a big difference for the soldiers serving there and for all of

those who supply them with fuel. But still, outposts such as Jaghato are not significant overall consumers of fuel when compared to ships, planes, and combat vehicles. And although the Pentagon's investments in efficiency could similarly reduce the energy needs of that equipment down the road, for the time being, the U.S. military's energy consumption is growing, and quickly. That spike is the result of equipment that the Pentagon plans to introduce in the next few years, which, although technologically advanced, will increase the U.S. military's fuel demand. The F-35 combat aircraft, the Littoral Combat Ship, and the KC-46A tanker aircraft, for example, will all consume more fuel than the platforms they will replace, contributing to a projected rise in the Pentagon's fuel demand of at least ten percent by 2020.

These changes may not bode well for the Pentagon's energy use in the short term, but some encouraging signs are emerging. One project, the Adaptive Engine Technology Development program, promises to make a fighter jet engine that uses 25 percent less fuel, which could mean an increased strike radius, fewer refueling missions, and lower operating costs. The Department of Defense is developing a flexible, wearable battery that would conform to soldiers' body armor. Along with the Department of Energy, it is also working on developing "hybrid energy storage modules," which include a variety of improved energy-storage devices for military use. A number of research projects are under way on "tactical microgrids," which control and optimize the distribution of electricity on the battlefield to improve the reliability of generators and reduce their wear and tear.

Meanwhile, lighter-weight, lower-drag materials have the potential to improve the energy performance of everything from bullets to vehicles to airplanes. Investments in other technologies could tap localized or renewable energy supplies, such as waste products, portable solar cells, and even the kinetic energy troops generate when they walk.

Ultimately, however, an energy footprint that is light enough to make a difference in future conflicts will require more significant changes, which may mean entirely different platforms. Unmanned systems, for example, tend to use less fuel than manned systems, and there can be more flexibility in how to fuel them. The Pentagon has been testing fuel cells and solar cells for such uses, which could greatly extend the range of unmanned aerial vehicles and make them less detectable.

The Pentagon's demand for energy is a problem in its own right, but it is also a symptom of a larger issue: a military force with such a high energy demand generally is a heavy military force, which is expensive to acquire, operate, and maintain. Although there is considerable ambiguity about the dangers the United States might face in the future, a clash of large mechanized forces—tanks, fighter aircraft, battleships—seems unlikely for now. So U.S. forces need to prepare for a different threat environment—and not just for the sake of energy security.

THE BEST DEFENSE

The benefits of the Pentagon's drive for energy efficiency go well beyond improving the U.S. military's energy security and lowering its costs. Through coordination and technology transfers

with the private sector, the effort to create a more energy-efficient and secure fighting force could also stimulate innovation beyond the military and help reduce the carbon footprint of many businesses. Some of the world's most important technologies, from semiconductors to the Internet, have resulted from collaboration between the U.S. military and private industry, and the U.S. energy sector will likely benefit from that pattern, as well.

Mail delivery services, commercial airlines, and large retailers face logistical challenges of their own and rank among the largest fuel consumers in the United States. Fuel costs accounted for 30 percent of United Airlines' budget and 11 percent of FedEx's in 2013. Numbers such as those have driven many firms to improve their energy efficiency and diversify their fuel options for the sake of their bottom lines. They would benefit greatly if the U.S. military shared its energy innovations with them; the Pentagon will make every reasonable effort to do so.

For now, the well-being of every American depends on reliable, steady access to fossil fuels. But down the road, economic and environmental pressures will make energy efficiency and cleaner energy urgent priorities. The Pentagon's investments in energy efficiency and renewable sources will primarily benefit its core mission, but they also have the potential to contribute to improving energy efficiency and cutting down on fossil fuel consumption across the United States. In that way, as the Pentagon pursues smarter energy policies in order to build a stronger military force, this may well mean better national security, too. 🌍

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Iran has no interest in nuclear weapons and is convinced that such weapons would not enhance its security.

— Mohammad Javad Zarif

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Rebooting Rwanda

A Conversation With Paul Kagame

On April 6, 1994, a plane carrying Rwandan President Juvénal Habyarimana was shot down by unidentified assailants. The next day, the killings began. Over the next three months, as the international community stood by, an estimated one million Rwandans—Tutsis and moderate Hutus—were systematically slaughtered by Hutu extremists, mostly using clubs and machetes. The genocide, one of history’s worst and certainly its quickest, finally ended in July, when the Rwandan Patriotic Front seized control of the country. The rebel army was led by a 36-year-old Tutsi former refugee named Paul Kagame, who promptly took political control: serving first as the de facto leader of the country while defense minister and vice president and then, in 2000, assuming the presidency. During Kagame’s two-decade rule, Rwanda has made spectacular progress. A country famously deemed “nonviable” in the mid-1990s has become one of Africa’s best-run, most orderly, least corrupt, and safest states, with a booming economy (Rwanda’s GDP has grown by an average of eight percent in recent years). But Rwanda’s success has come with a darker side: opposition politicians have been jailed or killed under mysterious

circumstances, journalists complain of harassment, and Kigali has been regularly criticized for meddling in neighboring Congo’s long-running civil war. In late February, Kagame met with *Foreign Affairs* managing editor Jonathan Tepperman in Kigali to discuss these controversies, his tenure, Rwanda today, and the legacy of the mass killings two decades ago.

April 7 marks the 20th anniversary of Rwanda’s genocide. The village gacaca courts finished work in 2012. The ICTR [International Criminal Tribunal for Rwanda] expects to finish work this year. Tens of thousands of convicted criminals have been amnestied. How far has Rwanda come in terms of reconciliation since 1994?

Well, it starts with understanding where we have come from and then seeing where we are today, and looking at the difference. We have come from a genocide and the devastation that characterized it. Almost the entire population was displaced. There was confusion, death, despair.

Today, you see people living side by side, walking together, developing the country. Institutions have been rebuilt. Rwanda has come back to life in many forms.

Reconciliation for me also means that people have had time to reflect. They have reflected on what divided them and what caused the genocide, and

This interview has been edited and condensed. An extended version is available at www.foreignaffairs.com/kagame.



*The president in Davos,
Switzerland, January 2013*

they have overcome some of the real or perceived differences that [allowed] the genocide to happen. It seems they are comfortable with themselves, with each other, and they are moving forward.

After apartheid ended in South Africa, the new government's approach privileged truth; if people came forward and spoke honestly, they got amnesty. A version of that happened here: if people confessed and spoke honestly to the *gacaca* courts, they were given more lenient sentences. So was the emphasis here also more on truth and less on punishment?

One thing was not emphasized at the expense of the other. In the *gacaca* courts, justice was intertwined with reconciliation, almost in equal measure.

Some people were tried and sentenced. But the process also included being lenient on people who came out with the truth. The solution had to be more complicated than in South Africa, because our case was more complicated. The masterminds [of the genocide], the leaders, were tried, as were four categories of others who committed serious crimes. They went straight to the normal justice system. That had nothing to do with reconciliation.

Then, you had others tried through *gacaca* and given sentences commensurate to the level of their crime but also to the level of remorse they showed and the truth they told. People were actually let free, not because they were entirely innocent but because they were able to show that if they had had an alternative, they would not have committed the crime, and because they asked for forgiveness and told the truth and showed remorse.

With all the bitter history involved, why didn't you choose a more punitive approach?

If one had come out of our struggle saying, "I'm going to impose my will and that's it, and whoever is on the other end must face the consequences," that would have sowed the seeds for a cycle of chaos. We had to exercise maximum restraint and also reason. Was our duty settling scores or dealing with the issues in such a way as to allow space for building the future? Were we willing to be different from the people we fought, we replaced? This was always at the back of our mind.

Did some Tutsis want a more punitive approach?

Many people disagreed with me, no doubt. Even those who agreed that we needed to exercise restraint disagreed with the extent. But the healthy thing about it was there were always debates.

It would have been reasonable to imagine total chaos after the genocide, in terms of people on our side of the struggle taking over, finding their families killed, and taking it to those who were responsible and carrying out revenge. Our vision and leadership prevented that. It just didn't happen by accident.

It seems that one of the ways you've tried to heal divisions is by trying to create a race-blind society, where talk of Hutus versus Tutsis is outlawed and ethnic identities are obscured. Was this necessary?

Reconciliation means something beyond someone did this to the other one and now they are talking to each other. It really means [thinking about] why would we even have done what we did? We are

trying to bring back a nation that has been torn apart.

We haven't told anybody not to express themselves or call themselves Hutus or Tutsis—no. What we have done and said is that calling yourself Hutu or Tutsi or Twa is fine, but there is a line you can't cross.

So when do I cross the line?

If you say, "Because I'm a Hutu, I'm going to defend Hutus against the Tutsis," and you do things against the Tutsis in the interest you call Hutu.

Let me give you another example, since this confuses people. I cannot say, "I want a political party of Tutsis, and the job of the party is to fight the Hutus." Because that is the same political thinking that destroyed our country. In the United States or Europe, you can't say, "I'm going to form a party, and I am a black person, and I want only blacks to be in my party, and I am willing to fight whites because they're different from me."

Actually, you could. There's a distinction in American law between talking about violence in the abstract and then talking about it in specific terms.

We live with the wounds, even today. If we have banned parties, it is not because it was a party of Hutus—it was a party of extremist Hutus. And being a party of extremist Hutus means you are against Tutsis to the extent that [you] think as [Hutus] did in the genocide. One thing leads to another.

Many experts argue that Rwanda is not a reconciliation success story but a case of victor's justice and authoritarian rule. People see Rwanda in two completely different ways.

Yeah, that's true. That's why to be an

independent observer, you should come to Rwanda, like you have, talk to people here, and make your own conclusion. Some of these experts, a big percentage of them, have never even visited the place they are talking about. They've just gone to the library and read books [and] gone on the Internet. I have a problem with this.

Expats want to see Rwanda in their own image. They think Rwandans must behave, think, espouse the same things they do. Anything different is wrong. And I feel like we need to challenge that. Who are these people who want to define us? This happens every day here. They find someone and say, "How do you feel? Are you free? Do you have the freedom to say what you want?" And the person may say, "Yeah, sure, I do." But they say, "No, no, no, you are not free. This Rwandan thinks he's free, but actually he's not." This is what we are up against.

Critics point to the fact that no Tutsis have been tried in the *gacaca* courts and that it's forbidden to even discuss whether crimes were committed by Tutsis during the civil war. Why not allow for a full accounting of crimes that were committed by both sides?

I don't know where that question is coming from. We are talking about a genocide here. And you are talking about war. War and genocide are two different things. So we treated them differently. But we did not ignore crimes committed in the war. We have soldiers or fighters who were not only imprisoned but who are still in prison. We even have people who were shot and killed because they killed people.

I've heard that the number of Tutsis tried was only about 20.

Yes, but how many should have been tried? Is it 100? 500? 1,000? You can't just play with numbers and say, "No, it should have been something more than this." Based on what?

I will use one of the scenarios from the war to make my point. One time, our forces fell into an ambush of a Rwandan army battalion of about 700. But they [the Rwandan army troops] had people with them, hiding weapons and food and so on. Our people fell on them. Some people want to say, "Your forces killed civilians." And as a matter of fact, without expanding the definition, these were civilians. Should I have had our commander or the forces that fought the civilians arrested?

After every mass killing in the twentieth century, the international community has promised "never again." Do you think the world is any better at preventing genocide today than it was 20 years ago?

I can give you a short answer: no.

Turning to the present, you've been president for 11 years now. How do you evaluate your tenure?

If I were to do so, I would try to be honest, as always. I would say, "With my knowledge of where we have come from, what we have done, what we have succeeded in doing, and at what rate, and what we haven't succeeded at . . . putting all of that together, I think we have made good progress." I look at many other countries, and I say, "We have done what humanly was possible to do."

You have three years left in your term. What are your remaining priorities?

My focus is not just about leaving. My

focus has always been the progress we are making while I'm here: this country, how stable it is, what stage of prosperity we have achieved.

One broad area is Rwanda's institutions: Where are they in terms of capacity to deliver? What will they do in education, in health, for development and stability? Another area is fighting poverty and improving the standard of living.

We've done some decent work, given where we have come from and the challenges in between. But we are not yet where we need to be.

Are you going to run again when your term is up in 2017?

If everybody said, "We are tired of you; we can't wait until 2017," you know what? I would leave that day.

But what's going to happen in 2017?

Why do you have the need to know what will happen? I'm not bothered so much about that. What will happen will happen.

You've sometimes cited Singapore as a model for Rwanda, and it's easy to see why, given the similarities in fighting corruption, promoting order and cleanliness, etc. Does the model extend to politics as well? Lee Kuan Yew is perhaps the leading example of a benevolent strongman who was good for his people in some ways but didn't allow political openness. Is that the kind of leader Rwanda needs?

Much as there might be similarities with Rwanda's approach or direction, they are not the same. We cannot be Singapore. We want to be who we are.



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I never see a conflict between political openness and social and economic development. Rather, I think the two are intertwined, even if you think one is lagging behind. The social and economic development indicators are very clear. But political openness is subjective, because there isn't tangible specific data to base it on.

Can you give me concrete examples of how Rwanda is making progress in terms of political openness?

What does it mean, "political openness"?

Are you asking me?

Yes. [Laughter.] That will give me a better answer.

Well, it means having a free press that's able to function without fear of government reprisal. It means the freedom to register political parties based on ideology and to hold contested elections where parties can compete on an even footing. And it means the freedom for individuals to speak freely and openly, without fear of repercussions, except maybe in extreme cases. In the United States, for example, you can say terrible things, but it's still legal.

Different countries have different standards. When we hold journalists accountable, we are criticized for it. I will give you an example. There was a Western journalist who operated here. When he went to the United States, he was found with drugs and was arrested. He was probably using drugs here as well. But if we had arrested him here, can you imagine the reaction?

[As for political openness,] my own standards are no different from other

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standards. As you rightfully raised, there are certain occasions in the West when journalists are restricted. But if you come to this country and look at how political power operates, it is the people that decide the priorities. And they voice whatever they want to voice and elect their leaders.

When you win a presidential vote by 90 percent [Kagame received 95 percent of the vote in 2003 and 93 percent in 2010], that gives the impression that the election was not truly contested.

I find it absolutely absurd that people would say, without looking at the context, that in the case of Rwanda, having a victory this size is bad. Twenty years ago, we started from scratch. Rwandans came from a genocide and had nothing. Then, you have an election. And they see a party like mine, which is credited with the survival of the country. And let's say there is a competing party that is run by maybe a student who has blood on his hands. And our party has a machine because it has been in existence for some time. And after the election, people say, "You know what? This student should have won 30 percent of the vote." Honestly, this is something I just can't understand.

Economic growth is critical to Rwanda's success, both in material terms and in terms of reconciliation. Your progress has been dramatic in recent years, and your government has talked about Rwanda becoming a middle-income country by 2020.

Which is achievable.

But the obstacles are enormous. Around 50 percent of the country remains in poverty, 90 percent or so depends on subsistence farming. Your main exports are coffee and tea—commodities that are notoriously fickle. And in January, the World Bank lowered your growth forecast from your recent eight percent average to 7.2 percent. Has something gone wrong in the last year? And what are your plans to diversify your economy so you can keep growing?

We have done a lot of diversifying. It's construction, it's IT, it's mining—those are the fastest-growing areas. And if you look at the levels of investments in infrastructure, like fiber-optic cable, and how we continue to extend it to rural areas, and how roads are also being improved—that's what keeps feeding industry. Being ambitious, proudly so—there's nothing wrong with that. The key is continued investment in building our people's capacity.

Does that mean education?

Education, yes, but beyond that, skills. We are also targeting skills that fit the market, not only here but outside. Even in agriculture, which is limited by the size of our land, we can maximize our potential. We are now feeding the region. The one million people lifted out of poverty in five years—it was because of the effort we put into agriculture.

But you can't get to the next stage of development with agriculture.

That's why we keep developing the skills of our people, investing in education and infrastructure, like broadband and roads and transport and communication facilities. And investing in high-value production.

You've been very vocal over the years in condemning the impact of foreign aid on developing countries. But foreign aid still represents something like 40 percent of the budget of Rwanda. What are you doing to lower that number?

With our continued growth, our GDP has more than doubled every seven to ten years. That has had a huge impact. When we started, foreign aid represented about 80 percent of our national budget. Now, it is down to 42 percent, and we keep bringing it down.

It's not about condemning aid as such. I've also talked about how beneficial aid can be. But it is like taking medicine. It is supposed to cure certain diseases, but you have to beware of the side effects. Aid creates dependence.

But people misquote me and say that I have abused the people who give aid, that I have said I don't want or need aid. I have never said that. The key is using it to wean yourself off aid.

You mean using it to invest?

Yes. And it is important that aid get invested with us in an agreed-upon manner, mainly through the budget system, so we're able to see what has come in and what it has done, rather than giving aid through some underground route or groups. Aid does not preclude transparency and accountability. But people teach us democracy, and then they want us to do things in a very obscure way with them. We want to follow best practices.

Congo is the source of many of Rwanda's problems. What's your assessment of Congo today and President Joseph Kabila's leadership?

I hate being asked Congo questions, because sometimes people make it appear that I control what happens in Congo, which is false.

And of course, the response by the international community to Congo's problems has been filled with huge mistakes. They treat eastern Congo as if it is a country on its own. So they concentrate all of the energy there. The best way to deal with Congo is to deal with the entirety of Congo, which means you have to look at how Congo is governed. The leaders. The institutions. How are they being held accountable?

You have steadfastly denied supporting Congolese militias to prevent attacks on Rwanda from across the border. Yet the UN, the United States, the Europeans, and former members of the M23 militia have all claimed that Rwanda supported the group. Are all these claims wrong?

They are wrong in a very major way. First of all, there is absolute hypocrisy in what they say. I mean, are they addressing Congo's problems, and if so, how? By continuing attacks on Rwanda?

Second, why are they selective on what problems they deal with and how they deal with them? Has any one of those governments denied that there are still *génocidaires* in the Congo? What is the West doing about them?

Third, why do you keep saying that Rwanda is the problem in the Congo and not that Congo is a problem for Rwanda?

When they accused us of supporting M23, we said, let's talk about first things

first. Tell us first of all about this M23. What is it? Where did it come from? The origin of M23 is Congo and its mismanagement of its affairs.

But that doesn't answer the question of whether Rwanda was cooperating with M23.

No, but we answered that long ago. It wasn't.

Now, people are saying the reason M23 shut down is because President Obama called you and said, "Stop supporting the group," and you agreed to do so.

Fine. Let me say we did that. Have the problems of eastern Congo ended? That's what proves it is a hoax.

Do you have any faith in the newly enhanced UN peacekeeping force or U.S. envoy Russ Feingold's peacekeeping mission?

I wish them success. We've been exhausted with these things. At the end of the day, all of us want to solve the problem. But we are stuck with a problem. Say Obama called me, said, "Shut down M23." I did. Fine. If all of that is true, what is the problem now? Why are we having problems in eastern Congo? Why are you having problems in other regions?

This world is just ridiculous, honestly. It is. I'm sitting back after being bruised by all the bashing we have had.

Last question: On the anniversary of a terrible event 20 years ago that changed history, what message would you most like to convey to the world?

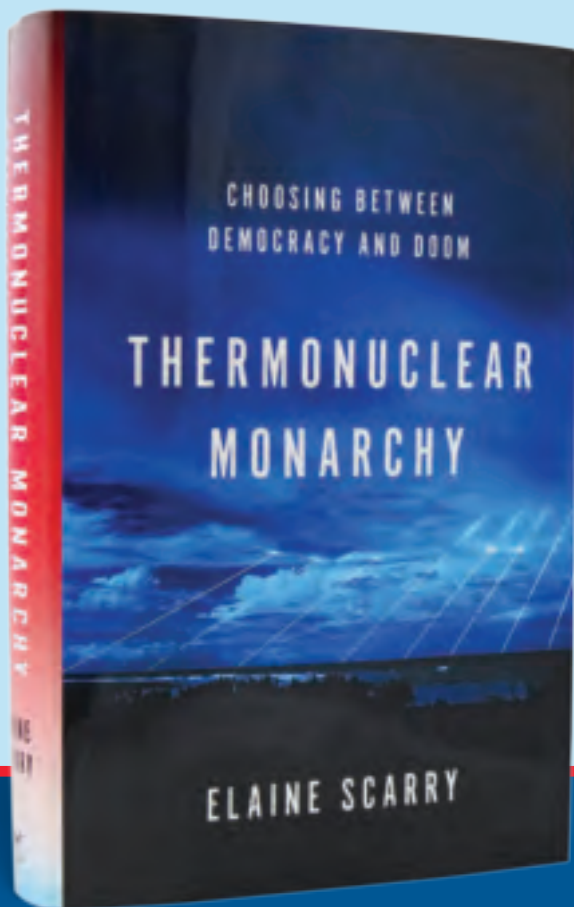
First of all, the world has done a huge disservice to Rwandans and the memory of those who died by thinking that the

genocide was just an event that had no aftermath. This is something that left us with an aftermath that you have to deal with on a daily basis. That probably will go on for decades.

The genocide happened. Some members of the international community were involved with its happening and also the failure to prevent it or stop it. And they have failed to help manage the aftermath.

So we as Rwandans have had to deal with this tragic history of ours. We have had no alternative but to confront it, and we will. Even if there are so many responsible, we take full responsibility for ourselves.

But I wish people did not add to the burden by blaming us for everything else, which has nothing to do with us. 🌍



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What Iran Really Wants

Iranian Foreign Policy in the Rouhani Era

Mohammad Javad Zarif

Foreign policy is a critical component in the lives, conduct, and governance of all nation-states. But it has become even more significant in recent years as interstate relations have grown ever more complex. The inexorable rise in the number of international players—including multilateral organizations, nonstate actors, and even individuals—has further complicated policymaking. Meanwhile, the ongoing process of globalization—however conceived and defined, whether lauded or despised—has brought its inescapable weight to bear on the foreign policies of all states, whether large or small, developed or developing.

Since its establishment by a popular revolution in 1979, the Islamic Republic of Iran has grappled with these challenges. The post-revolutionary foreign policy of Iran has been based on a number of cherished ideals and objectives embedded in the country's constitution. These include the preservation of Iran's independence, territorial integrity, and national security and the achievement of long-term, sustainable national development. Beyond its borders, Iran seeks to enhance its regional and global stature; to promote its ideals, including Islamic democracy; to expand its bilateral and multilateral relations, particularly with neighboring Muslim-majority countries and nonaligned states; to reduce tensions and manage disagreements with other states; to foster peace and security at both the regional and the international levels through positive engagement; and to promote international understanding through dialogue and cultural interaction.

MOHAMMAD JAVAD ZARIF is Foreign Minister of the Islamic Republic of Iran. This essay is adapted from the policy paper he submitted in August 2013 to the Islamic Consultative Assembly, Iran's parliament, during his confirmation process. Follow him on Twitter @JZarif.

IRAN IN THE MULTILATERAL ERA

Since the end of the Cold War and the demise of the bipolar world in the early 1990s, the global order has undergone a major structural transformation. But a firm new order has not yet emerged. As was the case during other transitions in the past, the fluid, complex, and uncertain state of international affairs today is extremely perilous and challenging. Previous transitions were usually complicated by military rivalries and even outright war among the dominant powers of the time. Today's rivalries are similarly quite intense. However, due to a number of factors—the substantially changed global environment, changes in the nature of power, and the diversity and multiplicity of state and nonstate actors—competition these days mostly takes a nonmilitary form.

The concept of power itself, traditionally measured in terms of military might, has changed substantially. New forms of influence—economic, technological, and cultural—have emerged. Concurrently, changes at the conceptual level have brought the cultural, normative, and ideational components of power to the fore, making power more accessible to a larger pool of actors. Moreover, the gradual rise of multilateralism in the wake of World War II has elevated the importance of international norms and consensus.

Despite such substantial changes in the architecture of the world order, remnants and beneficiaries of the old order have tried to salvage the wreckage of the past. During the late 1980s and early 1990s, the emergence in the United States of apocalyptic theories declaring “the end of history” or a “clash of civilizations” represented a hasty reaction to the enemy vacuum created by the end of the Cold War and to the rising status of Muslims on the global stage. Through a series of subsequent Islamophobic campaigns—sometimes promoted as official state policy and perpetuated systematically in various forms and guises—some in the West tried to depict the Islamic community as a new ideological enemy on a global scale.

But rather than experiencing a divergence, the world is now moving toward a state of mutual interdependence. Contrary to the situation in the past, the pursuit of go-it-alone policies by former hegemony or current powers has led to a state of impasse and paralysis. Today, most nation-states, regardless of their size, power, influence, or other attributes, have come to realize that isolationism, whether voluntary or imposed, is neither a virtue nor an advantage. Collective action and cooperation have become the hallmarks of the era.

Multilateralism, the collective search for common solutions to common problems, has proved its desirability and practical efficacy at both the regional and the global levels. Even major world powers have learned the hard way that they can no longer pursue their interests or achieve their particular goals unilaterally. The gradual yet growing trend of coalition-making, at the regional and global levels, both for short-term purposes and for more enduring enterprises, bears witness to the inescapability of collective action. Willful cooperation has gradually developed as a new working pattern of interaction among states; it has come to replace the once predominant and now discredited pattern of confrontation, unconditional subservience, and perpetual rivalry.

In Iran's view, the nuclear crisis is wholly manufactured and therefore reversible.

As an inevitable consequence of globalization and the ensuing rise of collective action and cooperative approaches, the idea of seeking or imposing zero-sum games has lost its luster. Still, some actors cling to their old habits and habitually pursue their own interests at the expense of others. The insistence of some major powers on playing zero-sum games with win-lose outcomes has usually led to lose-lose outcomes for all the players involved.

The much-challenged position of the United States in the world today, notwithstanding its preponderance of military power, is a glaring case in point. The actual situation in various parts of the world where the United States is directly involved, most notably in the greater Middle East and in Iran's immediate neighborhood, points to Washington's reluctant but unmistakable turn to the path of coalition building with other global powers and even regional actors. China, India, and Russia are engaged in intense competition, primarily with the Western bloc, in a concerted effort to secure more prominent global roles. However, major powers and emerging powers alike are now loath to use military means to resolve rivalries, differences, or even disputes.

This has led to the gradual rise of a revisionist approach to foreign policy. Nation-states, regardless of their current position and power, now seek to enhance their stature and achieve their goals through a carefully balanced combination of cooperation and competition. The deadly rivalries of the past, a function of brute force and hard power,

have gradually given way to cultural, normative, and ideational forms of competition. The uncertainty produced by the current transition in global norms and behavior also has a downside. If states miscalculate their own power or misperceive the capabilities and intentions of others, it could prove extremely costly to all involved. The intrinsic riskiness of this state of affairs calls for governments to rely on more objective analysis and to make careful assessments of their own positions and capabilities as well as of the intentions and possible conduct of others.

All states can take advantage of this transitional stage to advance their positions and further their interests. Governments must make realistic calculations about their own relative advantages and vulnerabilities and, most important, articulate clear sets of objectives and plans. Over the past few decades, especially since the end of the Cold War, states that have pursued clearly articulated foreign policies have been the most successful in advancing their regional and global positions; those that have lacked an understanding of the global environment and pursued policies based on miscalculations and misjudgments have either lost their previous positions or become marginalized.

FULFILLING IRAN'S POTENTIAL

As a solid regional power in this era of intense transition in global politics, Iran stands in a unique position. Given its large landmass and unique geographic position along the east–west transit route, Iran, since antiquity, has enjoyed a preeminent position in its region and beyond. Although Iran's civilization and cultural heritage have remained intact, its political and economic fortunes have fluctuated periodically, depending on, among other things, its governance at home and its relations with the outside world. The victory of the 1979 revolution, a popular, nationwide, antimonarchical uprising with a mixture of republican and Islamic traits, contributed to the establishment of a new revolutionary order in the country. The repercussions were drastic, and the revolution deeply affected the country's foreign relations, not only in its immediate neighborhood but also throughout the greater Middle East and in the rest of the world.

Any objective analysis of Iran's unique attributes within the larger context of its tumultuous region would reveal the country's significant potential for a prominent regional and global role. The Islamic Republic can actively contribute to the restoration of regional peace, security,



Iranian President Hassan Rouhani and the author in Davos, Switzerland, January 2014

and stability and play a catalytic role during this current transitional stage in international relations. In light of the increasing importance of normative and ideational factors in global politics, the Islamic Republic is well suited to draw on the rich millennial heritage of Iranian society and culture and the significant heritage of the Islamic Revolution, particularly its indigenously derived and sustained participatory model of governance. Iran can use such strengths to help realize the deeply cherished national aspirations of the Iranian people, including the achievement of long-term development and regional ascendance commensurate with the country's inherent capacities and stature.

Iran also benefits from a number of historical characteristics that could be considered unique sources of opportunity, many of which have not been properly or fully leveraged in the past. For example, Iran has remained independent from outside powers and practiced genuine nonalignment, lending it a particular freedom of action within the existing global order. Iran can also leverage its political traditions. It has successfully established an indigenous democratic model of governance, developing and maintaining a rare religious democracy in the modern world. It has an unmatched cultural identity emanating

from its dynamic blend of Iranian and Islamic culture, which it can use to promote its mission and message throughout the entire Islamic world. As an ancient society with a plurality of ethnic, religious, and

Rouhani's platform offered a wise critique of the previous administration's conduct of foreign relations.

linguistic minorities, Iran also offers a model for political inclusion. And the country has achieved all of this at the center of a vital geostrategic region that has witnessed a long history of major-power rivalries, interventions of all sorts, and protracted military conflicts. Finally, Iran has also demon-

strated its potent ideational capabilities and universal reach through such initiatives as President Muhammad Khatami's "Dialogue Among Civilizations" and President Hassan Rouhani's recent proposal for a "world against violence and extremism," which was adopted as a resolution by the UN General Assembly last December.

Governance in the modern world is challenging for every state, regardless of its size, demographics, form of government, geographic position, level of development, or relations with the world. Iran has been an organized state since antiquity, albeit with some periods of interruption. It has thus had extensive relations throughout history, in war and in peace, with its numerous neighbors and with other contending powers. It has accumulated a rich, layered collective memory and a deep reservoir of experiences. Iran borders seven countries and shares access to either the Caspian Sea or the Persian Gulf with 11 countries; both bodies of water are of interest to the littoral states as well as to a host of outside powers. Thus, Iran inevitably has a full plate to deal with when it comes to its national security and foreign relations.

Iran also finds itself in a fundamentally crisis-ridden region. The decades-long occupation of Palestine and the ongoing conflict there has taken a destructive toll on the well-being and development of the entire Middle East. The chronic turmoil, instability, and violence in the region have grown worse in recent years due to a series of protracted external military interventions, most notably in Afghanistan and Iraq. Since early 2011, political upheavals in the Arab world and their generally bloody aftermaths—dubbed by some during their initial stages as "the Arab Spring" and by others as "the Islamic Awakening"—have introduced another destabilizing factor to the region. The trend appears likely to

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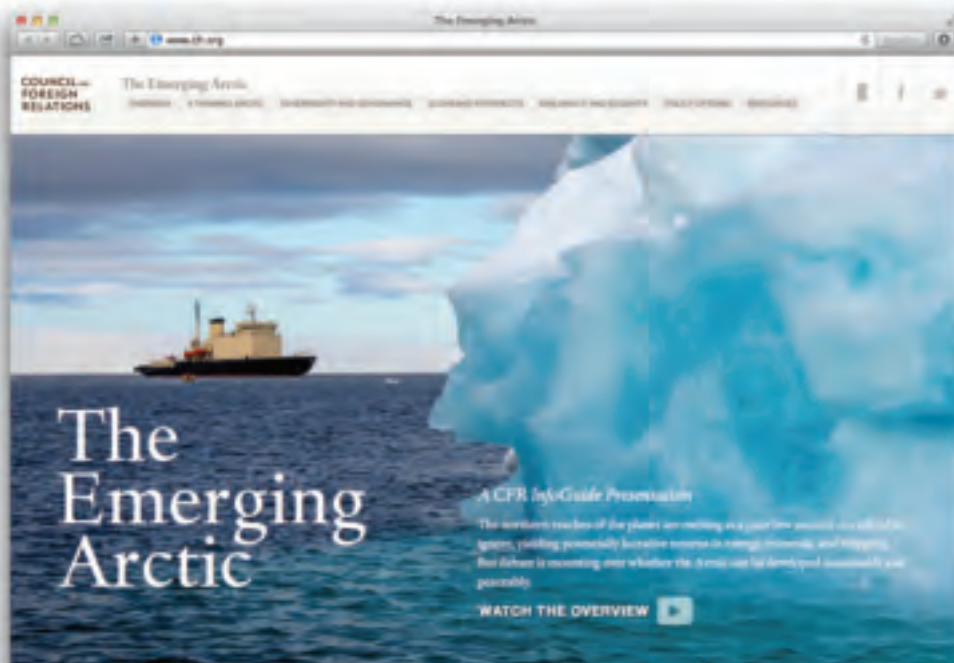


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continue for quite some time, even though the direction of the process remains extremely uncertain.

Given this overall regional picture and the dynamics at work between local and external players—most prominently the United States—Iran today has to grapple with a number of major challenges in its external relations. Needless to say, the long shadow of the decades-old and still ongoing tussle between Iran and the United States, which has been much exacerbated as a result of the nuclear imbroglio, has further complicated the state of relations between Iran and a host of its neighbors. Meanwhile, there has been a recent surge in the activities of extremist and violent nonstate actors in countries such as Afghanistan, Iraq, Lebanon, and Syria, with a clear and unmistakable anti-Iran, anti-Shiite platform. A well-orchestrated campaign has promoted Islamophobia, Iranophobia, and Shiite-phobia and depicted Iran as a threat to regional peace and security; extended support to anti-Iran claimants in the region; tarnished Iran's global image and undermined its stature; armed Iran's regional rivals; actively supported anti-Iran forces, including the Taliban and other extremist groups; and fomented disagreements between Iran and its neighbors.

MODERATION AND HOPE

It was within this international context that Rouhani won a decisive victory in the heavily contested Iranian presidential election in June 2013. He won 51 percent of all the votes cast in the first round against five conservative rivals. His political platform of prudent moderation and hope represented a significant turning point in Iranian politics. The fact that voter turnout reached 73 percent suggests that the public had moved past the lingering divisions of the June 2009 election.

Rouhani's pragmatic positions on foreign and domestic issues proved reassuring to the Iranian electorate. Rouhani distinguished his campaign from the murky platforms of his rivals in several key respects: his clear analysis of Iran's current situation, his lucid and unambiguous articulation of the major challenges facing society and the state, and his honest and straightforward approach to problems and possible solutions. In this way, Rouhani managed to mobilize the disenchanting segments of the population to take an active interest in the final days of the campaign and to participate in the national vote.

Rouhani's foreign policy platform was based on a principled, sober, and wise critique of the conduct of foreign relations during the

preceding eight years under the previous administration. Rouhani promised to remedy the unacceptable state of affairs through a major overhaul of the country's foreign policy. The changes he proposed demonstrated a realistic understanding of the contemporary

Israel and the United States seek to delegitimize Iran by portraying it as a threat to the global order.

international order, the current external challenges facing the Islamic Republic, and what it will take to restore Iran's relations with the world to a state of normalcy. Rouhani also called for a discourse of "prudent moderation." This vision aims to move Iran away from confrontation and toward

dialogue, constructive interaction, and understanding, all with an eye to safeguarding national security, elevating the stature of Iran, and achieving long-term comprehensive development.

Prudent moderation is an approach based on realism, self-confidence, realistic idealism, and constructive engagement. Realism requires an understanding of the nature, structure, mechanisms, and power dynamics of the international system and of the potential and limits of its institutions. Rouhani's moderation brings together a profound conviction in the cherished ideals of the Islamic Revolution with an objective evaluation of Iran's actual capacities, capabilities, and constraints. It demands a deliberate aversion to actions that are insulting, condescending, or self-aggrandizing. It promotes self-confidence based on an understanding of Iran's material and moral resources, including the collective wisdom of its citizenry. It values accountability, transparency, and honesty in dealing with the populace and implies a willingness to reform and improve existing policies. Rouhani's approach entails a delicate balancing act: between national, regional, and global needs, on the one hand, and the available means, instruments, and policies, on the other; between persistence and flexibility in foreign policy; between goals and means; and among various instruments of power in a dynamically changing world. Finally, Rouhani's commitment to constructive engagement requires dialogue and interaction with other nations on an equal footing, with mutual respect, and in the service of shared interests. It requires that all participants make serious efforts to reduce tensions, build confidence, and achieve détente.

A WAY FORWARD

Guided by this conceptual framework, the foreign policy of the Islamic Republic under the current administration will be based on achieving understanding and consensus at the national level and constructive engagement and effective cooperation with the outside world. Iran's policies will be guided by the principles of dignity, rationality, and prudence. This overall strategy aims to safeguard and strengthen Iran's national security, diffuse or eliminate external threats, combat Islamophobia and Iranophobia, elevate the country's stature, and achieve comprehensive development.

With the Ministry of Foreign Affairs serving as the central organ for planning and executing Iran's foreign policy, in close coordination with other government bodies, the Islamic Republic will pursue several key goals moving forward. First, Iran will expand and deepen its bilateral and multilateral relations through meaningful engagement with a wide range of states and organizations, including international economic institutions. Multilateralism will play a central role in Iran's external relations. That will involve active contributions to global norm-setting and assertive participation in coalitions of like-minded states to promote peace and stability. A second priority will be to defend the individual and collective rights of Iranian nationals everywhere and to promote Iranian-Islamic culture, the Persian language, Islamic values, and Islamic democracy as a form of governance. Third, Iran will continue to support the cause of oppressed people across the world, especially in Palestine, and will continue its principled rejection of Zionist encroachments in the Muslim world.

Given the pressing challenges that it faces today, Iran will also focus on a number of more urgent aims. The top priority is to diffuse and ultimately defeat the international anti-Iranian campaign, spearheaded by Israel and its American benefactors, who seek to "securitize" Iran—that is, to delegitimize the Islamic Republic by portraying it as a threat to the global order. The main vehicle for this campaign is the "crisis" over Iran's peaceful nuclear program—a crisis that, in Iran's view, is wholly manufactured and therefore reversible. That is why Rouhani wasted no time in breaking the impasse and engaging in negotiations with the so-called P5+1 (China, France, Russia, the United Kingdom, and the United States, plus Germany) to find common ground and reach an agreement that will ensure nonproliferation, preserve Iran's scientific accomplishments, honor Iran's inalienable national rights

under the Nuclear Nonproliferation Treaty, and end the unjust sanctions that have been imposed by outside powers.

Iran has no interest in nuclear weapons and is convinced that such weapons would not enhance its security. Iran does not have the means to engage in nuclear deterrence—directly or through proxies—against its adversaries. Furthermore, the Iranian government believes that even a perception that Iran is seeking nuclear weapons is detrimental to the country's security and to its regional role, since attempts by Iran to gain strategic superiority in the Persian Gulf would inevitably provoke responses that would diminish Iran's conventional military advantage.

Therefore, the ongoing negotiations over the nuclear issue face no insurmountable barriers. The only requirements are political will and good faith for the negotiators to “get to yes” and achieve the objective established by the Joint Plan of Action adopted in Geneva last November, which states, “The goal for these negotiations is to reach a mutually-agreed long-term comprehensive solution that would ensure Iran's nuclear programme will be exclusively peaceful.” The unexpectedly fast pace of progress in the negotiations so far augurs well for a speedy resolution of this unnecessary crisis and for the opening up of new diplomatic horizons.

Iran will also endeavor to diffuse external threats by resolving outstanding issues with the rest of the world, in particular with its immediate neighbors. Confidence building and cooperation will be the cornerstones of Iran's regional policy. That is why last year, Iran proposed the creation of a security and cooperation arrangement in the Persian Gulf area. As a responsible regional power, Iran will actively participate in combating and containing extremism and violence through bilateral, regional, and multilateral cooperation with countries in the region and beyond.

Moreover, Iran will prudently manage its relations with the United States by containing existing disagreements and preventing further tensions from emerging unnecessarily, thereby gradually easing tensions. Iran will also engage with European countries and other Western states with the goal of reinvigorating and further expanding relations. This normalization process must be based on the principles of mutual respect and mutual interest, and it must address issues of legitimate concern to both sides. Iran will also expand and consolidate its amicable ties with other major powers, such as China, India, and

Russia. As the chair of the Non-Aligned Movement until 2015, Iran will reach out to emerging powers of the “global South” and will try to responsibly mobilize their enormous potential for contributing to global peace and prosperity.

The Iranian people, with their massive turnout in last year’s presidential election and their decisive choice of assertive engagement, have provided a unique window of opportunity for the new Iranian government and for the world to chart a different and much more promising course in our bilateral and multilateral relations. The Islamic Republic of Iran is determined to vigorously honor its citizens’ choice, which will undoubtedly have a tremendous impact on world affairs.

For this endeavor to succeed, it is imperative for other states to accept the reality of Iran’s prominent role in the Middle East and beyond and to recognize and respect Iran’s legitimate national rights, interests, and security concerns. It is equally important for other states to scrupulously observe the sensitivities of the Iranian nation, particularly regarding its national dignity, independence, and achievements. Westerners, especially Americans, need to modify their understandings of Iran and the Middle East and develop a better grasp of the region’s realities, avoiding the analytic and practical mistakes of the past. Courage and leadership are required to seize this historic opportunity, which might not come again. The opportunity must not be lost. 🌐

Russia's Latest Land Grab

How Putin Won Crimea and Lost Ukraine

Jeffrey Mankoff

Russia's occupation and annexation of the Crimean Peninsula in February and March have plunged Europe into one of its gravest crises since the end of the Cold War. Despite analogies to Munich in 1938, however, Russia's invasion of this Ukrainian region is at once a replay and an escalation of tactics that the Kremlin has used for the past two decades to maintain its influence across the domains of the former Soviet Union. Since the early 1990s, Russia has either directly supported or contributed to the emergence of four breakaway ethnic regions in Eurasia: Transnistria, a self-declared state in Moldova on a strip of land between the Dniester River and Ukraine; Abkhazia, on Georgia's Black Sea coast; South Ossetia, in northern Georgia; and, to a lesser degree, Nagorno-Karabakh, a landlocked mountainous region in southwestern Azerbaijan that declared its independence under Armenian protection following a brutal civil war. Moscow's meddling has created so-called frozen conflicts in these states, in which the splinter territories remain beyond the control of the central governments and the local de facto authorities enjoy Russian protection and influence.

Until Russia annexed Crimea, the situation on the peninsula had played out according to a familiar script: Moscow opportunistically fans ethnic tensions and applies limited force at a moment of political uncertainty, before endorsing territorial revisions that allow it to retain a foothold in the contested region. With annexation, however, Russia departed from these old tactics and significantly raised the stakes. Russia's willingness to go further in Crimea than in the earlier cases appears driven both by Ukraine's strategic importance to Russia and by Russian President Vladimir Putin's newfound willingness to ratchet up his confrontation with a West that Russian elites increasingly see as hypocritical and antagonistic to their interests.

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Given Russia's repeated interventions in breakaway regions of former Soviet states, it would be natural to assume that the strategy has worked well in the past. In fact, each time Russia has undermined the territorial integrity of a neighboring state in an attempt to maintain its influence there, the result has been the opposite. Moscow's support for separatist movements within their borders has driven Azerbaijan, Georgia, and Moldova to all wean themselves off their dependence on Russia and pursue new partnerships with the West. Ukraine will likely follow a similar trajectory. By annexing Crimea and threatening deeper military intervention in eastern Ukraine, Russia will only bolster Ukrainian nationalism and push Kiev closer to Europe, while causing other post-Soviet states to question the wisdom of a close alignment with Moscow.

FROZEN CONFLICTS PLAYBOOK

These frozen conflicts are a legacy of the Soviet Union's peculiar variety of federalism. Although Marxism is explicitly internationalist and holds that nationalism will fade as class solidarity develops, the Soviet Union assigned many of its territorial units to particular ethnic groups. This system was largely the work of Joseph Stalin. In the first years after the Bolshevik Revolution, Stalin headed the People's Commissariat for Nationality Affairs, the Soviet bureaucracy set up in 1917 to deal with citizens of non-Russian descent. Stalin's commissariat presided over the creation of a series of ethnically defined territorial units. From 1922 to 1940, Moscow formed the largest of these units into the 15 Soviet socialist republics; these republics became independent states when the Soviet Union dissolved in 1991.

Although designed as homelands for their titular nationalities, the 15 Soviet socialist republics each contained their own minority groups, including Azeris in Armenia, Armenians in Azerbaijan, Abkhazians and Ossetians in Georgia, Uzbeks in Kyrgyzstan, and Karakalpaks in Uzbekistan, along with Russians scattered throughout the non-Russian republics. Such diversity was part of Stalin's plan. Stalin drew borders through ethnic groups' historical territories (despite the creation of Uzbekistan, for example, the four other Central Asian Soviet republics were left with sizable Uzbek minorities) and included smaller autonomous enclaves within several Soviet republics (such as Abkhazia in Georgia and Nagorno-Karabakh in Azerbaijan). From Azerbaijan to Uzbekistan, the presence of concentrated minorities within ethnically

defined Soviet republics stoked enough tension to limit nationalist mobilization against Moscow. The Ukrainian Soviet Socialist Republic already had sizable Russian and Jewish populations, but Soviet Premier Nikita Khrushchev's decision to give the republic the Crimean Peninsula in 1954 added a large, territorially concentrated Russian minority.

Again, Russia has fanned ethnic tensions and used force at a moment of political uncertainty.

(Crimean Tatars, who are the peninsula's native population, composed close to a fifth of the population until 1944, when most of them were deported to Central Asia for allegedly collaborating with the Nazis. According to the last census, from 2001, ethnic Russians compose about 58 percent of Crimea's

population, Ukrainians make up 24 percent, and Crimean Tatars, around 12 percent. The remaining six percent includes Belarusians and a smattering of other ethnicities.)

For a long time, the strategy of ethnic division worked. During the 1980s, most of these minority groups opposed the nationalist movements that were pressing for independence in many of the Soviet republics, viewing the continued existence of the Soviet Union as the best guarantee of their protection against the larger ethnic groups that surrounded them. As a result, local officials in Abkhazia, South Ossetia, and Transnistria largely supported the August 1991 coup against Mikhail Gorbachev, who they believed was speeding the dissolution of the Soviet Union. In Crimea, only 54 percent of voters supported Ukrainian independence in a December 1991 referendum—by far the lowest figure anywhere in Ukraine.

As the Soviet Union dissolved, many of these divisions sparked intercommunal violence, which Moscow exploited to maintain a foothold in the new post-Soviet states. In 1989, as part of a national project to promote a shared linguistic identity with Romania, its neighbor to the west, the Moldavian Soviet Socialist Republic voted to reinstitute the Latin alphabet and adopt Moldovan as its only official language, downgrading Russian. Feeling threatened, the ethnic Russian and Ukrainian populations of Transnistria declared the area's independence in 1990, and, in an eerie preview of recent events in Crimea, pro-Russian paramilitary units took over Moldovan government buildings in the territory. Later, in 1992, when fighting broke out between Transnistrian separatists and a newly independent Moldova,

Russia's 14th Army, which was still stationed in Transnistria as a hold-over from Soviet times, backed the separatists. A cease-fire signed in July of that year created a buffer zone between the breakaway region and Moldova, enforced by the Russian military, which has remained in Transnistria ever since.

Similar scenes unfolded in Georgia. In 1989, the Georgian Soviet Socialist Republic, on its way to declaring independence, established Georgian as the official state language, angering Abkhazia and South Ossetia, which had enjoyed autonomy in Soviet Georgia. In 1990, clashes broke out after Georgian authorities voted to revoke South Ossetia's autonomy in response to the region's efforts to create a separate South Ossetian parliament. After Abkhazia declared its independence from the new Georgian state in 1992, Georgia's army invaded, sparking a civil war that killed 8,000 people and displaced some 240,000 (mostly ethnic Georgians). In both conflicts, the Soviet or Russian military intervened directly on the side of the secessionists. The 1992 cease-fire in South Ossetia and the 1994 cease-fire in Abkhazia both left Russian troops in place as peacekeepers, cementing the breakaway regions' de facto independence.

Tensions were renewed in 2004, when Mikheil Saakashvili, a brash, pro-Western 36-year-old, was elected president of Georgia. Saakashvili sought to bring Georgia into NATO and recover both break-away republics. In response, Moscow encouraged South Ossetian forces to carry out a series of provocations, eventually triggering, in 2008, a Georgian military response and giving Russia a pretext to invade Georgia and formally recognize Abkhazian and South Ossetian independence.

In Nagorno-Karabakh, which was an autonomous region in Soviet Azerbaijan populated primarily by ethnic Armenians, intercommunal violence in the late 1980s grew, in the early 1990s, into a civil war between, on the one side, separatists backed by the newly independent state of Armenia and, on the other, the newly independent state of Azerbaijan. Although Soviet and then Russian forces were involved on both sides throughout the conflict, the rise of a hard-line nationalist leadership in Baku in 1992 encouraged Moscow to tilt toward Armenia, leading to the separatists' eventual victory. In 1994, after as many as 30,000 people had been killed, a truce left Nagorno-Karabakh in the hands of the ethnic Armenian separatists, who have since built a small, functional statelet that is technically inside Azerbaijan but aligned

with Armenia—an entity that no UN member recognizes, including, paradoxically, Russia. As energy-rich Azerbaijan has subsequently grown wealthier and more powerful, Armenia—and, by extension, Nagorno-Karabakh—has cemented its alliance with Russia.

BACK IN THE USSR?

In each of those cases, Russia intervened when it felt its influence was threatened. Russia has consistently claimed in such instances that it has acted out of a responsibility to protect threatened minority groups, but that has always been at best a secondary concern. The moves have been opportunistic, driven more by a concern for strategic advantage than by humanitarian or ethnonational considerations. Pledges to defend threatened Russian or other minority populations outside Russia may play well domestically, but it was the Azerbaijani, Georgian, and Moldovan governments' desire to escape Russia's geopolitical orbit—more than their real or alleged persecution of minorities—that led Moscow to move in. Russia has never intervened militarily to defend ethnic minorities, including Russians, in the former Soviet republics of Central Asia, who have often suffered much more than their co-ethnics in other former Soviet republics, probably because Moscow doesn't assign the same strategic significance to those Central Asian countries, where Western influence has been limited.

Leading up to the annexation of Crimea, Putin and his administration were careful to talk about protecting “Russian citizens” (anyone to whom Moscow has given a passport) and “Russian speakers” (which would include the vast majority of Ukrainian citizens), instead of referring more directly to “ethnic Russians.” Moscow has also used the word “compatriots” (*sootechestvenniki*), a flexible term enshrined in Russian legislation that implies a common fatherland and gives Putin great latitude in determining just whom it includes. In announcing Crimea's annexation to Russia's parliament, however, Putin noted that “millions of Russians and Russian-speaking citizens live and will continue to live in Ukraine, and Russia will always defend their interests through political, diplomatic, and legal means.” The Kremlin is walking a narrow line, trying to garner nationalist support at home and give itself maximum leeway in how it acts with its neighbors while avoiding the troubling implications of claiming to be the protector of ethnic Russians everywhere. But in Ukraine, once again, Moscow has intervened to stop a former Soviet republic's possible drift out of



Marking its territory: the Russian army in Grigoriopol, Transnistria, Moldova, April 1992

Russia's orbit and has justified its actions as a response to ethnic persecution, the claims of which are exaggerated.

It is important to note that although Russia has felt free to intervene politically and militarily in all these cases, until Crimea, it had never formally annexed the territory its forces occupied, nor had it deposed the local government (although, by many accounts, Moscow did contemplate marching on Tbilisi in 2008 to oust Saakashvili). Instead, Russia had been content to demand changes to the foreign policies of Azerbaijan, Georgia, and Moldova, most notably by seeking to block Georgia's NATO aspirations. The annexation of Crimea is thus an unprecedented step in Russia's post-Soviet foreign policy. Although in practice the consequences may not be that different from in the other frozen conflicts (assuming Russia does not precipitate a wider war with Ukraine), Moscow's willingness to flout international norms in the face of clear warnings and the Obama administration's search for a diplomatic way out of the crisis hints at other motivations. More than in the conflicts of the early 1990s or even in Georgia in 2008, the Kremlin conceived of the invasion and annexation of Crimea as a deliberate strike against the West, as well as Ukraine. Putin apparently believes that he and Russia have more to gain from open confrontation with the United States and Europe—consolidating

his political position at home and boosting Moscow's international stature—than from cooperation.

MOTHER RUSSIA

Despite the differences in the case of Crimea, what has not changed in the Kremlin's tactics since the fall of the Soviet Union is Russia's paternalistic view of its post-Soviet neighbors. Russia continues to regard them as making up a Russian sphere of influence, where Moscow has what Russian Prime Minister Dmitry Medvedev, in 2008, termed "privileged interests." In the early 1990s, Russian officials described the former Soviet domains as Russia's "near abroad." That term has since fallen out of favor. But the idea behind it—that post-Soviet states in eastern Europe and Eurasia are not fully sovereign and that Moscow continues to have special rights in them—still resonates among the Russian elite. This belief explains why Putin and other Russian officials feel comfortable condemning the United States for violating the sovereignty of faraway states such as Iraq and Libya while Russia effectively does the same thing in its own backyard.

Such thinking plays another role as well. These days, Russia has little to justify its claims to major-power status, apart from its seat on the UN Security Council and its massive nuclear stockpile. Maintaining Russia's influence across the former Soviet Union helps Russian leaders preserve their image of Russia's greatness. Under Putin, the Kremlin has sought to reinforce this influence by pushing economic and political integration with post-Soviet states, through measures such as establishing a customs union with Belarus and Kazakhstan and forming the Eurasian Union, a new supranational bloc that Putin claims is directly modeled on the EU and that he hopes to unveil in 2015 (Belarus and Kazakhstan have already signed on; Armenia, Kyrgyzstan, and Tajikistan have expressed their interest).

Putin hopes to turn this Eurasian bloc into a cultural and geopolitical alternative to the West, and he has made clear that it will amount to little unless Ukraine joins. This Eurasian dream is what made the prospect of Kiev signing an association agreement with the EU back in November—one that would have permanently excluded Ukraine from the Eurasian Union—so alarming to Putin and led him, at the last minute, to bribe President Viktor Yanukovich with Russian loan guarantees to Ukraine, so that he would reject the deal with Brussels. Thus far, Putin's tactic has

failed: not only did Yanukovych's refusal to sign the association agreement spawn the protests that eventually toppled him, but on March 21, the new, interim government in Kiev signed the agreement anyway.

Although Moscow has a variety of tools it can use to exert regional influence—bribes, energy exports, trade ties—supporting separatist movements remains its strongest, if bluntest, weapon. Dependent on Russian protection, Abkhazia, South Ossetia, Transnistria, and now Crimea serve as outposts for projecting Russian political and economic influence. (Nagorno-Karabakh is different in this sense; Moscow doesn't back Nagorno-Karabakh directly, but backs Armenia.) Abkhazia, South Ossetia, and Transnistria all permit Russia to base troops on their territory, as does Armenia. Abkhazia and South Ossetia each host roughly 3,500 Russian troops, along with 1,500 Federal Security Service personnel; Transnistria has some 1,500 Russian soldiers on its territory; and Armenia has around 5,000 Russian troops. One of the principal reasons Moscow has regarded Crimea as so strategically valuable is that the peninsula already hosted Russia's Black Sea Fleet.

But Russia's tactics are not cost-free. By splitting apart internationally recognized states and deploying its military to disputed territories, Moscow has repeatedly damaged its economy and earned itself international condemnation. The bigger problem, however, is that Moscow's coercive diplomacy and support of separatist movements diminish Russian influence over time—that is, these actions achieve the exact opposite of what Russia hopes. It is no coincidence that aside from the Baltic countries, which have joined NATO and the EU, the post-Soviet states that have worked hardest to decrease their dependence on Russia over the past two decades are Azerbaijan, Georgia, and Moldova.

These states have moved westward directly in reaction to Russian meddling. During the 1990s, Azerbaijan responded to Russia's intervention over Nagorno-Karabakh by seeking new markets for its oil and gas reserves in the West. It found a willing partner in Georgia, leading to the construction of an oil pipeline from Baku through Tbilisi to the Turkish port of Ceyhan, which started operations in 2005. A parallel gas pipeline in the southern Caucasus opened the next year. Both freed

Russia's coercive diplomacy and support of separatist movements actually diminish its influence.

Azerbaijan's and Georgia's economies from a reliance on Russia. Since 2010, Azerbaijan has also secured regional security guarantees from Turkey, which would complicate any future Russian intervention. Georgia, meanwhile, continues to pursue membership in NATO, and even if it never makes it, Tbilisi will be able to count on some support from the United States and other Western powers if threatened. And Moldova, despite its fractious domestic politics, has also made great strides in aligning itself with Europe, committing to its own EU association agreement last November, just as Yanukovych backed out.

Russia's invasion and annexation of Crimea, especially if it is followed by incursions into eastern Ukraine, will have the same effect. Far from dissuading Ukrainians from seeking a future in Europe, Moscow's moves will only foster a greater sense of nationalism in all parts of the country and turn Ukrainian elites against Russia, probably for a generation. The episode will also make Ukraine and other post-Soviet states, including those targeted for membership in the Eurasian Union, even more reluctant to go along with any Russian plans for regional integration. Russia may have won Crimea, but in the long run, it risks losing much more: its once-close relationship with Ukraine, its international reputation, and its plan to draw the ex-Soviet states back together. 🌐

Kenya

READY TO ACCELERATE

>> EAST AFRICAN POWERHOUSE LAYS FOUNDATIONS FOR FUTURE GROWTH



The Bank estimates Kenya's growth will hover around 5 percent this year, but the country's greater political stability since the 2013 elections and the plans for massive infrastructure developments should see growth rates of closer to 10 percent in the next few years. Kenya is well-positioned strategically as the largest economy and 'hub' nation for transport, ICT, finance, and logistics in East Africa.

Henry K. Rotich, cabinet secretary for the National Treasury, said conditions for growth were optimal: "Interest rates have come down and exchange rates have stabilized. We have strengthened investor confidence after a successful election. The Kenyan economy is on a runway and wants to take off. There are huge opportunities in all areas."

Last year's elections transformed Kenya's political landscape. The previous 2007 election had been marred by intertribal violence that claimed over eight hundred lives. But the 2013 election has ushered in stable democracy and sounder economic planning.

President Uhuru Kenyatta's progressive government is slashing bureaucracy and has reduced the number of ministries from forty-four to eighteen. It has enacted the promise in the 2010 Constitution of Kenya to introduce 'devolved' government that grants greater autonomy to the forty-seven counties.

BUILDING SPREE

Infrastructure development is the most vital element in economic growth. Kenya is the gateway to East Africa, but has yet to match the infrastructure quality of Africa's middle-income countries. The Kenyan government, however, is

embarking on the kind of building spree that powered the Asian tiger economies in the 1970s and 1980s.

Railway development is at the heart of Vision 2030. A standard gauge railway is being built from Mombasa to Nairobi at a cost of \$3.75 billion to ease congestion at the port and reduce road traffic. In addition, two major multimodal transport corridors will strengthen Kenya's position as the entry point to East Africa. The Transit Transport Coordination Authority of the Northern Corridor encompasses road, rail, pipeline, and inland waterways, linking landlocked countries like Uganda, Rwanda, Burundi and South Sudan with Mombasa.

"We have strengthened investor confidence after a successful election. The Kenyan economy is on a runway and wants to take off. There are huge opportunities in all areas."

Henry K. Rotich

Cabinet Secretary for the National Treasury

The Lamu Port and South Sudan Ethiopia Transport (LAPSSET) corridor—launched in March 2012—is a complementary project. Authorities plan a \$25 billion link between the coast and South Sudan and Ethiopia. LAPSSET involves building thousands of miles of roads, railway, and oil pipeline through Kenya's vast, neglected north.

Both projects will benefit the Kenya Pipeline Company by connecting the Kenyan ports to oil-producing regions in South Sudan and Uganda. Investments in storage facilities and more pipelines from Mombasa will further position the company as the leader in one of the world's most exciting oil and gas regions.



Another vital area of Kenya's economic growth is the ICT sector, which has earned the title of "Silicon Savannah." Dr. Enock Kinara, CEO of Postal Corporation of Kenya (Posta), said, "Since 2000, the economy has grown at an average of 3.7 percent. A World Bank study shows ICTs were responsible for a quarter of that GDP growth."

THE KENYAN DIASPORA

The US can play a big role in investment, especially through its large Kenyan diaspora. They are likely to invest in large projects through infrastructure bonds and other financial products. County governors are taking steps to attract the Kenyan diaspora's interest. Meanwhile, the U.S. government is refocusing on Africa's potential. Phyllis Kandie, cabinet secretary for East African affairs, commerce and tourism, said: "The Trade Africa initiative is going to open up the U.S. as a trading partner. Kenya has to show U.S. investors what opportunities are available and that we are ready to work harder to develop better export strategies regarding the African Growth Opportunity Act."


The biggest obstacle to Kenya's economic growth is the cost of power, but the Government is addressing the issue. Davis Chirchir, cabinet

secretary for energy and petroleum, said Kenya would develop 5,000 megawatts of power over the next forty months and energy costs would tumble. "It will soon cost nine U.S. cents to the industrial

"Kenya has to show US investors what opportunities are available and that we are ready to work harder to develop better export strategies regarding the African Growth Opportunity Act."

Phyllis Kandie, Cabinet Secretary for East African Affairs, Commerce and Tourism

customer and ten cents to the domestic customer. That will make us very competitive. KenGen is the government-owned entity which generates 80 percent of Kenya's power. But we want to give that responsibility to the private sector."

James Mwangi, Equity Bank CEO, said the private sector would be the engine of Kenyan growth. "The Government is outsourcing railway projects to the private sector and the same goes for ports, airports, and energy generation. Kenya is migrating from a frontier market to an emerging market and the timing is right to pick up the opportunities." 



DEVOLUTION POWERS THE WHOLE NATION'S ECONOMY

The Kenyan Constitution of 2010 makes political devolution an integral part of the country's political structure. The government has argued that the best way for Kenya to achieve its Vision 2030

objectives is to grant more autonomy to the 47 counties. The reasoning behind the policy is that counties are best-placed to understand how to invest funds at a grassroots level.

Josphat Nanok, the governor of Turkana County, said, "What is happening with devolution is diversification away from a few growth centers, such as Mombasa, Nairobi, Nakuru, Kisumu—the cities along the old colonial railway line—to realizing the potential in other parts of the country."

Anne Waiguru, cabinet secretary for devolution and planning, said the government's commitment to devolution had impressed the Kenyan people. "We have set up institutions that focus on work, as opposed to just politics, and therefore we have managed to get Kenyans to understand we are committed to making sure devolution works," she said.

Devolution promises a more equitable distribution of funds, but at the same time it encourages fierce competition between counties who need to promote their interests. The onus is on counties to attract foreign investors, including members of the diaspora who want to play an active role in Kenya's future. Governor Nanok said, "Turkana has the biggest potential to be the fastest-growing economy among the forty-seven counties, with the greatest potential for growth, urbanization and investment in every sector."

NATURAL ADVANTAGES

Nanok is fortunate to govern a county blessed with natural advantages. For a long time, Turkana was a

poor, traditional pastoral society in the northwest. Then, in May 2012, the UK-based energy company Tullow Oil discovered large oil and gas deposits. Overnight, this changed the prospects not only for Turkana but for the whole of Kenya, which has the opportunity to become an oil exporter.

Finding oil was only the beginning of Turkana's good fortune in the miraculous year of 2013. Massive underground water deposits were also found in a county long plagued by droughts. Irrigation projects are now possible, and the hope is that Turkana could become a rich agricultural region.

Other counties promote different strengths. The County of Meru, for example, emphasizes its strategically advantageous position midway along the LAPSET transport corridor that will connect Lamu port to South Sudan and Ethiopia. The town of Isiolo, which neighbors Meru, will be the major city in the project. As a result, Meru has the potential to become Kenya's logistics and transport hub, with opportunities for investor industries, including agribusiness, logistics, real estate, manufacturing, petroleum, and tourism.

Isiolo International Airport will facilitate the transport of Meru's goods.

Peter Munya, Governor of Meru County, said, "We're developing an industrial park to take advantage of the LAPSET corridor so agriprocessing products produced in Meru can be transported to target markets."

The County of Kiambu has emerged as another top investment destination. The upgrade of the Thika highway and its proximity to Jomo Kenyatta International airport are infrastructure advantages that could help Kiambu to become a manufacturing hub. With a large extension of underused agricultural land, there is also potential

"We have set up institutions that focus on work as opposed to just politics and, therefore, we have managed to get Kenyans to understand we are committed to making sure devolution works."

Anne Waiguru

Cabinet Secretary for Devolution and Planning

for agribusiness investment in products such as tea, coffee, wheat, and macadamia nuts.

William Kabogo, governor of Kiambu County, said, "We seek partners to attain clean water for drinking and irrigation for farmers. By lowering the price of water, the cost of doing agribusiness will also be reduced."



MERU



The Junction and Logistics County

We invite you to discover the opportunities and adventures Meru County has to offer. As the home of Mount Kenya, Elsa the famous lion from *Born Free*, and one of the most beautiful national parks, eco tourism in Meru is a sight to behold. Often called "the last green frontier," Meru County invites investors to not only take part in new agro processing activities, but also to enjoy the benefits of its central location, with access into Northern Kenya, and the larger surrounding markets of Ethiopia, South Sudan, and Somalia.

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THE VISIONARY PRESIDENT

>> Interview with President Uhuru Kenyatta

Fifty years after your father, Mzee Jomo Kenyatta, the first president of Kenya, achieved independence, how would you characterize the recent elections that brought you into office?

They were the most complex in the country's history. Kenya's new constitution provides for a devolved system of government and positions had to be filled for both the national and forty-seven county governments. Kenya conducted six elections simultaneously, which was no mean feat given the complexity of the exercise. There was a large voter turnout, particularly from the youth, signalling this bloc is keen to have its say. Most importantly, in the presidential election, the winning candidate was required to get more than 50 percent of all votes cast and go through a process of validation by the Supreme Court. All in all, the elections helped to strengthen our democracy.

Please broadly outline the primary policies that will enhance Kenya's status as economic leader in East Africa.

Guided by Vision 2030, we aim to build an all-around entrepreneurial culture and convert smallholder agriculture into commercial activity. We intend to ensure food security by reducing dependence on rainfed farming by scaling up irrigation. We

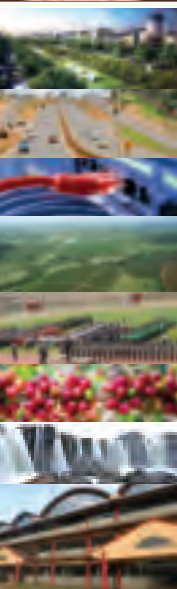
are determined to fast-track sectors in which we have a competitive advantage, such as ICT, tourism, and finance. All this will be based on expanding and modernizing our infrastructure to twenty-first-century standards.

Kenya has become such a hotbed for young IT professionals and other inventors, so much so that it has been dubbed "Silicon Savannah." How do you intend to capitalize on this?

Kenya has made tremendous strides in ICT. We were the pioneer country for the revolutionary mobile money-transfer service in 2007. It has transformed the financial sector with innovative solutions such as M-banking, which provides financial inclusion to the unbanked population. The country has transitioned from 2G technology to 3G, and is finalizing the adoption of the long-term evolution (LTE) technology. Construction of the Konza Techno-City, our own "Silicon Savannah" infrastructure, has commenced. Kenya's great forays into the ICT sector have attracted giants such as IBM, which has already launched its twelfth global lab—the only one in Africa—in Nairobi. Under the National ICT Master Plan of the Kenya Government, we intend to turn the country into the ICT hub of Africa.

Physical infrastructure tied with effective human capital development present the most daunting challenges to Kenya's path to prosperity. How do you intend to overcome these hurdles?

We have focused on top priorities. The first is the construction of a standard gauge railway from Mombasa to Nairobi, at a cost of \$3.75 billion. This will ease congestion at the port and reduce traffic on the



KIAMBU COUNTY

Where opportunities are endless, and possibilities are limitless

Recognized as the heart of Kenya, due to its central location and connection to all major economic towns, Kiambu County truly is the ideal place to live, work, and grow. The abundance of skilled labor and high-ranking educational institutions, combined with an ample supply of natural resources, make Kiambu an ideal place for investment. Its arable lands have allowed for horticulture, dairy, and coffee farming to flourish while its vast forests and waterfalls provide opportunities for further development in eco-tourism. The potential of Kiambu County, is indeed limitless.

kiambu.go.ke

Mombasa-Nairobi road.

We are also expanding and modernizing our airports, and plan to build and rehabilitate 5,500 kilometers of road and expand our power-generation capability with a bias toward green energy. As far as human capital is concerned, we intend to improve the quality of teaching in our primary schools, upgrade the transition rate to high schools and colleges, and raise enrollment in science and technology courses. To ensure a healthier nation, we have abolished maternity fees for expectant mothers. All Kenyan citizens are also now able to access health centers and government dispensaries free of charge.

Deepening bonds within the East African region of 120 million people is essential. What are your main policy objectives on this issue?

Major strides have been made to foster closer integration amongst the various states in the East African region. The East African Community (EAC) has already launched and implemented the Customs Union and Common Market protocols. In October 2013, Rwanda, Kenya, South Sudan, and Uganda launched a Single Customs Territory in Kigali. Currently, the EAC is working towards the establishment of an East African Community Monetary Union, with the Democratic Republic of Congo (DRC) and South Sudan set to join the market.

The United States—the world's largest foreign investor, with \$480 billion in foreign direct in-

vestment (FDI) last year—is refocusing on the African continent. What is your vision for the future of the U.S.-Kenya relationship?

Kenya has enjoyed excellent diplomatic, economic, and trade relations with the U.S. since our independence in 1963. The two countries have closely collaborated in the fight against terrorism, HIV, and AIDS, and in promoting youth empowerment. The two nations have also created numerous trade partnerships under the African Growth and Opportunity Act (AGOA) initiative. Many Kenyans have been trained in the U.S. Most recently, the number of American corporations investing in Kenya has continued to grow, especially in ICT, manufacturing, banking, and the hospitality industry. Undoubtedly, the U.S. remains a key economic partner of Kenya.

What is your message to our readers and the participants of the World Economic Forum in Africa and World Economic Forum in East Asia?

Kenya is open for business under the Jubilee Government I lead. The investment climate is now friendlier; we have put in place the necessary policy and regulatory framework aimed at attracting investors. As a result, in the past year, our World Economic Forum global competitiveness ranking has risen by ten positions. In innovation and technology, we now rank with the best in the world. We welcome you all to come and invest in Kenya.



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BANKING ON GROWTH

>> Kenya's banks fueling infrastructure development

Kenya is the banking and financial hub of East Africa, with over 100 financial organizations, including banks, foreign exchange bureaus and micro-finance institutions. The country's capital markets are the best-regulated in the region and will play a critical role in financing the major projects required to meet Vision 2030 targets.

James Mwangi, group CEO of Kenya's Equity Bank, said, "The economy has reached a level where it needs a sizable banking industry to finance major projects. The focus has shifted from commercial banking to the deepening of capital markets. The sector has benefited from reforms that are close to Basel II strengthening supervision."

The Central Bank of Kenya has been prepared to back innovative products. The most striking example

"All banks will benefit from economic growth which is projected [to be] between 6 percent and 10 percent in the next five years."

Munir Sheikh Ahmed

Managing Director of National Bank of Kenya

was its willingness to provide regulatory approval for Safaricom's M-Pesa system, which allows users with a national ID card or passport to transfer money with a mobile device. Kenya now leads the world in mobile money platforms.

COMPLIMENTARY SYSTEMS

The M-Pesa system has also focused the minds of major banks on what they do best. Greg Breckenridge, the chief executive of CfC Stanbic Bank, said, "M-Pesa provides a valuable service in niche payments, but no one is going to pay for an airplane, a car, or a house using M-Pesa. So we see it as complementary to what we do. It forces us to focus on the higher-value payments and complex transactions, which is a good thing."

CfC Stanbic Bank, a subsidiary of South Africa's Standard Bank, recently announced a 57-percent rise in pre-tax profits for 2013. It is a major player in financing big infrastructure projects, especially involving power generation. For example, it is helping to finance a \$108 million, 83 megawatt thermal power plant, to be built by private power company Triumph Kenya, and is providing \$90 mil-

lion in debt for a \$150 wind power generation project. CfC Stanbic Bank has twenty-two branches in major Kenyan towns, but plans to expand into more remote areas.

Providing banking coverage across Kenya has become increasingly important since devolution of power. The Cooperative Bank of Kenya was one of the first banks to see the potential of the rural areas and accounts for 31 percent of gross national savings. Dr. Gideon Muriuki, the CEO and group managing directing of Coop Bank, said: "We have crafted a county banking strategy that entails the establishment of branches in all counties in areas previously considered commercially marginal. This expansion saw the bank increase account-holders from 125,000 in 2001 to over 4 million by the close of 2013."



www.co-opbank.co.ke

When investing in Kenya it pays to follow your instincts

We know the elephant for its strength and its ability to survive in the harshest of conditions. During droughts, elephants are known to lead other animals to water. The elephant symbolises The Co-operative Bank. Its strength, ability to prosper in a tough and unpredictable terrain and its

wisdom are the qualities that have made us one of the largest and most profitable banks in East Africa. As we look beyond Kenya to the rest of Africa, we remain faithful to the values that have brought us this far. Follow your instincts. Invest in the Co-operative Bank.

CO-OPERATIVE BANK
We are you



EXPANSION PLANS

The co-operative movement has a solid footprint in agriculture, which is the bedrock of Kenya's economy. "There are about 4,414 registered cooperatives in agriculture, with a membership of over 1.8 million accounting for over 90 percent of production in coffee, cotton, pyrethrum, sugarcane, tea, dairy, fisheries, and farm purchase," said Muriuki.

The National Bank also has major expansion plans. Currently the twelfth-largest bank in Kenya, it aims to be in the top five by 2017 and plans to open another thirty branches. The strategy takes advantage of the anticipated influx of foreign investment into rural areas as the counties develop their economies. Munir Sheikh Ahmed, the managing director of National Bank of Kenya, said, "All banks will benefit from economic growth, which is projected [to be] between 6 percent and 10 percent in the next five years. Our expansion will cover all the counties where we are not present."

The Postal Corporation of Kenya (Posta), a progressive commercial state enterprise, recently launched Posta Pesa, an e-payment gateway that could become the primary payment system for all government transactions. Enock Kinara, the CEO of Posta said: "Posta Pesa service provides solutions to financial institutions including banks and mobile money transfer operations." Posta Pesa supports agency banking, mobile money transfer, card-based transactions, e-commerce, online disbursements, e-payment of utility and e-ticketing and will make Posta a national payment gateway. The company plans to grow at 39 percent over the next three years.

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The Return of Geopolitics

The Revenge of the Revisionist Powers

Walter Russell Mead

So far, the year 2014 has been a tumultuous one, as geopolitical rivalries have stormed back to center stage. Whether it is Russian forces seizing Crimea, China making aggressive claims in its coastal waters, Japan responding with an increasingly assertive strategy of its own, or Iran trying to use its alliances with Syria and Hezbollah to dominate the Middle East, old-fashioned power plays are back in international relations.

The United States and the EU, at least, find such trends disturbing. Both would rather move past geopolitical questions of territory and military power and focus instead on ones of world order and global governance: trade liberalization, nuclear nonproliferation, human rights, the rule of law, climate change, and so on. Indeed, since the end of the Cold War, the most important objective of U.S. and EU foreign policy has been to shift international relations away from zero-sum issues toward win-win ones. To be dragged back into old-school contests such as that in Ukraine doesn't just divert time and energy away from those important questions; it also changes the character of international politics. As the atmosphere turns dark, the task of promoting and maintaining world order grows more daunting.

But Westerners should never have expected old-fashioned geopolitics to go away. They did so only because they fundamentally misread what the collapse of the Soviet Union meant: the ideological triumph of liberal capitalist democracy over communism, not the obsolescence of hard power. China, Iran, and Russia never bought into the geopolitical settlement that followed the Cold War, and they

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are making increasingly forceful attempts to overturn it. That process will not be peaceful, and whether or not the revisionists succeed, their efforts have already shaken the balance of power and changed the dynamics of international politics.

A FALSE SENSE OF SECURITY

When the Cold War ended, many Americans and Europeans seemed to think that the most vexing geopolitical questions had largely been settled. With the exception of a handful of relatively minor problems, such as the woes of the former Yugoslavia and the Israeli-Palestinian dispute, the biggest issues in world politics, they assumed, would no longer concern boundaries, military bases, national self-determination, or spheres of influence.

One can't blame people for hoping. The West's approach to the realities of the post-Cold War world has made a great deal of sense, and it is hard to see how world peace can ever be achieved without replacing geopolitical competition with the construction of a liberal world order. Still, Westerners often forget that this project rests on the particular geopolitical foundations laid in the early 1990s.

In Europe, the post-Cold War settlement involved the unification of Germany, the dismemberment of the Soviet Union, and the integration of the former Warsaw Pact states and the Baltic republics into NATO and the EU. In the Middle East, it entailed the dominance of Sunni powers that were allied with the United States (Saudi Arabia, its Gulf allies, Egypt, and Turkey) and the double containment of Iran and Iraq. In Asia, it meant the uncontested dominance of the United States, embedded in a series of security relationships with Japan, South Korea, Australia, Indonesia, and other allies.

This settlement reflected the power realities of the day, and it was only as stable as the relationships that held it up. Unfortunately, many observers conflated the temporary geopolitical conditions of the post-Cold War world with the presumably more final outcome of the ideological struggle between liberal democracy and Soviet communism. The political scientist Francis Fukuyama's famous formulation that the end of the Cold War meant "the end of history" was a statement about ideology. But for many people, the collapse of the Soviet Union didn't just mean that humanity's ideological struggle was over for good; they thought geopolitics itself had also come to a permanent end.



Boots on the ground: armed Russians in Perevalnoe, Crimea, Ukraine, March 2014

At first glance, this conclusion looks like an extrapolation of Fukuyama's argument rather than a distortion of it. After all, the idea of the end of history has rested on the geopolitical consequences of ideological struggles ever since the German philosopher Georg Wilhelm Friedrich Hegel first expressed it at the beginning of the nineteenth century. For Hegel, it was the Battle of Jena, in 1806, that rang the curtain down on the war of ideas. In Hegel's eyes, Napoleon Bonaparte's utter destruction of the Prussian army in that brief campaign represented the triumph of the French Revolution over the best army that prerevolutionary Europe could produce. This spelled an end to history, Hegel argued, because in the future, only states that adopted the principles and techniques of revolutionary France would be able to compete and survive.

Adapted to the post-Cold War world, this argument was taken to mean that in the future, states would have to adopt the principles of liberal capitalism to keep up. Closed, communist societies, such as the Soviet Union, had shown themselves to be too uncreative and unproductive to compete economically and militarily with liberal states. Their political regimes were also shaky, since no social form other than liberal democracy provided enough freedom and dignity for a contemporary society to remain stable.

When the Cold War ended, the most vexing geopolitical questions seemed largely settled.

To fight the West successfully, you would have to become like the West, and if that happened, you would become the kind of wishy-washy, pacifistic milquetoast society that didn't want to fight about anything at all. The only remaining dangers to world peace would come from rogue states such as North Korea, and although such countries might have the will to challenge the West, they would be too crippled by their obsolete political and social structures to rise above the nuisance level (unless they developed nuclear weapons, of course). And thus former communist states, such as Russia, faced a choice. They could jump on the modernization bandwagon and become liberal, open, and pacifistic, or they could cling bitterly to their guns and their culture as the world passed them by.

At first, it all seemed to work. With history over, the focus shifted from geopolitics to development economics and nonproliferation, and the bulk of foreign policy came to center on questions such as climate change and trade. The conflation of the end of geopolitics and the end of history offered an especially enticing prospect to the United States: the idea that the country could start putting less into the international system and taking out more. It could shrink its defense spending, cut the State Department's appropriations, lower its profile in foreign hotspots—and the world would just go on becoming more prosperous and more free.

This vision appealed to both liberals and conservatives in the United States. The administration of President Bill Clinton, for example, cut both the Defense Department's and the State Department's budgets and was barely able to persuade Congress to keep paying U.S. dues to the UN. At the same time, policymakers assumed that the international system would become stronger and wider-reaching while continuing to be conducive to U.S. interests. Republican neo-isolationists, such as former Representative Ron Paul of Texas, argued that given the absence of serious geopolitical challenges, the United States could dramatically cut both military spending and foreign aid while continuing to benefit from the global economic system.

After 9/11, President George W. Bush based his foreign policy on the belief that Middle Eastern terrorists constituted a uniquely

dangerous opponent, and he launched what he said would be a long war against them. In some respects, it appeared that the world was back in the realm of history. But the Bush administration's belief that democracy could be implanted quickly in the Arab Middle East, starting with Iraq, testified to a deep conviction that the overall tide of events was running in America's favor.

President Barack Obama built his foreign policy on the conviction that the "war on terror" was overblown, that history really was over, and that, as in the Clinton years, the United States' most important priorities involved promoting the liberal world order, not playing classical geopolitics. The administration articulated an extremely ambitious agenda in support of that order: blocking Iran's drive for nuclear weapons, solving the Israeli-Palestinian conflict, negotiating a global climate change treaty, striking Pacific and Atlantic trade deals, signing arms control treaties with Russia, repairing U.S. relations with the Muslim world, promoting gay rights, restoring trust with European allies, and ending the war in Afghanistan. At the same time, however, Obama planned to cut defense spending dramatically and reduced U.S. engagement in key world theaters, such as Europe and the Middle East.

AN AXIS OF WEEVILS?

All these happy convictions are about to be tested. Twenty-five years after the fall of the Berlin Wall, whether one focuses on the rivalry between the EU and Russia over Ukraine, which led Moscow to seize Crimea; the intensifying competition between China and Japan in East Asia; or the subsuming of sectarian conflict into international rivalries and civil wars in the Middle East, the world is looking less post-historical by the day. In very different ways, with very different objectives, China, Iran, and Russia are all pushing back against the political settlement of the Cold War.

The relationships among those three revisionist powers are complex. In the long run, Russia fears the rise of China. Tehran's worldview has little in common with that of either Beijing or Moscow. Iran and Russia are oil-exporting countries and like the price of oil to be high; China is a net consumer and wants prices low. Political instability in the Middle East can work to Iran's and Russia's advantage but poses large risks for China. One should not speak of a strategic alliance among them, and over time, particularly if they succeed in undermining

U.S. influence in Eurasia, the tensions among them are more likely to grow than shrink.

What binds these powers together, however, is their agreement that the status quo must be revised. Russia wants to reassemble as much of the Soviet Union as it can. China has no intention of contenting itself with a secondary role in global affairs, nor will it accept the current degree of U.S. influence in Asia and the territorial status quo there. Iran wishes to replace the current order in the Middle East—led by Saudi Arabia and dominated by Sunni Arab states—with one centered on Tehran.

Leaders in all three countries also agree that U.S. power is the chief obstacle to achieving their revisionist goals. Their hostility toward Washington and its order is both offensive and defensive: not

*In very different ways,
China, Iran, and Russia
are all seeking to revise the
status quo.*

only do they hope that the decline of U.S. power will make it easier to reorder their regions, but they also worry that Washington might try to overthrow them should discord within their countries grow. Yet the revisionists want to avoid direct confrontations with the United States, except in rare circumstances

when the odds are strongly in their favor (as in Russia's 2008 invasion of Georgia and its occupation and annexation of Crimea this year). Rather than challenge the status quo head on, they seek to chip away at the norms and relationships that sustain it.

Since Obama has been president, each of these powers has pursued a distinct strategy in light of its own strengths and weaknesses. China, which has the greatest capabilities of the three, has paradoxically been the most frustrated. Its efforts to assert itself in its region have only tightened the links between the United States and its Asian allies and intensified nationalism in Japan. As Beijing's capabilities grow, so will its sense of frustration. China's surge in power will be matched by a surge in Japan's resolve, and tensions in Asia will be more likely to spill over into global economics and politics.

Iran, by many measures the weakest of the three states, has had the most successful record. The combination of the United States' invasion of Iraq and then its premature withdrawal has enabled Tehran to cement deep and enduring ties with significant power centers across the Iraqi border, a development that has changed both the sectarian



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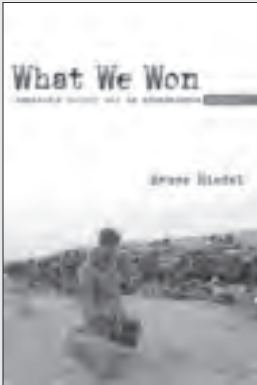
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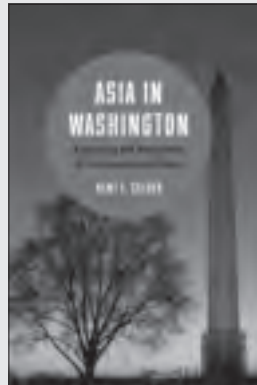
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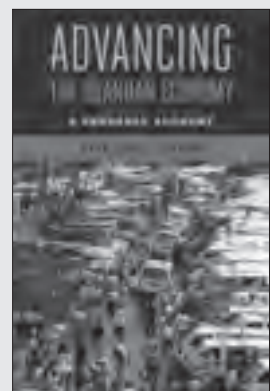
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and the political balance of power in the region. In Syria, Iran, with the help of its longtime ally Hezbollah, has been able to reverse the military tide and prop up the government of Bashar al-Assad in the face of strong opposition from the U.S. government. This triumph of realpolitik has added considerably to Iran's power and prestige. Across the region, the Arab Spring has weakened Sunni regimes, further tilting the balance in Iran's favor. So has the growing split among Sunni governments over what to do about the Muslim Brotherhood and its offshoots and adherents.

Russia, meanwhile, has emerged as the middling revisionist: more powerful than Iran but weaker than China, more successful than China at geopolitics but less successful than Iran. Russia has been moderately effective at driving wedges between Germany and the United States, but Russian President Vladimir Putin's preoccupation with rebuilding the Soviet Union has been hobbled by the sharp limits of his country's economic power. To build a real Eurasian bloc, as Putin dreams of doing, Russia would have to underwrite the bills of the former Soviet republics—something it cannot afford to do.

Nevertheless, Putin, despite his weak hand, has been remarkably successful at frustrating Western projects on former Soviet territory. He has stopped NATO expansion dead in its tracks. He has dismembered Georgia, brought Armenia into his orbit, tightened his hold on Crimea, and, with his Ukrainian adventure, dealt the West an unpleasant and humiliating surprise. From the Western point of view, Putin appears to be condemning his country to an ever-darker future of poverty and marginalization. But Putin doesn't believe that history has ended, and from his perspective, he has solidified his power at home and reminded hostile foreign powers that the Russian bear still has sharp claws.

THE POWERS THAT BE

The revisionist powers have such varied agendas and capabilities that none can provide the kind of systematic and global opposition that the Soviet Union did. As a result, Americans have been slow to realize that these states have undermined the Eurasian geopolitical order in ways that complicate U.S. and European efforts to construct a post-historical, win-win world.

Still, one can see the effects of this revisionist activity in many places. In East Asia, China's increasingly assertive stance has yet to yield much

Obama now finds himself bogged down in exactly the kinds of geopolitical rivalries he had hoped to transcend.

concrete geopolitical progress, but it has fundamentally altered the political dynamic in the region with the fastest-growing economies

on earth. Asian politics today revolve around national rivalries, conflicting territorial claims, naval buildups, and similar historical issues. The nationalist revival in Japan, a direct response to China's agenda, has set up a process in which rising nationalism in one country feeds off the same in the other. China and Japan are escalating their rhetoric,

increasing their military budgets, starting bilateral crises with greater frequency, and fixating more and more on zero-sum competition.

Although the EU remains in a post-historical moment, the non-EU republics of the former Soviet Union are living in a very different age. In the last few years, hopes of transforming the former Soviet Union into a post-historical region have faded. The Russian occupation of Ukraine is only the latest in a series of steps that have turned eastern Europe into a zone of sharp geopolitical conflict and made stable and effective democratic governance impossible outside the Baltic states and Poland.

In the Middle East, the situation is even more acute. Dreams that the Arab world was approaching a democratic tipping point—dreams that informed U.S. policy under both the Bush and the Obama administrations—have faded. Rather than building a liberal order in the region, U.S. policymakers are grappling with the unraveling of the state system that dates back to the 1916 Sykes-Picot agreement, which divided up the Middle Eastern provinces of the Ottoman Empire, as governance erodes in Iraq, Lebanon, and Syria. Obama has done his best to separate the geopolitical issue of Iran's surging power across the region from the question of its compliance with the Nuclear Nonproliferation Treaty, but Israeli and Saudi fears about Iran's regional ambitions are making that harder to do. Another obstacle to striking agreements with Iran is Russia, which has used its seat on the UN Security Council and support for Assad to set back U.S. goals in Syria.

Russia sees its influence in the Middle East as an important asset in its competition with the United States. This does not mean that Moscow will reflexively oppose U.S. goals on every occasion, but it

does mean that the win-win outcomes that Americans so eagerly seek will sometimes be held hostage to Russian geopolitical interests. In deciding how hard to press Russia over Ukraine, for example, the White House cannot avoid calculating the impact on Russia's stance on the Syrian war or Iran's nuclear program. Russia cannot make itself a richer country or a much larger one, but it has made itself a more important factor in U.S. strategic thinking, and it can use that leverage to extract concessions that matter to it.

If these revisionist powers have gained ground, the status quo powers have been undermined. The deterioration is sharpest in Europe, where the unmitigated disaster of the common currency has divided public opinion and turned the EU's attention in on itself. The EU may have avoided the worst possible consequences of the euro crisis, but both its will and its capacity for effective action beyond its frontiers have been significantly impaired.

The United States has not suffered anything like the economic pain much of Europe has gone through, but with the country facing the foreign policy hangover induced by the Bush-era wars, an increasingly intrusive surveillance state, a slow economic recovery, and an unpopular health-care law, the public mood has soured. On both the left and the right, Americans are questioning the benefits of the current world order and the competence of its architects. Additionally, the public shares the elite consensus that in a post-Cold War world, the United States ought to be able to pay less into the system and get more out. When that doesn't happen, people blame their leaders. In any case, there is little public appetite for large new initiatives at home or abroad, and a cynical public is turning away from a polarized Washington with a mix of boredom and disdain.

Obama came into office planning to cut military spending and reduce the importance of foreign policy in American politics while strengthening the liberal world order. A little more than halfway through his presidency, he finds himself increasingly bogged down in exactly the kinds of geopolitical rivalries he had hoped to transcend. Chinese, Iranian, and Russian revanchism haven't overturned the post-Cold War settlement in Eurasia yet, and may never do so, but they have converted an uncontested status quo into a contested one. U.S. presidents no longer have a free hand as they seek to deepen the liberal system; they are increasingly concerned with shoring up its geopolitical foundations.

THE TWILIGHT OF HISTORY

It was 22 years ago that Fukuyama published *The End of History and the Last Man*, and it is tempting to see the return of geopolitics as a definitive refutation of his thesis. The reality is more complicated. The end of history, as Fukuyama reminded readers, was Hegel's idea, and even though the revolutionary state had triumphed over the old type of regimes for good, Hegel argued, competition and conflict would continue. He predicted that there would be disturbances in the provinces, even as the heartlands of European civilization moved into a post-historical time. Given that Hegel's provinces included China, India, Japan, and Russia, it should hardly be surprising that more than two centuries later, the disturbances haven't ceased. We are living in the twilight of history rather than at its actual end.

A Hegelian view of the historical process today would hold that substantively little has changed since the beginning of the nineteenth century. To be powerful, states must develop the ideas and institutions that allow them to harness the titanic forces of industrial and informational capitalism. There is no alternative; societies unable or unwilling to embrace this route will end up the subjects of history rather than the makers of it.

But the road to postmodernity remains rocky. In order to increase its power, China, for example, will clearly have to go through a process of economic and political development that will require the country to master the problems that modern Western societies have confronted. There is no assurance, however, that China's path to stable liberal modernity will be any less tumultuous than, say, the one that Germany trod. The twilight of history is not a quiet time.

The second part of Fukuyama's book has received less attention, perhaps because it is less flattering to the West. As Fukuyama investigated what a post-historical society would look like, he made a disturbing discovery. In a world where the great questions have been solved and geopolitics has been subordinated to economics, humanity will look a lot like the nihilistic "last man" described by the philosopher Friedrich Nietzsche: a narcissistic consumer with no greater aspirations beyond the next trip to the mall.

In other words, these people would closely resemble today's European bureaucrats and Washington lobbyists. They are competent enough at managing their affairs among post-historical people,

but understanding the motives and countering the strategies of old-fashioned power politicians is hard for them. Unlike their less productive and less stable rivals, post-historical people are unwilling to make sacrifices, focused on the short term, easily distracted, and lacking in courage.

The realities of personal and political life in post-historical societies are very different from those in such countries as China, Iran, and Russia, where the sun of history still shines. It is not just that those different societies bring different personalities and values to the fore; it is also that their institutions work differently and their publics are shaped by different ideas.

Societies filled with Nietzsche's last men (and women) characteristically misunderstand and underestimate their supposedly primitive opponents in supposedly backward societies—a blind spot that could, at least temporarily, offset their countries' other advantages. The tide of history may be flowing inexorably in the direction of liberal capitalist democracy, and the sun of history may indeed be sinking behind the hills. But even as the shadows lengthen and the first of the stars appears, such figures as Putin still stride the world stage. They will not go gentle into that good night, and they will rage, rage against the dying of the light. 🌍

The Illusion of Geopolitics

The Enduring Power of the Liberal Order

G. John Ikenberry

Walter Russell Mead paints a disturbing portrait of the United States' geopolitical predicament. As he sees it, an increasingly formidable coalition of illiberal powers—China, Iran, and Russia—is determined to undo the post–Cold War settlement and the U.S.-led global order that stands behind it. Across Eurasia, he argues, these aggrieved states are bent on building spheres of influence to threaten the foundations of U.S. leadership and the global order. So the United States must rethink its optimism, including its post–Cold War belief that rising non-Western states can be persuaded to join the West and play by its rules. For Mead, the time has come to confront the threats from these increasingly dangerous geopolitical foes.

But Mead's alarmism is based on a colossal misreading of modern power realities. It is a misreading of the logic and character of the existing world order, which is more stable and expansive than Mead depicts, leading him to overestimate the ability of the "axis of weevils" to undermine it. And it is a misreading of China and Russia, which are not full-scale revisionist powers but part-time spoilers at best, as suspicious of each other as they are of the outside world. True, they look for opportunities to resist the United States' global leadership, and recently, as in the past, they have pushed back against it, particularly when confronted in their own neighborhoods. But even these conflicts are fueled more by weakness—their leaders' and regimes'—than by strength. They have no appealing brand. And when it comes to their overriding interests, Russia and, especially, China are deeply integrated into the world economy and its governing institutions.

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Mead also mischaracterizes the thrust of U.S. foreign policy. Since the end of the Cold War, he argues, the United States has ignored geopolitical issues involving territory and spheres of influence and instead adopted a Pollyannaish emphasis on building the global order. But this is a false dichotomy. The United States does not focus on issues of global order, such as arms control and trade, because it assumes that geopolitical conflict is gone forever; it undertakes such efforts precisely because it wants to manage great-power competition. Order building is not premised on the end of geopolitics; it is about how to answer the big questions of geopolitics.

Indeed, the construction of a U.S.-led global order did not begin with the end of the Cold War; it won the Cold War. In the nearly 70 years since World War II, Washington has undertaken sustained efforts to build a far-flung system of multilateral institutions, alliances, trade agreements, and political partnerships. This project has helped draw countries into the United States' orbit. It has helped strengthen global norms and rules that undercut the legitimacy of nineteenth-century-style spheres of influence, bids for regional domination, and territorial grabs. And it has given the United States the capacities, partnerships, and principles to confront today's great-power spoilers and revisionists, such as they are. Alliances, partnerships, multilateralism, democracy—these are the tools of U.S. leadership, and they are winning, not losing, the twenty-first-century struggles over geopolitics and the world order.

THE GENTLE GIANT

In 1904, the English geographer Halford Mackinder wrote that the great power that controlled the heartland of Eurasia would command “the World-Island” and thus the world itself. For Mead, Eurasia has returned as the great prize of geopolitics. Across the far reaches of this supercontinent, he argues, China, Iran, and Russia are seeking to establish their spheres of influence and challenge U.S. interests, slowly but relentlessly attempting to dominate Eurasia and thereby threaten the United States and the rest of the world.

This vision misses a deeper reality. In matters of geopolitics (not to mention demographics, politics, and ideas), the United States has a decisive advantage over China, Iran, and Russia. Although the United States will no doubt come down from the peak of hegemony that it occupied during the unipolar era, its power is still unrivaled. Its wealth

and technological advantages remain far out of the reach of China and Russia, to say nothing of Iran. Its recovering economy, now bolstered by massive new natural gas resources, allows it to maintain a global military presence and credible security commitments.

Indeed, Washington enjoys a unique ability to win friends and influence states. According to a study led by the political scientist

China and Russia are not full-scale revisionist powers but part-time spoilers at best.

Brett Ashley Leeds, the United States boasts military partnerships with more than 60 countries, whereas Russia counts eight formal allies and China has just one (North Korea). As one British diplomat told me several years ago, “China doesn’t seem to do alliances.” But the United States does, and they pay a

double dividend: not only do alliances provide a global platform for the projection of U.S. power, but they also distribute the burden of providing security. The military capabilities aggregated in this U.S.-led alliance system outweigh anything China or Russia might generate for decades to come.

Then there are the nuclear weapons. These arms, which the United States, China, and Russia all possess (and Iran is seeking), help the United States in two ways. First, thanks to the logic of mutual assured destruction, they radically reduce the likelihood of great-power war. Such upheavals have provided opportunities for past great powers, including the United States in World War II, to entrench their own international orders. The atomic age has robbed China and Russia of this opportunity. Second, nuclear weapons also make China and Russia more secure, giving them assurance that the United States will never invade. That’s a good thing, because it reduces the likelihood that they will resort to desperate moves, born of insecurity, that risk war and undermine the liberal order.

Geography reinforces the United States’ other advantages. As the only great power not surrounded by other great powers, the country has appeared less threatening to other states and was able to rise dramatically over the course of the last century without triggering a war. After the Cold War, when the United States was the world’s sole superpower, other global powers, oceans away, did not even attempt to balance against it. In fact, the United States’ geographic position has led other countries to worry more about abandonment than



Standing together: pro-EU demonstrators in Kiev, November 2013

domination. Allies in Europe, Asia, and the Middle East have sought to draw the United States into playing a greater role in their regions. The result is what the historian Geir Lundestad has called an “empire by invitation.”

The United States’ geographic advantage is on full display in Asia. Most countries there see China as a greater potential danger—due to its proximity, if nothing else—than the United States. Except for the United States, every major power in the world lives in a crowded geopolitical neighborhood where shifts in power routinely provoke counterbalancing—including by one another. China is discovering this dynamic today as surrounding states react to its rise by modernizing their militaries and reinforcing their alliances. Russia has known it for decades, and has faced it most recently in Ukraine, which in recent years has increased its military spending and sought closer ties to the EU.

Geographic isolation has also given the United States reason to champion universal principles that allow it to access various regions of the world. The country has long promoted the open-door policy and the principle of self-determination and opposed colonialism—less out of a sense of idealism than due to the practical realities of keeping Europe, Asia, and the Middle East open for trade and diplomacy. In

the late 1930s, the main question facing the United States was how large a geopolitical space, or “grand area,” it would need to exist as a great power in a world of empires, regional blocs, and spheres of influence. World War II made the answer clear: the country’s prosperity and security depended on access to every region. And in the ensuing decades, with some important and damaging exceptions, such as Vietnam, the United States has embraced postimperial principles.

It was during these postwar years that geopolitics and order building converged. A liberal international framework was the answer that statesmen such as Dean Acheson, George Kennan, and George Marshall offered to the challenge of Soviet expansionism. The system they built strengthened and enriched the United States and its allies, to the detriment of its illiberal opponents. It also stabilized the world economy and established mechanisms for tackling global problems. The end of the Cold War has not changed the logic behind this project.

Fortunately, the liberal principles that Washington has pushed enjoy near-universal appeal, because they have tended to be a good fit with the modernizing forces of economic growth and social advancement. As the historian Charles Maier has put it, the United States surfed the wave of twentieth-century modernization. But some have argued that this congruence between the American project and the forces of modernity has weakened in recent years. The 2008 financial crisis, the thinking goes, marked a world-historical turning point, at which the United States lost its vanguard role in facilitating economic advancement.

Yet even if that were true, it hardly follows that China and Russia have replaced the United States as the standard-bearers of the global economy. Even Mead does not argue that China, Iran, or Russia offers the world a new model of modernity. If these illiberal powers really do threaten Washington and the rest of the liberal capitalist world, then they will need to find and ride the next great wave of modernization. They are unlikely to do that.

THE RISE OF DEMOCRACY

Mead’s vision of a contest over Eurasia between the United States and China, Iran, and Russia misses the more profound power transition under way: the increasing ascendancy of liberal capitalist democracy. To be sure, many liberal democracies are struggling at the moment

with slow economic growth, social inequality, and political instability. But the spread of liberal democracy throughout the world, beginning in the late 1970s and accelerating after the Cold War, has dramatically strengthened the United States' position and tightened the geopolitical circle around China and Russia.

It's easy to forget how rare liberal democracy once was. Until the twentieth century, it was confined to the West and parts of Latin America. After World War II, however, it began to reach beyond those realms, as newly independent states established self-rule. During the 1950s, 1960s, and early 1970s, military coups and new dictators put the brakes on democratic transitions. But in the late 1970s, what the political scientist Samuel Huntington termed "the third wave" of democratization washed over southern Europe, Latin America, and East Asia. Then the Cold War ended, and a cohort of former communist states in eastern Europe were brought into the democratic fold. By the late 1990s, 60 percent of all countries had become democracies.

Russia is experiencing one of the greatest geopolitical contractions of any major power in the modern era.

Although some backsliding has occurred, the more significant trend has been the emergence of a group of democratic middle powers, including Australia, Brazil, India, Indonesia, Mexico, South Korea, and Turkey. These rising democracies are acting as stakeholders in the international system: pushing for multilateral cooperation, seeking greater rights and responsibilities, and exercising influence through peaceful means.

Such countries lend the liberal world order new geopolitical heft. As the political scientist Larry Diamond has noted, if Argentina, Brazil, India, Indonesia, South Africa, and Turkey regain their economic footing and strengthen their democratic rule, the G-20, which also includes the United States and European countries, "will have become a strong 'club of democracies,' with only Russia, China, and Saudi Arabia holding out." The rise of a global middle class of democratic states has turned China and Russia into outliers—not, as Mead fears, legitimate contestants for global leadership.

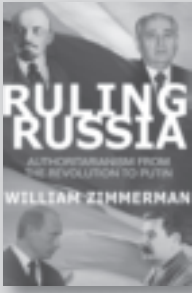
In fact, the democratic upsurge has been deeply problematic for both countries. In eastern Europe, former Soviet states and satellites have gone democratic and joined the West. As worrisome as Russian

President Vladimir Putin's moves in Crimea have been, they reflect Russia's geopolitical vulnerability, not its strength. Over the last two decades, the West has crept closer to Russia's borders. In 1999, the Czech Republic, Hungary, and Poland entered NATO. They were joined in 2004 by seven more former members of the Soviet bloc, and in 2009, by Albania and Croatia. In the meantime, six former Soviet republics have headed down the path to membership by joining NATO's Partnership for Peace program. Mead makes much of Putin's achievements in Georgia, Armenia, and Crimea. Yet even though Putin is winning some small battles, he is losing the war. Russia is not on the rise; to the contrary, it is experiencing one of the greatest geopolitical contractions of any major power in the modern era.

Democracy is encircling China, too. In the mid-1980s, India and Japan were the only Asian democracies, but since then, Indonesia, Mongolia, the Philippines, South Korea, Taiwan, and Thailand have joined the club. Myanmar (also called Burma) has made cautious steps toward multiparty rule—steps that have come, as China has not failed to notice, in conjunction with warming relations with the United States. China now lives in a decidedly democratic neighborhood.

These political transformations have put China and Russia on the defensive. Consider the recent developments in Ukraine. The economic and political currents in most of the country are inexorably flowing westward, a trend that terrifies Putin. His only recourse has been to strong-arm Ukraine into resisting the EU and remaining in Russia's orbit. Although he may be able to keep Crimea under Russian control, his grip on the rest of the country is slipping. As the EU diplomat Robert Cooper has noted, Putin can try to delay the moment when Ukraine "affiliates with the EU, but he can't stop it." Indeed, Putin might not even be able to accomplish that, since his provocative moves may serve only to speed Ukraine's move toward Europe.

China faces a similar predicament in Taiwan. Chinese leaders sincerely believe that Taiwan is part of China, but the Taiwanese do not. The democratic transition on the island has made its inhabitants' claims to nationhood more deeply felt and legitimate. A 2011 survey found that if the Taiwanese could be assured that China would not attack Taiwan, 80 percent of them would support declaring independence. Like Russia, China wants geopolitical control over its neighborhood. But the spread of democracy to all corners of Asia has made old-fashioned domination the only way to achieve that, and that option is costly and self-defeating.



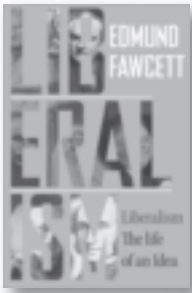
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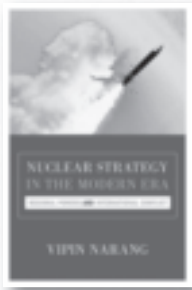
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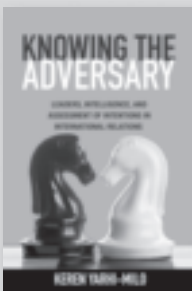
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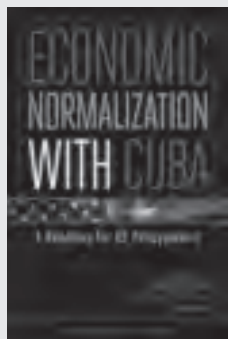
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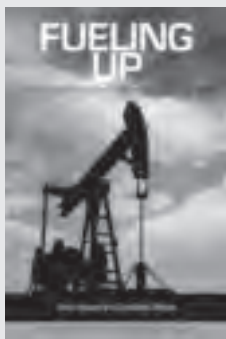


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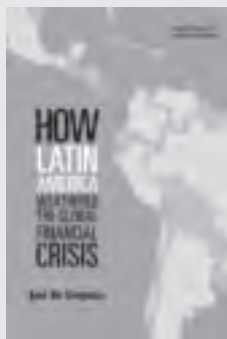


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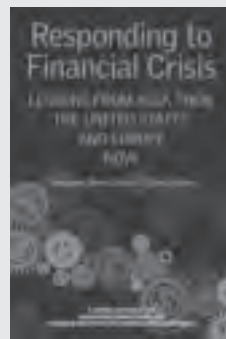
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While the rise of democratic states makes life more difficult for China and Russia, it makes the world safer for the United States. Those two powers may count as U.S. rivals, but the rivalry takes place on a very uneven playing field: the United States has the most friends, and the most capable ones, too. Washington and its allies account for 75 percent of global military spending. Democratization has put China and Russia in a geopolitical box.

Iran is not surrounded by democracies, but it is threatened by a restive pro-democracy movement at home. More important, Iran is the weakest member of Mead's axis, with a much smaller economy and military than the United States and the other great powers. It is also the target of the strongest international sanctions regime ever assembled, with help from China and Russia. The Obama administration's diplomacy with Iran may or may not succeed, but it is not clear what Mead would do differently to prevent the country from acquiring nuclear weapons. U.S. President Barack Obama's approach has the virtue of offering Tehran a path by which it can move from being a hostile regional power to becoming a more constructive, nonnuclear member of the international community—a potential geopolitical game changer that Mead fails to appreciate.

REVISIONISM REVISITED

Not only does Mead underestimate the strength of the United States and the order it built; he also overstates the degree to which China and Russia are seeking to resist both. (Apart from its nuclear ambitions, Iran looks like a state engaged more in futile protest than actual resistance, so it shouldn't be considered anything close to a revisionist power.) Without a doubt, China and Russia desire greater regional influence. China has made aggressive claims over maritime rights and nearby contested islands, and it has embarked on an arms buildup. Putin has visions of reclaiming Russia's dominance in its "near abroad." Both great powers bristle at U.S. leadership and resist it when they can.

But China and Russia are not true revisionists. As former Israeli Foreign Minister Shlomo Ben-Ami has said, Putin's foreign policy is "more a reflection of his resentment of Russia's geopolitical marginalization than a battle cry from a rising empire." China, of course, is an actual rising power, and this does invite dangerous competition with U.S. allies in Asia. But China is not currently trying to break those alliances or overthrow the wider system of regional security governance

embodied in the Association of Southeast Asian Nations and the East Asia Summit. And even if China harbors ambitions of eventually doing so, U.S. security partnerships in the region are, if anything, getting stronger, not weaker. At most, China and Russia are spoilers. They do not have the interests—let alone the ideas, capacities, or allies—to lead them to upend existing global rules and institutions.

In fact, although they resent that the United States stands at the top of the current geopolitical system, they embrace the underlying

In the age of liberal order, revisionist struggles are a fool's errand.

logic of that framework, and with good reason. Openness gives them access to trade, investment, and technology from other societies. Rules give them tools to protect their sovereignty and interests.

Despite controversies over the new idea of “the responsibility to protect” (which has been applied only selectively), the current world order enshrines the age-old norms of state sovereignty and nonintervention. Those Westphalian principles remain the bedrock of world politics—and China and Russia have tied their national interests to them (despite Putin’s disturbing irredentism).

It should come as no surprise, then, that China and Russia have become deeply integrated into the existing international order. They are both permanent members of the UN Security Council, with veto rights, and they both participate actively in the World Trade Organization, the International Monetary Fund, the World Bank, and the G-20. They are geopolitical insiders, sitting at all the high tables of global governance.

China, despite its rapid ascent, has no ambitious global agenda; it remains fixated inward, on preserving party rule. Some Chinese intellectuals and political figures, such as Yan Xuetong and Zhu Chenghu, do have a wish list of revisionist goals. They see the Western system as a threat and are waiting for the day when China can reorganize the international order. But these voices do not reach very far into the political elite. Indeed, Chinese leaders have moved away from their earlier calls for sweeping change. In 2007, at its Central Committee meeting, the Chinese Communist Party replaced previous proposals for a “new international economic order” with calls for more modest reforms centering on fairness and justice. The Chinese scholar Wang Jisi has argued that this move is “subtle but important,” shifting China’s orientation toward that of a global reformer. China now wants

a larger role in the International Monetary Fund and the World Bank, greater voice in such forums as the G-20, and wider global use of its currency. That is not the agenda of a country trying to revise the economic order.

China and Russia are also members in good standing of the nuclear club. The centerpiece of the Cold War settlement between the United States and the Soviet Union (and then Russia) was a shared effort to limit atomic weapons. Although U.S.-Russian relations have since soured, the nuclear component of their arrangement has held. In 2010, Moscow and Washington signed the New START treaty, which requires mutual reductions in long-range nuclear weapons.

Before the 1990s, China was a nuclear outsider. Although it had a modest arsenal, it saw itself as a voice of the nonnuclear developing world and criticized arms control agreements and test bans. But in a remarkable shift, China has since come to support the array of nuclear accords, including the Nuclear Nonproliferation Treaty and the Comprehensive Nuclear Test Ban Treaty. It has affirmed a “no first use” doctrine, kept its arsenal small, and taken its entire nuclear force off alert. China has also played an active role in the Nuclear Security Summit, an initiative proposed by Obama in 2009, and it has joined the “P5 process,” a collaborate effort to safeguard nuclear weapons.

Across a wide range of issues, China and Russia are acting more like established great powers than revisionist ones. They often choose to shun multilateralism, but so, too, on occasion do the United States and other powerful democracies. (Beijing has ratified the UN Convention on the Law of the Sea; Washington has not.) And China and Russia are using global rules and institutions to advance their own interests. Their struggles with the United States revolve around gaining voice within the existing order and manipulating it to suit their needs. They wish to enhance their positions within the system, but they are not trying to replace it.

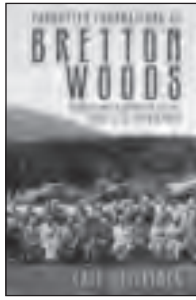
HERE TO STAY

Ultimately, even if China and Russia do attempt to contest the basic terms of the current global order, the adventure will be daunting and self-defeating. These powers aren’t just up against the United States; they would also have to contend with the most globally organized and deeply entrenched order the world has ever seen, one that is dominated by states that are liberal, capitalist, and democratic. This order is backed

by a U.S.-led network of alliances, institutions, geopolitical bargains, client states, and democratic partnerships. It has proved dynamic and expansive, easily integrating rising states, beginning with Japan and Germany after World War II. It has shown a capacity for shared leadership, as exemplified by such forums as the G-8 and the G-20. It has allowed rising non-Western countries to trade and grow, sharing the dividends of modernization. It has accommodated a surprisingly wide variety of political and economic models—social democratic (western Europe), neoliberal (the United Kingdom and the United States), and state capitalist (East Asia). The prosperity of nearly every country—and the stability of its government—fundamentally depends on this order.

In the age of liberal order, revisionist struggles are a fool's errand. Indeed, China and Russia know this. They do not have grand visions of an alternative order. For them, international relations are mainly about the search for commerce and resources, the protection of their sovereignty, and, where possible, regional domination. They have shown no interest in building their own orders or even taking full responsibility for the current one and have offered no alternative visions of global economic or political progress. That's a critical shortcoming, since international orders rise and fall not simply with the power of the leading state; their success also hinges on whether they are seen as legitimate and whether their actual operation solves problems that both weak and powerful states care about. In the struggle for world order, China and Russia (and certainly Iran) are simply not in the game.

Under these circumstances, the United States should not give up its efforts to strengthen the liberal order. The world that Washington inhabits today is one it should welcome. And the grand strategy it should pursue is the one it has followed for decades: deep global engagement. It is a strategy in which the United States ties itself to the regions of the world through trade, alliances, multilateral institutions, and diplomacy. It is a strategy in which the United States establishes leadership not simply through the exercise of power but also through sustained efforts at global problem solving and rule making. It created a world that is friendly to American interests, and it is made friendly because, as President John F. Kennedy once said, it is a world "where the weak are safe and the strong are just." 🌐



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Near Eastern Promises

Why Washington Should Focus on the Middle East

Kenneth M. Pollack and Ray Takeyh

Contrary to popular myths and conspiracy theories about Washington's desire to control the Middle East, for the past six decades, U.S. policymakers have usually sought to minimize the United States' involvement there. But the high-stakes nature of American interests in the region—particularly oil—and the complexity of the Middle East's problems always seem to draw the United States back in. In spite of himself, U.S. President Dwight Eisenhower was sucked into the Suez crisis in 1956 and the pan-Arabist revolts of the late 1950s. Lyndon Johnson barely lifted a finger to prevent the Six-Day War in 1967. Richard Nixon found himself grudgingly drawn into the region by the 1973 Arab-Israeli war and the superpower nuclear crisis it caused. Despite his aggressive image, Ronald Reagan did little in response to repeated attacks in Lebanon and the Persian Gulf by Iran and its proxies. George H. W. Bush came to office hoping to ignore Saddam Hussein, not to go to war with him. And although it is rarely remembered today, George W. Bush was not particularly interested in the Middle East and paid little attention to the region prior to the 9/11 attacks.

President Barack Obama arrived in office determined to succeed where his predecessors had failed. After a decade of war in Afghanistan and Iraq, he planned to remove the Middle Eastern albatross from around Washington's neck. In public statements, Obama administration officials have been careful to avoid any suggestion that Washington wants to “disengage” from the Middle East. But some senior officials

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have been known to make the case in private for why the U.S. approach to the region needs to change substantially. They have argued that the United States has consistently overinvested in the region, especially during the prior administration. They planned to correct that imbalance

with a “pivot” of U.S. diplomatic and military resources away from the Middle East and toward Asia, the region where Obama believes the risk-reward ratio is more favorable to the United States.

These officials have made three interlocking arguments to support this approach. First, they have insisted that the Middle East’s problems have been exaggerated; in their view, most of those problems are small squabbles that could be easily resolved. Second, these officials contend that many of the region’s worst problems are in fact the product of the United States’ overinvolvement. In part, this claim is based on a “moral hazard” argument: Washington’s devotion to the region allows Middle Eastern leaders to indulge in bad behavior, and if the Americans would just pull back, the region’s governments would change their ways. Finally, they have claimed that U.S. interests in the Middle East are both more modest and less vulnerable than commonly believed.

As these members of Obama’s team see things, these factors justify a major downgrading of U.S. involvement in the region. This line of thinking underpinned the administration’s lack of interest in extending the deployment of U.S. forces in Iraq, its halfhearted efforts at peacemaking between the Israelis and the Palestinians (at least until last year, when John Kerry became secretary of state), the limited U.S. support for opposition movements in Libya and Syria, and the administration’s confused and ambivalent response to the revolts of the Arab Spring. Under Obama, the United States has not quite disengaged from the region; there is still considerable contact between Washington and regional capitals. But the administration has shown almost no willingness to invest more resources or pursue constructive agendas there.

Five years into the Obama presidency, this approach has yielded mixed results. Administration officials were wrong to believe that the region’s problems have been exaggerated or are mostly the result of American blunders. U.S. disengagement has not produced a more stable or secure Middle East. In fact, the region has gotten much worse. Left to their own devices, the region’s leaders have hardly governed more effectively; partly as a result, civil wars are burning in Libya, Syria, and Yemen. Bahrain, Egypt, Iraq, and Lebanon are teetering on the edge. Meanwhile, instability in those places has spilled across borders into Algeria, Jordan, Kuwait, and Turkey, straining those countries’ already fragile social fabrics. Moreover, these stresses have collectively provoked a vicious proxy war between Iran and a

group of Sunni Arab states, led by Saudi Arabia, that many fear will snowball into a regionwide Shiite-Sunni conflict.

Ironically, however, these conditions have validated one of the claims made by administration officials. The growing chaos in the Middle East has not yet affected core U.S. interests, which suggests that those officials were correct when they claimed that U.S. interests in the region were less vulnerable than often assumed. Throughout Obama's time in office, the price of oil—the ultimate barometer of Middle Eastern stability and the most

U.S. disengagement has not produced a more stable or secure Middle East.

important U.S. interest in the region—has stayed largely stable, and most projections suggest that it will remain so for the foreseeable future. So far, there have been no major terrorist attacks against Americans, either in the region or at home. And so far, most of Washington's key Middle Eastern allies, including Israel, have suffered only modestly from the regional mayhem.

That is a noteworthy and somewhat surprising outcome. In 2009, it would have been hard to put much stock in a prediction that the United States could shirk its regional leadership role for five years, sit back and watch as the Middle East came unglued, and not suffer painful blows to vital U.S. interests. And yet, although American interests have not suffered thus far, Washington's good fortune seems unlikely to last. The relative stability of oil prices has been driven by expanding oil exports from places that are increasingly beset by violence, particularly Iraq. Syria has become a breeding ground for international terrorists, some of whom aspire to attack targets in the United States. The power vacuum in Yemen continues to provide a safe haven for al Qaeda in the Arabian Peninsula. And as Libya slides into a civil war of its own, other Salafi groups are finding sanctuary and recruits there.

Although Washington's closest allies in the region have so far stood up well to a multitude of threats, they have not been immune to them. In the past three years, Israel has used force multiple times against the Syrian regime, as well as against extremists in Gaza and the Sinai, to try to tamp down the dangers growing along its borders. Unprecedented internal unrest has buffeted the monarchy in Jordan, which is also struggling to withstand a flood of refugees from Iraq and Syria. And Saudi Arabia faces the prospect of an unnerving royal succession in the not-too-distant future.

Nevertheless, the fact that these problems have not already affected American interests suggests that, in confronting the region's instability, a modestly increased effort might be all that is required to safeguard U.S. interests against the Middle East's myriad threats. Obama might have pushed the pendulum of U.S. involvement in the Middle East too far toward disengagement, but there is no need to swing it back to the militarized overinvolvement that characterized the administration of George W. Bush.

SALVAGING SYRIA

The instability that currently plagues the Middle East is best understood as a combination of clashes arising from the particular political, economic, and security dysfunctions of each country coupled with a set of overarching conflicts that span the region's borders. One of those transnational sources of entropy is spillover from the Middle East's many civil wars, some of which have gone viral, as the problems of one society spread to its neighbors and spark new conflicts.

The current epicenter of this outbreak is the conflict in Syria, which has strewn the region with refugees and terrorists, radicalized neighboring populations, and inflamed secessionist ambitions in several countries. The war has undermined many of the region's economies and threatens to drag in and drag down all of Syria's neighbors. Jordan and Turkey have struggled to deal with the burden of some two million Syrian refugees. Sunni extremists from Syria have taken refuge in Iraq and are threatening to rekindle the Iraqi civil war. And the conflict in Syria has become the most deadly battleground in the proxy war between Iran, which backs the regime of Bashar al-Assad, and the Sunni states of the Arab Middle East, which are frantically trying to limit Shiite Iran's influence without also empowering the Sunni Islamist Muslim Brotherhood.

The nature of the conflict in Syria makes it difficult for any outside power to address it quickly or easily, which is one reason why the war-weary United States has refrained from getting too deeply involved. The limited efforts of the Obama administration have had little impact, except to befuddle U.S. allies. And the options proposed by many of the administration's critics, such as providing more advanced weapons to the opposition, are less than appealing, because they are likely only to make the fighting more lethal without bringing it any closer to a resolution.

Yet doing next to nothing seems more and more dangerous. Without a force that can tip the balance, peace is unlikely to come to Syria for



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a long time. The conflict will keep tearing at the rest of the region and may pull down other states, too—countries that affect vital U.S. interests in ways that Syria does not. As long as the Assad regime can rely on a steady influx of Russian arms, Iranian funds, and Hezbollah troops, there is no reason to believe that it is set to crumble. For now, the morale of Assad's forces is high, whereas the fragmented opposition is suffering from internecine conflict and inadequate external patronage. The image of the Syrian tyrant earning international acclaim for dismantling chemical weapons he was not supposed to have, much less use, has not helped, either.

So far, external support for the regime and for the opposition has produced a bloody stalemate. The only outside actor that could break the deadlock is the United States. Although the Obama administration has been understandably wary of any action that could lead to the

The region's civil wars have gone viral, as the problems of one society spread to its neighbors.

commitment of U.S. ground forces, there are options that would offer a reasonable expectation of ending the Syrian conflict on terms acceptable to the United States. In particular, the United States could follow the approach it employed during the Bosnian civil war in the 1990s. Beginning in 1994,

the United States helped Croatia and the Bosnian Croats—covertly at first, but overtly later on—build a conventional military trained in tactics and operations, led by a unified command structure, and staffed by a competent officer corps. That Croatian force, assisted by NATO airpower, then defeated the Bosnian Serb army in a series of battles that convinced the Serbian leadership that military victory was impossible and so made the 1995 Dayton accords possible.

At present, the Syrian opposition is a mess, paralyzed by corruption and incompetence and dominated by Salafi extremists. But that situation need not be permanent. In 2005–6, when the United States finally got serious about building a large, capable Iraqi army, Iraq's armed forces were also in disarray. Yet by 2008, the U.S. military had helped create a reasonably competent Iraqi force that was able to aid the American effort to end the Iraqi civil war and forge a new power-sharing arrangement to keep the peace.

Helping the Syrian opposition build a large, professional military able to hold territory and defeat both the regime's forces and the

Islamist extremists involved in the conflict would certainly reduce the opposition's fragmentation. It would also furnish a powerful, secular institution around which a new Syrian government could be built. Creating such a force would be a long and arduous task: after all, U.S. efforts to train a capable Iraqi army benefited from the fact that around 150,000 American troops occupied Iraq, whereas in Syria, the United States has no boots on the ground at all. But it is the only option that offers hope for an acceptable end state in Syria at a reasonable cost.

IRAQ ON THE BRINK

Americans might feel a humanitarian desire to end the slaughter in Syria, but the conflict there does not directly affect U.S. strategic interests. That is not true in the case of Iraq, where the spillover from Syria is threatening to rekindle the civil war that began in the wake of the U.S. invasion in 2003. Iraq has become OPEC's second-largest oil exporter, and optimistic projections about the future stability of oil prices rest far less on the tapping of North American shale resources and far more on the expectation that Iraq will continue to boost production for years to come—a dubious assumption if the country slides back into sectarian conflict.

There is no question that Iraq is suffering from the Syrian inferno next door. Weapons, funds, and Sunni militants flow back and forth across the border. But Iraq's problems spring principally from the country's own messy postwar politics and security situation. The fear and the desire for retribution that reemerged the instant that U.S. troops left Iraq have overwhelmed the Iraqi state, which still lacks strong, independent institutions. For the United States to help quell the spreading violence, it will have to pressure the Iraqis to restore the cross-sectarian power-sharing arrangements that Washington helped forge in 2008.

But the United States had much more leverage then than it does today, and so it will have to acquire some new political capital. The administration's recent decision to sell 24 Apache attack helicopters to Baghdad is a good start. Washington should consider bolstering more broadly its counterterrorism and military assistance to Baghdad, along with helping address Iraq's myriad shortcomings in agriculture, education, health care, and dozens of other areas—as long as Baghdad demonstrates a willingness to rebuild a functional power-sharing arrangement.

The United States also needs to find its voice on Iraq. The Obama administration has consistently preferred quiet diplomacy to public

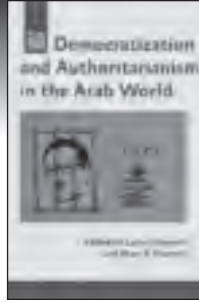
statements. But Washington should speak out when Iraqi leaders, including (but not limited to) Prime Minister Nouri al-Maliki, act in ways that subvert Iraq's stability. The administration's word still holds weight in Baghdad, not least because Iraqi elites still attribute great, if unseen, power to Washington.

ADRIFT ON THE NILE

Until the Arab Spring, Egypt had long been among the United States' most reliable allies in the region. When President Hosni Mubarak fell from power following the mass protests of 2011, the United States had the chance to play Virgil to a new, democratic Egypt. Although it is impossible to prove a hypothetical, had the United States been willing to come forth quickly with \$5–\$10 billion in additional aid for Egypt (on top of the roughly \$1.5 billion that Egypt already receives annually), it probably would have bought Washington enormous leverage—perhaps enough to prevent the worst excesses of Mohamed Morsi, the Islamist president who came to power after the revolution, and thus forestall Morsi's overthrow by generals who seem determined to return Egypt to its prerevolutionary torpor.

But the Obama administration did almost nothing for Egypt, offering up only a paltry \$150 million in additional aid. As a result, Washington has lost most of its influence in Cairo, and the cause of democracy in Egypt has been set back. Today, it might be the case that the best the United States can do is focus on the long term: wait for the kind of political repression and economic mismanagement that triggered the 2011 revolution to reemerge (which they inevitably will), and hope that in the face of intense popular unrest, U.S. officials will be able to convince the Egyptian regime to reform.

Egypt was once the great prize of the Arab Spring, and it may be lost for now. But in other places, the hope inspired in 2011 lives on and should be nourished. Tunisia has succeeded where Egypt failed, and the kings of Jordan and Morocco have at least paid lip service to the need for far-reaching changes to placate their unhappy populations. Greater generosity on Washington's part could help secure the democratic transition in Tunisia and perhaps help nudge the Jordanian and Moroccan monarchies to live up to their promises, all at a much lower financial cost than what would have been necessary for Egypt—hundreds of millions of dollars, rather than billions. If the United States can help promote democracy, or at least demo-



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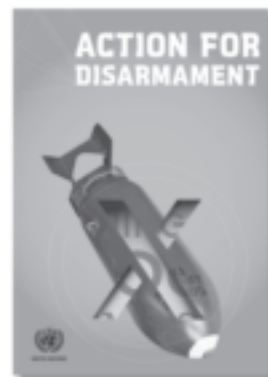
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cratic reforms, in those countries, then the Arab Spring will have had some lasting, positive impact.

ARABIAN PLIGHTS

The situation in Saudi Arabia might seem less dramatic than those elsewhere in the region, but it is hardly less consequential. The ruling Saud family has maintained its grip on power for eight decades despite internal rebellions, wars on the country's periphery, and several succession crises. True to form, the Saudi monarchy weathered the Arab Spring with relatively little damage, thanks to two factors: rewards and reforms. But the rewards are likely to yield only temporary benefits, having taken the form of generous social welfare spending intended to mollify a restive population. And the sustainability of the reforms is uncertain, because it is tied up with the ruling family's looming and risky succession. Thus, the House of Saud might not be on the verge of collapse, but it needs to shore up its foundations.

Despite its oil wealth, the kingdom suffers from the same economic weaknesses that created the conditions for revolts elsewhere in 2010–11. Like most Arab countries, Saudi Arabia is a young nation; around two-thirds of its population of some 27 million is under 30 years old. Today, the youth unemployment rate hovers at around 30 percent, and 100,000 young Saudis enter the job market every year. Foreign labor continues to dominate the private sector, since Saudis prefer less demanding but more lucrative public-sector jobs. These economic flaws are compounded by an underperforming educational system and a reluctance to integrate women into the work force.

Part of Riyadh's response to the Arab Spring only made these flaws more glaring. The Saudi government chose to douse any embers of internal unrest with cash while trying to stem the tide of change elsewhere in the region. In 2011, Riyadh committed over \$130 billion to housing and "financial allowances" for Saudi citizens—payoffs, in essence—and it has since pledged almost \$30 billion in foreign aid to the governments struggling with unrest in Bahrain, Egypt, and Morocco. Although the gambit seems to have paid off in the short term, the Saudis will not be able to keep buying their way out of their problems. As rich as they are, they cannot afford such outlays forever, especially if the price of oil falls. Paradoxically, the decrease in oil prices that many experts expect to result from the growth of U.S. shale oil production and from the ramping up of Iraqi production—which

together seem like an obvious boon to Washington—could in fact pose a danger to the stability of Saudi Arabia and thus to the United States.

According to many Saudis, however, the key to understanding their reaction to the Arab Spring lies not in such bribes but in their feelings toward King Abdullah. For close to two decades, Abdullah has ably guided the kingdom and diligently put in place gradual reforms, striking a delicate balance between the kingdom's conservative culture and its pressing need for economic and political change. In 2011–12, many Saudis insisted that the Arab Spring would not come to the kingdom because it was not needed there: Abdullah recognized the country's plight and had already begun to address its needs—unlike, say, Mubarak in Egypt.

But Abdullah is now 89 years old and in poor health, and his two most likely successors, Crown Prince Salman and Prince Muqrin, do not inspire great confidence. This is worrisome, because the economic and political challenges facing the kingdom call for steady leadership and more reforms to avert more radical and unpredictable change. The Saudi state needs to further reduce gender discrimination, relax government controls in the private sector, and enhance vocational training. The welfare state has to shrink, and the promise of lifelong government subsidies for all citizens should be reconsidered. For much of its existence, Saudi Arabia has drawn legitimacy from its official support for orthodox clerics. But the state's role in religious affairs has led to unsavory bargains with extremists who have sometimes turned against the monarchy and who represent a constant, lurking threat to the kingdom's national security. The Saudis thus need to find a way out of their sometimes deadly embrace of religious hard-liners.

But the ruling family will remain unwilling to make any substantive concessions at home as long as it feels threatened by external forces. The Saudis tend to blame their problems on the rest of the Arab world and on their main regional rival, Iran. And as long as the kingdom sees itself as beleaguered by external threats, whoever follows Abdullah will probably not embrace further reforms and might even opt for greater autocracy.

The United States can help prevent that outcome. As always, Washington's level of influence with the Saudis is limited, especially when it comes to Saudi domestic policy, but it is not zero. Washington will have to exploit whatever leverage it has, because the Saudis are furious at the Obama administration for its handling of the Arab Spring, the Syrian crisis, and the Iranian nuclear program. The Saudis will push forward

with domestic reforms only if the United States does everything it can to quell the turmoil in the region—and, crucially, to hold Iran in check.

DEAL OR NO DEAL

Of course, for Washington, Iran already presents quite a challenge, even without having to satisfy Saudi demands for American toughness. Iran has bedeviled American policymakers for decades, but U.S.-Iranian relations today are especially complicated because Tehran seems wracked, once again, by the perennial battle between hard-liners and pragmatists for the soul of the Islamic Republic. Both camps seek regional hegemony for Iran. The hard-liners think the best way to get it is to drive the United States from the region and replace the anti-Iranian and pro-American governments of the Middle East with ones more sympathetic to Tehran. Iran's quest for a nuclear weapons capability has been only one part of that strategy. Iran has also employed a wide range of other instruments to advance the hard-liners' agenda, including terrorism and support for revolutionaries and insurgents who threaten U.S. interests in the Middle East.

Iranian pragmatists, on the other hand, argue that Iran can achieve regional hegemony by developing its economy and human capital and by embracing the modern, globalized world. From their perspective, endlessly fighting the United States only weakens Iran; it would be better for Iran to grow into a dominant power peacefully, as Germany did after World War II.

A deal between Iran and the West that prevents the Islamic Republic from developing nuclear weapons might encourage Tehran to focus on its own economic growth and convince it to rein in its efforts to destabilize the region. But it is at least as likely that Iran would see a nuclear deal as relieving the pressure on its economy—the regime's Achilles' heel—and thus enabling it to redouble its aggressive foreign designs. The latter scenario is certainly what the Israelis, the Saudis, and many of Washington's other Middle Eastern allies dread. They fear that an arms control agreement will lead to a U.S.-Iranian *détente* that will leave them to face Iran's aggression on their own.

Iran's supreme leader, Ayatollah Ali Khamenei, also worries about the potential effects of a nuclear deal, although for different reasons. He has long agonized over the seductive influence of American culture and fears that a constructive relationship between the United States and Iran would subvert the theocratic state and taint Iran's revolutionary

image in the Muslim world. He has found more value in leading the rejectionist pack than in joining the global order. Even if a nuclear deal emerged that interested him, he might feel that the only way to placate the hard-liners he relies on would be to assure them that the agreement would not otherwise moderate Iranian foreign policy. He might even try to secure their grudging acceptance of such a deal by promising them a freer hand to make mischief abroad.

Consequently, it seems premature to assume that a nuclear accord with Iran will mean the end of Iranian regional aggression. But the history of the region strongly suggests that the United States is the state best able to limit Iran's aggressive efforts to overturn the regional status quo. Claims of Iranian irrationality notwithstanding, the Islamic Republic has always demonstrated an unmistakable respect for American power. The Iranians are generally careful not to cross explicit American redlines. They sometimes challenge and probe U.S. prohibitions, but when they meet resistance, they usually step back, fearful of how Washington might react. Iran, for example, has never kicked out the UN inspectors who monitor its nuclear program, and it has never shipped its most lethal weapons to Iraqi Shiite militias or Hezbollah. There are a small number of exceptions to this pattern, but they have typically proved the rule: the Iranians have crossed American redlines only when they have misjudged their exact position or perceived correctly that they were not truly red.

Tehran has no such respect for its regional adversaries, whom the Iranians regard with contempt. The feelings are mutual, and thus without the United States there to deter Iran and intercede on behalf of U.S. allies, there is a high probability of regional crises that could escalate in unpredictable ways and threaten American interests, especially the price of oil.

The challenge for the United States, then, is to find a way to negotiate an end to Iran's nuclear ambitions while restraining Tehran's regional ambitions. To find the right mix of détente and containment, Washington must restore its allies' confidence in its willingness and ability to protect their security. The interim nuclear agreement with Iran has fueled concerns in Arab capitals and Israel that arms control diplomacy might bring Iran and the United States into a regional embrace. That prospect might seem comical given the legacy of mistrust between Washington and Tehran, but it is taken all too seriously in Arab royal palaces and chancelleries, and in Tel Aviv. Perhaps the

best way to shore up U.S. allies' faith in Washington would be to act more decisively in Syria, because as long as the United States exempts itself from that conflict, its other pledges will ring hollow to a skeptical Arab audience.

DON'T GO AWAY—WE'LL BE RIGHT BACK

After more than a decade of costly and unsatisfying wars, Americans are tired of foreign entanglements, and the endless fractiousness of the Middle East makes it the last place where Americans want to invest their country's resources. But the problems of the Middle East remain too deeply intertwined with U.S. national security and the American economy to ignore. Those problems are forcing the Obama administration to take a greater interest in the Middle East than it would prefer; just as previous administrations have learned, the region has a tendency to pull the United States back in, even when it wants out.

Fortunately, the region's current problems do not yet seem quite so threatening that they require a massive commitment of U.S. power; all that is necessary is a bit more than what the Obama administration has been willing to do so far. But Washington ought to have learned from its long and painful history with the Middle East that ignoring the region's problems will not make them go away. Inevitably, they return, worse than before. And just as inevitably, handling those problems later requires far more time and energy—and blood and treasure—than solving them sooner does.

Even in an age of retrenchment, the United States remains a nation with competing global interests, and there is no reason to believe that Washington lacks the resources it needs to do what's necessary in the Middle East and still tend to its interests elsewhere. The Obama administration's so-called pivot to Asia has not required a single shift of assets away from the Middle East: not one aircraft carrier, not one diplomat, not one aid program has been moved. And nor should it. The United States should fight fewer wars with its own forces in the Middle East, but not because it needs to fight more of them in Asia. There should be no doubt that Asia is central to U.S. foreign policy. But that does not reduce the importance of the Middle East: U.S. vital interests encompass both regions. Washington should be doing more in Asia, but it must not—and need not—do so at the expense of the Middle East. 🌐

Far Eastern Promises

Why Washington Should Focus on Asia

Kurt M. Campbell and Ely Ratner

The United States is in the early stages of a substantial national project: reorienting its foreign policy to commit greater attention and resources to the Asia-Pacific region. This reformulation of U.S. priorities has emerged during a period of much-needed strategic reassessment, after more than a decade of intense engagement with South Asia and the Middle East. It is premised on the idea that the history of the twenty-first century will be written largely in the Asia-Pacific, a region that welcomes U.S. leadership and rewards U.S. engagement with a positive return on political, economic, and military investments.

As a result, the Obama administration is orchestrating a comprehensive set of diplomatic, economic, and security initiatives now known as the “pivot,” or “rebalancing,” to Asia. The policy builds on more than a century of U.S. involvement in the region, including important steps taken by the Clinton and George W. Bush administrations; as President Barack Obama has rightly noted, the United States is in reality and rhetoric already a “Pacific power.” But the rebalancing does represent a significant elevation of Asia’s place in U.S. foreign policy.

Questions about the purpose and scope of the new approach emerged as soon as Secretary of State Hillary Clinton offered what remains the clearest articulation of the strategy, and first used the term “pivot” to describe it, in a 2011 article in *Foreign Policy*. Almost three years later, the Obama administration still confronts the persistent challenge of explaining the concept and delivering on its promise. But

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despite the intense scrutiny and short-term setbacks faced by the policy, there is little doubt that a major shift is well under way. And whether Washington wants it to or not, Asia will command more attention and resources from the United States, thanks to the region's growing

prosperity and influence—and the enormous challenges the region poses. The question, then, is not whether the United States will focus more on Asia but whether it can do so with the necessary resolve, resources, and wisdom.

EASTBOUND AND DOWN

The Asia-Pacific region exerts an inescapable gravitational pull. It is home to more than half of the world's population and contains the largest democracy in the world (India), the second- and third-largest economies (China and Japan), the most populous Muslim-majority nation (Indonesia), and seven of the ten largest armies. The Asian Development Bank has predicted that before the middle of this century, the region will account for half of the world's economic output and include four of the world's ten largest economies (China, India, Indonesia, and Japan).

But it is the trajectory of Asia's evolution, not just its dizzying scale, that makes the region so consequential. According to Freedom House, during the last five years, the Asia-Pacific has been the only region in the world to record steady improvements in political rights and civil liberties. And despite questions about the ability of emerging markets to sustain rapid economic growth, Asian nations still represent some of the most promising opportunities in an otherwise sluggish and uncertain global economy. At the same time, Asia struggles with sources of chronic instability, owing to the highly provocative actions of North Korea, the growth of defense budgets throughout the region, vexing maritime disputes that roil relations in the East China and South China seas, and nontraditional security threats such as natural disasters, human trafficking, and the drug trade.

The United States has an irrefutable interest in the course Asia will take in the coming years. The region is the leading destination for U.S. exports, outpacing Europe by more than 50 percent, according to the U.S. Census Bureau. Both U.S. direct investment in Asia and Asian direct investment in the United States have roughly doubled in the past decade, with China, India, Singapore, and South Korea accounting for four of the ten fastest-growing sources of foreign direct investment in the United States, according to the U.S. Bureau of Economic Analysis. The United States also has five defense treaty allies in the region (Australia, Japan, the Philippines, South Korea, and Thailand), as well as strategically important partnerships with

Brunei, India, Indonesia, Malaysia, New Zealand, Singapore, and Taiwan and evolving ties with Myanmar (also known as Burma). Major U.S. military bases in Japan and South Korea are central to Washington's ability to project power in Asia and beyond.

U.S. military alliances have undergirded the region's security for decades, and one of the main purposes of the pivot is to deepen such ties. In recent years, Washington has encouraged its partners in Asia to prevent conflicts between major powers, keep sea-lanes open, combat extremism, and address nontraditional security threats. Japan and South Korea are poised to take increasingly prominent roles in joint operations with the United States, and U.S. forces are working with Australia to develop its amphibious capabilities and with the Philippines to boost its capacity to police its own shores. The net result has been more powerful alliances and a more secure region.

None of this suggests an effort to encircle or weaken China. To the contrary, developing a more robust and productive relationship with Beijing represents a principal goal of the rebalancing strategy. Far from seeking to contain China, the United States has in the last several years sought to build a more mature bilateral relationship through unprecedented, frequent top-level meetings across issues and throughout the countries' respective bureaucracies. Even military-to-military relations are back on track, at times actually taxing the Pentagon's ability to keep up with Beijing's proposed levels of activity.

A PIVOT TO—AND WITHIN—ASIA

The rebalancing strategy also calls for a substantial increase in U.S. engagement with the multilateral institutions of the Asia-Pacific region. Under the Obama administration, the United States has gained membership in the East Asia Summit, the region's premier annual gathering of heads of state; signed the Treaty of Amity and Cooperation in Southeast Asia, which signals enhanced U.S. commitment to the Association of Southeast Asian Nations (ASEAN); and placed a permanent ambassador to ASEAN in Jakarta. Although these overlapping institutions can be frustrating, given their slow pace and requirements for consensus, they promote regional cooperation and help build a system of rules and mechanisms to address complex transnational challenges. In June 2013, for example, ASEAN hosted its first-ever humanitarian assistance and disaster relief exercise, which included more than 3,000 personnel from 18 nations.

Meanwhile, the United States is responding to the new reality that the Asia-Pacific region increasingly drives global economic growth. The Obama administration has advanced U.S. economic interests by bringing the U.S.-Korea Free Trade Agreement into force in 2012 and pushing hard to complete negotiations on the Trans-Pacific Partnership, a massive free-trade agreement among a dozen countries. A number of the countries participating in the TPP talks are vibrant markets in Southeast Asia, such as Malaysia and Singapore, which reflects the growing geopolitical importance of that subregion. Indeed, the

Paying more attention to Asia is not an admission of defeat in the Middle East.

U.S. pivot to Asia has been accompanied by a pivot within Asia. Washington is balancing its historical emphasis on the countries of Northeast Asia with new attention to countries in Southeast Asia, such as Indonesia, the Philippines,

and Vietnam, seeking to augment two-way trade and investment with some of the world's most vibrant economies. In 2010, Washington and Jakarta established a "comprehensive partnership" to deepen cooperation across a wide range of issues, including health care, science, technology, and entrepreneurship.

A similar desire to realign U.S. priorities in the region helps explain the changes the Pentagon has made to its military posture there. Although U.S. military bases in Northeast Asia remain central to Washington's ability to project power and fight wars, they are increasingly vulnerable to disabling missile attacks, and they lie relatively far from potential disasters and crises in the South China Sea and the Indian Ocean. Meanwhile, with countries in Southeast Asia expressing growing interest in receiving American military training and assistance with disaster response, the United States has diversified its military footprint in the region, stationing hundreds of U.S. marines in Darwin, Australia, and deploying a pair of Littoral Combat Ships to Singapore.

Those changes to the U.S. military's posture have been criticized as either provocative or meaningless. Both charges are off the mark. These efforts hardly signal aggression; they contribute primarily to peacetime activities, such as responding to natural disasters, and not to U.S. war-fighting capabilities. And the seemingly modest number of marines and ships involved masks the significant benefits they offer to the militaries of U.S. partners, who gain unparalleled opportunities for joint exercises and training with U.S. forces.

In pivoting to Asia, the Obama administration seeks not only to advance U.S. economic and security interests but also to deepen cultural and people-to-people ties. The administration further hopes that the pivot will help the United States support human rights and democracy in the region. The new approach has already contributed to advances in Myanmar, where the government has taken remarkable steps, including the release of political prisoners, the implementation of long-overdue economic reforms, and the promotion of organizing rights and greater press freedom. Although more progress is necessary, particularly on the protection of the country's ethnic minorities, Myanmar serves as a powerful example of a once closed and brutal country taking transformational steps, and the United States has been an essential partner in this reform effort from the start.

FOREIGN POLICY IS NOT A ZERO-SUM GAME

Opponents of the pivot have raised three main objections. First, some worry that the pivot will unnecessarily antagonize China. This misperception ignores the fact that deepening engagement with Beijing has been a central and irrefutable feature of the rebalancing policy. Examples of the new approach include the establishment of the annual U.S.-China Strategic and Economic Dialogue, a comprehensive set of meetings chaired by the U.S. secretaries of state and the treasury and their Chinese counterparts, and the Strategic Security Dialogue, through which the two countries have held unprecedented high-level discussions on such sensitive matters as maritime security and cybersecurity. Tensions might rise due to the increased U.S. military presence in Asia and Washington's more robust outreach to China's neighbors. But bilateral ties are developing in such a way that any disagreements produced by the pivot will be addressed in the broader context of a more stable and cooperative U.S.-Chinese relationship.

A second critique stems from the argument that it would be unwise or unrealistic to shift Washington's focus from the Middle East to Asia given the conflicts in Afghanistan and Syria, the instability in Egypt and Iraq, and the long-running confrontation between Iran and the Western powers. But this criticism relies on a caricature of the rebalancing strategy. According to this view, the Middle East and South Asia have sapped U.S. power and prestige and the pivot is really an attempt to cut and run by turning to the more peaceful and profitable shores of the Asia-Pacific. It is certainly true that the Obama

administration has tried to reduce the U.S. footprint in the Middle East. But even though resources are finite, foreign policy is not a zero-sum game, and the criticism that paying more attention to Asia is somehow an admission of strategic defeat in the Middle East misses a crucial reality: during the past decade, the very Asian countries to which Washington wants to pay more attention have quietly built a substantial stake in the furtherance of peace and stability across the Middle East and South Asia and very much want the United States to preserve its influence in those regions.

Not long ago, most Asian nations were predominantly concerned with developments in their backyards and tended to see problems elsewhere as someone else's responsibility. One of the most important successes of President George W. Bush's Asia policy was to encourage

*Whether Washington
wants it to or not, Asia
will command more
attention and resources.*

the region's rising powers to contribute more in other parts of the world. Partly in response, during the Bush years, for the first time, many East Asian governments developed an "out of area" perspective and engaged more in diplomacy, development, and security in the Middle East and South Asia. Japan has become

a leading supporter of civil society development in Afghanistan, funding schools and civil service organizations and training Afghans in criminal justice, education, health care, and agriculture. In the wake of the Arab Spring, South Korea began supporting development across the Middle East. Indonesia, Malaysia, and Thailand have provided material assistance to training programs for doctors, police officers, and teachers in Afghanistan and Iraq, and Australia and New Zealand have sent special forces to fight in Afghanistan. Even China has been more active in the behind-the-scenes diplomacy aimed at constraining Iran's nuclear ambitions, addressing piracy on the high seas, and shaping Afghanistan's future.

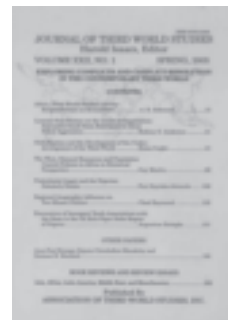
Of course, encouragement from Washington is only one factor behind Asian countries' growing involvement in the Middle East; another undeniable element is their increasing thirst for oil and gas from the Persian Gulf. Asia consumes some 30 million barrels of oil every day, more than twice the amount that the EU does. Asian governments know that a hasty U.S. retreat from the Middle East would carry with it unacceptable risks to their countries' energy security and economic

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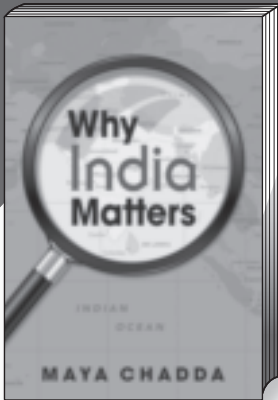
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growth. As a result, they have invested substantial political and financial capital in, and in some cases sent military forces to, the Middle East over the course of more than a decade to supplement, not supplant, the stabilizing role of the United States. Put simply, Washington's Asian partners support the pivot but would hardly cheer the prospect of U.S. disengagement from the Middle East—and crucially, they do not seem to see any contradiction between these two positions.

A third argument against the pivot concerns the sustainability of the approach during a time of budget cuts: as defense spending falls, skeptics wonder how the United States will be able to invest the resources necessary to reassure its Asian allies and dissuade would-be provocateurs, especially as China's power and influence continue to grow. The answer is that rebalancing toward Asia will not require dramatic new funding; rather, the Pentagon will need to be more flexible and find better ways to spend. For example, as the United States reduces the overall size of its army, it should sustain its military presence in Asia and invest in naval and air capabilities better suited to the region's security environment. And given that U.S. defense spending is unlikely to increase significantly anytime soon, Washington should do more to improve the capacity of Asian militaries by conducting more educational and professional exchanges, enhancing multilateral military exercises, passing along equipment that U.S. forces no longer need, and engaging in more joint planning.

BALANCING ACT

Although the most common arguments against the rebalancing do not withstand scrutiny, the policy nevertheless faces major challenges. Perhaps chief among these is a lack of human capital. After more than a decade of war and counterinsurgency, the United States has developed and promoted an entire generation of soldiers, diplomats, and intelligence specialists well versed in ethnic rivalry in Iraq, the tribal differences in Afghanistan, postconflict reconstruction strategies, and U.S. Special Forces and drone tactics. But Washington has not made any comparable effort to develop a sustained cadre of Asia experts across the U.S. government, and a surprising number of senior government officials make their first visits to the region only once they have reached high-level positions near the end of their careers. This is a genuine weakness in the U.S. foreign policy establishment, since even the most accomplished public servant will find it difficult to navigate

Asia's complexities without prior experience in the region. The pivot to Asia will therefore affect the budgets of civilian government agencies, not just that of the Pentagon, as the United States invests more in ensuring that U.S. diplomats, aid workers, trade negotiators, and intelligence professionals have the language skills and exposure to Asia they need to do their jobs well.

The pivot will also be buffeted by the steady stream of crises that other regions—especially the Middle East—will surely continue to supply. At the same time, pressure to “come home” seems certain to grow. In the wake of every modern American conflict, from World War I to the 1990–91 Gulf War, the public has put pressure on politicians and officials to refocus on domestic issues. The past 13 years of war have again triggered this instinctive insularity, which has also been fostered by a frustratingly slow economic recovery after the financial crisis. Although internationalist and strong-defense strains still exist in U.S. politics, there are subtle (and not so subtle) signs in Congress that the United States may be entering a new era in which U.S. engagement abroad—even in areas critical to the country's economic well-being, such as Asia—will be a tougher sell. Those political constraints will only make a hard job even harder: when it comes to Asia, the to-do list is long, both for the remaining years of the Obama administration and beyond.

PIVOT PARTNERS

In Asia, economics and security are inextricably linked, and the United States will not be able to sustain its leadership there through military might alone. That is why the successful conclusion of the TPP—which will require intense negotiations overseas and on Capitol Hill—is a cardinal priority. The agreement would immediately benefit the U.S. economy and would create a long-term trade system in Asia that could not be dragged down by protectionism. To give the United States added leverage in the negotiations, Congress should quickly reinstate fast-track trade promotion authority. Under that system, after negotiating the TPP and other free-trade agreements, the White House could present them for up-or-down votes in Congress, which would not be able to amend or filibuster the deals. The Obama administration should also leverage the U.S. energy boom and accelerate the export of liquefied natural gas to Asia to enhance the energy security of its allies and partners there and to send a strong signal of U.S. commitment to the region's development.

Washington's ever-deepening engagement with Beijing is already yielding dividends as the countries increasingly coordinate their approaches to Iran and North Korea while managing potential crises in the South China Sea. But the United States will only find it more difficult to navigate relations with a rising China that is now both a "strategic partner," as President Bill Clinton described it in 1998, and a "strategic competitor," as Bush later dubbed it.

China's attempts to change the territorial status quo in the East China and South China seas—for example, by establishing an "air defense identification zone" in the East China Sea over islands administered by Japan—present an immediate challenge.

The United States will have to make clear to China that revisionist behavior is incompatible with stable U.S.-Chinese relations, much less with the "new type of major-country relationship" that President Xi Jinping has proposed to Obama. Washington recently took a step in the right direction when senior

The United States must make clear to China that revisionist behavior is incompatible with stable U.S.-Chinese relations.

administration officials publicly questioned the legality of China's expansive territorial claims and warned against the establishment of a second air defense identification zone, this one in the South China Sea.

Across the East China Sea, Japanese Prime Minister Shinzo Abe is seeking to steer Japan out of decades of economic malaise and inject the country with a newfound sense of pride and influence. Washington will have to continue to urge Tokyo to act with restraint and sensitivity, especially when it comes to the controversies over Japan's imperial past. Abe recently visited the Yasukuni Shrine, which honors Japan's war dead, including some convicted of war crimes committed during War World II. The visit might have helped him with some political constituencies at home, but the international costs were high: it raised questions in Washington, further soured Japan's relations with South Korea, and made China more resolute in its unwillingness to deal directly with Japan as long as Abe is in power.

Amid this tense diplomatic backdrop, the United States will be working with Japan's Self-Defense Forces so that Japan can take a more active security role in the region and the world. This will involve countering Chinese propaganda that characterizes Japan's constitutional re-interpretation and military modernization as reactionary or militaristic,

when in fact they are perfectly reasonable steps—and long overdue. The United States will also have to keep devoting considerable political capital to improving ties between Japan and South Korea; a stronger relationship between those two countries would help in dealing with the enormous and growing threat posed by North Korea.

The challenges in Southeast Asia are quite different from those in the Northeast, but no less important to U.S. national interests. A number of countries in Southeast Asia, including Cambodia, Malaysia, Myanmar, and Thailand, are going through varying degrees of political turmoil that could alter their foreign policies. As the chips fall, Washington must adhere to basic principles of democracy and human rights without doing so dogmatically or in ways that would reduce U.S. leverage and influence. Rather than betting on winners, the best approach would be to focus on issues that matter most to people in the region no matter who is in power, such as education, poverty alleviation, and natural-disaster response.

In addition to increasing U.S. participation in Asia's multilateral forums, Washington should support the development of a rule-based regional order by throwing its full weight behind efforts to use international law and arbitration to address sovereignty disputes in the South China Sea. The Philippines has taken its competing claims with China to the International Tribunal for the Law of the Sea. Without making judgments (for now) about the merits of specific claims, Washington should help build an international consensus by calling on all states in Asia to publicly support this mechanism, since the tribunal represents a test of whether the region is prepared to manage its disputes through legal and peaceful means.

The United States cannot rebalance to Asia by itself. It will be essential to bring along European countries, which can make substantial contributions in areas such as international law and institution building. If the tenor of its bilateral relations permits, Washington should also explore opportunities for greater collaboration in East Asia with India and Russia. And of course, it will also be necessary for countries in the region, particularly in Southeast Asia, to demonstrate leadership and initiative to complement U.S. efforts. The point of the pivot to Asia is to foster an open, peaceful, and prosperous region in which governments rely on rules, norms, and institutions to settle differences, rather than coercion and force. The pivot is a U.S. initiative, but its ultimate success will not depend on Washington alone. 🌐

Show Them the Money

Why Giving Cash Helps Alleviate Poverty

Christopher Blattman and Paul Niehaus

Every year, wealthy countries spend billions of dollars to help the world's poor, paying for cows, goats, seeds, beans, textbooks, business training, microloans, and much more. Such aid is designed to give poor people things they can't afford or the tools and skills to earn more. Much of this aid undoubtedly works. But even when assistance programs accomplish things, they often do so in a tremendously expensive and inefficient way. Part of this is due to overhead, but overhead costs get far more attention than they deserve. More worrisome is the actual price of procuring and giving away goats, textbooks, sacks of beans, and the like.

Most development agencies either fail to track their costs precisely or keep their accounting books confidential, but a number of candid organizations have opened themselves up to scrutiny. Their experiences suggest that delivering stuff to the poor is a lot more expensive than one might expect.

Take cows. Many Western organizations give poor families livestock, along with training in how to raise and profit from the animals. Cows themselves usually cost no more than a few hundred dollars each, but delivering them—targeting recipients, administering the donations, transporting the animals—gets expensive. In West Bengal, India, for example, the nonprofit Bandhan spends \$331 to get \$166 worth of local livestock and other assets to the poor, according to a report by the rating agency Micro-Credit Ratings International. Yet even this program sounds like a bargain compared to others. In Rwanda, a study led by the economist Rosemary Rawlins found that

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the cost of donating a pregnant cow, with attendant training classes and support services, through the charity Heifer International can reach \$3,000.

Such programs surely reduce poverty: having a cow is undoubtedly better than not having one. But they also carry an opportunity cost, since the money spent on procuring and delivering the cows or other assets could instead go directly to the poor. Bandhan, for example, could give twice as many households cash grants equal to the local price of the livestock it now gives as it does actual livestock. And in place of each cow it provides, Heifer could give \$300—roughly half of Rwanda’s per capita income—to ten poor families.

Does the benefit of an in-kind donation to one family really outweigh the value of helping twice or even ten times as many households? For a growing number of antipoverty programs, the answer to that question appears to be no. New research suggests that cash grants to the poor are as good as or better than many traditional forms of aid when it comes to reducing poverty. The process of transferring cash, moreover, is only getting cheaper, thanks to the spread of technologies such as cell phones and satellite signals. And simply asking whether a given program is doing more good than it costs puts pressure on the aid sector to be more transparent and accountable. It’s well past time, then, for donors to stop thinking of unconditional cash payments as an oddball policy and start seeing them for what they are: one of the most sensible tools of poverty alleviation.

MONEY MATTERS

When it comes to deciding how to help the poor, the stakes couldn’t be higher. Each year, U.S. households donate at least \$15 billion abroad. Their government gives \$30 billion in foreign aid, and wealthy states collectively give \$150 billion in development aid. Yet the world’s poorest people receive very little of that money in actual cash.

“Just give the poor cash” is an old refrain. What is new, however, is a burgeoning body of experimental evidence, produced by groups ranging from the nonprofit Innovations for Poverty Action to the World Bank, on how the effect of cash grants compares to that of in-kind donations. Recent studies have come to surprising conclusions, finding that typically lauded approaches to reducing poverty, such as educational and loan programs, are not so effective after all.

One of the best examples is microloans, small, short-term loans to poor entrepreneurs. By opening up credit to people who were too poor to borrow from banks, the logic went, microfinance would give the poor the jump-start they needed to escape their plight. Beginning in the 1990s, the microcredit movement took the development world by storm, leading to a Nobel Peace Prize for the Bangladesh-based Grameen Bank in 2006.

Yet a belated series of randomized trials has called the success of microloans into question. One example comes from the Indian non-profit Spandana. Beginning in 2005, the group made loans of about \$250 to hundreds of women in Hyderabad, India, at relatively low interest rates. The MIT economist Abhijit Banerjee and a number of collaborators worked with Spandana to evaluate the program's performance over three years; they found no effect on education, health, poverty, or women's empowerment. To be sure, people certainly benefit from access to credit; it helps them cope with crises and buy expensive things such as new roofs or farm equipment and pay for them over time. But as Banerjee concluded after reviewing an additional two decades' worth of data on such loans, "there is no evidence of large sustained consumption or income gains as a result of access to microcredit."

Cash grants to the poor are as good as many traditional forms of aid when it comes to reducing poverty.

Another popular approach to development aid has been business and vocational training. There is little data on how much aid spending goes to training, but as an example, the International Labor Organization's Start and Improve Your Business Program claims to have trained more than 4.5 million people in over 100 countries since 1977. "Teach a man to fish and you feed him for a lifetime," the proverb goes. Yet the results of teaching anything—be it fishing or farming or word processing—have been patchy at best. In 2012, the economists David McKenzie and Christopher Woodruff reviewed more than a dozen randomized trials in developing countries and concluded that training business owners had little lasting effect on their sales or profits.

No wonder people in developing countries, when given the choice, don't necessarily choose to invest in skills training. In another recent study, one of us (Christopher Blattman) worked with the economists Nathan Fiala and Sebastian Martinez to examine a government-run



training program in Uganda. Rather than simply providing classes in various trades, the initiative gave grants of around \$7,000 to over 250 groups of 15–25 young adults (roughly \$400 per group member) in return for a simple business plan describing how they would use the money to buy vocational training and tools. The groups were otherwise free to spend the money without oversight. The majority of the participants ended up using the funding to enter skilled trades such as tailoring or metalworking. But they spent most of the money acquiring the physical tools and materials they needed to start working, allocating only around ten percent of the grants to training. That turned out to be a wise investment decision: over four years, the participants' incomes rose by an average of roughly 40 percent.

None of this is to say that existing practices should be tossed aside. But they can certainly be improved. With microfinance, for example, finding ways of lending larger sums for longer periods at lower rates would surely make many businesses more sustainable and profitable. The key point, however, is that new data are challenging the conventional wisdom that has long dictated how billions in development dollars are spent. Simply having a plausible theory of change doesn't cut it anymore. These days, it's about providing evidence of change—especially change that justifies the price of bringing it about.



DON'T HAVE A COW, MAN

Over the past few years, it has become increasingly clear that giving away money works in a wide range of development situations. Mexican families, Ghanaian farmers, Kenyan villagers, Malawian schoolgirls, and war-affected Ugandans—all have been shown in randomized trials to benefit from cash transfers.

Economists have studied money transfers with conditions and without conditions, under supervision and not under supervision, on large scales and

small scales, and against comparable loans. And by testing the effects of handouts over unusually long periods of time—five years out in Sri Lanka, four years out in Uganda—scholars have had access to far more detailed data than is available for many other poverty-reduction strategies.

These findings are particularly important because many funders, including governments, aid organizations, and development professionals, still harbor significant reservations about cash transfers. They raise a variety of familiar concerns: that men drink their cash away, that the diligent but uneducated poor struggle to make sound decisions, and that handouts make people ever more dependent on aid. So far, however, the data contradict the most pessimistic of these worries.

Studies have shown that the world's poorest people do not squander cash transfers, even when there are no strings attached. An extreme example comes from a recent experiment run by one of us (Blattman), Julian Jamison, and Margaret Sheridan. In 2010–13, we gave unconditional grants of \$200 to some of the least disciplined men to be found: drug addicts and petty criminals in the slums of Liberia. Bucking expectations, these recipients did not waste the money, instead spending the majority of the funds on basic necessities or starting their own businesses. If these men didn't throw away free money, who would?

That finding echoes similar results elsewhere. Study after study has shown that recipients of cash grants invest the money or spend it on

such basic items as food and better shelter. Poor people don't always make the best choices with their money, of course, but fears that they consistently waste it are simply not borne out in the available data.

Nor is there evidence that unconditional cash transfers make recipients lazy. Especially for poor people who have not fulfilled their potential, such as small-business owners or underemployed youth

Fears that poor people waste cash are simply not borne out by the available data.

with little access to hard capital, cash grants have frequently created wealth. Using such donations, entrepreneurs in Ghana and Sri Lanka have expanded their businesses, displaced women in Uganda have become traders and doubled their earnings, and farmers in Kenya have made home investments

with high returns. In most of these experiments, people increased their future earning potential over the long term. In some cases, they did not. But in every study, people worked at least as many hours in the labor force as they had before receiving the cash transfers, if not more.

In some ways, the new research on cash transfers actually affirms the wisdom of traditional approaches to development assistance. Poor people in developing countries often use the cash given them to buy the same things that aid organizations have traditionally provided—livestock, tools, training, and so on. No one living on less than \$2 a day says no to a free cow, even if he is not cut out to be a dairy farmer. But the advantage of cash is its flexibility. When people have cash in hand, they tend to buy a wider variety of goods and services. Not everyone, after all, wants a cow.

THE FUTURE OF GIVING

This abundance of data suggests that people are poor not because they lack initiative but because they lack resources and opportunities—things that, in many places, money can buy. Donors should thus ask themselves: With each dollar we spend, are we doing more good than the poor could do on their own with the same dollar?

In 2010–11, the Association of Volunteers in International Service, a Catholic development organization, did just that, evaluating an ongoing program in postwar northern Uganda in real time. To help 1,800 of the country's poorest women become retailers and traders, the program had been providing each woman with a grant of \$150,

five days of business planning assistance and training, and follow-up visits from aid workers who offered supervision and advice. Altogether, the program cost nearly \$700 for every impoverished woman it assisted. The organization, working with a team of researchers that included one of us (Blattman), decided to measure the impact of the program without its most expensive service: the follow-up visits. We found that such visits did increase the women's profits yet cost more than twice the amount of the cash grant itself. In other words, the follow-up was far less effective per dollar than the grant and the training course.

One potential response would have been to cut the follow-up service and give out larger cash grants. But in this case, the organization plans to find a way to provide the extra services more cheaply. This will prove a high bar to meet, but either way, the end result will be that it gets more bang for its buck.

The Ugandan example illustrates another upside to cash transfers: they can serve as the index funds of international development. An index fund is a bundle of investments that is not actively managed, reducing the costs for investors. Its value simply reflects the upward and downward swings of the individual stocks that are included in the bundle. Similarly, a cash transfer is a development project stripped of any active management costs, and its performance tracks the success or failure of the individual recipient. Cash transfers thus provide a baseline for evaluating the active management performance of government officials and development professionals. Unfortunately, the sort of hard-nosed performance review seen in the Ugandan study—let alone the courage and discipline required for any organization to put its core competencies to the test—remains rare.

Still, the studies so far, plus basic economic reasoning, suggest three predictions about how cash will perform relative to traditional aid programs. First, money transfers will likely prove most valuable in places where the population has been hit hard by unexpected crises—countries or regions recovering from violent conflicts, natural disasters, or extended periods of political uncertainty. Think of Southeast Asia after a tsunami or the Middle East flooded with Syrian refugees, where the returns on capital after a recovery period are likely to be unusually high and the challenge of making smart investments without localized knowledge unusually large.

Second, cash could also excel in places such as Ghana, Kenya, or Uganda—reasonably stable, growing countries that happen to have

few firms offering jobs and where most workers, by necessity, are self-employed. Here, many of the poor are working below their potential because they lack the capital, credit, or insurance products necessary to grow their businesses. In the absence of financial services, which can take decades to develop, cash can fill the gap.

Third, the forms of aid most likely to outperform cash will be those that address collective problems, or what economists term “public goods.” Consider health, for example. Say you were buying a vaccine to reduce your child’s risk of getting sick. A big part of the social value of this purchase would be reducing your neighbors’ risk of illness, too. If you had little cash to spare, the vaccine might cost more than it was worth to you but less than it was worth to the community at large. In this case, an outside group would be better placed to tend to the greater good by subsidizing the vaccine or even providing it for free. A cash transfer wouldn’t solve the social problem if the recipient had more pressing needs to spend the money on than the vaccine.

In many cases, however, Western officials and organizations are not the best judges of what poor people in developing countries need to make a better living; the poor people themselves are. One of us (Paul Niehaus), working with fellow economists Karthik Muralidharan and Sandip Sukhtankar, is currently conducting an unusual poll in rural Bihar, India. We are giving poor citizens a choice between two types of aid: the assistance provided by the government’s Public Distribution System, a venerable program of subsidized food delivery that consumes nearly one percent of India’s GDP, or cash transfers, calibrated to cost the government the same amount per family. Both forms of welfare have their advantages. Direct cash transfers bypass corrupt officials and crafty middlemen, whereas food transfers provide a more reliable form of insurance against rising food prices. The results are not yet in, but the experiment should provide a promising model for determining how to spend aid dollars in the future.

Such exercises have their limitations, of course, but they also have the advantage of linking smart policy with smart politics. Offering citizens their choice of programs gives elected officials the kind of insight they crave: raw data that describe what voters want and whether or not the civil service is delivering it. Like cash transfers themselves, such mechanisms can help make aid delivery more accountable to the people the aid is intended to serve.

CASHING IN

Despite everything that cash transfers can do, their future role in poverty alleviation remains uncertain. The findings of small-scale experiments, involving just a few thousand recipients, cannot reliably tell what might happen when the same policies are rolled out to millions. One looming question is whether money transfers are more or less feasible on a large scale than traditional programs—whether, for example, corrupt officials and armed groups could exploit such programs more easily.

But the evidence from countries that already use cash transfers on a massive scale is promising. According to the United Kingdom's Department for International Development, governments in the developing world already run cash-transfer programs that reach between 750 million and one billion people, whether by way of employment programs in India, pension funds in South Africa, or welfare schemes in Brazil. Many of these programs involve some kind of condition that must be met before recipients get paid, such as getting a checkup or a vaccine at a health clinic. But they all end in cash transfers. The worst fears surrounding them—of fraud, corruption, and plain ineffectiveness—have thus far not been realized.

New technologies have also made such programs easier to implement. In India, one of us (Niehaus), along with Muralidharan and Sukhtankar, recently worked with the government of the state of Andhra Pradesh to measure the effects of replacing paper money delivered through the mail to pensioners and workfare participants with digital payments using biometric authentication. We found that the new system both reduced theft and improved the speed and reliability of the payments. Taking this approach further, the non-profit GiveDirectly (of which Niehaus is president) now delivers unconditional cash payments to thousands of extremely poor households in East Africa through accounts on their cell phones, all at a cost of less than ten cents per dollar donated.

Another concern about rolling out cash transfers on a large scale in developing economies is that an influx of money could lead to disruptive inflation. Whether that fear will materialize remains unclear. It will depend in large part on what the macroeconomic effects of cash transfers are compared to—whether food aid, universal education, or other goods and services. Any large-scale influx of goods or currency has the potential to be disruptive, and so the real question is whether giving cash is worse than giving something else.

Economic theory and experience provide some reassurance. Consider the hundreds of thousands of Syrian refugees now living in Lebanon, where the United Nations and humanitarian agencies are dispensing cash via ATM cards as the main form of relief. In such open economies, cash should have little effect on food prices or supplies, and it could even stimulate local production. But when it comes to goods that are slow to keep up with demand—electricity or rental housing, for example—prices are rising and supplies are dwindling. However troublesome the shortages, though, there are few better or more efficient options for helping the refugees buy basic necessities.

To be sure, cash is no panacea. Not every person will grow his or her income or business with a grant; some recipients will use all the money to pay for immediate needs. The effectiveness of cash-transfer programs are only partly proven, and many unknowns and risks remain. But the evidence is stacking up faster in favor of cash than it is for a lot of the alternatives, and direct cash transfers deserve to shed their reputation of being eccentric. Just as important, donors and the public must hold charitable organizations accountable for the wasteful expenses they regularly incur. The expansion of cash-transfer programs themselves could do the most to bring such costs into clearer focus. And when that happens, the global effort to end poverty will have entered a new and better era. 🌍

Reforming the NSA

How to Spy After Snowden

Daniel Byman and Benjamin Wittes

The long-running debate over the tradeoffs the United States should make between national security and civil liberties flared up spectacularly last summer, when Edward Snowden, a National Security Agency contractor, handed journalists a huge trove of heavily classified documents that exposed, in excruciating detail, electronic surveillance programs and other operations carried out by the NSA. Americans suddenly learned that in recent years, the NSA had been acquiring the phone and Internet communications of hundreds of thousands of U.S. citizens, as well as collecting massive volumes of bulk telephone records known as “metadata”—phone numbers and the time and length of calls. Along with the rest of the world, Americans found out that the NSA had broken common forms of online encryption, tapped the phones of various foreign heads of state, and monitored global communications far more aggressively than was previously understood.

Howls of outrage erupted. Brazilian President Dilma Rousseff, who learned from the Snowden leaks that the NSA had been monitoring her personal conversations, described the NSA’s activities as a “violation of human rights and civil liberties,” decrying the “disrespect to national sovereignty.” In the United States, both ends of the political spectrum denounced the NSA’s activities. Rand Paul, a Republican senator from Kentucky, called them “an all-out assault on the Constitution,” and the former Democratic vice president Al Gore said they were “obscenely outrageous.”

Proposals for reform are now legion. Soon after the leaks, President Barack Obama appointed an independent group of experts to examine

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the issue. The group's report, published last December, recommended more than 40 far-reaching reforms, including ending the government's bulk collection of telephone metadata and restricting surveillance

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on foreign leaders. The panel suggested that telephone providers or a private third party, not the government, should hold the metadata and give officials access to it only when ordered to do so by the secret Foreign Intelligence Surveillance Court. The panel also recommended requiring the FBI to obtain judicial approval before issuing a

"national security letter," a form of administrative subpoena the government uses to obtain phone numbers, e-mail addresses, and financial transaction records. Congress is also mulling action. Last October, Patrick Leahy (D-Vt.), chair of the Senate Judiciary Committee, and James Sensenbrenner (R-Wis.), former chair of the House Judiciary Committee, proposed a major rollback of the NSA's programs. At the same time, the Senate Intelligence Committee put forward a modest bill that tinkered with, but largely validated, the current legal status quo.

Obama responded to the public outrage and various calls for reform with a major speech and a presidential policy directive in January. Obama defended the NSA, emphasizing the necessity of intelligence and noting that nothing he had learned "indicated that our intelligence community has sought to violate the law or is cavalier about the civil liberties of their fellow citizens." Yet Obama also warned that given the NSA's power, the U.S. government has a "special obligation" to scrutinize the agency's activities. He acknowledged that non-U.S. citizens overseas have privacy interests that the United States must respect. He also restricted the NSA to obtaining specific records only with an order from the Foreign Intelligence Surveillance Court and only on targets that are two steps removed from the phone number of a suspected terrorist, rather than the previous three steps. Obama also declared a "transition" to end the government's collection of bulk telephone metadata; two months later, as this article went to press, the administration was reportedly proposing to change the system so that phone companies would store the metadata, rather than the government.

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I spy: Barack Obama, February 2013

States would still spy on non-U.S. citizens, including foreign leaders, if “there is a compelling national security purpose”—quite a caveat. And he called for working with Congress—not exactly a sure-fire source of action—on national security letters, but he did not mention requiring the FBI to obtain judicial consent before demanding records.

The proposed reforms and Obama’s less than full embrace of them reflect a fundamental clash when it comes to what the American public demands of its intelligence community. The real problem that Snowden’s revelations brought to light was not a government agency run amok: the NSA never meaningfully exceeded the writ given to it by the White House, Congress, and the courts, at least not intentionally. Rather, those revelations highlighted a basic conflict between two things that U.S. citizens and their government demand from their intelligence agencies: a high, if not perfect, level of security, on the one hand, and strict privacy protections, accountability, and transparency, on the other. Those imperatives were never easy to reconcile and are even harder to resolve today. Indeed, Snowden’s revelations demonstrated how the implicit bargain that has governed the U.S. intelligence community since the 1970s has broken down.

For four decades, U.S. intelligence work was predicated on a compromise. Covert spying was allowed—including, at times, against U.S. citizens—so long as it was subjected to formal, albeit secret, oversight and a sharp distinction was maintained between domestic and foreign targets. Today, however, thanks to both technological developments

and the NSA's increased role in counterterrorism after 9/11, that boundary has become hard to uphold. Meanwhile, the U.S. government's decreasing ability to keep its own secrets has exposed the flaws in the intelligence compromise.

But that does not mean that the U.S. government should abandon its quest for good intelligence. As communications technologies spread and the overall volume of communication increases, the NSA's role is growing even as the political space the agency enjoys has shrunk. The question really underlying all the fevered talk of reform is whether the NSA can win back the public's trust, or at least its acquiescence.

In recent months, a new consensus on intelligence gathering has begun to emerge among a wide swath of the U.S. political establishment, although it excludes critics on the civil liberties left and the libertarian right. The NSA should retain many of its powerful capabilities, but it needs to change the way it thinks about its interactions with the American people and become more open about its operations. While still keeping their collection methods secret, officials have begun—and need to continue—to publicly disclose far more about the categories of people the NSA targets for surveillance and how the agency collects and uses information. Officials have also started to accept more public oversight of such activities and the reality that many of the NSA's secrets about the information it targets, the technology it penetrates, and the rules that govern its activities will inevitably be revealed.

As a result, the NSA will have to determine whether a new program's benefits really outweigh the potential costs of exposure. Such decisions will come at a price. The new limits on NSA surveillance will at times leave the U.S. government less informed about threats and opportunities. So U.S. policymakers and citizens alike will have to consider how much security and diplomatic advantage they are willing to forgo in exchange for greater restraint from the intelligence community.

THE GREAT COMPROMISE?

The NSA claims that its activities have helped prevent numerous terrorist attacks at home and abroad since 9/11. Such claims are difficult to verify without access to classified data. More important, they rely on an inappropriate measure of success. The agency's true remit goes beyond just stopping attacks: the NSA seeks to identify terrorists, understand their organizations, and anticipate and disrupt their activities. On that broader set of tasks, the agency has accomplished a great

deal in recent years. But however important, the NSA's data collection is rarely the only factor in effective counterterrorism. Such operations are the result of coordination and cooperation among many different intelligence organizations.

Additionally, the recent debate over the NSA has focused too narrowly on counterterrorism. That attention is understandable: U.S. government officials know that the easiest way to defend the agency after Snowden's disclosures is to invoke its role in preventing terrorist attacks. Moreover, the collection of bulk telephone metadata—the most controversial program Snowden revealed—happens to be a counterterrorism program. But the NSA does vital day-to-day work in the realms of diplomacy and cybersecurity as well. By accessing the communications of foreign leaders and officials, particularly of U.S. adversaries, the NSA provides U.S. policymakers with insights into when a state might go to war, break a treaty, or otherwise make a dramatic (or subtle) policy shift.

NSA activities allow U.S. officials to negotiate more effectively by tipping them off to the positions of foreign officials. That advantage applies even to relationships with allies, with whom the United States maintains extensive intelligence-sharing arrangements. The intelligence gathered by the NSA can confirm the accuracy of information that allies voluntarily share with Washington. Even friendly states sometimes choose to shade the facts or share partial information with Washington in an attempt to avoid embarrassment or shape U.S. policy.

In order to accomplish its missions, the NSA has built up a vast array of collection capabilities—too vast, say the agency's many critics at home and abroad. Americans do have good historical reasons to be suspicious. In the 1960s and 1970s, the NSA, along with other U.S. intelligence agencies, conducted abusive surveillance of journalists; members of Congress; Martin Luther King, Jr., and other civil rights leaders; and prominent opponents of the Vietnam War, such as Muhammad Ali and Benjamin Spock. After the Watergate scandal, journalists and congressional investigators eventually exposed such snooping, which led to widespread distrust of government surveillance and secrecy. (Some of the names and details of specific targets, however, were not disclosed until last year, in declassified NSA documents.)

To guard against future abuses while also preserving the confidentiality that intelligence agencies require, in the late 1970s, Congress

devised a series of oversight committees and other mechanisms that relied on two overarching concessions. First, the new rules granted legislators and judges more oversight over the intelligence agencies but required nearly all their reviews to take place in secret. Second, the 1978 Foreign Intelligence Surveillance Act (FISA) allowed the FBI (the NSA was not permitted to operate domestically) to target the communications of people inside the United States, including U.S. citizens, but required it to obtain approval for doing so from the secret Foreign Intelligence Surveillance Court, staffed by federal judges appointed by the chief justice of the United States. Other rules required the NSA to discard U.S. citizens' communications inadvertently swept up by dragnets aimed at overseas targets, unless the agency concluded that the data had foreign intelligence value.

Beginning around the same time, the White House and the Department of Justice also increased their oversight of the intelligence community. The net result of all these changes was a system in which the NSA could use its vast powers only in certain circumstances and only under the supervision of a lot of minders. Throughout the 1980s and 1990s, this system seemed to work well. The agency was careful not to target U.S. citizens illegally and avoided using even its limited powers to their fullest extent. As a consequence, the NSA mostly stayed out of major controversies and behind the scenes, its operations at once robust but very much subject to the law.

THREAT ASSESSMENT

In recent years, however, two major changes have deeply upset the status quo, empowering the NSA in the short term but undermining its longer-term support from and legitimacy with the American public. The first change was the profound shift in national security priorities provoked by the 9/11 terrorist attacks. The failure to stop the attacks led to criticism in the media and Congress that U.S. intelligence agencies had been too passive in the face of the growing jihadist threat. Critics charged that the NSA, chastened by the revelations of its abuses in the 1970s, had interpreted its powers too conservatively and had too often hesitated to collect information that might have involved U.S. citizens—even when those Americans were in contact with suspected terrorists overseas.

In response to such pressure, legislators and officials inside and outside the NSA pushed for more aggressive surveillance measures as

counterterrorism, long just one part of the agency's portfolio, became its priority. President George W. Bush's warrantless wiretapping program, initiated shortly after 9/11, circumvented FISA procedures and safeguards altogether and, when revealed, led to significant changes in the law itself—changes that confirmed the agency's authority to conduct surveillance without individualized warrants on non-U.S.

citizens or residents overseas whose communications the NSA collected when they passed through the United States. (The changes made clear, though, that the surveillance had to be limited to those communications and that the NSA still had to have individualized warrants when targeting

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U.S. citizens or residents abroad.) The post-9/11 quest for more and better intelligence also led to a huge increase in the NSA's budget, which, according to *The Washington Post*, totaled almost \$11 billion last year, up by over 50 percent since 2004.

The second change was more akin to a tectonic shift: advances in technology began permanently blurring the distinctions between domestic and foreign surveillance and between U.S. citizens and foreign nationals. The Internet and the spread of mobile and wireless devices have vastly increased the extent of international communications by people in the United States, who now frequently interact with people of other nationalities over the Internet.

These technological changes have made it much more difficult to separate domestic and foreign communications. In the 1970s, foreign communications involved large phone circuits and satellite feeds that were largely distinct from domestic communications infrastructure. Today, the data streams have become hopelessly entangled. Messages between Internet users in the United States sometimes travel to and from sites and facilities in Europe or Asia, even if the final destination is an office next door. Foreign communications often go through the United States, a byproduct of the centrality of U.S. companies and infrastructure to the Internet's technical architecture. When the NSA taps online communications from foreign nationals abroad, it often ends up capturing messages sent between U.S. citizens in the United States. If the agency excluded U.S. sites from its coverage, it might miss out on foreign communications that are routed through or stored on U.S. servers.

These changes have created major technical challenges for the agency—and a huge boon. The NSA can access people’s Facebook messages, Skype feeds, financial documents, e-mails, and stored computer documents, allowing it to learn exponentially more about a target than it could have in the pre-Internet age. These days, in fact, the NSA’s biggest technical problems involve not collection but analysis. The NSA estimates that it “touches” (without specifying what that means) a cache of information from the Internet equivalent to 580 million file cabinets of documents every single day. The agency can only hope to analyze a tiny fraction of this enormous haul.

These changes also test the limits of the 1970s compromise. Thanks to Snowden’s leaks, a significant portion of the American public now doubts that the NSA truly focuses on overseas communications and has little faith in the government’s oversight mechanisms. The NSA, of course, struggles to keep its own secrets under wraps. The agency can rightly blame leakers for this problem. But given the number of people who now have access to NSA documents (more than a million people have “top secret” clearance), such leaks seem almost inevitable.

The agency has thus begun working even harder to keep its secrets. In an interview with one of us last December, Lonny Anderson, the NSA’s chief technology officer, said that the agency has begun to more closely monitor its employees’ use of agency resources, limit the amount of data that their terminals can access, and centralize its data storage in its internal cloud. Such changes will make the NSA less agile, and at the end of the day, Anderson conceded, “You can never stop someone who’s determined, who . . . has got all the right badges, [and who has] some technical skills.”

Indeed, Washington should now expect that its allies and adversaries, not to mention the general public, will occasionally gain access to at least the general patterns of U.S. intelligence collection. At times, they will even gain access to the specifics. The impact of such revelations will vary. U.S. enemies assume that Washington listens to them, so they are unlikely to be shocked by revelations. But U.S. allies claim to have different expectations—or at least they did until Snowden’s revelations angered foreign leaders such as Rousseff and Germany’s Angela Merkel, who found out that their personal communications had been intercepted.

SPY GAME

Although some of the foreign outrage was manufactured, the Snowden revelations have hurt the United States' relations with its allies in two vital ways. First, they surprised and angered publics in allied countries, forcing leaders such as Merkel and Rousseff to respond to—or exploit—that anger. Second, the United States has now lost some of the moral high ground it had occupied in debates over cybersecurity and Internet governance. After years of protesting Chinese cyber-intrusions into U.S. systems, Washington now looks hypocritical. In fact, the Snowden documents suggest not just that the United States, like China, engages in cyberspying but that the United States is really good at it.

The revelations have also threatened U.S. technology firms, which many critics now suspect cooperate voluntarily with the NSA and thus essentially operate as an arm of the U.S. government. A presidential policy directive that accompanied Obama's speech in January acknowledged the risks that such perceptions pose to the country's "commercial, economic, and financial interests, including a potential loss of international trust in U.S. firms" and "the credibility of our commitment to an open, interoperable, and secure global Internet." Yet Obama offered technology companies mostly rhetoric, rejecting the review panel's call for the NSA to stop undermining encryption standards. Major U.S. Internet companies have begun openly contemplating the adoption of more sophisticated encryption methods.

Meanwhile, foreign countries have toyed with the idea of requiring Internet companies to provide local data-storage services to their citizens. Some foreign governments and companies may turn to domestic firms for their technological needs; such firms will be sure to emphasize that their U.S. competitors will not keep foreign data secure. But these efforts may ironically make the NSA's job easier, since the agency is less constrained by laws or oversight in accessing data stored abroad.

For their part, NSA officials are deeply concerned about the impact of the revelations on U.S. companies. Anne Neuberger, who acts as the agency's top liaison to the domestic private sector, said in an interview with one us last December that they "feel a sense of responsibility to look at" the damage to Silicon Valley's reputation after Snowden's leaks. The NSA simply cannot function without industry cooperation. But as Obama's speech showed, the administration does not have that much to offer the technology industry in the way of new restraints without seriously inhibiting the NSA's data collection. The most important gesture to the

industry in Obama's speech was the repeated reference to respecting the privacy of non-Americans, which was designed to reassure overseas individuals about using U.S. software and Internet services.

U.S. intelligence officials shoulder some of the blame for the lack of public confidence in the NSA, since they have not always been completely honest in their public statements. James Clapper, the director of national intelligence, told the Senate in March 2013 that the NSA does "not wittingly" collect data on U.S. citizens. But less than three months later, the massive metadata collection program was revealed, leaving Clapper to lamely claim that his original statement had been the "least untruthful" one he could give at the time. Journalists have also done their part to diminish the public's trust, sometimes publishing misleading claims, as when the Norwegian daily *Dagbladet* reported last November that the NSA had collected Norwegian phone conversations—only to have Norway's intelligence service turn around and disclose that it had done the spying itself.

THE CHAMBER OF SECRETS

Whatever the cause, the fact is that the NSA, and by extension the Obama administration, now faces a big public relations problem. One response would be to further increase secrecy in the hopes of preventing more embarrassing leaks. Another would be to accept that much more information about U.S. intelligence work is likely to become public in the future and thus to conduct that work more visibly. Washington's best approach, however—and the direction the government seems to be stumbling toward—would be to combine these responses by making hard-headed judgments about what secrets the agency really needs to keep and working even more rigorously to protect them but also adopting a much more open posture toward less sensitive forms of intelligence collection.

Above all, any scaling back of secrecy must be well planned and should proceed according to a coherent theory of how civil liberties can best coexist with surveillance and how transparency can coexist with espionage. That does not seem to be happening now: the intelligence community is currently rolling back surveillance programs and disclosing thousands of pages of classified documents (including dozens of Foreign Intelligence Surveillance Court opinions and orders) that offer information on the telephone metadata collection program and on the targeting of foreigners, all without a clear strategy—or, at least, without a strategy that has been explained in public. The

process seems mostly reactive, an impulsive response to bad press and to blowback from individual foreign governments.

As it contemplates more disclosures and reforms, the U.S. government needs to answer some basic questions about what kinds of surveillance its intelligence agencies currently refrain from and what kinds of surveillance they should conduct more openly. It is not clear how intelligence officials should react if new restraints prove harmful to U.S. security. Nor is it clear whether U.S. officials and the American public would be willing to accept the results of less effective surveillance programs in the name of greater transparency. Obama has begun answering these questions. But some of his answers, such as those related to the technology industry and the privacy of non-U.S. citizens, have left too many details undetermined.

To set a clearer agenda for reform, the NSA should begin by dividing its activities into three broad categories. First, the agency should identify what it really must keep secret. In truth, only a fraction of the NSA's current activities—penetrating new technologies, for example, or monitoring supposedly secret systems of U.S. rivals, such as China—are so sensitive that the mere revelation of their existence would damage U.S. interests.

The NSA needs to work harder to keep those programs hidden by granting far fewer people access to them. Anderson said that stricter controls on access are already in the works, with a system to tag each piece of data that the NSA collects and each user. Data and user tags could then be matched depending on the user's privileges. Keeping access to the most important secrets limited to a smaller circle of confidants would make it more likely that they stayed secret.

But a push for more secrecy will provoke new fears of future abuses. Keeping fewer people in the loop would also increase the risk that important dots could go unconnected. Anderson acknowledged this risk, saying the agency is currently erring on the side of data security at the expense of effectiveness. There is no way to resolve that dilemma: to preserve secrecy, the NSA will have to forgo the benefit of having lots of eyes on a problem. But this tradeoff is sometimes worthwhile, since it ensures that the most important programs are privy to only a select group of analysts.

When it comes to the agency's less sensitive work that has not yet been exposed, the NSA should be prepared to abandon it if the benefits do not outweigh the costs of disclosure. Some spying on allies, for example, should be reconsidered, as Obama has already committed to

doing. The practice in itself is not wrong, and it often yields valuable findings. But just as often, the benefits are not worth the price.

Third, the NSA must lift the veils over certain programs it means to continue. Because of Snowden's leaks and subsequent disclosures and declassifications, the metadata collection program, for example, is not a secret—and so even if some version of it continues, it makes sense to err on the side of openness going forward. More generally, the NSA should disclose more information to the public about the scope and scale of politically sensitive surveillance, where possible, and even more specifics to Congress. Bringing in civil liberties groups to discuss the parameters of some programs involving the surveillance of U.S. citizens would also help. The NSA is not likely to convince such groups to take the agency's side, but it could still explain to them its procedures for minimizing intrusions.

Becoming more open will require a shift in the institutional culture of the NSA and in the intelligence community more generally. But that shift is already taking place. In 2012, the NSA's then deputy director, John Inglis, quipped that the agency is "probably the biggest employer of introverts" in the federal government. But over the past few months, the country's most powerful introverts have begun speaking out publicly to an unprecedented degree. Last December, senior NSA officials even agreed to participate in a lengthy series of podcasts with one of us on the future direction of the agency.

Ultimately, increasing the transparency of the NSA and boosting oversight of its activities will have serious operational consequences. Those changes may at times slow down surveillance or make the agency more hesitant to acquire data that, in hindsight, would have been useful for counterterrorism or other essential operations. But conducting intelligence in public, at least to a certain degree, will help preempt scandals and allow the NSA to educate policymakers and journalists about what it does and why.

Despite Snowden's leaks, much of the public still misunderstands how the NSA works and what it does. In the past, the agency has welcomed this ignorance, since it helped the government keep its secrets secure. But now that the cat is out of the bag, the NSA, mindful of the value of public trust, needs to recalibrate its operations in order to increase public understanding of how it works. The necessary reforms will, to one degree or another, require Americans to take on more risk—a decision that will lead to political criticism should another terrorist attack occur on U.S. soil. If done well, however, the reforms will also make the agency more sensitive to public concerns while preserving its necessary core capabilities. 🌐

How the Kurds Got Their Way

Economic Cooperation and the Middle East's New Borders

Marina Ottaway and David Ottaway

The surge of ethnic and sectarian strife in Syria and across the Middle East has led a number of analysts to predict the coming breakup of many Arab states. This potential upending of the region's territorial order has come to be known as "the end of Sykes-Picot," a reference to the secret 1916 Anglo-French agreement to divide up the Middle Eastern provinces of the Ottoman Empire into British and French zones of control. Because the European treaties that created new Arab states in the aftermath of World War I upheld the outlines of that agreement, Sykes-Picot became the convenient shorthand for the map that colonial powers imposed on the region, one that has remained essentially constant to the present day.

With bloodshed from Aleppo to Baghdad to Beirut, it is indeed tempting to predict the violent demise of Sykes-Picot. But although the worst fighting is spilling over borders and pushing some countries, such as Syria, toward fragmentation, there is another force crossing national lines and even realigning national relationships: trade. New transnational zones of economic cooperation are making Middle Eastern borders more porous, but in a way that does not directly challenge existing states. Instead, mutual economic interests, especially in the oil and gas industries, may signal a softer end to Sykes-Picot.

This dynamic is most apparent along the border between Turkey and Iraqi Kurdistan, where oil deals in recent years have directly challenged Baghdad's claims to exclusive control of Iraq's natural resources

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and where Turkish and Kurdish leaders have talked trade instead of war. Economic cooperation is emerging as an alternative to political violence elsewhere, too. Cyprus, Greece, and Turkey are discussing shared oil and gas pipelines despite their disagreements. So are Sudan and South Sudan, which have reluctantly accepted the need to cooperate in order to export both countries' oil after splitting apart in 2011. Economic cooperation is not a cure-all in any of these places. But it does allow states to come together in new ways rather than risk falling apart.

LINES IN THE SAND

The Arab states that emerged after World War I have always struggled with their heterogeneous populations, uncertain national identities, and deep internal fissures. They have existed for almost a century, and vested interests have developed around the preservation of their national borders and institutions. But ethnic, sectarian, and tribal divisions still linger, as conflicts in Iraq, Lebanon, Libya, Syria, and Yemen so clearly demonstrate.

Those divisions are starkest in Syria, where Damascus has lost control over large swaths of its territory since civil war broke out following President Bashar al-Assad's brutal suppression of peaceful protests in March 2011. Syria's Kurds have declared their own autonomous region in the northeast. A number of radical Islamist groups fighting the government have seized much of the country's east and proclaimed their dreams of building a Sunni Islamist state, governed by Islamic law, that would control parts of Syria and Iraq. Some observers even speculate that the Alawites, the esoteric offshoot of Shiite Islam to which Assad belongs, will seek to develop their own rump state along the Mediterranean coast, under the protection of Hezbollah, Iran, and Russia, reviving a statelet that existed under the French mandate during the 1920s and 1930s.

Syria's Arab neighbors have problems of their own. Lebanon has remained bitterly divided along sectarian and religious lines ever since its brutal 1975–90 civil war. Iraq was nearly torn apart by suicide bombings and sectarian militias after the 2003 U.S. invasion, and the violence has spiked recently, particularly in Anbar Province. Less dramatic but still important, Jordan maintains an uneasy balance between its native population and Palestinian refugees, the latter of which have long made up the majority of the country's population.

But something else is happening in Iraqi Kurdistan. This semi-autonomous region has achieved new prosperity through cross-border

economic cooperation, which other enclaves and even countries in the region could seek to emulate. Iraqi Kurdistan has enjoyed de facto self-government since 1991, when the United States imposed a no-fly zone in northern Iraq following the first Gulf War. That alone makes it an exception in the Middle East, along with its ethnic distinction from the rest of the Arab world. U.S. protection could have encouraged Kurdistan to declare its independence from Iraq, upsetting the existing territorial order. Instead, the Kurds chose to pursue their own economic interests within that order.

After the 2003 invasion, Iraqi Kurdistan welcomed the U.S. military occupation, and before long, it was a direct beneficiary. Iraq's new constitution, passed in 2005, confirmed Kurdistan's special status by creating a federal system that granted the Kurdistan Regional Government (KRG), based in the city of Erbil, a large degree of self-rule over the provinces of Dohuk, Erbil, and Sulaymaniyah. It also gave Iraq's 15 other provinces the option of attaining similar status. Yet despite the federal system enshrined in Iraq's constitution, Baghdad has still done everything it can to curb Kurdish autonomy and to prevent other provinces from demanding autonomy as well.

The bone of contention between Baghdad and Erbil is control over the region's oil and gas. Baghdad insists that all oil revenue must flow to the central government, which will then distribute it to Kurdistan's three provinces and Iraq's other provinces. On the basis of its population, Kurdistan is supposed to receive 17 percent of Iraq's total oil revenue. But the KRG contends that after Baghdad deducts payments to oil companies and Kurdistan's share of the country's expenses for national defense and foreign affairs, Kurdistan receives only 10–11 percent.

The KRG first sought financial independence under Saddam Hussein, signing oil exploration contracts with small energy companies in 2002. But after the enactment of the new constitution, it pushed for deals with more urgency, even though it was unclear whether it had the legal authority to do so. The constitution states that the central government has exclusive control over existing oil fields, but it leaves vague who has jurisdiction over new ones. To this day, the central

New transnational zones of economic cooperation are making Middle Eastern borders more porous.

government asserts its rights over both old and new oil reserves; Erbil claims the right to sign contracts for any new fields in its territory.

The United States tried to settle the dispute between Baghdad and Erbil through a new national hydrocarbon law, but the two sides could not agree. Instead, in 2007, the Kurdish parliament passed its own law regulating oil and gas contracts in the region, permitting generous production-sharing deals with foreign companies.

Dozens of foreign companies, such as the Anglo-Turkish company Genel Energy, China's Addax Petroleum, France's Total, Norway's DNO, and Russia's Gazprom, rushed in to establish a stake in what Tony Hayward, the former CEO of BP, described in 2011 as "one of the last great oil and gas frontiers." By 2012, even major U.S. oil companies, such as Chevron and ExxonMobil, had sealed exploration and production agreements directly with Erbil, openly challenging Baghdad—and the Obama administration, which, despite Washington's established support for Iraqi Kurdistan, has opposed the deals, fearing that oil disputes within Iraq could threaten the country's stability. Those major U.S. oil companies joined five smaller U.S. firms—Hess, HKN, Hunt, Marathon, and Murphy—and over 40 companies from Canada, China, Norway, Russia, and various Arab and Asian countries in tapping into a Kurdish bonanza estimated by industry experts to amount to 45 billion barrels of oil and 99 trillion to 201 trillion cubic feet of gas.

Despite this windfall, the KRG still needed a way to get Kurdistan's oil and gas to the international market. Erbil could have pumped it through an existing pipeline—northern Iraq's main crude oil export line, connecting the Iraqi city of Kirkuk with the Turkish port of Ceyhan, on the Mediterranean. But Baghdad controls the Iraqi side of that line and would therefore have controlled the oil revenue. So the KRG decided instead to build a new pipeline, from the Taq Taq oil field, in central Kurdistan, to the Turkish border, where it would connect with the Ceyhan line—a direct challenge to Baghdad's claim of sole control over Iraq's oil.

KURDISH BONANZA

The KRG could not go it alone, however; it needed the cooperation of its northern neighbor, Turkey. After some hesitation, the Turkish government agreed to allow the new Kurdish pipeline to link up to its Ceyhan line. But more important, Ankara also agreed to deposit Kurdish oil payments into a Kurdish bank account in Turkey, rather



Keep on truckin': guarding oil headed for export in Iraqi Kurdistan, July 2010

than into Iraq's national account in New York, where all other Iraqi oil payments go.

The Turkish government's support of the KRG's quest for financial independence was a surprising shift, since it had long opposed autonomy for Iraqi Kurdistan as a dangerous precedent given Turkey's own large Kurdish population, which has ongoing, unsettled, and often violent disputes with Ankara. Turkey had also sought to maintain good relations with both Baghdad and Erbil, but the country needed new, cheap supplies of oil and gas for its rapidly growing economy. Turkey, as its energy minister, Taner Yildiz, said in an interview with an Iraqi Kurdish news agency last December, could not "sit idly by." Late last year, Kurdistan started shipping oil to Ceyhan, with plans to reach one million barrels a day by the end of 2015. Kurdistan, with its relative security and stability, also represented a far more favorable climate for Turkish businesses than did the rest of Iraq. By 2012, 70 percent of all trade and investment between the two countries was concentrated in Kurdistan, even though its population represents only one-sixth of Iraq's total.

Not surprisingly, the prospect of Iraqi Kurdistan exporting its own oil to Turkey sparked strong protests from Baghdad. Insisting that it recognized that the oil belonged to all Iraqis, as the constitution states, the KRG promised to pass 83 percent of the revenue on to Baghdad, in

keeping with the current revenue-sharing formula developed as part of ongoing budget negotiations. But Kurdish authorities have also made clear that they will deduct from Baghdad's share the \$50 billion in arrears that they claim they are owed. Erbil has also threatened to deduct compensation for damages inflicted on Kurdistan by Saddam prior to 1991, which the KRG estimates at \$380 billion. The latter threat is mostly rhetorical; nevertheless, it is clear that Baghdad will not receive its entire 83 percent share anytime soon. The central government could of course retaliate by cutting off all oil payments to Kurdistan. But by the time Kurdish oil exports reach 450,000 barrels a day, perhaps as soon as the end of this year, Kurdistan will be earning enough to replace what it receives from Baghdad, which was \$12 billion last year.

Undeterred by Baghdad's protests, Iraqi Kurdistan and Turkey have continued striking deals and deepening their energy alliance. Last November, Kurdistan's prime minister, Nechirvan Barzani, and Turkey's prime minister, Recep Tayyip Erdogan, announced new agreements for the construction of a second oil pipeline to carry Kurdish heavy crude to Ceyhan and a gas pipeline to supply power plants in Turkey. According to leaked reports, Turkey initially plans to buy 353 billion cubic feet of Kurdish gas a year—and eventually twice that much.

GO YOUR OWN WAY

Cooperation between Ankara and the KRG represents a direct challenge to Baghdad's hopes of preserving a centrally controlled Iraq. The Kurdish-Turkish pipelines and energy agreements reflect a different vision for Iraq, characterized by strong regional autonomy and permeable boundaries. Of course, the KRG has not been pursuing its economic interests in a vacuum: Baghdad's demonstrated inability to use its oil revenue to reconstruct Iraq—severe electricity shortages still plague most of the country—helped push Erbil to go its own way.

Which vision prevails will have profound implications for the future of Iraq and the wider region. Iraqi Prime Minister Nouri al-Maliki's attempt to maintain central authority over Iraq's provinces has reignited ethnic and sectarian violence, which in turn has raised doubts about whether Iraq can hold itself together. Indeed, an effort by Baghdad to block Kurdish-Turkish cooperation could easily backfire, provoking the KRG to declare Kurdistan's independence.

Ultimately, neither side wants that outcome. Baghdad doesn't want to lose Kurdistan and its oil, and Kurdistan isn't ready to face the challenges of independence, including a short-term loss of oil revenue; damage to Kurdish relations with Turkey, which prefers to deal with a semiautonomous region rather than an independent Kurdish state; and a long, costly process of obtaining international recognition. But the standoff hasn't stopped Baghdad from raising the stakes, withholding funds allocated to Kurdistan in the national budget and threatening lawsuits against the KRG, the Turkish government, and any company helping export Kurdish oil without its permission. The Iraqi oil minister, Abdul-Kareem Luaibi, even told reporters in January that if Turkey facilitates the export of Kurdish oil, "it is meddling in the division of Iraq." For now, according to Yildiz, more than one million barrels of Kurdish oil sent to Ceyhan since December are being held in storage there until the dispute can be resolved. Time appears to be on the KRG's side, however. Oil and gas will eventually find their way to market; after all, foreign companies have been drilling in Kurdistan for years without Iraq's consent.

Iraqi Kurdistan will soon be earning enough from its oil exports to replace what it receives from Baghdad.

If Baghdad eventually accepts Kurdistan's growing financial autonomy and economic cooperation with Turkey, it would amount to a nonviolent but significant weakening of the old Sykes-Picot order. Although the central government would still control much of Iraq's oil, it would in effect be conceding the fact that a centralized state with rigid borders no longer reflects current economic and political realities. By attracting more foreign investment and exporting more oil and gas, Iraqi Kurdistan would, over time, drift further away from Baghdad.

Baghdad, of course, has good reasons to fear that outcome. Not only does it risk losing control over Kurdish oil, but a thriving, autonomous Kurdistan with close links to foreign states could also become a model for other Iraqi provinces that are unhappy with the central government's corrupt and authoritarian rule and interested in controlling their own hydrocarbon resources.

Take Nineveh, a northern, Sunni Arab-majority province just west of Erbil. Like most Sunnis, Nineveh's leaders initially opposed Kurdish

autonomy, which they saw as a first step toward national breakup. But the prospect of oil discoveries in their province and the example of Kurdistan are changing their view. Nineveh's governor, Atheel al-Nujaifi, has spent several years fighting the central government to obtain funds earmarked for his province that are stuck in Baghdad's bureaucratic maze. Nujaifi would welcome an independent source of revenue. In October 2011, when ExxonMobil signed exploration contracts with the KRG for six oil fields in Kurdistan, two of which are located in a disputed border area with Nineveh, Nujaifi immediately denounced the deal. By June 2012, however, he had changed his tune, arguing that Nineveh should talk directly to ExxonMobil and the KRG about joint exploitation of oil in the contested territory. Nujaifi also argued that Nineveh should follow the lead of its Kurdish neighbors and transform itself into a semiautonomous federal region. Despite a provincial council's vote earlier this year in favor of this change, Baghdad has blocked the process.

Several other Shiite and Sunni provinces are also considering steps toward autonomy. Shiite-dominated Basra Province, the center of Iraqi oil production, with an estimated 60 percent of the country's 141 billion barrels of proven oil reserves, has sought to break away from Baghdad since 2008; its provincial council has voted numerous times to press the issue. Anbar, Diyala, and Salahuddin, all Sunni-majority provinces, voted to declare their autonomy from Baghdad in late 2011 and early 2012, but Maliki rejected the calls. Altogether, nearly half of Iraq's 18 provinces are either already semiautonomous, such as the Kurdish ones, or mulling plans for semiautonomy of their own, in line with the Iraqi constitution.

THE PRIZE

The emergence of transnational zones of economic cooperation as an alternative to state disintegration is not limited to Iraqi Kurdistan and Turkey. As part of Erdogan's vaunted "zero problems with neighbors" policy, which has taken a hit in recent years (along with the prime minister's political standing), Turkey's favorite diplomatic tool has been free trade. Before the 2011 uprising in Syria, Turkey had opened up its border with its southern neighbor, which runs from Syria's Alawite-dominated Mediterranean coast to its Kurdish northeast. Turkish border towns became shopping centers for Syrians living within driving range of them and transit hubs for Turkish trucks carrying goods

to the Gulf. Turkey lifted visa requirements for Jordanian, Lebanese, Moroccan, and Tunisian nationals, and the Turkish and Syrian cabinets held a few joint meetings. Ankara even lined up agreements to set up an ambitious free-trade zone with Jordan, Lebanon, and Syria.

Critics dubbed this policy “neo-Ottomanism,” a veiled attempt by Turkey to restore its old dominance in the Middle East. There was indeed a measure of imperial arrogance to the Turkish plans, and self-interest and a desire for cheap energy have driven Ankara’s policy toward Iraqi Kurdistan. Yet that policy is also a response to the violent ethnic and sectarian forces threatening to destabilize Arab states, where, despite nearly a century of institutionalized borders and national identities, such divisions have never completely gone away.

Even with those hostilities, ethnic and sectarian enclaves could still mimic Iraqi Kurdistan’s solution, seeking autonomy and cooperation within a wider economic zone while remaining nominally within the old national borders. War-torn Syria could follow this model, whenever the fighting stops and Syrians begin to consider how they will live together again. The likelihood of restoring the old, highly centralized Baathist state seems slim, given the pockets of control rebels have established across the country. But the consequences of Syria splintering into nonviable statelets would be dismal. A more promising, federal formula, based on the better parts of Iraq’s constitution, would embrace some kind of autonomy for Kurds in the north, Sunnis in the east, and Alawites along the coast, all of them merged into a cooperative regional economy.

This kind of solution, based on economic cooperation, could also provide a way out of other conflicts in the eastern Mediterranean and North Africa. After decades of failed attempts to resolve disputes between Greece and Turkey over the divided island of Cyprus, signs of hope emerged in 2011 with the discovery of a huge natural gas field in southern Cypriot waters. The cheapest export route would carry the gas through a pipeline from the island’s Greek Cypriot south to its Turkish-administered north, where it would continue on to Turkey and connect with the recently approved Trans-Adriatic Pipeline, which will run through Greece and Albania to Italy. Although Greek Cypriot and Turkish officials are still only discussing the possibility of the Cyprus pipeline, Greece and Turkey are already working together on the Adriatic pipeline despite their long-standing feud over Cyprus, among other issues.

Meanwhile, relations between Sudan and South Sudan remain acrimonious in the aftermath of South Sudan's independence in 2011 following more than 20 years of civil war—but the neighbors will have to cooperate over their sizable oil reserves sooner or later. Three-quarters of the two countries' oil comes from landlocked South Sudan, which depends on Sudan's pipeline to Port Sudan for export. Unwilling to pay Sudan's high transit fees, however, South Sudan stopped oil production in January 2012, inflicting enormous economic harm on both countries. But last September, common sense prevailed: the two sides compromised, allowing South Sudanese oil exports to resume and opening up their shared border to the free passage of people and trade.

It is impossible to predict the long-term outcome of the forces threatening the Middle East's regional order. States wracked by war and infighting, such as Syria, could in fact break up. And states that pursue a cooperative economic agenda aren't guaranteed success: trade policies and efforts at economic cooperation could fall victim to the same nationalist forces that have driven Arab politics for decades. But the promise of economic associations across borders could limit the possibility of both the restoration of centralized, authoritarian states and states' violent fragmentation into smaller ethnic or sectarian enclaves.

The United States, for its part, should recognize this new prospect. Washington fears that upsetting the existing territorial order would only breed more conflict and chaos. Although there are good reasons to be alarmed by the nightmare in Syria, trying to prevent territorial change may only encourage more fragmentation—just the outcome the United States is seeking to avoid. But the oil now traveling across the Kurdish-Turkish frontier represents an alternative: forging new economic zones that straddle borders and transcend old hostilities. 🌐

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The Rise of Rwanda's Women

Rebuilding and Reuniting a Nation

Swanee Hunt

Twenty years ago, in 100 days of slaughter between April and July 1994, an estimated one million Rwandan men, women, and children were killed by their fellow citizens. It was one of the worst genocides in history, and its effects still ripple through Rwanda, central and eastern Africa, and the world at large.

It would be obscene to say that such a catastrophe has had even the thinnest silver lining. But it did create a natural—or unnatural—experiment, as the country's social, economic, and political institutions were wiped out by the genocide. And in important respects, the reconstructed Rwanda that emerged over the next two decades is a dramatically different country.

One major improvement has come in the leadership of Rwandan women, who have made history with their newly vital role in politics and civil society. No longer confined to positions of influence in the home, they have become a force from the smallest village council to the highest echelons of national government. Understanding how and why such a transformation occurred offers not just an opportunity to celebrate their accomplishments. It also provides lessons for other countries struggling to overcome histories of patriarchy and oppression.

FROM GENOCIDE TO RECONSTRUCTION

Rwanda's catastrophe was the nadir of decades of violence and prejudice. People in the area had traditionally drawn distinctions among themselves based on socioeconomic status and occupation, but Belgian colonists treated the differences as immutable ethnic characteristics and

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issued national identification cards accordingly. A perilous imbalance of opportunity and institutionalized exclusion followed, initially privileging the area's Tutsi minority and causing deep resentment among the Hutu majority. When the Hutus eventually came to power, they reversed the dynamic. Pogroms and fierce discrimination throughout the late 1950s and through to the mid-1970s caused an exodus of Tutsis to neighboring countries, with a large portion of the exiled population ending up in Uganda.

Fighting for a more secure place in their adopted home, many of these Rwandan exiles joined the 1980s rebellion that eventually installed Yoweri Museveni as Uganda's president, even holding principal positions in the officer corps of what became the Ugandan army. But members of the Rwandan diaspora continued to seek a return to their homeland, founding the Rwandese Alliance for National Unity in 1979 and its successor organization, the Rwandan Patriotic Front, in 1987. Paul Kagame, a Rwandan refugee who had served as an intelligence officer in the Ugandan army, took command of the RPF's military wing in 1990. When the RPF ended the Rwandan genocide by taking control of Kigali in July 1994, Kagame became the dominant figure in the new regime, serving first as vice president and minister of defense and then as president, a position he still holds.

Kagame's tenure as Rwanda's leader has been highly controversial. Critics accuse him of authoritarian behavior that brooks little internal dissent and of supporting deadly regional meddling. At the same time, the economy has grown by eight percent annually over the last half decade, and Rwanda ranks first (tied with Mali) among 48 African countries in making progress toward achieving the UN's Millennium Development Goals. Corruption is low, life expectancy has increased from 48 years to 58 over the last decade, and infant mortality is dropping rapidly. Paul Farmer of the global health organization Partners in Health contends that he gets more done in Rwanda than anywhere else in the world.

The rising status of Rwandan women is a particular triumph. Half of the country's 14 Supreme Court justices are women. Boys and girls now attend compulsory primary and secondary school in equal numbers. New, far-reaching laws enable women to own and inherit property and to pass citizenship to their children. Women are now permitted to use their husbands' assets as collateral for loans, and government-backed funds aimed at encouraging entrepreneurship offer help to

women without familial resources. Established businesswomen are leading members of Rwanda's private-sector elite. And the advance of women in the political sphere has received global attention. In 2000, the country ranked 37th in the world for women's representation in an elected lower house of parliament. Today, it ranks first.

Most Rwandan officials, including those spearheading the programs, are quick to direct credit to the top of the hierarchy: Kagame tightly controls Rwandan public policy. With dogmatic attention, Kagame has appointed gifted, articulate women to key cabinet positions, personally insisting on a critical mass of women in governance. When I questioned him about why he prioritizes female representation, he harked back to being a 17-year-old activist in exile, organizing for his people's rights. How, he asked, could he exclude women's rights?

Women in the RPF (now the country's ruling political party) also point out that many of today's leaders were raised by single mothers in the pre-genocide refugee camps. The hardships these young widows faced as a result of exclusion from their country stayed with their sons who were building the movement. As John Mutamba, an official at the Ministry of Gender and Family Promotion, told the researcher Elizabeth Powley in 2003, "Men who grew up in exile know the experience of discrimination. Gender is now part of our political thinking. We appreciate all components of our population across all the social divides, because our country has seen what it means to exclude a group."

CHALLENGE AND RESPONSE

The tone Kagame sets works in two ways. He creates an environment that encourages women to pursue their ambitions and gain skills and experience. But also, as the gender equality advocate Dinah Musindarwezo notes, he sends a clear social signal to Rwandans of both genders and all ages about the country's evolving norms. If Kagame's championing of women was necessary for their ascension, however, it was but one key factor. Broader structural and social changes were required for his leadership to have an effect. And here, the crisis of the genocide, and the institutional chaos it created, was critical.

In the late 1980s and early 1990s, strong women in Rwandan politics were demonized and portrayed as undermining the country's traditions. Repression and rape became more common. As civil war loomed,



Hope and change: female survivors of the genocide, Nyakagezi, Rwanda, February 2014

extremist cartoons depicted Prime Minister Agathe Uwilingiyimana, a Hutu, as promiscuous and a threat to the nation. According to the anthropologist Christopher Taylor, Uwilingiyimana's murder on the first day of the genocide owed as much to her being a woman as it did to her being an outspoken member of the political opposition.

A few months later, as *génocidaires* fled over the border to Congo, Rwanda lay in ruins: churches and schools had become massacre sites, roadsides had become open graves. The survivors faced the tormenting task of rebuilding a country in which every semblance of normalcy had vanished. The RPF government went to work amid piles of corpses, no running water, erratic electricity, and offices looted to the last piece of paper, focusing first on the cleanup and then on reestablishing political structures. The administration had little institutional knowledge to draw on, as most previous officials had fled or been killed and the replacements had minimal governance experience. Before the genocide, for example, Rwanda had some 785 judges. Only 20 survived. And when the Transitional National Assembly was created in November 1994, none of its 74 members and only five of its staff had participated in the prewar parliament.

The government, in short, had the obligation and the opportunity to reconstruct the country's institutions from top to bottom. Members

of the RPF's executive committee, deployed far and wide, were expected to initiate programs as they saw fit. Capable, trusted women were among the first leadership appointments, including Aloisea Inyumba as minister of gender and family promotion, Rose Kabuye as mayor of Kigali, and Christine Umutoni as deputy minister of rehabilitation and social reintegration.

Women played key roles at the grass-roots level of reconstruction as well, applying their existing proficiencies in new ways: mothering expanded to include caring for homeless children, managing households encompassed supporting widows, cleaning evolved to construction. Facing ruin, many men seemed debilitated, while most women recognized that they had no alternative but action in order to preserve their families and rebuild.

In her 20s, Inyumba had traveled the world raising and managing funds for the RPF in exile. After the war, she designed a massive adoption program for hundreds of thousands of orphans of all ethnicities, contributing to the country's healing not only by helping its lost children but also by ignoring the Hutu-Tutsi distinction at the level of the nuclear family. Then, from 1999 to 2001, she led the National Unity and Reconciliation Commission. After her death from cancer in 2012, her husband recalled her reaction to taking on that challenge. He said that at first, she didn't know where to start, but she soon realized that she needed to take direction from the people. So she began with a countrywide listening tour, consulting her constituents village by village.

Seven years after the genocide, the country came to grips with its intolerably overpacked prisons, which held more than 600,000 suspects accused of war-related crimes. Drawing on a male-led tradition for mediating local disputes, Rwandans established the *gacaca* community-based process to try relatively low-level cases. Another strong woman, Domitilla Mukantanzwa, served as head of the National Service of Gacaca Jurisdictions for a decade. By 2012, nearly two million people had been before these courts, often assembled under a shade tree; that transitional justice process has been key to stabilizing Rwandan society.

LAW AND NEW ORDER

For the first two years after the genocide, Rwanda's adult population was up to 70 percent female, due to the massacre of so many men and the flight of the killers. But women didn't relinquish their clout even

when gender proportions became more balanced over time, as former combatants and exiled populations returned.

Formal institutional changes helped ensure their continuing role. Women held three of 12 seats on the commission that created the country's new constitution, which was approved by referendum in 2003. Among other gender-equalizing measures, the resulting document established a 30 percent minimum quota for women in offices throughout the government, including Parliament.

A parallel movement occurred at the local level. Pre-genocide village councils had not allowed female participation, so Inyumba oversaw the formation of a

separate five-tiered system of women's councils to address issues such as education, health, and personal security. Gaining credibility from their grass-roots understanding, representatives from these councils have competed for positions at all levels of government, with many going on to higher political office.

In 2003, in the first national election since the genocide, women won 49 percent of the seats in the lower house of Parliament. And once in office, many who had found their voices at the national level reached back to their rural communities to encourage more women to run for office. The women's caucus in Parliament then devised a strategic move for the next election: members who had occupied the seats reserved for women used their newfound prominence to contest seats open to all party members, freeing up the women-only seats so that they could be won by a successor cohort of new female politicians. As a result, female representation rose to 56 percent in 2008—and to 64 percent after the most recent elections last fall.

After their election and appointment, moreover, many female officials have maintained links to allies in nongovernmental organizations. Groups such as Pro-Femmes/Twese Hamwe, Réseau des Femmes, and the Rwanda Women Network play an important role in disseminating information about new laws to a largely illiterate population. Thanks to such coalitions, for example, a landmark 2008 bill on gender-based violence is starting to have an impact. Implementation is a work in progress, but the law provides police forces and hospitals countrywide with specialized professional

Rwandan women have become a force from the smallest village council to the highest echelons of national government.

training and raises public awareness about previously taboo subjects, such as marital rape.

The focus on men's aggression toward women began soon after the genocide, during which hundreds of thousands of women and girls were sadistically gang-raped or held as sex slaves, and often subsequently mutilated. Activists and academics, backed by international rights groups, demanded that rape be prosecuted as "an act of genocide" at the UN-backed International Criminal Tribunal for Rwanda. It was, and the legal scholar Kelly Dawn Askin called the subsequent 1998 conviction of the local official Jean-Paul Akayesu "the most important decision in the history of women's jurisprudence."

CAN IT LAST?

"When society requires to be rebuilt, there is no use in attempting to rebuild it on the old plan," John Stuart Mill once wrote. After its time of horror, Rwandan society did indeed require to be rebuilt, and the country's new leaders seized the opportunity to scrap the old plan and follow a new one. Over the succeeding generation, they have not only begun to weave together the rent national fabric but also designed a new pattern for it, one in which women can fill the highest roles in all spheres of life.

Laws and policies have been critical steps in this process, but however well intentioned and well crafted, they cannot yield an enduring transformation by themselves. For as Mill also noted, "No great improvements in the lot of mankind are possible, until a great change takes place in the fundamental constitution of their modes of thought." This is why it is crucial that broad-based, informal social norms evolve along with formal institutional structures. Louise Mushikiwabo, Rwanda's minister of foreign affairs, insists that this is indeed what is happening, and that the gains of her country's women are no longer simply a product of laws and quotas but accepted as part of a permanent cultural shift. The striking ascent of Rwanda's women over the past 20 years matches that of their country more generally. Future progress cannot be taken for granted, but the example Rwandan women have set is already one for others to emulate. 🌍

REVIEWS & RESPONSES

Income and wealth inequalities have risen in most of the world's developed nations, and those processes will likely continue and perhaps intensify in the immediate future.

– Tyler Cowen



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Capital Punishment

Why a Global Tax on Wealth Won't End Inequality

Tyler Cowen

Capital in the Twenty-first Century

BY THOMAS PIKETTY.

TRANSLATED BY ARTHUR

GOLDHAMMER. Belknap Press, 2014, 696 pp. \$39.95.

Every now and then, the field of economics produces an important book; this is one of them. Thomas Piketty's tome will put capitalist wealth back at the center of public debate, resurrect interest in the subject of wealth distribution, and revolutionize how people view the history of income inequality. On top of that, although the book's prose (translated from the original French) might not qualify as scintillating, any educated person will be able to understand it—which sets the book apart from the vast majority of works by high-level economic theorists.

Piketty is best known for his collaborations during the past decade with his fellow French economist Emmanuel Saez, in which they used historical census data and archival tax records to demonstrate that present levels of income inequality

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in the United States resemble those of the era before World War II. Their revelations concerning the wealth concentrated among the richest one percent of Americans—and, perhaps even more striking, among the richest 0.1 percent—have provided statistical and intellectual ammunition to the left in recent years, especially during the debates sparked by the 2011 Occupy Wall Street protests and the 2012 U.S. presidential election.

In this book, Piketty keeps his focus on inequality but attempts something grander than a mere diagnosis of capitalism's ill effects. The book presents a general theory of capitalism intended to answer a basic but profoundly important question. As Piketty puts it:

Do the dynamics of private capital accumulation inevitably lead to the concentration of wealth in ever fewer hands, as Karl Marx believed in the nineteenth century? Or do the balancing forces of growth, competition, and technological progress lead in later stages of development to reduced inequality and greater harmony among the classes, as Simon Kuznets thought in the twentieth century?

Although he stops short of embracing Marx's baleful vision, Piketty ultimately lands on the pessimistic end of the spectrum. He believes that in capitalist systems, powerful forces can push at various times toward either equality or inequality and that, therefore, "one should be wary of any economic determinism." But in the end, he concludes that, contrary to the arguments of Kuznets and other mainstream thinkers, "there is no natural, spontaneous process to prevent destabilizing, inegalitarian forces from prevailing permanently." To forestall

such an outcome, Piketty proposes, among other things, a far-fetched plan for the global taxation of wealth—a call to radically redistribute the fruits of capitalism to ensure the system’s survival. This is an unsatisfying conclusion to a groundbreaking work of analysis that is frequently brilliant—but flawed, as well.

THE RICH ARE DIFFERENT

Piketty derives much of his analysis from a close examination of an important but generally overlooked driver of economic inequality: in contemporary market economies, the rate of return on investment frequently outstrips the overall growth rate, an imbalance that Piketty renders as $r > g$. Thanks to the effect of compounding, if that discrepancy persists over time, the wealth held by capitalists increases far more rapidly than other kinds of earnings, eventually outstripping them by a wide margin. To measure this effect, Piketty focuses on the annual capital-to-income ratio, which expresses the size of a country’s total stock of wealth relative to the income generated by its economy in a single year. Capital wealth is generally much larger than yearly national income—in the case of today’s developed economies, about five to six times as large.

Piketty expertly narrates the story of how that gap has played a major role in economic history since the dawn of the modern era. The peace and relative stability enjoyed by western Europe during the second half of the nineteenth century allowed for enormous capital accumulation. Unprecedented concentrations of wealth arose, boosting inequality. But two world wars and the Great Depression destroyed capital and interrupted that trend. Those cataclysms led

to a new, more egalitarian era, shaped by postwar rebuilding, a strong demand for labor, rapidly growing populations, and technological innovation. The three decades between 1950 and 1980 were truly unusual; the constellation of economic and demographic variables that produced prosperity during that period will probably not be re-created anytime soon.

After 1980, ongoing capital accumulation, slower technological progress, and rising inequality heralded a regression to something akin to the conditions of the nineteenth century. But few notice the resemblance between now and then, especially in one crucial respect: the role of inherited wealth. So many nineteenth-century novelists were obsessed with estates and inheritance—think of Jane Austen, George Eliot, or Charles Dickens—precisely because receiving wealth from one’s parents was such a common way of prospering during that era. In nineteenth-century France, the flow of inheritances represented about 20–25 percent of national income during a typical year. According to Piketty’s calculations, the Western world is headed toward a roughly comparable situation. The relatively thrifty and wealthy baby boomers will soon begin to die off in greater numbers, and inheritance as a source of income disproportionately benefits the families of the very wealthy.

At the core of Piketty’s story are the tragic consequences of capitalism’s success: peace and a declining population bring notable gains, but they also create a society dominated by wealth and by income from capital. In essence, Piketty presents a novel and somewhat disconcerting way of thinking about how hard it is to avoid growing inequality.

Yet there are flaws in this tale. Although $r > g$ is an elegant and compelling explanation for the persistence and growth of inequality, Piketty is not completely clear on what he means by the rate of return on capital. As Piketty readily admits, there is no single rate of return that everyone enjoys. Sitting on short-term U.S. Treasury bills does not yield much: a bit over one percent historically in inflation-adjusted terms and, at the moment, negative real returns. Equity investments such as stocks, on the other hand, have a historical rate of return of about seven percent. In other words, it is risk taking—a concept mostly missing from this book—that pays off.

That fact complicates Piketty's argument. Piketty estimates that the general annual rate of return on capital has averaged between four and five percent (pretax) and is unlikely to deviate too far from this range. But in too many parts of his argument, he seems to assume that investors can reap such returns automatically, with the mere passage of time, rather than as the result of strategic risk taking. A more accurate picture of the rate of return would incorporate risk and take into account the fact that although the stock of capital typically grows each year, sudden reversals and retrenchments are inevitable. Piketty repeatedly serves up the appropriate qualifications and caveats about his model, but his analysis and policy recommendations nevertheless reflect a notion of capital as a growing, homogeneous blob which, at least under peaceful conditions, ends up overshadowing other economic variables.

Furthermore, even if one overlooks Piketty's hazy definition of the rate of return, it is difficult to share his

confidence that the rate, however one defines it, is likely to be higher than the growth rate of the economy. Normally, economists think of the rate of return on capital as diminishing as investors accumulate more capital, since the most profitable investment opportunities are taken first. But in Piketty's model, lucrative overseas investments and the growing financial sophistication of the superwealthy keep capital returns permanently high. The more prosaic reality is that most capital stays in its home country and also has a hard time beating randomly selected stocks. For those reasons, the future of capital income looks far less glamorous than Piketty argues.

RICARDO REDUX

Piketty, in a way, has updated the work of the British economist David Ricardo, who, in the early nineteenth century, identified the power of what he termed "rent," which he defined as the income earned from taking advantage of the difference in value between more and less productive lands. In Ricardo's model, rent—the one kind of income that did not suffer from diminishing returns—swallowed up almost everything else, which is why Ricardo feared that landlords would come to dominate the economy.

Of course, since Ricardo's time, the relative economic importance of land has plummeted, and his fear now seems misplaced. During the twentieth century, other economists, such as Friedrich Hayek and the other thinkers who belonged to the so-called Austrian School, understood that it is almost impossible to predict which factors of production will provide the most robust returns, since future economic outcomes

will depend on the dynamic and essentially unforeseeable opportunities created by future entrepreneurs. In this sense, Piketty is like a modern-day Ricardo, betting too much on the significance of one asset in the long run: namely, the kind of sophisticated equity capital that the wealthy happen to hold today.

Piketty's concern about inherited wealth also seems misplaced. Far from creating a stagnant class of rentiers, growing capital wealth has allowed for the fairly dynamic circulation of financial elites. Today, the Rockefeller, Carnegie, and Ford family fortunes are quite dispersed, and the benefactors of those estates hardly run the United States, or even rival Bill Gates or Warren Buffett in the financial rankings. Gates' heirs will probably inherit billions, but in all likelihood, their fortunes will also be surpassed by those of future innovators and tycoons, most of whom will not come from millionaire families.

To be sure, outside the realm of the ultra-elites, the United States suffers from unfairness in terms of who gets ahead in life, and a lack of upward mobility profoundly affects the prospects of lower-income Americans. Still, the success of certain immigrant groups suggests that cultural factors play a more significant role in mobility than does the capital-to-income ratio, since the children and grandchildren of immigrants from those groups tend to advance socioeconomically even if their forebears arrived without much in the way of accumulated fortunes.

It is also worth noting that many wealth accumulators never fully diversify their holdings, or even come close to doing so. Gates, for example, still owns a lot of Microsoft stock—perhaps out of

a desire for control, or because of a sentimental attachment to the company he co-founded, or maybe just due to excessive optimism. Whatever the reasons, over time such concentrations of financial interest hasten the circulation of elites by making it possible for the wealthy to suffer large losses very rapidly.

And in the end, even the most successful companies will someday fall, and the fortunes associated with them will dissipate. In the very long run, the most significant gains will be reaped by institutions that are forward-looking and rational enough to fully diversify. As Piketty discusses, that category includes the major private U.S. universities, and indeed the list of the top schools has not changed much over many decades. Harvard and other elite universities might, in fact, emerge as the true rentiers of the contemporary era: as of 2008, the top 800 U.S. colleges and universities controlled almost \$400 billion in assets.

DOING WELL, THEN DOING GOOD

Piketty fears the stasis and sluggishness of the rentier, but what might appear to be static blocks of wealth have done a great deal to boost dynamic productivity. Piketty's own book was published by the Belknap Press imprint of Harvard University Press, which received its initial funding in the form of a 1949 bequest from Waldron Phoenix Belknap, Jr., an architect and art historian who inherited a good deal of money from his father, a vice president of Bankers Trust. (The imprint's funds were later supplemented by a grant from Belknap's mother.) And consider Piketty's native France, where the scores of artists who relied on bequests or family support to further their careers

included painters such as Corot, Delacroix, Courbet, Manet, Degas, Cézanne, Monet, and Toulouse-Lautrec and writers such as Baudelaire, Flaubert, Verlaine, and Proust, among others.

Notice, too, how many of those names hail from the nineteenth century. Piketty is sympathetically attached to a relatively low capital-to-income ratio. But the nineteenth century, with its high capital-to-income ratios, was in fact one of the most dynamic periods of European history. Stocks of wealth stimulated invention by liberating creators from the immediate demands of the marketplace and allowing them to explore their fancies, enriching generations to come.

Piketty's focus on the capital-to-income ratio is novel and worthwhile. But his book does not convincingly establish that the ratio is important or revealing enough to serve as the key to understanding significant social change. If wealth keeps on rising relative to income, but wages also go up, most people will be happy. Of course, in the past few decades, median wages have been stagnant in many developed countries, including the United States. But the real issue, then, is wages—not wealth. A high capital-to-income ratio might be one factor depressing wages, but it hardly seems central—and Piketty does not claim, much less show, that it is.

Two other factors have proved much more important: technological changes during the past few decades that have created a globalized labor market that rewards those with technical knowledge and computer skills and competition for low-skilled jobs from labor forces overseas, especially China. Piketty discusses both of those issues, but he puts them to the side rather than front and center.

Of course, income and wealth inequalities have risen in most of the world's developed nations, and those processes will likely continue and perhaps intensify in the immediate future. But for the world as a whole, economic inequalities have been falling for several decades, mostly thanks to the economic rise of China and India. Growth in those countries has depended in part on policies of economic liberalization, which themselves were inspired and enabled, to a certain extent, by capital accumulation in the West. The relative global peace of the post-war period might have bred inequality in rich countries, but it has also led to reform and economic opportunity in poorer countries. It is no accident that communism was the product of war and civil conflict.

TAXMAN

The final chapters of the book, which contain Piketty's policy recommendations, are more ideological than analytic. In these sections, Piketty's preconceptions lead to some untenable conclusions. His main proposal is a comprehensive international agreement to establish a progressive tax on individual wealth, defined to include every kind of asset. Piketty concedes that this is a "utopian idea" but also insists that it is the best possible solution to the problem. He hedges a bit on the precise numbers but suggests that wealth below 200,000 euros be taxed at a rate of 0.1 percent, wealth between 200,000 and one million euros at 0.5 percent, wealth between one million and five million euros at 1.0 percent, and wealth above five million euros at 2.0 percent.

Although he recognizes the obvious political infeasibility of such a plan,

Piketty has nothing to say about the practical difficulties, distorting effects, and potential for abuse that would inevitably accompany such intense government control of the economy. He points to estimates he has previously published in academic papers as evidence that such a confiscatory regime would not harm the labor supply in the short term. But he neglects the fact that in the long run, taxes of that level would surely lower investments in human capital and the creation of new businesses. Nor does he recognize one crucial implication of his own argument about the power of nondiminishing capital returns: if capital is so mobile and dynamic that it can avoid diminishing returns, as Piketty claims, then it will probably also avoid being taxed, which means that the search for tax revenue will have to shift elsewhere, and governments will find that soaking the rich does not really work.

Piketty also ignores other problems that would surely stem from so much wealth redistribution and political control of the economy, and the book suffers from Piketty's disconnection from practical politics—a condition that might not hinder his standing in the left-wing intellectual circles of Paris but that seems naive when confronted with broader global economic and political realities. In perhaps the most revealing line of the book, the 42-year-old Piketty writes that since the age of 25, he has not left Paris, “except for a few brief trips.” Maybe it is that lack of exposure to conditions and politics elsewhere that allows Piketty to write the following words with a straight face: “Before we can learn to efficiently organize public financing equivalent to two-thirds to three-quarters of national income”—which would be the practical effect of

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are leaders,
but all leaders
are readers.**

- Harry S. Truman

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his tax plan—“it would be good to improve the organization and operation of the existing public sector.” It would indeed. But Piketty makes such a massive reform project sound like a mere engineering problem, comparable to setting up a public register of vaccinated children or expanding the dog catcher’s office.

Worse, Piketty fails to grapple with the actual history of the kind of wealth tax he supports, a subject that has been studied in great detail by the economist Barry Eichengreen, among others. Historically, such taxes have been implemented slowly, with a high level of political opposition, and with only modestly successful results in terms of generating revenue, since potentially taxable resources are often stashed in offshore havens or disguised in shell companies and trusts. And when governments have imposed significant wealth taxes quickly—as opposed to, say, the slow evolution of local, consent-based property taxes—those policies have been accompanied by crumbling economies and political instability.

Recent wealth-tax regimes in the European Union offer no exceptions to this general rule. In 2011, Italy introduced a wealth tax on real estate, but Rome retracted the plan after the incumbent government was dealt a major blow in elections last year, partly owing to public dissatisfaction with the tax scheme. Last year, the government of the Republic of Cyprus imposed the equivalent of a tax on bank deposits, only to see the tax contribute to, rather than reverse, the island’s economic struggles.

The simple fact is that large wealth taxes do not mesh well with the norms and practices required by a successful

and prosperous capitalist democracy. It is hard to find well-functioning societies based on anything other than strong legal, political, and institutional respect and support for their most successful citizens. Therein lies the most fundamental problem with Piketty’s policy proposals: the best parts of his book argue that, left unchecked, capital and capitalists inevitably accrue too much power—and yet Piketty seems to believe that governments and politicians are somehow exempt from the same dynamic.

A more sensible and practicable policy agenda for reducing inequality would include calls for establishing more sovereign wealth funds, which Piketty discusses but does not embrace; for limiting the tax deductions that noncharitable nonprofits can claim; for deregulating urban development and loosening zoning laws, which would encourage more housing construction and make it easier and cheaper to live in cities such as San Francisco and, yes, Paris; for offering more opportunity grants for young people; and for improving education. Creating more value in an economy would do more than wealth redistribution to combat the harmful effects of inequality. 🌐

Feeling Triumphalist in Tokyo

The Real Reasons Nationalism Is Back in Japan

Margarita Estévez-Abe

Bending Adversity: Japan and the Art of Survival

BY DAVID PILLING. Penguin Press, 2014, 400 pp. \$29.95.

Japan is back in the news. This time, however, the headlines are not about Japan's recession or the Fukushima nuclear crisis. Rather, in the past year, news coverage of Japan has focused on the country's assertive new tone under Shinzo Abe, who returned to the prime minister's office in 2012, five years after resigning from the post after a single year in office. Abe's economic platform—a mix of fiscal stimulus, quantitative easing, and structural reforms dubbed “Abenomics”—has lifted the Japanese stock market and stirred optimism about Japan's economic prospects.

Meanwhile, Abe has stoked a patriotic fervor, promoting Japan as a “beautiful country,” untainted by the ugly episodes in its past. In a sharp break from the country's postwar international posture—

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which, mindful of the transgressions of Japan's imperial era, emphasized humility and circumspection—Abe and his allies consistently express pride in Japan's national strength and maintain that during the twentieth century, Japan behaved no worse than any other colonial power.

Abe has built his long political career around such themes. During his first, brief stint as prime minister, in 2006–7, he implemented a conservative education policy and upgraded Japan's Defense Agency to a full-fledged, cabinet-level defense ministry. Yet during that first tenure as Japan's leader, Abe was careful not to provoke the Chinese and refrained from visiting the controversial Yasukuni Shrine, a memorial to Japan's war dead that honors a number of political and military leaders convicted of committing war crimes during World War II.

Abe has taken a different path this time around. Japan's relations with China and South Korea have deteriorated in recent years, but Abe nevertheless chose to visit the shrine last December, prompting predictable howls of outrage from Beijing and Seoul. The visit signaled that on matters both domestic and international, Abe has become much bolder. What remains unclear is the extent to which his popularity and political strength reflect a deep-seated shift among the Japanese public in favor of a more assertive, nationalist foreign policy—one that could prove a source of trouble as tensions in Asia rise to levels not seen in decades.

David Pilling's book, *Bending Adversity*, offers a useful perspective on these questions. Pilling is the Asia editor of the *Financial Times* and served as the

newspaper's Tokyo bureau chief from 2002 to 2008. He draws on a wide range of literature and numerous interviews to shed light on the brand of conservative nationalism advocated by Abe and his allies. Pilling skillfully reveals the historical roots of Abe's worldview and takes a relatively hopeful view of its likely impact on Japanese society and Japan's relationships with its neighbors and the world. But a more thorough accounting of Japan's recent past—especially a series of electoral reforms that have created incentives for politicians such as Abe to embrace a more aggressive form of nationalism—points to a far less sanguine conclusion.

A GIANT AND A DWARF

The title of Pilling's book refers to a Japanese proverb about transforming misfortune into fortune. The book frames Japan's history as a tale of overcoming obstacles—thwarting the ambitions of Western colonial powers in the nineteenth century and recovering from a devastating defeat in World War II—while still struggling with profound limitations that hold the country back. Within the latter category, Pilling focuses on two themes: what he calls the “geographic tragedy” that has shaped Japan's role in the world and the fact that, despite Japan's remarkable postwar resilience, the war's legacy has turned Japan into an “abnormal nation.”

In Pilling's telling, Japan's geography, that is, being a small island nation dwarfed by its massive neighbor, China, did not become tragic until 1853, when a U.S. naval delegation led by Commodore Matthew Perry arrived to coerce Japan into opening its ports to American trade and diplomacy. The world had shrunk

around peaceful, insular Japan, and the country was suddenly thrust into the geopolitics of Western colonial ambitions. Japan's leaders concluded that the only way to survive as an independent nation was to emulate the powerful Western countries that had already begun to project power into Asia: to become, in a sense, un-Asian. Japan rapidly modernized and soon became a colonizer itself, seeking to dominate its neighborhood. In Pilling's view, at that point, Japan became “a ‘European’ Great Power somehow trapped by location and history.”

But the defeat in World War II brought Japan to its knees. Postwar Japan became a client state of the United States, hosting a large U.S. military presence. Its postwar economic success, however, provided the foundation for a new national identity. Japan had lost its empire and seen its military crushed and yet had nevertheless regained its status within the world. No other non-Western country could match its achievements. Still, the Japanese felt anxious about the fact that they were, in this crucial aspect, different from other prosperous countries. “Stripped of its right to have an army by its American-written pacifist constitution,” Japan, as Pilling puts it, “was an economic giant but a diplomatic dwarf.”

Again, it was the United States that shook Japanese leaders out of their comfort zone and kick-started debates about how to “normalize” Japan. Prompted by Washington, Tokyo contributed \$13 billion (but no troops) to the U.S.-led Gulf War of 1990–91. But Japanese leaders were then shocked when Japan was the only major contributor to the war effort to not receive any



Visiting hours: Shinzo Abe at the Yasukuni Shrine, Tokyo, December 2013

formal thanks from Kuwait for helping drive out the Iraqi occupation.

That shock triggered the realization that soft power was no substitute for hard power, kicking off a domestic debate about how Japan should become a more normal nation. Broadly speaking, two camps emerged. The first group can be considered pro-American conservatives; they want Japan to become a more reliable ally of the United States by ending the era of pacifism and taking on more of the military responsibilities that the United States expects of Japan. The second camp acknowledges that the alliance with the United States must remain a cornerstone of Japan's foreign policy but worry about linking Tokyo's decisions too tightly to Washington's agenda. This group is best understood as anti-clientelist: its members want Japan to become a normal

nation and not remain a client state of the United States. As Pilling notes, the anti-clientelist group has lacked coherence and is divided on specific questions, such as whether to reform the Japanese constitution to eliminate its pacifist elements and what to do with the huge U.S. military bases in Okinawa.

The rapid rise of China further complicated this debate and produced another division, this time between a nationalist camp and a pro-Asian camp. (The contours of these two groups resemble those of the conservative and anti-clientelist camps, respectively, without exactly matching them.) The nationalists want Japan to maintain its "un-Asian" identity and do not want to apologize to the country's neighbors for Japanese behavior during the imperial era. For them, Japan's geography is no

tragedy, but losing the country's status as a "Western" power would be. In contrast, the pro-Asians want to make amends for Japan's past aggression and deepen its political ties with China.

Paradoxically, Japanese nationalists, who often portray Japan's "war guilt" as nothing but victor's justice, nonetheless cling tightly to the alliance with the United States. Most share the view of Hisahiko Okazaki, a former diplomat who is very close to Abe, who told Pilling, "Japan had done fine so long as it was allied to either Britain or America." Abe shares that perspective and wants to create stronger military ties with the United States, apparently untroubled by the inherent tension between remaining a junior partner in an alliance with a much stronger country and, at the same time, espousing a kind of Japanese exceptionalism. Abe is determined to push back against what he considers to be leftist, Chinese, and Korean propaganda about Japanese history. Furthermore, he sees the economy through a nationalist lens, viewing economic growth as a salve for the blow the Japanese suffered when, in 2010, China supplanted Japan as the world's second-largest economy.

CHANGING THE RULES

Although Pilling dislikes Abe's nationalism, he does not see it as a major cause for alarm and doubts that the ideology will have much staying power. Pilling argues that Japan is now too internally diverse and too forward-looking to succumb to nationalist reveries about the past. This optimism may be related to his relative lack of interest in the institutional and political reforms that have occurred in Japan during the last

20 years. Yet it is only against the background of those reforms that one can understand the rise of nationalism in Japanese politics.

Contrary to Japan's image as a country clinging to old habits, quite a lot has changed in its politics over the past two decades. In the 1990s, after the Gulf War had triggered Japan's first attempt to become a "normal nation," some senior politicians within the Liberal Democratic Party (LDP), which at that point had ruled Japan for decades, proposed a major overhaul of the political system. Their goal was to replace the country's bureaucratic, consensual policymaking process with a more decisive and overtly politicized one. They wanted a stronger prime minister selected by an electoral system in which two big parties would compete for power by presenting the public with two different political visions. To this end, Japan introduced a new electoral system in 1994.

Until that point, parliamentary elections in Japan had used a peculiar system in which voters cast a single ballot for one representative in a multi-member district where up to a dozen candidates—including a few from the same party—would compete; the top three to five vote getters in each district would win office. The system created stark factional divisions within political parties and made it hard for voters to know exactly what the parties stood for. Politicians competed mostly on promises to maintain patronage systems in their home districts. As a result, national elections rarely revolved around party competition over major national issues, such as social welfare, national security, or economic policies. Strange as it may

sound, under Japan's old electoral rules, talking about significant national issues was not a savvy electoral strategy.

The electoral reform of the lower house of the Diet, Japan's parliament, combined a first-past-the-post system with a proportional representation system. Three hundred members of the Diet are now elected by direct vote to represent single-member districts, similar to elections to the U.S. House of Representatives. The other 200 seats are awarded to the political parties according to the proportion of votes each party receives, similar to parliamentary elections in most western European countries.

The reform had a number of immediate effects. It eliminated party infighting during national elections, making inter-party competition the new electoral focus. For the first time, political parties began to formulate party platforms on which their candidates campaigned. As intended, two dominant parties emerged, when a large opposition party, the Democratic Party of Japan (DPJ), rose to challenge the long-dominant LDP. Although the parties were never sharply defined by ideological differences, the DPJ's leadership consisted of pro-Asian anti-clientelists, while a core group within the LDP's leadership maintained a paradoxical commitment to pro-American conservatism and Japanese nationalism.

The struggle between the two parties dramatically elevated the importance of party leaders, for two reasons. First, the new system allowed party leaders to shape their parties' electoral messages and influence the process for nominating candidates. Second, since the public knew that a vote for a particular party effectively served as a vote for that

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party's leader, the political skill, charisma, and electability of the party leader became critical, especially because Japan's mix of a winner-take-all system and proportional representation now meant that a popular party leader could produce a landslide victory.

This new system profoundly changed the behavior of political parties and politicians. For the first time, the Japanese electoral system created incentives for ambitious politicians to specialize in important national policy issues. Political leaders in the LDP were quicker than those in the DPJ to discover that national security—and attendant appeals to nationalism—played particularly well during campaign season. Unlike economic or social welfare policies, patriotic calls to make Japan a beautiful or strong country did not face opposition from powerful interest groups and required few specific promises. Such themes also helped a party leader portray himself as a strong figure committed to defending the national interest.

Former LDP Prime Minister Junichiro Koizumi was the first conservative politician to come to power after the electoral reform had taken full effect. Koizumi himself appealed to nationalist sentiments by visiting the Yasukuni Shrine. Although Koizumi succeeded in projecting an image as a leader unafraid of China and North Korea, his approach contributed to a deterioration of Chinese-Japanese relations. According to an opinion poll conducted by the Japanese government's Cabinet Office, the percentage of the Japanese public that felt no "affinity" for China or tended not to feel such an affinity rose from 48 percent in 2003 to 63 percent in 2005.

That number fell back to 59 percent after the DPJ took power in 2009 but spiked again in 2010, to 78 percent, when tensions mounted over the disputed islands in the East China Sea known as the Senkaku by the Japanese and the Diaoyu by the Chinese. In 2010, right-wing Japanese politicians began to tap into public anger over Chinese claims to the islands. These politicians painted the Japanese government, then led by the DPJ, as weak and incompetent. In 2012, Shintaro Ishihara, a strident right-wing nationalist and then the governor of metropolitan Tokyo, began a fund-raising campaign to purchase some of the islands, which at the time were privately owned. By threatening that the Tokyo Metropolitan Government would purchase the islands, Ishihara succeeded in pushing the DPJ government into nationalizing them, which provoked violent anti-Japanese protests in cities across China. By 2012, a Cabinet Office poll found that 81 percent of the Japanese public reported feeling no affinity for China or tending to feel no such affinity.

ABE UNLEASHED

This resurgent nationalism provided the backdrop for Abe's election in 2012 and helps explain why he has adopted a more overtly nationalist style compared to during his first tenure, when he pointedly refrained from visiting the Yasukuni Shrine. Three other factors have also allowed Abe to be bolder this time around. First, the ideological composition of the LDP has changed. According to candidate surveys conducted jointly by the University of Tokyo and the Japanese newspaper *The Asahi Shimbun*, in 2009, only 61 out of the 271 LDP candidates running for

first-past-the-post seats in elections for the lower house of the Diet shared Abe's views on defense and constitutional reform. In the 2012 elections, 189 out of the 264 LDP candidates for those seats shared his views.

Second, unlike in 2006, when Abe had to prepare for national elections the following year, this time around, he will not face national elections until 2016. In Japan, where the electoral cycle is usually very short, four years is an eternity, giving Abe more leeway than most recent prime ministers have enjoyed.

Third, LDP nationalists have now cornered the electoral market on pro-American sentiment, emerging as the most vocal advocates of a stronger military alliance with the United States. Since the United States also wants to strengthen its military relationship with Japan—a central aspect of the Obama administration's "pivot" to Asia—Abe knows that the Americans have little option but to support him and his allies, even if his provocations sometimes cause headaches in Washington.

Given these favorable political conditions, unless the economy falters badly or a catastrophe occurs, Abe stands a good chance of becoming a rare long-serving Japanese prime minister. That might be a good thing for Japan's politics, which could use a respite from weak parties and even weaker leaders. And perhaps Pilling would count this as another example of Japan bending adversity in its favor. But Abe's success at home might not bode well for the wider region. Japan's nationalist turn will make peaceful compromise in Asia more difficult, since China and South Korea will feel

less inclined to negotiate over territorial disputes with a nationalist who won office partly by taking a hard line on the Diaoyu/Senkaku Islands and questioning the extent of Japan's past transgressions.

Pilling points out that although Abe's approval ratings are relatively high, the majority of Japanese do not support the nationalists, and he may be right. But public opinion on a contentious issue can change quickly. And for the nationalists to control the policy agenda, they don't need to maintain overwhelming public support, thanks to low voter turnout. This is a phenomenon familiar to Americans: since the majority of eligible voters don't bother to cast ballots, emotional appeals that can mobilize a minority of committed voters can make a huge difference in elections. Abe and the LDP seem to have bent that particular adversity of Japanese politics to their own ends—creating a new, more troubling environment for Japan and for the rest of the region. 🌐

Washington's Weak-State Agenda

A Decade of Distraction?

The Road Taken

James A. Schear

In his essay “The Rise and Fall of the Failed-State Paradigm” (January/February 2014), Michael Mazarr heralds the end of “the recent era of interventionist U.S. state building,” which he argues lasted from the mid-1990s to around 2010. Washington’s “obsession with weak states,” he writes, “was always more of a mania than a sound strategic doctrine.” But as budget austerity and public opinion shake policymakers loose from this dangerous distraction, he predicts, the United States will finally be able to focus on “grand strategic initiatives” and “transformative diplomacy.”

Much of Mazarr’s argument rings true. Mazarr is right that the threats incubated by weak or failing states have turned out to be less urgent for U.S. national security than many observers feared, that the ambiguous definition of failing states has made it difficult to take meaningful action, and that policymakers have found it hard to blend the political and technocratic dimensions of state-building endeavors. Other parts of his narrative, however, rest on shakier ground.

First, Mazarr suggests that Washington embraced the mission of renovating weak states in the wake of the Cold War to justify continued U.S. primacy. Yet by the late-1980s, U.S. policymakers were more concerned with disentangling Soviet-era confrontations. To achieve a modicum of stability, Washington outsourced that work to overstretched and underfunded United Nations peacekeepers in such countries as Angola, Cambodia, El Salvador, Honduras, Mozambique, Namibia, and Nicaragua. In some cases, the missions were successful. But as Soviet and Western sponsorship waned, dictators such as Somalia’s Mohamed Siad Barre and Chad’s Hissène Habré lost their grip on power. Other strongmen, meanwhile, felt free to act more capriciously, as was the case when Saddam Hussein invaded Kuwait.

Washington played a more prominent role, of course, in Haiti, the Balkans, Afghanistan, and Iraq. Yet even in these cases, a missionary zeal for state building was hardly the key motivator. In the early 1990s, political turmoil in Haiti led thousands of desperate refugees to head for Florida beaches. Were Haiti located off the coast of, say, southern Africa, a massive exodus of desperate refugees would not have triggered U.S.-led action on the scale of the 1994 intervention. Although the mission’s code name, Operation Uphold Democracy, suggested a state-building aspiration, Haiti’s proximity was always what captured the attention of U.S. policymakers and their congressional overseers. In the Balkans, the key challenge was securing Europe’s uncertain passage to post-Cold War stability. After three years of spiraling violence, Yugoslavia’s fragmentation had become an untenable problem for

transatlantic relations and threatened a number of unsteady post-Soviet transitions nearby. U.S.-led NATO bombing campaigns in Bosnia and, later, Kosovo thwarted Serbia's irredentism, reassured anxious neighbors, and eventually paved the way for peace settlements, shaky though they remain. As for Afghanistan in 2001, the United States embarked on a war of necessity, not choice, in the wake the September 11 attacks. Each of these interventions, then, reflected specific security imperatives—not some larger vision for global engagement through the remediation of weak states.

Then there was Iraq in 2003. For key officials in the George W. Bush administration, the intervention's underlying rationale was to conclude the 1990–91 Gulf War after an unsatisfying 12-year intermission. Saddam was very close, many thought, to acquiring weapons of mass destruction. As for state building, few expected that Iraq would need much assistance; the country already had a viable economy, functioning government ministries, and one of the most highly developed educational systems in the region. All Washington needed to do was topple the dictator, fix a few bridges, provide some relief aid, and leave—or so it was widely thought.

Mazarr also argues that U.S. policymakers embraced interventionist state building with “misplaced confidence.” Yet following the 1993 humanitarian aid mission in Somalia, which resulted in the deaths of 18 U.S. soldiers, the Clinton administration evinced quite a bit of caution, steering clear of Rwanda when genocidal violence broke out in 1994. The United States also relied heavily on France, the United Kingdom, and key African partners to help calm

political turbulence in West Africa and kept a low profile as Australia and a number of Southeast Asian nations led efforts to stabilize a newly independent East Timor.

LEADING FROM BELOW

Mazarr claims that Washington's obsession with weak states was a costly distraction from larger geostrategic priorities, such as reducing tensions in Northeast Asia and cultivating relations with rising regional powers such as Brazil, India, and Turkey. On one level, Mazarr is absolutely right. Policymakers have limited bandwidth. Maintaining a reasonable balance between managing interstate tensions in, say, the East China Sea and navigating the twists and turns of Afghan and Iraqi politics can be hugely challenging.

But it is difficult to see how fragile states act as much of a distraction from those problems. In any given week, the likelihood that the United States' top leaders will meet to ponder how to fix fragile states is incredibly small. If a weak state's dysfunctions aid and abet more pressing threats, such as possible terrorist attacks, that state will surely get scrutinized; if not, the task of coming up with plausible ways to shore up its stability quickly falls to officials at lower levels.

There is a bit of irony, then, in Mazarr's citing of President Bill Clinton's 1997 Presidential Decision Directive 56 as an early harbinger of a distracting obsession with weak states. One of its underlying goals was to free up top officials by encouraging them to delegate most day-to-day work on so-called complex contingency operations to lower-level officials. In the majority of cases after 1997, such as the multilateral

interventions in the Democratic Republic of the Congo, East Timor, and Sierra Leone, agency deputies ended up handling key decision-making and oversight duties. And they still found clever ways of dealing with potential problems before they swamped the president and his cabinet-level principals with endless meetings.

The failed-state paradigm had an alluring quality—as Mazarr rightly observes, it was a politically adroit way of bridging security, development, and humanitarian interests. But Mazarr overestimates the influence of the concept on actual policy choices; after all, the kind of interconnected security challenges the United States faces will persist regardless of the frame Washington uses to think about or describe them. Such challenges, one hopes, will not trigger massive U.S. troop deployments anytime soon. But as the United States reorients its post-2014 defense budget, it needs to retain the wherewithal to respond quickly to the unexpected.

JAMES A. SCHEAR was Deputy Assistant Secretary of Defense for Partnership Strategy and Stability Operations from 2009 to 2013.

Mazarr Replies

In his thoughtful response to my article, James Schear admits that “the threats incubated by weak or failing states have turned out to be less urgent for U.S. national security than many observers feared” and concurs that the United States should avoid massive troop deployments in response to those threats. These two points constitute the essence of my argument,

and they point to the double agenda I laid out in my original essay: refocus the United States’ strategic attention on the leading geopolitical, socioeconomic, and environmental challenges of the day and develop lighter-footprint approaches to dealing with state-building missions. On the most important issues, then, I’m not sure that we part company.

Schear does question my claim that the failed-state obsession emerged from a desire by U.S. policymakers to maintain their country’s geopolitical primacy. I remain convinced of a connection, although motives are hard to judge. I’m more concerned with how policymakers defined U.S. interventions in places such as Somalia, Afghanistan, and Iraq once they were undertaken. And there can be no doubt that the United States, both rhetorically and in specific policy decisions, conceived of many such adventures in transformative terms, aiming to reshape states and societies.

The weak-state agenda was dangerous not merely because it overstated the security risks of weak states but also because policymakers dealt with those risks in elaborate, unsustainable, and often counterproductive ways. Such approaches were grounded in the assumption that the United States could move just about any weak state well along the road to becoming a Western-style democracy. As just one example, the planning documents for Iraq allow no other interpretation—the George W. Bush administration’s neoimperial yearnings were spelled out right down to the ethnic composition of a presumed future national assembly. The fact that some thought the job would be easy, as Schear correctly notes, doesn’t mean U.S. ambitions weren’t excessive. The

United States needs a humbler, more discrete set of options for future contingencies, a conclusion Schear likely agrees with.

A problem of definition also lurks in Schear's argument. Most of the cases to which Schear refers—the Balkans, East Timor, Sierra Leone—constituted classic peacekeeping operations. They were not the occupy-and-socially-transform endeavors more closely associated with Washington's weak-state agenda. It is true that peacekeeping missions have smaller costs and that lower-level officials can manage their risks without overloading the attention of top leaders. But Schear never disputes the more fundamental point: that any nation's ability to transform another is a fantasy. True, it occasionally makes sense for Washington to participate in real peacekeeping—separating warring factions so that local institutions can begin rebuilding the society. But that is where the United States must draw the line.

Schear doubts that Washington had misplaced confidence in state building after Somalia. But there is no other way to explain the wishful thinking—which Schear rightly notes—that preceded the invasion of Iraq or the elaborate state-building ambitions displayed at the 2001 Bonn conference on the future of Afghanistan. If the Bush administration managed to write off the state-building problems of the past, including those the United States encountered in the Balkans, there is every reason to expect future administrations to indulge in the same self-serving delusions.

Finally, Schear argues that state-building missions do not distract policy-makers much. But based on the available sources, ranging from conversations with

senior diplomats to the memoirs of officials, his claim seems extraordinary given the degree to which Afghanistan and Iraq dominated the agendas of the Bush and Obama administrations. More recently, concerns about state failure in Congo, Egypt, Libya, Somalia, Syria, and Yemen have consistently pressed their way to the top of senior leaders' schedules, both in the United States and abroad. Washington's obsession with weak or failing states may be flagging, but the United States remains poorly prepared to deal with the challenges posed by China, Russia, climate change, and a half dozen other leading security issues—thanks to the thousands of hours lost to deliberations on weak and failing states. On this point, too, I cannot help but think that Schear and I largely agree. 🌐

Recent Books

Political and Legal

G. John Ikenberry

The Upside of Down: Why the Rise of the Rest Is Good for the West

BY CHARLES KENNY. Basic Books, 2014, 240 pp. \$26.99.

In this lively little book, Kenny argues that the United States should embrace, not resist, a world in which “the rest” catch up with the West. He rejects the idea that the ongoing global economic transition is the result of U.S. decline or failure; rather, it is a story of non-Western countries getting their economic acts together, aided in no small part by Washington’s leadership in maintaining an open and multilateral system. The book offers a steady stream of statistics to show how the West will in fact be richer in a world where the developing countries thrive. Kenny worries about the environmental implications of a world in which billions more people approach Western standards of living, but he has faith that free markets, education, and innovation will offset those costs. His convincing conclusion argues that Western countries should take steps now to lock in global rules and institutions that will protect their interests and values in a future in which they will be less powerful. The main flaw with Kenny’s optimistic vision is that it does not adequately address the age-old dilemmas of security competition and geopolitical struggle.

Maxwell’s Demon and the Golden Apple

BY RANDALL L. SCHWELLER.

Johns Hopkins University Press, 2014, 216 pp. \$24.95.

This is the most original and thought-provoking forecast of the future of world politics to be published in recent years. Schweller sees the global system breaking down, moving from an American-led era of order to chaotic disorder. Borrowing from the field of thermodynamics, Schweller foresees a sort of global entropy, in which the diffusion of power slowly reduces the amount of energy in the international system. In the absence of a preponderant power, global politics will become a decentralized and disorganized affair in which there are no leaders, no followers, and no states capable of generating cooperation. This is not a pleasant future to contemplate: atomized, unpredictable, ungovernable. A proliferating array of groups and individuals will pursue their own narrow interests and visions, but no one will have the power to foster collective action or look out for the common good. One hopes that Schweller is wrong, and that a decentralized, networked world will be capable of tackling global problems and that shared governance will replace or supplement hegemonic leadership.

Global Governance at Risk

EDITED BY DAVID HELD AND

CHARLES ROGER. Polity Press, 2013, 272 pp. \$69.95 (paper, \$24.95).

In Held and Roger’s view, the world faces a growing “governance gap”: as globalization creates new types of economic, environmental, and security

problems that can be solved only through collective international efforts, states remain stubbornly reluctant to cooperate. Held and Roger worry that the concept and practice of global governance are on the brink of collapse. They do not themselves quite predict a systemic collapse of global institutions, but they do see a future of increasing dysfunction and crisis, and the other contributors to this volume provide plenty of fodder for that view. Benjamin Cohen depicts an international monetary and financial system that has become less regulated, less transparent, and less predictable, thus increasing the odds of a systemic crisis. Robert Wade highlights the difficulty of integrating emerging economies into global governance institutions, arguing that Western states have resisted efforts to share authority. But the book lacks a clear picture of the coalitions and constituencies that might rise up in the midst of a future crisis to build a new generation of multilateral rules and institutions.

Global Interdependence: The World After 1945
EDITED BY AKIRA IRIYE. Harvard University Press, 2014, 1,008 pp. \$39.95.

Most world histories of the post-1945 era place the Cold War and the rise of American power at the center of the story. In this impressive new work, Iriye and his collaborators focus on the deeper trends that have unsettled and reshaped the contemporary world system. In sweeping narratives, the contributors highlight the profound ways in which transnational forces—trade, investment, immigration, communication, and so on—have linked

disparate political spaces and transformed human consciousness. Of course, globalization existed before 1945, beginning to take hold as early as the 1870s. But Iriye observes that prior to the contemporary period, globalization was driven by Western powers, pushed forward by colonizers, capitalists, self-appointed civilizers, and great-power rivalry. In more recent times, Iriye sees the process as driven more by non-Western peoples seeking to make their own history, which has in turn lent contemporary world politics a sense of international community and a common human destiny. Nationalism, protectionism, xenophobia, and great-power rivalry have not completely disappeared, of course. But in Iriye's inspiring historical vision, transnationalism has helped usher in a more stable and peaceful world.

Sovereignty and the Responsibility to Protect: A New History

BY LUKE GLANVILLE. University of Chicago Press, 2013, 304 pp. \$95.00 (paper, \$32.50).

The principle of a “responsibility to protect” civilians from genocide and other crimes against humanity was first endorsed by the UN in 2005 and was used to authorize NATO's intervention in Libya in 2011. The concept is widely seen as a radical break with older Westphalian norms of sovereignty. But Glanville shows that the idea that sovereign states should enjoy the absolute right of autonomous self-government and nonintervention was not present at the creation of the Westphalian system, in the seventeenth century. He chronicles how, as absolutist rule gave way to

liberal democracy and the nation-state spread to regions outside the West, profound shifts took place in the concept of sovereignty; only in the twentieth century did the idea of unconditional rights to self-government and nonintervention solidify, mostly owing to the efforts of non-European peoples who had suffered at the hands of Western colonialism. Ironically, those efforts were a backlash against the irresponsible ways in which European states had long used and abused the loopholes in their own doctrines of sovereignty to justify exploitative interventions. That history ought to weigh on the minds of today's powerful states whenever they consider how to act on ideas of responsible sovereignty.

Economic, Social, and Environmental

Richard N. Cooper

Fueling Up: The Economic Implications of America's Oil and Gas Boom

BY TREVOR HOUSER AND SHASHANK MOHAN. Peterson Institute for International Economics, 2014, 172 pp. \$18.95.

Reversing decades of declines in U.S. production of gas and oil, the discovery of how to extract shale gas and so-called tight oil has raised U.S. output by more than 25 percent since 2007, resulting in claims of a renaissance in American manufacturing and creating the prospect of “energy independence” within two decades. Some of the hype

has relied on exaggeration; Houser and Mohan, in contrast, provide a sober, largely quantitative assessment of this startling development. Their plausible best guesses suggest the new production will add 0.2 percentage points a year to growth in U.S. GDP until 2020, a small but significant stimulus, and will raise the level of potential U.S. GDP by 1.4 percent for several decades after that. The environment will also benefit, insofar as gas will increasingly substitute for coal in power generation. The new production will also boost U.S. trade in a number of ways. All in all, this is a positive development for the United States, made possible by several government-assisted innovations in gas and oil extraction and the dogged persistence of a few U.S. firms.

The Watchdog That Didn't Bark: The Financial Crisis and the Disappearance of Investigative Journalism

BY DEAN STARKMAN. Columbia University Press, 2014, 368 pp. \$24.95.

This interesting book is basically a history of business journalism in the United States during the past century, with an emphasis on investigative journalism, whose virtues the book's author, a journalist himself, extols. For a variety of reasons, some reflecting the growing importance of television and digital sources of information and the resulting financial decline of newspapers, investigations of businesses and financial markets receded sharply over the past decade; in Starkman's terms, “accountability journalism” gave way to “access journalism.” The result was much more coverage of current earnings and

successful or colorful business personalities, rather than analysis of the underlying sources of those earnings or the impressive compensation those personalities earned. The book adds most financial journalists and their bosses to the list of people culpable for the financial crisis of 2008; better investigative journalism would have exposed more of the misleading sales pitches, outright fraud, and systemic corruption in the U.S. mortgage market, perhaps even in time to sharply diminish the severity of the crisis.

Globalization and America's Trade Agreements

BY WILLIAM KRIST. Woodrow Wilson Center Press and Johns Hopkins University Press, 2013, 304 pp. \$65.00.

Emerging Powers in the WTO: Developing Countries and Trade in the Twenty-first Century

BY CONSTANTINE MICHALOPOULOS. Palgrave Macmillan, 2013, 300 pp. \$120.00.

Foreign trade makes some Americans uncomfortable, partly because it involves, well, foreigners. But as economists have long demonstrated, foreign trade enhances economic well-being. Foreign trade negotiations, an aspect of foreign policy as well as economic policy, have become enormously complicated, and the resulting agreements, extremely complex. These two books help readers navigate these complexities and some recent changes in the field. Krist, a former U.S. trade negotiator, provides a useful primer on current world trade rules, structures, and negotiations, from an American perspective. Michalopoulos, a former World Bank official, describes

trade policies and practices in developing countries and those countries' growing role in managing, staffing, and shaping the World Trade Organization and trade negotiations. This represents a significant change from pre-1980 arrangements, which were largely dominated by North Americans and Europeans. Both books offer constructive suggestions for reviving the moribund Doha Round of trade talks and for otherwise fostering more trade liberalization.

The Son Also Rises: Surnames and the History of Social Mobility

BY GREGORY CLARK WITH NEIL CUMMINS, YU HAO, AND DANIEL DIAZ VIDAL. Princeton University Press, 2014, 384 pp. \$29.95.

This intriguing book measures social mobility in a novel way, by tracing unusual surnames over several generations in nine different countries, focusing on intergenerational changes in education, wealth, and social status as indicated by occupation. Two surprising generalizations emerge. The first is that social mobility is much lower than is usually supposed, even in the United States. The second is that social mobility does not differ greatly from country to country or over long periods of time, even in China, despite its radical communist revolution, or in Sweden and the United Kingdom, which since 1945 have deliberately promoted the goal of better mobility. (Notably, India, with its history of caste stratification, does show lower mobility than other countries.) Clark concludes that family talent, whether genetic or environmental in origin, persists over generations and reverts to

the mean of the surrounding population very slowly. One implication he notes is that public measures to increase mobility are likely to be less effective and durable than policymakers assume. Another is that redistributive taxation is likely to have a less deleterious effect on an economy than many claim.

Military, Scientific, and Technological

Lawrence D. Freedman

Can War Be Eliminated?

BY CHRISTOPHER COKER. Polity Press, 2014, 120 pp. \$45.00 (paper, \$12.95).

Coker does not leave readers guessing about his answer to the title's question. He sees war not as a vicious, dysfunctional throwback to more primitive, pre-rational times but as an essential feature of human societies. War is ingrained; peace, on the other hand, is an idea that has to be embraced by all if it is to take root. On this matter, Coker has little faith in progress. War has served an evolutionary purpose and continues to evolve itself, in response to cultural shifts and new developments in technology. Digitization and robotics provide new means of fighting and reshape the meaning of war, including devaluing the notions of sacrifice and heroism. This is a short, stimulating book, packed with ideas and quotes from a remarkably disparate range of sources. Not all of Coker's provocative statements

withstand critical scrutiny, but this is a book that will challenge readers who are skeptical of its premise. If those who believe in the possibility of ending war want to persuade others, Coker concludes, "they will have to come up with better arguments."

The Most Dangerous Man in America: The Making of Douglas MacArthur

BY MARK PERRY. Basic Books, 2014, 384 pp. \$29.99.

U.S. President Franklin Roosevelt saw the danger in Douglas MacArthur. The man Roosevelt inherited as army chief of staff was a military celebrity, a war hero with a political agenda, an expansive ego, and a shaky grasp of the proper conduct of civil-military relations. A less confident president might have sought to keep MacArthur at arm's length, but Roosevelt saw how he might tame MacArthur and use him for his own purposes, such as providing a degree of political cover with Republicans as he cut the army's budget. It was during World War II that Roosevelt took his greatest gamble on MacArthur, putting him in charge of the U.S. offensive against Japan. In this absorbing and vivid account, Perry argues that the bet paid off. Without ever denying MacArthur's flaws and mistakes, Perry revives the general's reputation by carefully and positively appraising his role in some of the war's key moments. Just as Roosevelt knew how to manage his most egotistical subordinates, so MacArthur, as Perry shows, relied on the quality of his combat commanders and his own ability to get the best out of them.

Head Strong: How Psychology Is Revolutionizing War

BY MICHAEL D. MATTHEWS.
Oxford University Press, 2014,
288 pp. \$29.95.

Matthews, a professor of engineering psychology at West Point, believes that a better grasp of how humans understand and adapt to their environments would improve the selection and preparation of fighters in armed forces. Psychology is also a critical part of caring for veterans coping with disabilities or posttraumatic stress disorder, and psychology's insights might help reduce the alarming rates of suicide among Americans who have fought in Afghanistan and Iraq. But Matthews warns against assuming that all combat is psychologically damaging. And he forcefully argues that the U.S. armed forces must continue to move away from being predominantly white, male, and homophobic. He also notes that the U.S. military has benefited from a greater appreciation of the cultures in which it operates and from teaching its officers how to lead in complex settings. He concludes with some thoughts about how psychology might promote peace and on the ethical issues raised by providing psychological support to armed forces when they are doing bad or foolish things: he warns, for example, that psychologists should have nothing to do with torture. Although the book is somewhat U.S.-centric, Matthews' style is engaging and draws extensively on his own experiences.

American Arsenal: A Century of Waging War

BY PATRICK COFFEY. Oxford
University Press, 2014, 336 pp. \$29.95.

Coffey, a historian of science, traces the origins of some of the most important weapons of the past century, profiling the scientists responsible for their development and the interactions between those scientists and the military officials and politicians who decided whether and how the weapons should be used. Coffey's examples are all from U.S. military history, and they are all high-profile cases: chemical weapons (including napalm), long-range bombers and missiles, nuclear weapons, and drones. Less flashy but just as important arms, such as tanks and antitank weapons, fighter aircraft, submarines, and torpedoes, are absent. Coffey writes well, but he tells familiar stories, with the exception of his interesting account of the U.S. contribution to the development of chemical weapons. And although some of the characters in his book, such as the scientist James Conant and the air force general Curtis LeMay, make regular appearances, they do not quite hold the narrative together, and no strong themes emerge, other than a general emphasis on the importance of personalities and institutions, as well as strategy and science, in shaping the American arsenal.

Torpedo: Inventing the Military-Industrial Complex in the United States and Great Britain

BY KATHERINE C. EPSTEIN. Harvard
University Press, 2014, 328 pp. \$45.00.

One of the welcome recent developments in military history has been a

focus on the nexus of bureaucrats, engineers, industrialists, and staff officers who were responsible for developing armaments and tactics for their use. This requires examining topics far removed from the drama and heroism of battle, including the complex interactions between weapon design and tactics and the constraints imposed by limited budgets. Epstein has done a remarkable job of mastering a range of highly technical issues connected to the development of torpedoes in the United Kingdom and the United States prior to World War I. As torpedoes improved, they affected the ability of warships to fire their big guns or to get close enough to shores to mount blockades. To adapt to the opportunities and complications posed by the new technology, militaries forged new relationships with the private sector, sharing the burden of development research and experimental trials. Epstein disarmingly admits that her subject matter does not make for the easiest read. Nonetheless, her book will set the standard for further research on the military-industrial complex.

The United States

Walter Russell Mead

Maximalist: America in the World From Truman to Obama

BY STEPHEN SESTANOVICH. Knopf, 2014, 416 pp. \$28.95.

In this analytic tour de force, Sestanovich provides a comprehensive view of the past 70 years of U.S. foreign

policy and offers a useful and often original look at the strategies of the last 12 American presidents. Sestanovich's big idea is that since World War II, U.S. policy has oscillated between the poles of "maximalist" engagement, on the one hand, and retrenchment, on the other. Sestanovich refrains from demonizing either end of the spectrum. In his view, maximalists, such as U.S. Presidents Harry Truman, John F. Kennedy, and George W. Bush, were not simply hubristic overreachers, and presidents who tried to retrench, such as Dwight Eisenhower and Barack Obama, should not be seen as appeasers or defeatists. Any grand thesis that aims to cover so many cases will sometimes seem a little formulaic. But Sestanovich succeeds at making a strong case without pushing his argument further than the facts allow. This book will reward both the specialist and the novice; anyone interested in the past or the future of U.S. policy and power would benefit from its insights.

America's Fiscal Constitution: Its Triumph and Collapse

BY BILL WHITE. PublicAffairs, 2014, 576 pp. \$35.00.

White, a conservative Democrat who served as U.S. deputy secretary of energy in the Clinton administration and as mayor of Houston from 2004 to 2010, has written an unusual and important book that grounds its discussion of the United States' contemporary budget woes in a history of American fiscal policy. He demonstrates how, until very recently, a common set of ideas about why and when the federal government should go into debt kept Washington's

fiscal house in order. It is a convincing analysis, although it is not always clear that the elements of the American “fiscal constitution” are quite as coherent or consistent as White depicts them to be. White argues for a set of reforms that he believes could win public support and restore the country’s tradition of financial prudence. He is no starry-eyed optimist and recognizes the serious political obstacles to his program. But he argues that because the reforms he supports aim to revitalize a fiscal tradition that has deep roots in American culture and history, the public can be brought around to support the sometimes painful choices they would require.

The Baby Boom: How It Got That Way and It Wasn't My Fault and I'll Never Do It Again
BY P. J. O'ROURKE. Atlantic Monthly Press, 2014, 272 pp. \$25.00.

O'Rourke has built a career as a comic essayist by skewering the follies, delusions, and narcissism of his own generation, the baby boomers. In this book, in between riffs on boomer absurdities, he gets serious. The result is something like a mash-up of Jerry Seinfeld and Francis Fukuyama. In O'Rourke's view, the boomers, a frivolous group that can boast of few cultural or intellectual accomplishments, were the first post-historical generation. Born to parents who defeated fascism, contained communism, and laid the foundations for the greatest flowering of mass prosperity in world history, the boomers proceeded to dissipate their inherited social capital on the various self-indulgent fads and amusements that O'Rourke chronicles so well. Yet for all their wastrel ways,

O'Rourke argues, the boomers are the future of humankind. Their form of consumer society will conquer the world, and the entire planet will fill up with self-indulgent narcissists. Friedrich Nietzsche would recognize O'Rourke's portrait of the boomers: they are the first generation of Nietzsche's “last men.”

The Twilight of the American Enlightenment: The 1950s and the Crisis of Liberal Belief

BY GEORGE M. MARSDEN. Basic Books, 2014, 240 pp. \$26.99.

Between 1960 and 1980, American intellectual discourse grew less dependent on the dialogues between mostly white, mostly Protestant men that had shaped national debates until that point and shifted toward the more pluralistic and open-ended conversation that defines American public life today. Marsden has the rare ability to describe complex controversies in clear and concise prose, and he explores the meaning of this change by returning to the almost forgotten work of U.S. public intellectuals of the late 1950s and early 1960s. Like dinosaurs unaware of the meteor speeding toward earth, the towering intellects and prestigious thinkers of that era thought and wrote with very little awareness of the impending change. Although Marsden feels no nostalgia for the flawed consensus of those days, he asks some probing questions about whether today's public conversation is flexible enough to accommodate the increasing pluralism of American society and strong enough to support the values and common purpose that a democratic society requires.

Company Man: Thirty Years of Controversy and Crisis in the CIA

BY JOHN RIZZO. Scribner, 2014, 336 pp. \$28.00.

Rizzo was the top lawyer for the CIA during much of the George W. Bush administration and was at the center of some of the most bitter controversies of the “war on terror.” Now retired, he has written as close to a tell-all memoir as the CIA’s review board will permit. Rizzo’s book will not be the last word on the “enhanced interrogation techniques” that were employed by the CIA under controversial guidelines produced by lawyers in the Bush administration’s Justice Department. Few skeptics will be convinced by Rizzo’s argument, however detailed, that such notorious incidents as the destruction of videotapes depicting the waterboarding of detainees at CIA “black sites” were not part of a deliberate cover-up. Passions run strong on these subjects, and, as Rizzo candidly acknowledges, mistakes were made—sometimes by him. Rizzo writes with a dry wit and reserves his harshest criticism for what he sees as irresponsible, dilettantish, and intellectually lazy congressional and senatorial oversight committees.

Western Europe

Andrew Moravcsik

Europe’s Deadlock: How the Euro Crisis Could Be Solved—and Why It Won’t Happen

BY DAVID MARSH. Yale University Press, 2013, 144 pp. \$15.00.

The Euro Crisis and Its Aftermath

BY JEAN PISANI-FERRY. Oxford University Press, 2014, 224 pp. \$29.95.

These two books are the best on the euro crisis to have appeared in recent years. Both books cover the subject in admirable detail and with much insight. Yet both are also flawed in ways that illustrate precisely why the euro is stuck in a dead end.

Marsh is a consummate insider journalist, and his book reads like a collection of op-eds. Pisani-Ferry is the former head of Europe’s top economic think tank and now advises French Prime Minister Jean-Marc Ayrault; his book reads like a collection of policy briefs. Both perfectly capture the current conventional wisdom among European technocrats, who seem unable to chart an attractive way forward. It goes like this: The euro system is basically good for Europeans, but specific institutional design flaws triggered a crisis. The logical solution is for governments that maintain a budget surplus, such as Germany, to accept more risk and liability, while countries with deficits, such as Greece and Spain, must impose controls on their government spending. But politicians lack the requisite political will to implement this solution. So Europeans

should muddle through with the current, second-best arrangement.

Every step of that analysis is not only empirically questionable but also strikingly apolitical. By neglecting the question of who gains and who loses within and between countries, and who wields influence, these authors overlook more radical alternatives and ignore the political forces that will ultimately decide whether Europe sustains or abandons the euro.

The Gypsy "Menace": Populism and the New Anti-Gypsy Politics

EDITED BY MICHAEL STEWART.
Oxford University Press, 2012,
382 pp. \$55.00.

This book documents public attitudes and official policies toward Europe's largest and most consistently shunned indigenous minority: Gypsies, or Roma. Extreme right-wing parties are not alone in favoring policies that lead to discrimination against the nearly ten million Roma who live in Europe. These have included tolerating hate speech; running second-rate and segregated schools for Roma children; going easy on those who harass, assault, or murder Gypsies; and, most shocking, forcibly sterilizing Roma women. Even the Socialist president of France, François Hollande, has suggested that the free movement of people in the EU should not apply to Gypsies. Stewart and his contributors are anthropologists who favor integration and argue that the central problem is that European societies have "ethnicized" the Roma, making their ethnicity their primary identifying feature, thereby highlighting

differences between them and others that otherwise might have remained invisible. Although this book is short on empirical social science or concrete policy analysis, it is a must-read for anyone interested in this critical issue of fairness and identity.

Multilateralism in the Twenty-first Century: Europe's Quest for Effectiveness
EDITED BY CAROLINE BOUCHARD,
JOHN PETERSON, AND NATHALIE
TOCCI. Routledge, 2012, 314 pp.
\$130.00 (paper, \$39.95).

How well does the EU promote multi-lateral action to solve global problems? Most analyses of this question focus on issues of "high security"—in particular, military intervention. Yet the comparative advantage the countries of the EU enjoy is civilian power. That is the subject of this pathbreaking volume, which analyzes topics such as trade, conflict resolution, climate change, development, energy, health, immigration, the Middle East, the UN Security Council, and the G-20. Although the book concludes with a familiar call for a more centralized EU foreign policy, its findings also offer some welcome correctives to the widespread view that the EU is an overly idealistic and ineffective organization. Although European institutions remain a complement, rather than a substitute, for national policymaking, the EU is becoming more effective over time. Moreover, EU decision-makers, far from being sentimentally attached to global multilateral institutions, successfully exploit bilateralism when it suits their own interests.

The Politicization of Europe: Contesting the Constitution in the Mass Media

BY PAUL STATHAM AND
HANS-JÖRG TRENZ. Routledge, 2012,
208 pp. \$135.00 (paper, \$44.95).

The EU has traditionally all but ignored national publics in Europe and has been all but ignored by them. Yet one of the major developments of the last decade is that ordinary Europeans now pay more attention to what happens in Brussels and often respond negatively. This book traces the origins of that trend to a number of national referendums held in 2005 on a draft European constitution, most notably those held in France and the Netherlands. The constitution was the work of supranational officials in Brussels hoping to create a tighter union. The effort backfired when publics across the continent turned against the idea of an even more unified Europe. Still, Statham and Trenz contend that this shift has been less significant than it might appear. Their careful data analysis shows that political debates over Europe remain essentially national, with voters paying relatively little attention to foreign voices or issues. To be sure, debates about the euro are the exception; the single currency is the first pan-European issue of sustained interest to voters, mostly because it has created clear winners and losers.

Western Hemisphere

Richard Feinberg

The Man Who Loved Dogs

BY LEONARDO PADURA.
TRANSLATED BY ANNA KUSHNER.
Farrar, Straus and Giroux, 2014,
592 pp. \$35.00.

The Havana-based Padura writes noir crime thrillers that have proved very popular in Cuba. His gritty novels usually explore the moral compromises required to survive in his communist homeland. But in this ambitious, at times gripping work of historical fiction, Padura re-creates the 1940 assassination of Leon Trotsky in Mexico. The novelist draws a surprisingly sympathetic portrait of the outcast Bolshevik, hounded by Joseph Stalin. Padura's Trotsky is arrogant and intransigent but also extraordinarily resilient and industrious in exile, self-critical and prescient, and emotionally devoted to his loving wife and children. In Padura's version of this story, the macabre horrors of Stalinism, its reliance on fear and hatred, and its utter corruption of the utopian dream of socialism were embodied in the meticulous psychological conditioning of Ramón Mercader, the Spanish revolutionary selected by Stalin's murderous machine to penetrate Trotsky's fortified compound and drive an ice ax into the aging revolutionary's brain. Padura laments the similar snuffing out of credulous dreams of Cuban revolutionaries but notes that the Soviet Union collapsed when the terror and lies began to subside. It is not clear whether the novelist foresees the same fate for Cuba.

How Latin America Weathered the Global Financial Crisis

BY JOSÉ DE GREGORIO. Peterson Institute for International Economics, 2014, 166 pp. \$21.95.

Regional Public Goods in Finance, Trade, and Infrastructure: An Agenda for Latin America

BY GUILLERMO PERRY. Center for Global Development, 2014, 71 pp. Free online.

These complementary studies by two of Latin America's leading economists astutely combine rational analysis with political sensitivity. De Gregorio, formerly the head of Chile's central bank, brilliantly elucidates (with restrained pride) the region's remarkable recent successes. Perry, the former chief economist for Latin America at the World Bank, proposes a compelling regional agenda to maintain the forward momentum.

Debunking populist criticisms of the neoliberalism of the so-called Washington consensus, De Gregorio credits Latin America's macroeconomic reforms of the 1990s—countercyclical fiscal policies, flexible inflation targets, more open trade policies, adjustable exchange rates—for the region's strong economic performance during the last decade. Having learned from costly errors, most governments (excluding the traditional populist rulers of Argentina and Venezuela) built up strong fiscal and hard-currency reserves, improved their debt profiles, and strengthened their countries' national banking systems. As a consequence, the region successfully weathered the 2008–9 global downturn, a sharp contrast to the destructive Latin American debt crisis of the 1980s. Good luck also helped, in the

form of high export commodity prices. As befits a hardheaded central banker, De Gregorio warns against complacency and urges additional structural reforms, more financial oversight, and other changes that would improve the rule of law and promote social inclusion.

Perry is something of a Simón Bolívar for the twenty-first century. For two centuries, many in Latin America have pushed for Bolivarian regional integration but have seen meager results. Conditions today might be more propitious: most of the region's governments are more competent than ever, and globalization now rewards, indeed demands, regional efficiencies. Drawing on a lifetime in policymaking circles and academia, Perry sets forth ambitious, precise recommendations for transnational cooperation on finance, direct investment, trade, and infrastructure. In each of these areas, the harmonization of regulations and supervision would yield gains in efficiency and growth. Far from naive, Perry recognizes the hurdles to effective intergovernmental cooperation. He looks hopefully to regional development banks, which boast financial resources and political legitimacy, to overcome the problems associated with policy coordination, cost allocation, and conflict resolution.

Entrepreneurship in Latin America: A Step Up the Social Ladder?

EDITED BY EDUARDO LORA AND FRANCESCA CASTELLANI. Inter-American Development Bank and World Bank, 2014, 208 pp. Free online.

Democratic stability in Latin America requires sustainable economic growth and ample opportunities for upward

social mobility. This timely collection of academic studies explores the role of small businesses in achieving those objectives. Although it does not offer definitive answers, the volume questions some commonly held assumptions and draws distinctions among firms of various sizes and social origins. Not all pro-business public policies enhance social mobility, the editors reasonably argue. Many entrepreneurs arise from well-to-do families; indeed, in Latin America, a good predictor of an individual's entrepreneurialism is whether his or her father was an entrepreneur. Hence, government policies that support upper-class entrepreneurialism risk consolidating existing social stratifications. The volume's empirical studies of entrepreneurship in Argentina, Ecuador, and Mexico uncover many gems. For example, José Anchorena and Lucas Ronconi conclude that in Argentina, relatively well-paid public employment has "crowded out" entrepreneurship. A number of other contributors reflect on the business-democracy nexus and call for more business education but do not illuminate how it would directly cultivate responsible corporate citizenship and positive civic values.

Soft Landing in Cuba? Emerging Entrepreneurs and Middle Classes

BY RICHARD E. FEINBERG. Brookings Institution, 2013, 62 pp. Free online.

Based on interviews with dozens of Cuban small-business proprietors and aided by a sophisticated reading of demographic data, Feinberg's findings in this monograph discredit the tiresome narrative that there has been little real change in Cuba in recent years. Feinberg

reports that "Cuba today is very much host to large and growing middle classes" thanks to new laws and regulations that encourage productive ownership and work not guided by the state. Further, he argues, this change portends a shift in the nature of Cuba's development, because the new middle classes aspire to a more consumerist lifestyle. Enriched by useful case studies, the monograph concludes with thoughtful policy recommendations for the Cuban government that might facilitate the growth of the nonstate sector and enable Cuba to update its economy while experiencing a "soft landing," instead of an economic shock. Feinberg also recommends that Washington end its pursuit of regime collapse, which serves to strengthen Cuban hardliners, and instead pursue initiatives that would support independent entrepreneurs.

PHILIP BRENNER

Eastern Europe and Former Soviet Republics

Robert Legvold

Revolutionary Russia, 1891–1991: A History

BY ORLANDO FIGES. Metropolitan Books, 2014, 336 pp. \$28.00.

Figes argues that the Russian Revolution lasted until the Soviet Union's end in 1991. He begins with the famine of the early 1890s, which he sees as creating the pathway to the revolution in 1917, and then divides the century that followed

into three generational phases. The first belongs to the “Old Bolsheviks,” the architects of Vladimir Lenin’s revolution, who were born in the 1870s and 1880s. The second phase began in the late 1920s, in the wake of Joseph Stalin’s collectivization program, and witnessed the monstrosity of industrialization through forced labor, the purges of the Great Terror, and the ravages of World War II. The third phase began with the Khrushchev era and ended with the collapse of the Soviet Union. The history of each phase comes in large quaffs that go down smoothly. Figes argues that for all the jarring changes, Soviet leaders, including the last, Mikhail Gorbachev, “all believed they were continuing the Revolution Lenin had begun.” It is a lucid and enlightening argument, although least compelling when Figes tries to find idealism even in the decaying entrails of the system during its final years. As he himself confesses, “what united [the third generation] was the preservation of the status quo.”

Divided Together: The United States and the Soviet Union in the United Nations, 1945–1965

BY ILYA V. GAIDUK. Stanford University Press and Woodrow Wilson Center Press, 2013, 288 pp. \$60.00.

Gaiduk, one of Russia’s most talented young historians of the Cold War, died before this book was published. It is a fitting tribute to the care and balance that he and others of his generation bring to their work. Hardly any of the numerous published histories of the UN focus on the critical U.S.-Soviet interaction within the organization,

and none of them exploits the recently opened Soviet archives as Gaiduk’s does. Gaiduk focuses on the formative first 20 years of the UN, the period during which high hopes for the organization dissolved into the pedestrian maneuvering of Cold War politics. The most striking thing that emerges from his account is the mechanical and small-bore approaches of both Moscow and Washington. His bottom-line conclusion is fairly predictable: the UN failed in its primary objective of sparing the world from the clash that became the Cold War, or at least easing the burden of the conflict, but many underestimate the UN’s role in mitigating the Cold War’s worst outcomes and in vastly expanding humanitarian aid and economic development.

A Very Principled Boy: The Life of Duncan Lee, Red Spy and Cold Warrior

BY MARK A. BRADLEY. Basic Books, 2014, 384 pp. \$29.99.

Duncan Lee was a descendant of the two Lee brothers who signed the Declaration of Independence, and of Robert E. Lee, the Confederate general. He was the son of a devout Christian minister, a graduate of Yale, and a Rhodes scholar. He was a favorite of William Donovan, the founding director of the wartime Office of Strategic Services (the forerunner of the CIA), in which Lee rose to high military rank. And from 1942 to 1945, he spied for the Soviet Union. His American spymaster betrayed him to the FBI in 1945. Although the director of the FBI, J. Edgar Hoover, became obsessed with snaring him, and despite Lee’s grilling before the House

Un-American Activities Committee in 1948, Lee was never indicted on any charges and lived out the rest of his life as a successful, albeit anxiety-ridden, lawyer. Bradley has produced a truly superb example of this genre, especially because he exposes in riveting fashion how the Soviet spy network worked and how it flummoxed the FBI, which was very slow to catch on.

Churchill's First War: Young Winston at War With the Afghans

BY CON COUGHLIN. Thomas Dunne Books, 2014, 320 pp. \$26.99.

In 1896, Winston Churchill was a young cavalry officer desperately in search of notoriety and glory. Just out of the Royal Military College in Sandhurst, Churchill, 21 years old and already set on a political career, used his connections to get himself assigned to one of the British Empire's many battle scenes, where he could collect medals and burnish his reputation. A year later, he succeeded, taking part in a three-week series of military forays against Afghan tribesmen in what is today Pakistan's province of Khyber Pakhtunkhwa and nearly losing his life twice. Coughlin does a fine job of capturing the young Churchill's qualities and flaws, his outlook on life, and his ostentatious candor about his aspirations. He also drives home just how much the British feared the encroachment into South Asia by the Russians, who the British believed were eager to poach the jewel of the British Empire. That fear motivated innumerable British military campaigns to shore up the border between Afghanistan and India during the second half of the nineteenth century. Coughlin's

portrait of the Pashtun warriors the British fought with dubious success and the parallels he draws with the United States and NATO's struggle against their descendants are downright unnerving.

Romania's Abandoned Children: Deprivation, Brain Development, and the Struggle for Recovery

BY CHARLES A. NELSON, NATHAN A. FOX, AND CHARLES H. ZEANA. Harvard University Press, 2014, 416 pp. \$29.95.

The Ceausescu regime's misguided policies on population growth and on the treatment of abandoned children left as many as 170,000 Romanian children in appallingly bad institutions. After a decade of local efforts to deal with the immense damage done to those children, Nelson and his colleagues established the Bucharest Early Intervention Project in 2000. They are not social scientists but rather specialists in pediatrics, neuroscience, human development, and psychiatry, and their project was an elaborate 12-year randomized survey comparing the effects on young children of institutionalization to those of foster care. Their work confirmed many earlier studies that showed that institutionalization seriously impairs brain function and cognitive and motor development, but it also demonstrated that the timely transfer to proper foster care can materially reduce the damage done. For those interested in Romania or the region, the book offers an incisive and disturbing portrait of the benighted policies pursued in this area—and not only by Romania. The book also contains an excellent discussion of

the controversies surrounding the issue of international adoption in the Romanian context, which should also prompt thought among those focused on the parallel Russian case.

Revolution With a Human Face: Politics, Culture, and Community in Czechoslovakia, 1989–1992

BY JAMES KRAPFL. Cornell University Press, 2013, 292 pp. \$45.00.

Krapfl looks at the complex and dramatic transformations that the revolution of 1989 inspired in average Czechoslovaks far from Prague and Bratislava, where elites waged high politics—changes that have been either neglected or casually distorted by the best-known analyses of the revolution. He argues that for the energized masses in villages and towns across the country, the common bond was not a rejection of socialism but a protest against the bureaucratic, oppressive, and inhumane way that it was pursued. By carefully sifting through a massive trove of ephemera produced by street protests and spontaneous civic mobilizations, he locates a common desire to create a new society of “humanity,” dedicated to nonviolence and democratic norms. He concludes his study by chronicling how those high hopes were fractured by more mundane conflicts over power and ceded ground to “radical, partisan” forces more preoccupied with the nationalist agendas that ultimately tore the country apart.

Middle East

John Waterbury

Arik: The Life of Ariel Sharon

BY DAVID LANDAU. Knopf, 2014, 656 pp. \$35.00 (paper, \$18.95).

No former editor in chief of the liberal Israeli newspaper *Haaretz* would likely be kind to Ariel Sharon, the recently deceased Israeli leader, and Landau is not. He starts gently, rehearsing Sharon’s heroic military exploits as an architect of Israel’s victory over the Arabs in the Six-Day War in 1967 and as the savior of the flat-footed Israel Defense Forces in the Yom Kippur War of 1973. Landau proceeds, though, to skewer Sharon as a self-aggrandizing “King of Israel” who conflated the elevation of his own status with the defense of the nation. On two of the most controversial events in Sharon’s career—his role in the massacre of Palestinian refugees at the hands of Lebanese Christian militias in the Sabra and Shatila camps in Beirut in 1982 and his provocative visit to Muslim holy sites in East Jerusalem in 2000, which helped trigger the second intifada—Landau finds Sharon guilty of the charges leveled by his fiercest critics. But Landau believes that once Sharon became prime minister, in 2001, his statesman’s instincts took over, and a “monumental transformation” led Sharon, who had played a major role in establishing Israel’s settlements, to order the unilateral evacuation of settlers from Gaza.

The Struggle for Iraq's Future: How Corruption, Incompetence, and Sectarianism Have Undermined Democracy

BY ZAID AL-ALI. Yale University Press, 2014, 304 pp. \$35.00.

Al-Ali, whose father was a former Iraqi diplomat who fled into exile, returned to Iraq as a legal adviser to the United Nations during the U.S. occupation. All his attempts to reform the post-Saddam state failed; this book is his lament. He inveighs against the returned Iraqi exiles who now wield power in Iraq, such as Prime Minister Nouri al-Maliki, criticizing them, along with Paul Bremer, who served as the head of the U.S.-led Coalition Provisional Authority in 2003–4, for needlessly leading Iraq into sectarianism and regionalism. Much of al-Ali's analysis is useful but not original. Al-Ali is at his best on constitutional issues. He calls for a new Iraqi constitution that would provide for better civilian control of the military, more effective regulation of political parties, firmer anticorruption measures, reform of the oil and gas sector, and a clearer relationship between the central state and Iraq's provinces. He predicts that the parliamentary elections of 2014 are unlikely to produce much change but hopes that Iraq might finally switch course after the provincial and parliamentary elections of 2017–18.

Tribal Modern: Branding New Nations in the Arab Gulf

BY MIRIAM COOKE. University of California Press, 2014, 224 pp. \$65.00 (paper, \$29.95).

Sectarian Politics in the Gulf: From the Iraq War to the Arab Uprisings

BY FREDERIC M. WEHREY. Columbia University Press, 2014, 352 pp. \$45.00.

These books present two very different takes on the most dynamic part of the Arab world. Cooke explores tribalism in the hypermodern Gulf; Wehrey examines the causes of the region's Shiite-Sunni divide.

Cooke's eclectic depiction of the reinvention of tribal identity makes use of the Arabic term *barzakh*, which she defines as the meeting—but not commingling—of two distinct elements, to capture the chemistry between tribal heritage and modernity. Yet what she describes seems like extensive commingling, with the arrival of such new “traditions” as racing remote-controlled camels, staging national contests in Bedouin poetry, and even women dressing as men—but wearing the de rigueur *thawb*.

Wehrey dispassionately chronicles sectarianism in the three Gulf countries where Shiite-Sunni tensions are arguably most significant: Bahrain, Kuwait, and Saudi Arabia. He details how regional developments, above all the Islamic Revolution in Iran in 1979, the U.S. invasion of Iraq in 2003, and Hezbollah's confrontation with Israel in 2006, all fanned the embers of sectarian animosity. Nonetheless, in Wehrey's view, the root causes of the conflict lie in weak political institutions, the systematic disenfranchisement of minority groups, and the irresistible temptation of local political actors to exploit sectarian sentiments to advance their agendas. The royal families that rule all three countries seek at all costs to prevent any alliance,

in the name of a reform agenda, between moderate Shiites and moderate Sunnis, although one could easily argue that such an alliance would serve the long-term interests of all three monarchies.

Both authors show how complex these societies are in terms of class and highlight their complicated mixtures of Bedouin and urban cultures and Arab and Persian origins. It is not clear if the mythologizing of lineage and heritage detailed by Cooke is unique to the Gulf, but surely the resources these societies have devoted to it are unrivaled. Wehrey might leave the reader wondering when artificial disputes instigated for short-term political gain become bloody enough to be considered real and possibly become intractable.

Manufactured Crisis: The Untold Story of the Iran Nuclear Scare

BY GARETH PORTER. Just World Books, 2014, 312 pp. \$28.00.

Porter is a journalist who has reported on Iran for several years. He argues that Iran's nuclear energy program is peaceful and that widely cited evidence of the Islamic Republic's attempts to design nuclear weapons relies on fabrications concocted by Israel and the United States. He takes seriously the declarations of Iran's supreme leader, Ali Khamenei, and of his predecessor, Ruhollah Khomeini, that nuclear weapons are un-Islamic and that Iran does not seek to develop them. To explain Iran's record of deception relating to its nuclear program, Porter claims that U.S. efforts to prevent Iran from developing its civilian nuclear program have left Tehran with no choice but to

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work covertly and cover its tracks. He points to domestic political factors in Israel and the United States to explain why Tel Aviv and Washington would conspire in this alleged ruse to mislead the world about Iran's intentions. The risk for Israel and the United States, of course, is that they might have to go to war to confront a threat that, Porter alleges, they know does not exist.

Asia and Pacific

Andrew J. Nathan

*Anxious Wealth: Money and Morality
Among China's New Rich*

BY JOHN OSBURG. Stanford
University Press, 2013, 248 pp. \$75.00
(paper, \$22.95).

Corruption in China is hard work. Osburg, an American anthropologist, spent time with and observed successful Chinese businessmen in Sichuan's capital city, Chengdu. These men seem to devote most of their time to cultivating relationships with government officials and gang bosses in teahouses, karaoke parlors, and banqueting clubs. They enact rituals of male bonding that require the conspicuous consumption of expensive cars, exotic food and drink, and sexual services. These shared activities reconfigure instrumental relationships as friendships, bribes as gifts, and criminals as volunteers who help the police maintain social order. Women serve as entertainers,

paid sex partners, status symbols, and sometimes co-conspirators. Osburg's newly prosperous subjects are squeezed between the fear that rivals better connected than they are might take their property and the sense that the system they are part of is heading toward collapse. They feel trapped in a way of life that is exhausting and often boring, but the rest of society views them as models of success. Their behavior contributes to a widespread sense of moral decay in contemporary China.

*Spying for the People: Mao's Secret Agents,
1949–1967*

BY MICHAEL SCHOENHALS.
Cambridge University Press, 2013,
274 pp. \$90.00 (paper, \$29.99).

Conventional wisdom has long held that the Maoist system of totalitarianism differed from its Soviet and Eastern European counterparts by relying solely on the mobilized masses to very publicly dispense terror, rather than on a system of covert informants. That turns out to be wrong. Schoenhals discovered piles of documents in flea markets and used bookshops that reveal an extensive citizen-agent apparatus at work in urban areas under the direction of the Ministry of Public Security. The agents were originally supposed to target enemy spies, saboteurs, and subversives but were soon turned against people with bad "class backgrounds," citizens failing to show sufficient political enthusiasm, members of minority ethnic groups, and random targets unlucky enough to attract attention. The materials Schoenhals has collected focus chiefly on the bureaucratic processes of recruiting,

training, and running agents. The impact of the surveillance on society remains to be studied. Schoenhals ends the story in 1967, when the system was disbanded during the factional struggles of the Cultural Revolution. But there is reason to believe that it has since been restored and expanded.

Sources of Tibetan Tradition

EDITED BY KURTIS R. SCHAEFFER, MATTHEW T. KAPSTEIN, AND GRAY TUTTLE. Columbia University Press, 2013, 856 pp. \$120.00 (paper, \$40.00).

The Tibetan History Reader

EDITED BY GRAY TUTTLE AND KURTIS R. SCHAEFFER. Columbia University Press, 2013, 752 pp. \$120.00 (paper, \$40.00).

These two source books give students and general readers access to an emerging academic field, modern Tibetan studies, which challenges the shallow popular image of Tibet as an isolated land of changeless wisdom. The volumes show Tibet as part of world history, not apart from it. The chronological structures of both books reveal a society that has never been static: a turbulent mix of cultures, clans, dialects, religious lineages, and forms of rule, with a creative center that has both received and exerted cultural influence in its relations with China, India, Iran, Mongolia, and Russia.

Sources of Tibetan Tradition contains substantial excerpts from over 180 primary documents, many of them translated into English for the first time, covering Tibet's history from the seventh century, when Buddhism made its first inroads, to the creation of the position

of the Dalai Lama at the behest of a Mongolian king in 1578, to the eve of Tibet's integration into the People's Republic of China in the mid-twentieth century. Paired with authoritative commentaries by leading scholars, the documents trace the region's eventful political history and its rich interactions with surrounding civilizations—sometimes as an empire ruling nearby societies, sometimes as a fragmented collection of monastic principalities, sometimes as a unified polity under the loose rule of the Dalai Lama's Gelukpa sect.

The Tibetan History Reader brings together 33 otherwise hard to find chapters and articles from innovative recent scholarship on Tibet. The topics covered include governmental structures, trade, the agricultural economy, land ownership and serfdom, international relations, and the sometimes murderous religious politics of reincarnation. The material is specialized but animated by a sense of fresh discovery.

Shaping the Emerging World: India and the Multilateral Order

EDITED BY WAHEGURU PAL SINGH SIDHU, PRATAP BHANU MEHTA, AND BRUCE JONES. Brookings Institution Press, 2013, 400 pp. \$34.95.

Multilateral regimes are increasingly important in regulating how states relate to one another, but India's engagement has been hampered by its focus on its immediate regional security problems, its continuing commitment to "strategic autonomy," its complex and inward-looking domestic politics, and even a shortage of diplomatic personnel. India has lobbied for permanent membership

in the UN Security Council but has kept the World Bank and the International Monetary Fund at arm's length, has placed obstacles in the way of trade agreements and climate negotiations, and has avoided international arms control commitments. The contributors to this volume explore India's positions on those issues and others, including UN peacekeeping, the law of the sea, cybersecurity, financial accounting, and human rights. They reveal a pattern of ambivalence, shaped by a desire, on the one hand, for major-power status and a fear, on the other, of seeing international norms turned against India's interests. New Delhi tends to favor multilateral institutions that can be used to constrain the actions of other major powers but not those that might be employed to influence India itself.

editorial team. The dozen essays cover such varied topics as how rich entrepreneurs bribe local officials while at the same time preparing to escape abroad, just in case; how Chinese Internet users invent clever new Chinese characters to outwit the country's Internet police; popular responses to mass accidents and food-safety scandals; controversies provoked by a popular television dating show; and the resurgence of faith healing and other forms of ecstatic religion. The coverage is necessarily selective—rural Chinese and urban migrants receive little attention—but anyone wishing to get a sense of the popular ferment that lies beneath the rapid growth and strict political controls emphasized in daily headlines will find much of value in this book.

MARTIN K. WHYTE

Restless China

EDITED BY PERRY LINK, RICHARD P. MADSEN, AND PAUL G. PICKOWICZ. Rowman & Littlefield, 2013, 298 pp. \$85.00 (paper, \$29.95).

For more than three decades, the combination of the dismantling of socialist economic institutions and rapid growth has fundamentally transformed the lives of China's citizens. Although in most respects, they have benefited from improved living standards, greater cultural diversity, and heightened contacts with the outside world, the scale and jarring speed of the changes have left many wondering, as the editors of this timely volume put it, "What does it mean now to be Chinese?" This is the third volume of essays on new trends in Chinese society and culture produced by the same

Africa

Nicolas van de Walle

Congo: The Epic History of a People
BY DAVID VAN REYBROUCK. Ecco, 2014, 656 pp. \$29.99.

A major critical and popular success in Belgium, this sweeping history of Congo begins during the precolonial era and brings readers all the way up to the current era of warlords and civil war. Van Reybrouck's carefully researched and elegantly written book takes in the reader with compelling portraits of ordinary people that enrich what would otherwise be a

fairly conventional historical narrative. The book's best chapters focus on Belgian colonialism and the decolonization process. Van Reybrouck eschews a Manichaean view and instead paints a nuanced portrait of the successes and dismal failures of the colonial period. Under Belgian rule, Congo achieved one of the highest literacy rates in Africa. Yet when the country finally won its independence, in 1960, its citizens included only 16 college graduates and not a single medical doctor. Van Reybrouck's analysis of the political crises of the early 1960s focuses mostly on the power struggles among leading Congolese politicians and is too perfunctory when it comes to the international dimensions of the fight for control of the country. The engaging final chapters, which cover the period since the fall of the Mobutu regime in 1997, are built on highly personal accounts of Van Reybrouck's travels through the war-torn country and are more impressionistic and less precise than the book's historical chapters.

*Good Growth and Governance in Africa:
Rethinking Development Strategies*

EDITED BY AKBAR NOMAN, KWESI BOTCHWEY, HOWARD STEIN, AND JOSEPH STIGLITZ. Oxford University Press, 2012, 576 pp. \$125.00 (paper, \$50.00).

*Governance for Development in Africa:
Solving Collective Action Problems*

BY DAVID BOOTH AND DIANA CAMMACK. Zed Books, 2013, 176 pp. \$125.95 (paper, \$24.95).

These two books reflect the emerging

conventional wisdom within the international community that aid donors have overemphasized the importance of improving governance in the poor countries of Africa and that democratization in the region has actually hampered economic growth. The widespread embrace of these views is a bit surprising, considering that the last two decades in Africa have witnessed both significant democratization and the fastest economic growth since the end of the colonial era. Still, both books contend that democracy is bad for growth in low-income states, and both insist that Africa's recent economic successes have not produced the kind of transformation the region needs. Finally, both argue that the recent past in Asia offers lessons for Africa, especially about the need to focus less on democratic reforms and fighting corruption and more on top-down development policies, which, they contend, offer a better chance of leading to economic success.

But the books diverge when it comes to the details. Noman and his colleagues argue that African countries should emulate the kind of activist industrial and export policies that were so successful in a half dozen Asian countries several decades ago, and the book's best chapters analyze recent African attempts to promote such policies. However, the book never goes beyond broad prescriptions, neglecting to explain the circumstances under which African governments might adopt this approach more successfully than they have in the past.

Booth and Cammack's book is more compelling, at least in part because it goes beyond describing what is merely desirable in order to address what is practically possible. This pragmatism

leads the authors to avoid prescribing any single set of policies or approaches. Instead, they suggest that African development is more likely to occur when governments consistently implement coherent policies and help create an environment in which local actors can provide public goods to their own communities. Those conditions, they argue, can be met even in the absence of high-quality central administration. Instead of trying to create good governance where it does not yet exist, international donors should simply support governments, such as Rwanda's, that are already on the right track. Unfortunately, they fail to explain how countries should set themselves on that path, suggesting only that the most likely means of success might be undemocratic.

Commerce With the Universe: Africa, India, and the Afrasian Imagination
BY GAURAV DESAI. Columbia University Press, 2013, 352 pp. \$50.00.

Afro-Jewish Encounters: From Timbuktu to the Indian Ocean and Beyond
BY WILLIAM F. S. MILES. Markus Wiener, 2013, 262 pp. \$88.95 (paper, \$24.95).

Both of these books refute simplistic conventional portraits of the relationship between Africa and the rest of the world, which tend to suggest that the region was exposed to outside influences only as a result of European colonialism. Desai's book relates the rich history of the relationship between South Asia and East Africa, which began with commercial links that stretch back as far as the Middle Ages. Through an analysis of a

number of little-known or underappreciated literary texts, Desai assesses the impact of South Asian minorities on East Africa and the syncretic culture that has emerged owing to their presence. Desai's savvy take on the nature of identity in diaspora populations presents readers with a new way to understand the culture of modern East Africa. Commerce plays an important role in his story, and many of the works he analyzes exhibit an interesting form of liberalism, portraying the free market as tempering the actions of the state, which often comes across as hostile or at least untrustworthy.

Miles' book is less ambitious but just as compelling. It examines the Jewish presence in Africa and the history of interaction between Jews and Africans. During the early Middle Ages, Jews emigrated south from Spain and North Africa, across the Sahara, and Miles finds interesting traces of a Jewish presence across West Africa. A fascinating chapter discusses what Miles dubs "Jubos," a community of Igbos, who live in Nigeria, that faithfully practices Judaism despite having no obvious Semitic past. Miles' book is also a wise rumination on the nature of cultural exchange and religious tolerance. As a Jewish New Yorker who had his first experience of Africa as a Peace Corps volunteer in Niger, Miles uses his personal exchanges with people in the region to discuss the nature of Jewishness. 🌍

Letters to the Editor

RUSSIA'S MUSLIM REALITY

To the Editor:

Even with all its reservations and caveats, Robert Crews' essay ("Moscow and the Mosque," March/April 2014) still presents an assessment of Muslims in Russia that is rosier than reality. The most important part of the story today is not the maneuvering of Russian President Vladimir Putin vis-à-vis Muslim clerics but rather the rising tensions between the country's two largest religious communities.

One source of conflict that Crews does not mention centers on the construction of religious buildings. From Moscow to the western city of Kazan, non-Muslim Russians are growing increasingly resentful of what they consider expansive Islamic religious building programs. The Orthodox Church, meanwhile, has expanded rapidly and aggressively, with the full support of the state, and often its financial support as well. In Moscow, the Orthodox patriarchate recently announced plans to build hundreds more churches, whereas in several instances, the building of new mosques has been prohibited—in spite of the city's growing Muslim population.

Another source of tension is the increasing prevalence of Muslim religious festivals being celebrated out in the open, such as the holiday of Kurban Bayrami, when multitudes of the faithful flow into the streets and proceed to publicly slaughter, cook, and feast on lambs. In Moscow, owing to the shortage of mosques and special religious housing,

Muslims celebrate even more of these festivals in the open air, generating anger among non-Muslim residents. Moscow's Muslims have also faced difficulty exercising their political rights in public. Just recently, city authorities denied a request by Muslim community leaders to hold a rally protesting Islamophobia and the harassment of Muslims.

Meanwhile, the Russian state's ongoing effort to privilege the Orthodox Church continues to annoy Islamic leaders. For example, an attempt has already been made in the Duma, the lower house of Russia's parliament, to introduce a constitutional provision declaring Russian Orthodoxy the official state religion, which is already the de facto state of affairs.

In Kazan, there are signs of public unrest. The city recently witnessed a series of incendiary attacks by young Muslims on church buildings. This sort of thing is not publicized in Russia's state media—nor mentioned by Crews—but one can find reports of these episodes on the Internet. And the Salafists whom Crews argues are "distributed in small pockets throughout the country" may not be as apolitical as he suggests. Although there are currently few terrorists in Russia from outside the Caucasus, that might not be true for long.

Crews does make one factual error, claiming that "many Russians suspect, with good reason, that the Federal Security Service had a hand in" the terrorist attack on the Dubrovka Theater in 2002. Even Putin's worst enemies (with the possible exception of a few fanatics) have never made such an accusation.

What Crews says at the end of his piece, however, is correct: irrespective of Putin, Russia's Muslims will ultimately

determine their own future. It remains unclear how firmly Russian leaders will stand in their way.

VASILY RUDICH
New Haven, Connecticut

FOCUSING ON FAILURE

To the Editor:

Clay Shirky (“The Key to Successful Tech Management,” March/April 2014) makes so many good points that it seems petty to disagree with just a few. But the stakes are life and death when it comes to getting his management argument right, especially as it regards health care and the Affordable Care Act.

Health services, including those delivered online through websites such as HealthCare.gov, are mandated to be very reliable in their safe and continuous provision, even when demand for those services is high. “Embracing failure” may well work in constructing “novel infrastructure,” but I know of no critical infrastructure for which the control room embraces failure in real time. True, the operators—be they in hospital emergency rooms or the control centers of major electricity grids—face tradeoffs, take risks, innovate, and manage the unexpected, but they do so to reduce the risk of failure. The reliability professionals I study are always running scared from failure—which, I suspect, is precisely what the management consultant Jeffrey Zients and his staff were doing when they were tasked with fixing HealthCare.gov.

Shirky is too ready to see all virtue in learning by doing and no virtue in planning ahead. In reality, reliable managers must do both: they have to be resilient in bouncing back from the inevitable surprise and take steps to avoid system breakdowns.

The urgent issue is not so much how to reduce the rate of failure of new technology but rather how such a reduction will actually improve the reliability of health care. For the uninsured, any improvement is an improvement. But the last thing they, like the rest of us, would want an airplane pilot to do is to embrace failure. And the same goes for the health-care navigators connecting people to insurance plans that could save their lives.

EMERY ROE

Associate, Center for Catastrophic Risk Management, University of California, Berkeley

Shirky replies:

As Emery Roe himself notes, there are tradeoffs even in situations far more critical than the provision of health insurance. No amount of advance planning can guarantee success in all conditions. Yet in considering the failures of HealthCare.gov, he makes the very mistake I document in my piece: refusing to believe in the possibility of a phased rollout—even after one has occurred. The single most salient fact in the entire HealthCare.gov debacle is that two years of mandates for high reliability and continuous service did not produce high reliability or continuous service.

Those who rescued the site after its disastrous launch assumed that different sorts of failures were of different levels of importance and triaged them. This meant treating some forms of failure as acceptable and all forms of failure as diagnostic. It also meant regarding nontechnical edicts as less relevant than facts on the ground.

And contrary to Roe’s lauding of hospital culture as a counterexample, we

now know that decrees to avoid medical failure led to decades of systematic underreporting of errors, including fatal ones. Managerial correctives to opaque hospital culture have included such things as systematic mortality reviews, which require exactly the sort of acceptance of failure that allows hospital culture to adapt to the lessons of failure.

Managers love to believe that they can mandate failure away. They cannot. They can, however, create circumstances in which failures are small, early, and recoverable, rather than big, late, and catastrophic. The team that worked on HealthCare.gov for two years did not create these circumstances. The team that rescued it in two months did.

SECRETS AND LAWS

To the Editor:

After reading Jack Shafer's review of Rahul Sagar's *Secrets and Leaks* ("Live and Let Leak," March/April 2014), it strikes me as important to distinguish between the United States' security classification system itself and an individual's decision to breach his obligation of confidentiality.

Few people today would dispute the notion that the classification process needs to be totally overhauled. But those who work for the government or have access to information that is controlled by the government are still bound by law to maintain its confidentiality and cannot be permitted to unilaterally decide to disseminate that information, no matter how noble their intentions.

To be clear, I am not suggesting that Shafer's review endorses such a view, but I am concerned that Sagar envisions

circumstances in which individuals can decide on their own to contravene those obligations. I maintain that there are none; ultimately, the U.S. Congress and the executive branch must address classification as a matter of policy.

JOHN R. LIEBMAN
Santa Fe, New Mexico

THE POLISH ANSWER

To the Editor:

In his recent essay "Poland" (January/February 2014), Mitchell Orenstein correctly recognizes the centrality of foreign investment in Poland and the country's close cooperation with Germany. But foreign enterprises account for only ten percent of Poland's work force, and Orenstein does not discuss the country's large domestic economy.

Poland's bureaucratic repression of domestic businesses keeps wages down and makes it difficult for innovative and high-tech companies to develop. This dynamic has led to high unemployment, low wages, and the lowest labor participation rate in Europe. Small enterprises make up a smaller proportion of Poland's economy than they do in the EU as a whole.

If Poland's bureaucracy is reformed, both foreign and Polish businesses will benefit. Employment will pick up, and wages may rise. Still, Poland cannot compete on labor costs alone. It will thus have to rely on its other advantages as well, including its access to the EU, the high quality of its labor force, and its large domestic market.

LUCJA SWIATKOWSKI CANNON
*Former adviser to the Polish government
on privatization*

FIXING THE PENTAGON

To the Editor:

Just about every year, it seems, *Foreign Affairs* publishes at least one essay by a current or former senior leader of the U.S. Department of Defense with a narrative that goes something like this: “The Pentagon was a broken, inflexible bureaucracy when I came into office. There was a problem with [insert specific problem here]. I created/encouraged/supported a nifty solution, and it worked great. If only the solution stays/had stayed in place after I leave/left, the Pentagon would work once again.”

Ashton Carter’s latest missive (“Running the Pentagon Right,” January/February 2014) is but one more addition to this narrative series. What Carter apparently does not realize, along with his predecessors, is that in becoming a leader in the Pentagon, he became a member of its bureaucracy and can no longer stand apart from it.

Carter’s mistaken self-conception as a guerrilla in the inflexible Pentagon bureaucracy seemingly enabled him to encourage structural reforms to loosen up that bureaucracy, including the so-called Joint Urgent Operational Needs process. Such reforms were meant to bypass a sclerotic acquisition process to get needed equipment to troops quickly. Indeed, Carter presents evidence that they worked.

What Carter ignores is the larger legacy of such structural reforms, which invariably end up complicating existing Pentagon processes and systems, making them even more inflexible than they were before the introduction of the reforms. The truth is that supposedly straightforward solutions often create larger problems.

The real underlying problem for such a complex system as the Department of Defense is the mismatch between its fundamental methodology for accomplishing things and its twenty-first-century operating environment. The department’s decision cycle is too slow for its environment, and it is too slow to adapt when that environment changes. What amplifies the problem is that the environment is changing far quicker than in the reliably staid days of the Cold War.

Addressing this fundamental problem requires a persistent and determined leadership team that can focus on developing, implementing, and evaluating solutions. Having worked in the Pentagon for 14 years, I can state with some certainty that such an effort is very difficult to sustain. Secretary of Defense Robert McNamara and his so-called whiz kids attempted to do so in the 1960s, and they created systems that his leadership descendants structurally altered. In his second term as defense secretary, Donald Rumsfeld attempted to address this fundamental problem but ended up being distracted by the “global war on terror.”

JONATHAN E. CZARNECKI

Professor, Naval War College, Monterey

To the Editor:

Ashton Carter’s essay is both poignant and timely. As the director of the U.S. Army’s Rapid Equipping Force (REF), I lead an organization whose mission is to rapidly address the urgent capability shortfalls of deployed army units by inserting emerging technologies into the field. From our assessment, the army agrees with Carter’s argument and is taking the steps necessary to institu-

tionalize its rapid-response equipping elements. As we look to the future, one thing will remain constant: war fighters will always need a way to quickly procure technologies to defeat emerging threats and address operational shortfalls.

But it is also important to note that not all requirements are as complex as developing and fielding the mine-resistant, ambush-protected vehicles that Carter describes in his essay. In some cases, urgent requirements are specific to a unit, time, or place and thus do not apply to the entire army. When such requirements can be met only with equipment not currently in the army's inventory, an organization such as the REF becomes critical. The REF can rapidly equip a small number of units in as few as 90 days—addressing niche gaps with quick-to-the-field solutions.

STEVEN A. SLIWA

Colonel, U.S. Army, and Director, U.S. Army's Rapid Equipping Force

THE TRUTH ABOUT CASTRO

To the Editor:

In his review of Nick Caistor's book *Fidel Castro* (September/October 2013), Richard Feinberg writes that "it is surely too soon to issue a definitive verdict on the reign of Fidel Castro." But it is certainly not too soon, if one considers the evidence. Today, Cuba produces virtually nothing at all. It floats dead in the tropical waters. After being supported for years by the Soviets,

the country's economy now relies on Venezuelan aid and, bizarrely, international tourism.

Feinberg's review is notable for not including even once the word "communism" or the word "dictatorship." Feinberg claims that Caistor's book "sums up the current assessment of most centrist Cuba observers." Yet Castro was one of the most polarizing figures of the past half century. Perhaps Feinberg still has not made up his mind about Castro, but the verdict is in, and has been for a long time.

MICHAEL DICKSON

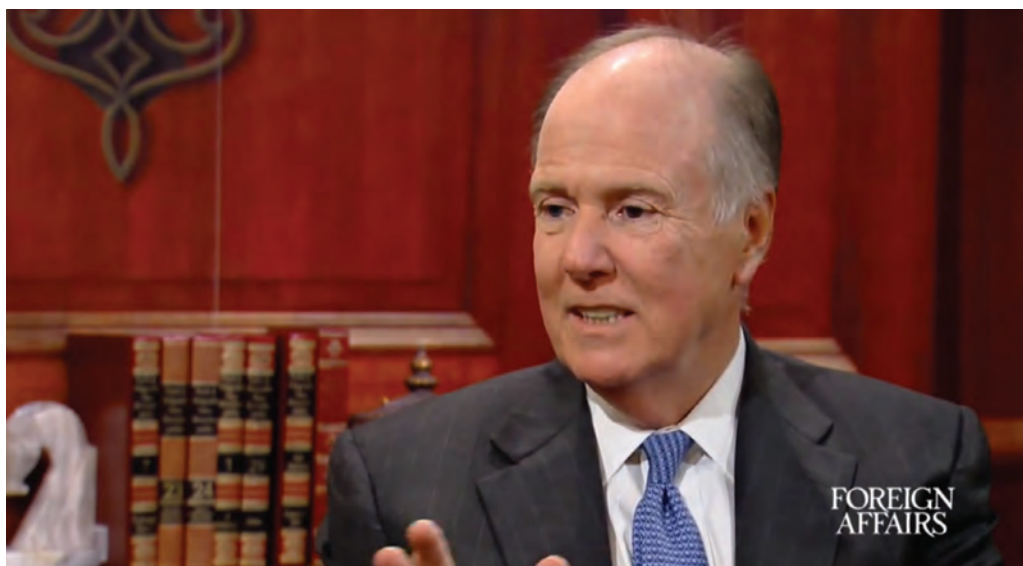
Pátzcuaro, Mexico

FOR THE RECORD

A capsule review in the "Recent Books" section of the March/April 2014 issue misidentified a book by Cass Sunstein. The title under review was *Conspiracy Theories and Other Dangerous Ideas*, not *Simpler: The Future of Government*. 🌐

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We determined that, from a geographic perspective, we were overinvested in the Middle East, particularly with respect to military operations, but that we were underinvested in Asia.

ON COOPERATION WITH CHINA:

A productive and constructive and engaged relationship with China was an essential part of the rebalance as well. We have, obviously, partners and allies in the region, and they look to us to support them. But they also rely on the United States to have a productive and constructive relationship with China.

ON THE TRANS-PACIFIC PARTNERSHIP:

The TPP is the most important trade negotiation under way in the world. It's an important element of U.S. leadership, and I think the facts are that it will inure to the economic benefit of the United States.

ON THE FUTURE:

The relationship that we have today with China couldn't have been imagined at the time of China's opening in the 1970s, in terms of its scale, the things we work on together, the exchanges we have, the depth of our relationship. And it's absolutely critical for us to continue to stay on that path.

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The magazine was established as means to host and foster an even-handed and authoritative debate on energy issues, promoting understanding and awareness among increasingly broad energy sector audiences.

The goal of Oil is and always has been to deepen public knowledge about energy and finance issues, on the basis of reliable documentation, conversations among experts, and in-depth explorations of core global topics.

Recent initiatives are widening the publication's network of contributors from other countries to produce recurring columns for each issue, while the editors are developing new partnerships with prominent universities and other institutes and international organizations – partly in order to enhance abo.net.

In 2011, Oil magazine made its first appearance in China. Issue fourteen was the first edition, titled Oil China.

www.abo.net is the new home and virtual meeting space for anyone with an interest in the world of energy, offering information, discussion and interaction. Its international panel of big-name contributors and truly global content mean visitors always get cutting-edge, in-depth news and views that drive debate and shape the media agenda.



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taking care of energy means creating new energy, together

