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JULY/AUGUST 2014

FOREIGN AFFAIRS



WHAT REALLY HAPPENED

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COLD WAR'S
COLD CASES

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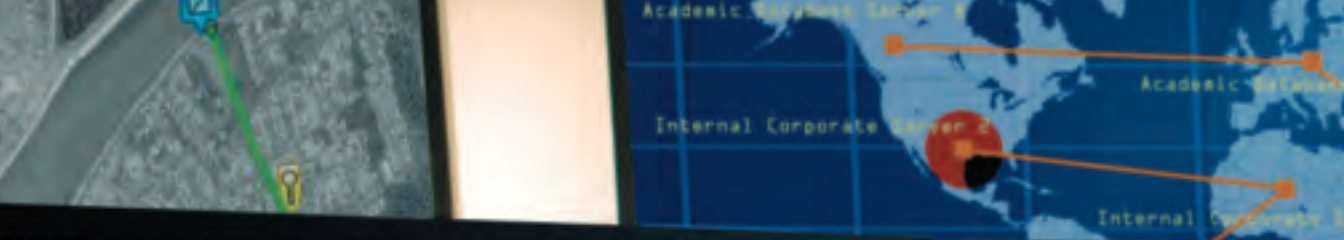
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COLD WAR'S
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```
n) user.localnet.net  
status : UNKNOWN  
login : PENDING  
password : *****  
tracetime : 450 s  
files on host : 32
```

```
Downloading netdump.log  
[73%] 450 Mb / 678 Mb  
trace is progress  
4 channel wide
```

```
/usr/local/src/unc/cluster  
[00] vroot.h  
Makefile patchlevel.h  
/usr/local/src/unc/cluster  
/usr/local/src/  
/usr/local/src [00]> ls  
/usr/local/bin/unccluster*  
*****  
*****  
INITIALIZED  
*****  
Welcome to Nano Research  
enter username  
and password  
username: jmesal@speech  
password: *****  
all access  
size available : 32  
file size : 678 Mb  
session time : 400 s  
software version 4.2b  
use default settings Y/N  
Y  
proceed
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tracetime: 450 s  
> Funtion Basic-Setup  
> Desk 0 2  
> Exec exec xosview - geometry 400x200-11+92  
> Wait xosview  
> Desk 0 1  
> Exec exec rxvt - geometry 62x50-3-0 -fg \#ffff60 -bg \#001300  
> Wait rxvt  
> Exec exec emacs - geometry 80x40+0+0 -fg \#ffff7a -bg \#00002a  
> Wait emacs  
> Desk 0 0  
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> Wait rxvt  
> Exec exec emacs - geometry 80x50+0+0 -fg \#ffff7a -bg \#002b00  
> Wait emacs  
> Exec exec xeyes -geometry 55x50+423+33 -fg -cursor -walltime 180000  
> Nano res
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Academic Database Server 1
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```
/usr/local/src/nc100tbr  
[10] vendor  
#include gethlevel.h  
/usr/local/src/nc100tbr  
/usr/local/src/  
/usr/local/src 1200 v. 3a/  
/usr/local/src/nc100tbr*  
*****  
*****
```

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THE COLD WAR'S COLD CASES

*Does Washington become
an accomplice in another
government's wrongdoing
when it preserves a
relationship for larger
purposes?*

– Harold Saunders



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What Really Happened in Iran

The CIA, the Ouster of Mosaddeq, and the Restoration of the Shah

Ray Takeyh

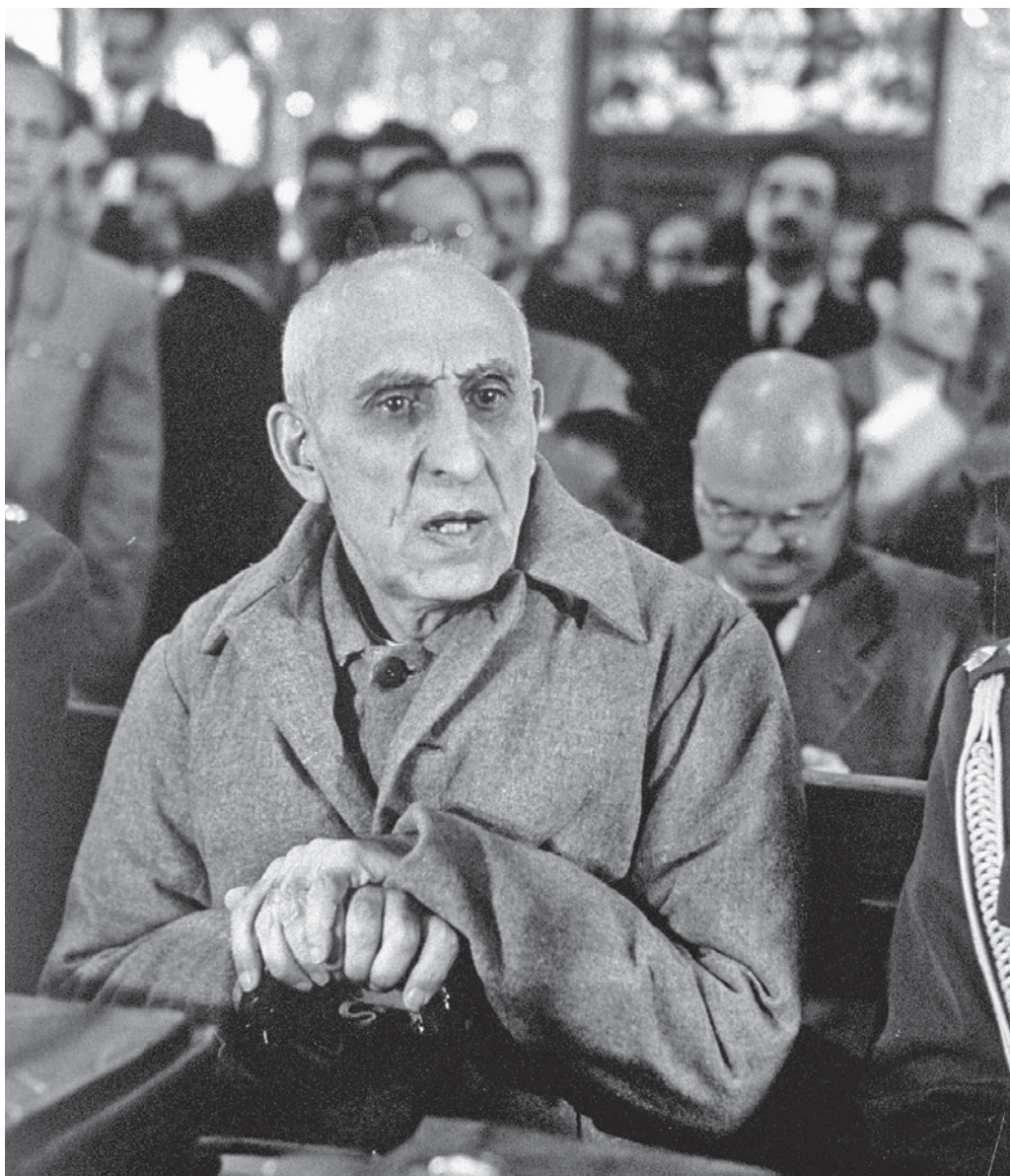
Back in 2009, during his heavily promoted Cairo speech on American relations with the Muslim world, U.S. President Barack Obama noted, in passing, that “in the middle of the Cold War, the United States played a role in the overthrow of a democratically elected Iranian government.” Obama was referring to the 1953 coup that toppled Iranian Prime Minister Mohammad Mosaddeq and consolidated the rule of the shah, Mohammad Reza Pahlavi. Obama would go on to remind his audience that Iran had also committed its share of misdeeds against Americans. But he clearly intended his allusion to Washington’s role in the coup as a concession—a public acknowledgment that the United States shared some of the blame for its long-simmering conflict with the Islamic Republic.

Yet there was a supreme irony to Obama’s concession. The history of the U.S. role in Iran’s 1953 coup may be “well known,” as the president declared in his speech, but it is not well founded. On the contrary, it rests heavily on two related myths: that machinations by the

CIA were the most important factor in Mosaddeq’s downfall and that Iran’s brief democratic interlude was spoiled primarily by American and British meddling. For decades, historians, journalists, and pundits have promoted these myths, injecting them not just into the political discourse but also into popular culture: most recently, *Argo*, a Hollywood thriller that won the 2013 Academy Award for Best Picture, suggested that Iran’s 1979 Islamic Revolution was a belated response to an injustice perpetrated by the United States a quarter century earlier. That version of events has also been promoted by Iran’s theocratic leaders, who have exploited it to stoke anti-Americanism and to obscure the fact that the clergy itself played a major role in toppling Mosaddeq.

In reality, the CIA’s impact on the events of 1953 was ultimately insignificant. Regardless of anything the United States did or did not do, Mosaddeq was bound to fall and the shah was bound to retain his throne and expand his power. Yet the narrative of American culpability has become so entrenched that it now shapes how many Americans understand the history of U.S.-Iranian relations and influences how American leaders think about Iran. In reaching out to the Islamic Republic, the United States has cast itself as a sinner expiating its previous transgressions. This has allowed the Iranian theocracy, which has abused history in a thousand ways, to claim the moral high ground, giving it an unearned advantage over Washington and the West, even in situations that have nothing to do with 1953 and in which Iran’s behavior is the sole cause of the conflict, such as the negotiations over the Iranian nuclear program.

RAY TAKEYH is Senior Fellow for Middle Eastern Studies at the Council on Foreign Relations.



Day in court: Mohammad Mosaddeq on trial, November 1953

All of this makes developing a better and more accurate understanding of the real U.S. role in Iran's past critically important. It's far more than a matter of correcting the history books. Getting things right would help the United States develop a less self-defeating approach to the Islamic Republic today and would encourage Iranians—especially the coun-

try's clerical elite—to claim ownership of their past.

HONEST BROKERS

In the years following World War II, Iran was a devastated country, recovering from famine and poverty brought on by the war. It was also a wealthy country, whose ample oil reserves fueled the

engines of the British Empire. But Iran's government didn't control that oil: the wheel was held by the Anglo-Iranian Oil Company, whose majority shareholder happened to be the British government. By the early 1950s, as assertive nationalism swept the developing world, many Iranians were beginning to see this colonial-era arrangement as an unjust, undignified anachronism.

So strong was the desire to take back control of Iran's national resources that it united the country's liberal reformers, its intelligentsia, elements of its clerical establishment, and its middle-class professionals into a coherent political movement. At the center of that movement stood Mosaddeq, an upper-class lawyer who had been involved in Iranian politics from a young age, serving in various ministries and as a member of parliament. Toward the end of World War II, Mosaddeq reemerged on the political scene as a champion of Iranian anticolonialism and nationalism and managed to draw together many disparate elements into his political party, the National Front. Mosaddeq was not a revolutionary; he was respectful of the traditions of his social class and supported the idea of constitutional monarchy. But he also sought a more modern and more democratic Iran, and in addition to the nationalization of Iran's oil, his party's agenda called for improved public education, freedom of the press, judicial reforms, and a more representative government.

In April 1951, the Iranian parliament voted to appoint Mosaddeq prime minister. In a clever move, Mosaddeq insisted that he would not assume the office unless the parliament also approved an act he had proposed that would nationalize the Iranian oil industry. Mosaddeq

got his way in a unanimous vote, and the easily intimidated shah capitulated to the parliament's demands. Iran now entered a new and more dangerous crisis.

The United Kingdom, a declining empire struggling to adjust to its diminished influence, saw the Anglo-Iranian Oil Company as a crucial source of energy and profit, as well as a symbol of what little imperial prestige the country had managed to cling to through the end of World War II. So London responded to the nationalization with fury. It warned European companies doing business in Iran to pull out or face retribution, and the still potent British navy began interdicting ships carrying Iranian oil on the grounds that they were transporting stolen cargo. These moves—coupled with the fact that the Western oil giants, which were siding with London, owned nearly all the tankers then in existence—managed to effectively blockade Iran's petroleum exports. By 1952, Iran's Abadan refinery, the largest in the world at the time, was grinding to a halt.

From the outset of the nationalization crisis, U.S. President Harry Truman had sought to settle the dispute. The close ties between the United States and the United Kingdom did not lead Washington to reflexively side with its ally. Truman had already demonstrated some regard for Iran's autonomy and national interests. In 1946, Soviet Premier Joseph Stalin had sought to seize Iran's northern provinces by refusing to withdraw Soviet forces that were deployed there during the war. Truman objected, insisting on maintaining Iran's territorial integrity even if it meant rupturing the already frayed U.S. alliance with the Soviets; Stalin backed off. Similarly, when it came to the fight to control Iran's oil, the

Americans played the role of an honest broker. Truman dispatched a number of envoys to Tehran who urged the British to acknowledge the legitimacy of the parliament's nationalization act while also pressing the Iranians to offer fair compensation for expropriated British assets.

In the meantime, Washington continued providing economic assistance to Iran, as it had ever since the war began—assistance that helped ease the pain of the British oil blockade. And the Americans dissuaded the British from using military force to compel Iran to relent, as well as rejecting British pleas for a joint covert operation to topple Mosaddeq.

But Truman's mediation fell short, owing more to Mosaddeq's intransigence than any American missteps. Mosaddeq, it seemed, considered no economic price too high to protect Iran's autonomy and national pride. In due course, Mosaddeq and his allies rejected every U.S. proposal that preserved any degree of British participation in Iran's oil sector. It turned out that defining Iran's oil interests in existential terms had handcuffed the prime minister: any compromise was tantamount to forfeiting the country's sovereignty.

TRUE COLORS

By 1952, the conflict had brought Iran's economy to the verge of collapse. Tehran had failed to find ways to get its oil around the British embargo and, deprived of its key source of revenue, was facing mounting budget deficits and having difficulty meeting its payroll. Washington began to fear that through his standoff with the British, Mosaddeq had allowed the economy to deteriorate so badly that his continued rule would pave the way for Tudeh, Iran's

communist party, to challenge him and take power.

And indeed, as the dispute dragged on, Mosaddeq was faced with rising dissent at home. The cause of nationalization was still popular, but the public was growing weary of the prime minister's intransigence and his refusal to accept various compromise arrangements. The prime minister dealt with the chorus of criticism by expanding his mandate through constitutionally dubious means, demanding special powers from the parliament and seeking to take charge of the armed forces and the Ministry of War, both of which had long been under the shah's control.

Even before the Western intelligence services devised their plots, Mosaddeq's conduct had already alienated his own coalition partners. The intelligentsia and Iran's professional syndicates began chafing under the prime minister's growing authoritarianism. Mosaddeq's base of support within the middle classes, alarmed at the economy's continued decline, began looking for an alternative and drifted toward the royalist opposition, as did the officer corps, which had suffered numerous purges.

Mosaddeq's supporters among the clergy, who had endorsed the nationalization campaign and had even encouraged the shah to oppose the United Kingdom's imperial designs, now began to reconsider. The clergy had never been completely comfortable with Mosaddeq's penchant for modernization and had come to miss the deference they received from the conservative and insecure shah. Watching Iran's economy collapse and fearing, like Washington, that the crisis could lead to a communist takeover, religious leaders such as Ayatollah

Abul-Qasim Kashani began to subtly shift their allegiances. (Since the Islamic Revolution of 1979, Iran's theocratic rulers have attempted to obscure the inconvenient fact that, at a critical juncture, the mullahs sided with the shah.)

The crisis finally came to a head in February 1953, when the royal court, fed up with Mosaddeq's attempts to undermine the monarchy, suddenly announced that the shah intended to leave the country for unspecified medical reasons, knowing that the public would interpret the move as a signal of the shah's displeasure with Mosaddeq. The gambit worked, and news of the monarch's planned departure caused a serious confrontation between Mosaddeq and his growing list of detractors. Kashani joined with disgruntled military officers and purged politicians and publicly implored the shah to stay. Protests engulfed Tehran and many provincial cities, and crowds even attempted to ransack Mosaddeq's residence. Sensing the public mood, the shah canceled his trip.

This episode is particularly important, because it demonstrated the depth of authentic Iranian opposition to Mosaddeq; there is no evidence that the protests were engineered by the CIA. The demonstrations also helped the anti-Mosaddeq coalition solidify. Indeed, it would be this same coalition, with greater support from the armed forces, that would spearhead Mosaddeq's ouster six months later.

THE PLOT THICKENS

The events of February made an impression on a frustrated Washington establishment. The CIA reported to U.S. President Dwight Eisenhower,

who had inherited the Iranian dilemma when he took office a month earlier, that "the institution of the Crown may have more popular backing than we expected." Secretary of State John Foster Dulles cabled the U.S. embassy in Tehran that "there appears to be [a] substantial and relatively courageous opposition group both within and outside [the] Majlis [Iran's parliament]. We gather Army Chiefs and many civilians [are] still loyal to the Shah and would act if he gave them positive leadership, or even if he merely acquiesced in [a] move to install [a] new government."

After the protests, the Majlis became the main seat of anti-Mosaddeq agitation. Since Mosaddeq's ascension to the premiership, his seemingly arbitrary decision-making, his inability to end the oil crisis, and the narrowing of his circle to a few trusted aides had gradually alienated many parliamentarians. In response, the prime minister decided to eliminate the threat by simply dissolving the Majlis. Doing so required executing a ploy of dubious legality, however: on July 14, all the National Front deputies loyal to Mosaddeq resigned their posts at once, depriving the chamber of the necessary quorum to function. Mosaddeq then called for a national referendum to decide the fate of the paralyzed legislature. But this was hardly a good-faith, democratic gesture; the plebiscite was marred by boycotts, voting irregularities, and mob violence, and the results surprised no one: Mosaddeq's proposal to dissolve parliament was approved by 99 percent of the voters. Mosaddeq won his rigged election, but the move cost him what remained of his tattered legitimacy.

Meanwhile, Mosaddeq seemed determined to do everything he could



Homecoming king: the shah returns to Iran, August 1953

to confirm Washington's worst fears about him. The prime minister thought that he could use U.S. concerns about the potential for increased Soviet influence in Iran to secure greater assistance from Washington. During a meeting in January, Mosaddeq had warned Loy Henderson, the U.S. ambassador, that unless the United States provided him

with sufficient financial aid, "there will be [a] revolution in Iran in 30 days." Mosaddeq also threatened to sell oil to Eastern bloc countries and to reach out to Moscow for aid if Washington didn't come through. These threats and entreaties reached a climax in June, when Mosaddeq wrote Eisenhower directly to plead for increased U.S. economic assistance,

insisting that if it were not given right away, “any steps that might be taken tomorrow to compensate for the negligence of today might well be too late.” Eisenhower took nearly a month to respond and then firmly told Iran’s prime minister that the only path out of his predicament was to settle the oil dispute with the United Kingdom.

By that point, however, Washington was already actively considering a plan the British had developed to push Mosaddeq aside. The British intelligence agency, MI6, had identified and reached out to a network of anti-Mosaddeq figures who would be willing to take action against the prime minister with covert American and British support. Among them was General Fazlollah Zahedi, a well-connected officer who had previously served in Mosaddeq’s cabinet but had left after becoming disillusioned with the prime minister’s leadership and had immersed himself in opposition politics. Given its history of interference in Iran, the British government also boasted an array of intelligence sources, including members of parliament and journalists, whom it had subsidized and cultivated. London could also count on a number of influential bazaar merchants who, in turn, had at their disposal thugs willing to instigate violent street protests.

The CIA took a rather dim view of these British agents, believing that they were “far overstated and oversold.” Nevertheless, by May, the agency had embraced the basic outlines of a British plan to engineer the overthrow of Mosaddeq. The U.S. embassy in Tehran was also on board: in a cable to Washington, Henderson assured the Eisenhower administration that “most Iranian politicians friendly to the West would wel-

come secret American intervention which would assist them in attaining their individual or group political ambitions.”

The joint U.S.-British plot for covert action was code-named *TRAJAX*. Zahedi emerged as the linchpin of the plan, as the Americans and the British saw him as Mosaddeq’s most formidable rival. The plot called for the CIA and MI6 to launch a propaganda campaign aimed at raising doubts about Mosaddeq, paying journalists to write stories critical of the prime minister, charging that he was corrupt, power hungry, and even of Jewish descent—a crude attempt to exploit anti-Semitic prejudices, which the Western intelligence agencies wrongly believed were common in Iran at the time. Meanwhile, a network of Iranian operatives working for the Americans and the British would organize demonstrations and protests and encourage street gangs and tribal leaders to provoke their followers into committing acts of violence against state institutions. All this was supposed to further inflame the already unstable situation in the country and thus pave the way for the shah to dismiss Mosaddeq.

Indeed, the shah would be the plot’s central actor, since he retained the loyalty of the armed forces and only he had the authority to dismiss Mosaddeq. “If the Shah were to give the word, probably more than 99% of the officers would comply with his orders with a sense of relief and with the hope of attaining a state of stability,” a U.S. military attaché reported from Tehran in the spring of 1953.

IF AT FIRST YOU DON’T SUCCEED

On July 11, Eisenhower approved the plan, and the CIA and MI6 went to work.

The Western intelligence agencies certainly found fertile ground for their machinations, as the turmoil sweeping Iran had already seriously compromised Mosaddeq's standing. It appeared that all that was left to do was for the shah to officially dismiss the prime minister.

But enlisting the Iranian monarch proved more difficult than the Americans and the British had initially anticipated. On the surface, the shah seemed receptive to the plot, as he distrusted and even disdained his prime minister. But he was also clearly reluctant to do anything to further destabilize his country. The shah was a tentative man by nature and required much reassurance before embarking on a risky course. The CIA did manage to persuade his twin sister, Princess Ashraf, to press its case with her brother, however. Also urging the shah to act were General Norman Schwarzkopf, Sr., a U.S. military officer who had trained Iran's police force and enjoyed a great deal of influence in the country, and Kermit Roosevelt, Jr., a CIA official who had helped devise the plot. Finally, on August 13, 1953, the shah signed a royal decree dismissing Mosaddeq and appointing Zahedi as the new prime minister.

Zahedi and his supporters wanted to make sure that Mosaddeq received the decree in person and thus waited for more than two days before sending the shah's imperial guards to deliver the order to the prime minister's residence at a time when Zahedi was certain Mosaddeq would be there. By that time, however, someone had tipped Mosaddeq off. He refused to accept the order and instead had his security detail arrest the men the shah had sent. Zahedi went into hiding, and the shah fled the country,

going first to Iraq and then to Italy. The plot, it seemed, had failed. Mosaddeq took to the airwaves, claiming that he had disarmed a coup, while neglecting to mention that the shah had dismissed him from office. Indeed, it was Mosaddeq, not the shah or his foreign backers, who failed to abide by Iran's constitution.

After the apparent failure of the coup, a mood of resignation descended on Washington and London. According to an internal review prepared by the CIA in 1954, after Mosaddeq's refusal to follow the shah's order, the U.S. Department of State determined that the operation had been "tried and failed," and the official British position was equally glum: "We must regret that we cannot consider going on fighting." General Walter Bedell Smith, Eisenhower's confidant and wartime chief of staff, who was now serving as undersecretary of state, had the unenviable task of informing the president. In a note to Eisenhower, Smith wrote:

The move failed. . . . Actually, it was a counter-coup, as the Shah acted within his constitutional power in signing the [decree] replacing Mosaddeq. The old boy wouldn't accept this and arrested the messenger and everybody else involved that he could get his hands on. We now have to take a whole new look at the Iranian situation and probably have to snuggle up to Mosaddeq if we're going to save anything there.

The White House, the leadership of the CIA, and the U.S. embassy in Tehran all shared the view that the plot had failed and that it was time to move on. It seems that some operatives in the CIA station in Tehran thought there was still

a chance that Zahedi could succeed, if he asserted himself. The station might even have maintained some contact with Zahedi; it's not clear whether it did or not. What is clear is that by that point, the attempt to salvage the coup became very much an Iranian initiative.

A TRAGIC FIGURE

In the aftermath of the failed coup, chaos reigned in Tehran and political fortunes shifted quickly. The Tudeh Party felt that its time had finally come, and its members poured into the streets, waving red flags and destroying symbols of the monarchy. The more radical members of the National Front, such as Foreign Minister Hossein Fatemi, also joined the fray with their own denunciations of the shah. An editorial in *Bakhtar-e Emruz*, a newspaper Fatemi controlled, castigated the royal court as “a brothel, a filthy, corrupt place”; another editorial in the same newspaper warned the shah that the nation “is thirsty for revenge and wants to see you on the gallows.” Such talk alarmed military officers and clerics and also outraged many ordinary Iranians who still respected the monarchy. Mosaddeq himself did not call for disbanding the monarchy. Despite his attempts to expand his powers at the shah's expense, Mosaddeq remained loyal to his vision of a constitutional monarchy.

The shah issued a statement from exile declaring that he had not abdicated the throne and stressing the unconstitutionality of Mosaddeq's claim to power. Meanwhile, Zahedi and his coconspirators continued their resistance. Zahedi reached out to armed military units in the capital and in the provinces that remained loyal to the shah and told their commanders

to prepare for mobilization. Zahedi also sought to widely broadcast the shah's decree dismissing Mosaddeq and appointing Zahedi himself as prime minister, and the CIA station in Tehran appears to have helped distribute the message through both domestic and foreign media.

The efforts to publicize the shah's decree and Mosaddeq's studied silence are instructive. Many accounts of the coup, including Roosevelt's, cast the shah as an unpopular and illegitimate ruler who maintained the throne only with the connivance of foreigners. But if that were the case, then Zahedi and his allies would not have worked so hard to try to publicize the shah's preferences. The fact that they did suggests that the shah still enjoyed a great deal of public and institutional support, at least in the immediate aftermath of Mosaddeq's counter coup; indeed, the news of the shah's departure provoked uprisings throughout the country.

These demonstrations did not fundamentally alter the views of U.S. representatives in Iran. As Henderson later recalled, he initially did not take the turmoil very seriously and cabled the State Department that “it would probably have little significance.” Momentum soon built within Iran, however. The clergy stepped into the fray, with mullahs inveighing against Mosaddeq and the National Front. Kashani and other major religious figures urged their supporters to take to the streets. Unlike some of the demonstrations that had taken place earlier in the summer, these protests were not the work of the CIA's and MI6's clients. A surprised official at the U.S. embassy reported that the crowds “appeared to be led and directed by civilians rather than military. Participants

not of hoodlum type, customarily pre-dominant in recent demonstrations in Tehran. They seemed to come from all classes of people including workers, clerks, shopkeepers, students, et cetera.” A CIA assessment noted that “the flight of [the] Shah brought home to the populace in a dramatic way how far Mosaddeq had gone, and galvanized the people into an irate pro-Shah force.”

Mosaddeq was determined to halt the revolutionary surge and commanded the military to restore order. Instead, many soldiers joined in the demonstrations, as chants of “Long live the shah!” echoed in the capital. On August 19, the army chief of staff, General Taqi Riahi, who had stayed loyal to Mosaddeq until then, telephoned the prime minister to confess that he had lost control of many of his troops and of the capital city. Royalist military units took over Tehran’s main radio station and several important government ministries. Seeing his options narrowing, Mosaddeq went into hiding in a neighbor’s house. But the prime minister was too much of a creature of the establishment to remain on the run for long, and he soon turned himself in. A few months later, Mosaddeq was convicted of treason, for which the mandatory punishment was execution. However, given his age, his long-standing service to the country, and his role in nationalizing Iran’s oil industry, the sentence was commuted to three years in prison. In practice, he would go on to serve a life sentence, spending the remaining 14 years of his life confined to his native village.

Mosaddeq was a principled politician with deep reverence for Iran’s institutions and constitutional order. He had spent his entire public life defending the rule

of law and the separation of powers. But the pressures of governing during a crisis accentuated troubling aspects of his character. His need for popular acclaim blinded him to compromises that could have resolved the oil conflict with the United Kingdom and thus protected Iran’s economy. Worse, by 1953, Mosaddeq—the constitutional parliamentarian and champion of democratic reform—had turned into a populist demagogue: rigging referendums, intimidating his rivals, disbanding parliament, and demanding special powers.

Popular lore gets two things right: Mosaddeq was indeed a tragic figure, and a victim. But his tragedy was that he couldn’t find a way out of a predicament that he himself was largely responsible for creating. And more than anyone else, he was a victim of himself.

THE MYTH OF U.S. FINGERPRINTS

Since 1953, and especially since the 1979 Islamic Revolution that toppled the shah, the truth about the coup has been obscured by self-serving narratives concocted by Americans and Iranians alike. The Islamic Republic has done much to propagate the notion that the coup and the conspiracy against Mosaddeq demonstrated an implacable American hostility to Iran. Theocratic revolutionaries have been assisted in this distortion by American accounts that grossly exaggerate the significance of the U.S. role in pushing Mosaddeq from power. Chief among these is the version that appears in Roosevelt’s self-aggrandizing 1979 book, *Countercoup: The Struggle for the Control of Iran*. In his Orientalist rendition, Roosevelt landed in Tehran with a few bags of cash and easily manipulated the

benighted Iranians into carrying out Washington's schemes.

Contrary to Roosevelt's account, the documentary record reveals that the Eisenhower administration was hardly in control and was in fact surprised by the way events played out. On the eve of the shah's triumph, Henderson reported in a cable to Washington that the real cause of the coup's success was that "most armed forces and great numbers [of] Iranian civilians [are] inherently loyal to [the] Shah whom they have been taught to believe is [a] symbol of national unity as well as of [the] stability of the country." As Iran underwent its titanic internal struggle, even the CIA seemed to be aware that its own machinations had proved relatively unimportant. On August 21, Charles Cabell, the agency's acting director, reported to Eisenhower that "an unexpectedly strong upsurge of popular and military reaction to Prime Minister Mosaddeq's Government has resulted, according to late dispatches from Tehran, in the virtual occupation of that city by forces proclaiming their loyalty to the Shah and his appointed Prime Minister Zahedi."

In addition to overstating the American and British hand in orchestrating Mosaddeq's downfall and the shah's restoration, the conventional narrative of the coup neglects the fact that the shah was still popular in the early 1950s. He had not yet become the megalomaniac of the 1970s, but was still a young, hesitant monarch deferential to Iran's elder statesmen and grand ayatollahs and respectful of the limits of his powers.

But the mythological version of the events of 1953 has persisted, partly because since the Islamic Revolution,

making the United States out to be the villain has served the interests of Iran's leaders. Another reason for the myth's survival is that in the aftermath of the debacle in Vietnam and in the wake of congressional investigations during the mid-1970s that revealed the CIA's involvement in covert attempts to foment coups overseas, many Americans began to question the integrity of their institutions and the motives of their government; it hardly seemed far-fetched to assume that the CIA had been the main force behind the coup in Iran.

Whatever the reason for the persistence of the mythology about 1953, it is long past time for the Americans and the Iranians to move beyond it. As Washington and Tehran struggle to end their protracted enmity, it would help greatly if the United States no longer felt the need to keep implicitly apologizing for its role in Mosaddeq's ouster. As for the Islamic Republic, at a moment when it is dealing with internal divisions and uncertainties about its future, it would likewise help for it to abandon its outdated notions of victimhood and domination by foreigners and acknowledge that it was Iranians themselves who were the principal protagonists in one of the most important turning points in their country's history. 🌐



HOW DO WE RECONCILE POWER AND JUSTICE?

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What Really Happened in Congo

The CIA, the Murder of Lumumba, and the Rise of Mobutu

Stephen R. Weissman

It didn't take long for Congo's transition from Belgian colony to sovereign state to turn ugly. Both the Soviet Union and the United States were keeping a close eye on the mineral-rich country at the heart of Africa when, on June 30, 1960, it gained independence under a democratically elected government headed by Prime Minister Patrice Lumumba. A charismatic nationalist, Lumumba led the only party in parliament with a nationwide, rather than ethnic or regional, base. Within days, however, Congo's troops mutinied against their all-white officer corps (a holdover from the colonial era) and started terrorizing the European population. Belgium responded by sending forces to reoccupy the country and helping Congo's richest province, Katanga, secede. The United States, declining the appeals for help from the new Congolese government, instead threw its support behind a UN peacekeeping mission, which it hoped would obviate any Congolese

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requests for Soviet military assistance. But Lumumba quickly came into conflict with the UN for its failure to expel the Belgian troops and end Katanga's secession. After issuing a series of shifting ultimatums to the UN, he turned to Moscow for help, which responded by sending transport planes to fly Lumumba's troops into Katanga.

That's when the Eisenhower administration sent in the CIA. In the decades that followed, the dominant narrative in U.S. foreign policy circles portrayed the U.S. covert action in Congo as a surgical, low-cost success. Even the 1975 U.S. Senate investigation by the Church Committee, which was heavily critical of the CIA, concluded that of the five covert paramilitary campaigns it studied, the operation in Congo was the only one that "achieved its objectives." Those who hold this view credit the U.S. government with avoiding a direct military confrontation with the Soviet Union and China while foiling the communists' attempts to gain influence over a key African country. They acknowledge that the CIA contributed to the fall of Lumumba, who lost a power struggle with Joseph Mobutu, the pro-Western head of Congo's army, in September 1960. But they maintain that even though the CIA plotted to assassinate Lumumba—once even trying to get a recruit to poison his toothpaste or food—it never did so, and had no hand in his eventual murder, in January 1961. They also recognize the agency's contribution to the military defeat of Lumumba's followers. As for Mobutu, who would go on to become one of Africa's most enduring and venal leaders, proponents of the orthodox account argue that his faults became



Hands tied: Lumumba's capture in Léopoldville, December 1960

clear only later, many years after CIA involvement had run its course.

Over the years, many scholars and journalists have challenged parts of this orthodoxy, and public perception has begun to catch up. But their case has been hampered by the shortage of official documentary evidence. Recently, however, new evidence has become available, and it paints a far darker picture than even the critics imagined. The key sources include files from the Church Committee, which have been slowly declassified over the last 20 years; a 2001 Belgian parliamentary investigation into Lumumba's murder; and a new volume, released last year, of Foreign Relations of the United States, the State Department series that presents a document-by-document record of U.S.

decision-making. The new volume, on Congo, contains the most extensive set of CIA operational documents ever published.

We now know that even though the threat of communism in Congo was quite weak at the time of Congo's independence, the CIA engaged in pervasive political meddling and paramilitary action between 1960 and 1968 to ensure that the country retained a pro-Western government and to help its pathetic military on the battlefield. So extensive were these efforts that at the time, they ranked as the largest covert operation in the agency's history, costing an estimated \$90–\$150 million in current dollars, not counting the aircraft, weapons, and transportation and maintenance services provided by the Defense Department. The CIA had a hand in every one

of Congo's major political turning points during the period and maintained a financial and political relationship with every head of its government. And contrary to the conclusion of the Church Committee, Lawrence Devlin, the CIA station chief in Congo for most of the period, had direct influence over the events that led to Lumumba's death.

Not only was U.S. involvement extensive; it was also malignant. The CIA's use of bribery and paramilitary force succeeded in keeping a narrow, politically weak clique in power for most of Congo's first decade of independence. And the very nature of the CIA's aid discouraged Congolese politicians from building genuine bases of support and adopting responsible policies. The agency's legacy of clients and techniques contributed to a long-running spiral of decline, which was characterized by corruption, political turmoil, and dependence on Western military intervention. So dysfunctional was the state that in 1997 it outright collapsed—leaving behind instability that continues to this day.

PLAYING POLITICS

In the beginning, U.S. covert action in Congo was exclusively political in nature. Washington worried that Lumumba was too erratic and too close to the Soviets and that if he stayed in power, Congo could fall into further chaos and turn communist. Allen Dulles, the director of the CIA, cabled the CIA station in Léopoldville, the capital, in August 1960: "We conclude that his removal must be an urgent and prime objective and that under existing conditions this should be a high priority of our covert action." So the CIA station, in tandem

with Belgian intelligence officials, subsidized two opposition senators who attempted to organize a vote of no confidence against Lumumba's government. The plan was for Joseph Kasavubu, Congo's president and Lumumba's rival, to dissolve the government after the vote and nominate one of the senators as the new prime minister. The CIA also funded anti-Lumumba street demonstrations, labor movements, and propaganda.

But Kasavubu, encouraged by the Belgians, jumped the gun and publicly fired Lumumba two days before the vote was to be held. Lumumba responded by refusing to withdraw and continuing to dominate parliament, which would have to approve a new government. Devlin quickly found a solution to the stalemate in Mobutu, the 29-year-old army chief of staff. In two meetings, Mobutu told Devlin that he was moving troops to the capital and pleaded for U.S. help in acting against Lumumba. Devlin agreed to finance his efforts, subsequently telling CIA debriefers that, as the new Foreign Relations of the United States volume puts it, "this was the beginning of the plan for Mobutu to take over the government." On September 14, Mobutu announced that he was suspending parliament and the constitution. He sacked Lumumba and kept on Kasavubu, but now Mobutu was the power behind the throne.

The CIA rushed to his side with more money, warnings about assassination plots, and recommendations for ministerial appointments. It counseled Mobutu to reject reconciliation with Lumumba and instead arrest him and his key associates, advice Mobutu readily accepted. Devlin became not

just the paymaster but also an influential de facto member of the government he had helped install. His principal vehicle was the so-called Binza Group, a caucus of Mobutu's political allies that got its name from the Léopoldville suburb where most of them lived. It included Mobutu's security chief and his foreign and finance ministers. In the months after the coup, the group consulted Devlin on major political and military matters, especially those dealing with Lumumba, who was now under house arrest but protected by UN troops.

The group almost always heeded Devlin's advice. In October, for example, Mobutu threatened to expand his power by firing President Kasavubu—which would have deprived the government of its last shred of political legitimacy. So Devlin persuaded him to accept a compromise instead, under which Mobutu would work with a council of associates—all paid by the CIA—that would choose cabinet ministers for Kasavubu and control parliament. Devlin also convinced the Binza Group to drop a risky plan to attack Lumumba's UN security detail and arrest Lumumba.

On January 14, 1961, Devlin was informed by a government leader that Lumumba, who had escaped from UN protection and been captured by Mobutu's troops, was about to be transferred to the Belgian-backed secessionist province of South Kasai, whose leader had vowed to murder him. In his subsequent, January 17 cable reporting this critical contact to CIA headquarters, Devlin gave no indication that he had voiced any opposition to the plan. Given his intimate working

relationship with Congo's rulers and his previous successful interventions with them concerning Lumumba, Devlin's permissive stance was undoubtedly a major factor in the government's decision to move Lumumba.

But Devlin did more than give a green light to the transfer. He also deliberately kept Washington out of the loop—an exception for a covert program that was being closely managed by the CIA, the State Department, and the National Security Council. On the same day that he was informed of Lumumba's prospective transfer, Devlin learned that the State Department had denied his and CIA headquarters' urgent request for funds to pay off a key Congolese garrison on the verge of a mutiny that threatened to restore Lumumba to power. John F. Kennedy was to take office in six days, and the State Department considered the request "one of high policy" that should wait for the new administration to decide.

Seeing his preferred method for preventing Lumumba's comeback blocked, Devlin may have viewed the impending transfer as a promising Plan B. But he also knew that if he told headquarters about the plan, it would consult the State Department, which, given its response to his last request, would almost certainly have considered the U.S. position on the transfer a matter for the incoming administration. All of that meant that if Washington had been fully informed about the plot, it might well have tried to put the brakes on it through Devlin, the Binza Group, and their Belgian advisers. Moreover, Devlin knew that the Kennedy transition team was reconsidering the Eisenhower administration's hard-line policy toward Lumumba. So

even as he communicated with headquarters about other matters, Devlin withheld information about the planned transfer for three days, until the move was already under way. In a last-minute switch, Lumumba was sent to Katanga, the other Belgian-supported secessionist province, whose powerful interior minister had repeatedly called for his scalp. By the time Devlin's January 17 cable arrived in Washington, Lumumba had been shot dead in Katanga.

Rather than end the struggle for control of Congo, Lumumba's assassination only intensified it. In August 1961, the United States, under pressure from the UN and a pro-Lumumba state in eastern Congo, agreed that the Congolese parliament should reconvene to select a new national government. But the CIA used bribes to ensure that the new government was led by its ally Cyrille Adoula. While the resulting power-sharing deal did include some Lumumbists, as Lumumba's supporters were called, the most important positions went to members of the Binza Group (with Mobutu himself remaining head of the army).

Once Adoula was in office, the CIA provided him with a public relations firm to help him bolster his image abroad and an adviser who wrote speeches for him. The CIA also bribed parliament, the Binza Group, a labor union, and an organization of tribal chiefs to back the new leader. Meanwhile, Devlin continued to behave like a member of the government. At the Binza Group's behest, he persuaded Adoula not to make concessions to his Lumumbist deputy prime minister. When Adoula decided to fire Mobutu, Devlin convinced him to drop the idea. Adoula even asked Devlin to

canvas political leaders in order to gauge his own parliamentary support. In November 1961, after only a year and a half on the job, Devlin cabled CIA headquarters that the agency could "take major credit for the fall of the Lumumba [government], the success of the Mobutu coup and considerable credit for Adoula's nomination as premier."

UP IN THE AIR

Adoula's government didn't perform as well as Washington had hoped: soldiers were forced to live off the land, avaricious officials looted the Treasury, and inflation sapped the incomes of everyone else. After Adoula removed nearly all his Lumumbist ministers and dissolved parliament in 1963, the Lumumbists returned to their home provinces and took to arms. By early 1964, their rebellion had swept across almost half the country. Alarmed by the insurgency, the Binza Group and Kasavubu decided to replace Adoula with someone they thought would deal with it more effectively: Moïse Tshombe, the former secessionist leader of Katanga, whose breakaway government had murdered Lumumba in 1961. The CIA acquiesced to the change, adding tribal supporters of Tshombe and other key politicians to its existing payroll. It also added a major paramilitary thrust to its political program in Congo.

The agency endowed Tshombe's new government with an "instant air force" to defeat the rebels, who were then receiving modest advisory and financial assistance from the Chinese. The unit, composed mainly of American planes piloted by Cuban exiles, enabled the advance of white mercenaries (predominantly South



Partner in crime: Mobutu in Léopoldville, September 1960

Africans and Rhodesians) who were leading the Congolese government forces. In August 1964, a National Security Council committee had signed off on a plan for 41 combat and transport aircraft and almost 200 personnel (Cuban air crews and European ground maintenance workers). In early 1965, the CIA added a small navy, also staffed by Cubans, to the mix to hamper shipments of military supplies to the rebels from neighboring Tanzania across Lake Tanganyika.

Washington was joining a particularly bloody conflict. When they seized rebel-held areas, the white mercenaries and government forces indiscriminately slaughtered the rebels and civilians they found there. Although there was

no systematic counting of the casualties, it is estimated that at least 100,000 Congolese perished during this phase of the war. The insurgents killed about 300 Americans and Europeans whom they had taken hostage following the fall of Stanleyville, the rebel capital.

By the fall of 1965, the Congolese army and its foreign helpers had largely succeeded in regaining control of the country, but another threat loomed: increasing political competition between President Kasavubu and Prime Minister Tshombe. Both the U.S. government and the Binza Group feared that the conflict between the two men could cause one of the contenders to look for support from the more radical African

regimes. As the crisis reached its apogee, Mobutu told Devlin that he was considering launching another coup, to replace both Kasavubu and Tshombe, or finding some other unidentified solution. On November 22, the United States responded by increasing CIA financing for Mobutu's officers and giving Mobutu *carte blanche* to act as he saw fit.

Within three days, Mobutu bloodlessly seized power, a result that Devlin called "the best possible solution." The CIA responded with still more money, which Mobutu used to pay off key officers, political leaders, and tribal chiefs. Throughout 1966 and 1967, the agency forwarded Mobutu intelligence about threats to his regime, uncovering a number of major plots (one of which ended with the public hanging of the alleged conspirators). And the CIA's covert air force, along with overt transportation help from the Pentagon, helped Mobutu fend off two mercenary-led mutinies.

In October 1966, Mobutu threw out the U.S. ambassador for failing to show enough respect for his newly elevated status and stopped requesting his monthly CIA stipend. Two years later, Mobutu changed his mind and asked the CIA for more money—which he got. By then, the CIA had wrapped up its paramilitary program and limited its political funding to four key people other than Mobutu. From the U.S. perspective, with no more legal opposition to control and no more Lumumbist rebels or pro-Tshombe mercenaries to fight, Congo could be transitioned to purely overt U.S. military and economic assistance.

THE DAMAGE DONE

Unfortunately, the full picture of the CIA's involvement in Congo remains

partly obscured. Concerned about protecting its sources and methods, the agency managed to delay the publication of the new volume of *Foreign Relations of the United States* for over a decade. And the version that was finally released takes an overly cautious approach to redactions, withholding four documents in their entirety, cutting 22 by more than a paragraph, omitting the financial costs of specific activities, and attempting to guard the identities of the CIA's key Congolese clients besides Mobutu. Five decades after the events in question, most of these excisions seem hard to justify, especially given that historians, journalists, and even Devlin himself have already exposed the main actors' identities.

Still, it is clear that the CIA programs of the 1960s distorted Congolese politics for decades to come. This is not to argue that in the absence of U.S. meddling, Congo would have established a Western-style representative government. But even in a region with plenty of autocracies, the country has stood out for its extreme dysfunction. Ever since the CIA's intervention, Congo's leaders have been distinguished by a unique combination of qualities: scant political legitimacy, little capacity for governing, and corruption so extensive that it devours institutions and norms. In the years following U.S. covert action, these qualities led to economic disaster, recurrent political instability, and Western military intervention. Finally, in 1997, rebels headed by a former Lumumbist and backed by military forces from Rwanda, Uganda, and Angola sent Mobutu packing, leading to a regional war that would kill more than three and a half million people over the next decade.

Of course, the main author of all of this misrule was Mobutu. But given that he would never have been able to consolidate control were it not for the CIA cash he distributed to his allies, as he himself admitted to the agency, the United States must bear some responsibility for what Mobutu wrought. Furthermore, the CIA's predominant techniques—corruption and external force—constituted a tutorial on irresponsible governance. Weaned on the agency's bribery, Mobutu and his associates never had to compete for the affection of the broader public and develop a real political base and had no incentive to put the state's resources to good use. And because Mobutu could depend on the CIA's paramilitary support, he felt no pressure to develop even a minimally capable military. In fact, even though he managed in the chaos of independence to be appointed army chief of staff, he was an incompetent military leader. By 1964, his army had, according to Averell Harriman, the U.S. undersecretary of state for political affairs, proved its "worthlessness," being incapable of securing key territory without help from foreign mercenaries. What Mobutu was immensely talented at, of course, was the skill that the Americans had taught him: wheedling bribes. Twice, he even persuaded Devlin to reimburse him for army funds that he claimed to have used for unauthorized expenses or CIA objectives, arguing that if rivals discovered the misuse, they might charge him with corruption.

U.S. officials outside the CIA learned of Mobutu's flaws early on. Following the 1965 coup, a State Department memorandum cautioned, "It is too early to discern where Mobutu will draw the line between corruption and the 'normal'

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use of payments and patronage to facilitate government operations.” During the white mercenary mutinies of 1966 and 1967, U.S. cables and memorandums were scathing. A National Security Council memo to the White House chief of staff described Mobutu as “somewhat inept and his chances of pulling the Congo up by its bootstraps are indeed remote.” The U.S. ambassador to Congo, Robert McBride, labeled Mobutu “irrational” and “highly unstable.” President Lyndon Johnson’s national security adviser at the time, Walt Rostow, called him “an irritating and often stupid” man who “can be cruel to the point of inhumanity.” In 1968, McBride sent a cable to the State Department that took note of the president’s new luxury airplane, plan for parks modeled on Versailles, thoughts of building a replica of Saint Peter’s Basilica in each of Congo’s three largest cities, and acquisition of a Swiss villa. McBride concluded,

I believe there is nothing which can be done to restrain these frivolous Presidential expenditures because Mobutu has apparently risen in soufflé-like grandiloquence. I feel that to call his attention to the dangers of this type of thing . . . would be to incur instant wrath.

However, I felt a brief report should be made on [this] regrettable phenomenon because I believe it is the most serious problem facing Congo at present time and the fault is that of the President and the uncontrollable spending is emanating directly from him. Furthermore, it occurred to me this might have an effect on US policies towards the present regime in the Congo.

OUR MAN

What McBride seemed not to realize was that eight years of covert action had done much to rule out any alternative U.S. policy, then or ever. The CIA had not only fostered a regime; it had stamped it “made in America” for future policy-makers in Washington. As Mobutu’s government lurched from crisis to crisis, it continued to enjoy U.S. and Western financial and military help. Over the years, many in Congress and some dissidents in the State Department did urge the U.S. government to push for economic and political reforms in the country that Mobutu had renamed Zaire in 1971. Failing that, they said, it should distance itself from Mobutu and cultivate political ties with the opposition. When the Cold War ended, Congress finally cut off military and nonhumanitarian assistance. Yet even afterward, as the regime entered its death throes, U.S. officials could not bring themselves to abandon it and support the peaceful democratic transition proposed by the rising opposition.

Clinging to a longtime friendly dictator, even as his flaws become more risky for U.S. interests, is a well-known pathology of U.S. foreign policy. In the case of Congo, the relationship had been created and nurtured by CIA covert action. This endowed it with a special aura of intimacy, visible in the possessive language that U.S. officials used when referring to Mobutu. For Devlin, Mobutu became “almost our only anchor to the windward.” During the escalating battle between Kasavubu and Tshombe, Harold Saunders, a member of the National Security Council staff, wrote that Mobutu should be the one to resolve the conflict—by military means if necessary—because

“he is already our man.” Ten years after the subsequent coup, Edward Mulcahy, the deputy assistant secretary of state for African affairs, testified in Congress, “We do have . . . a warm spot in our hearts for President Mobutu. At a time when our aid and advice were critical for the development of Zaire, he was good enough—and I might say wise enough—to accept our suggestions and our counsel to the great profit of the state.”

Like other such questionable commitments, the United States’ long support for Mobutu was rationalized as necessary because there was no alternative but chaos. In reality, Washington squandered opportunities to push for major reforms. After Congolese exiles from Angola unsuccessfully invaded Zaire twice in the late 1970s, the United States failed to use the leverage provided by the resulting Western military intervention to seek a more inclusive government. During the opposition ferment that swept Zaire in the 1980s, it refused to support the popular demand for a second party. Even when a strong democracy movement compelled Mobutu to make political concessions in the early 1990s, the George H. W. Bush administration prevented Herman Cohen, its assistant secretary of state for African affairs, from calling for Mobutu’s resignation after Mobutu reneged on his commitments. And although the Clinton administration banned visas for Mobutu’s associates, it also endorsed his laughable plan for “free elections.”

Covert action produced a Congolese government that largely supported U.S. foreign policy, but it burdened U.S. diplomacy in Africa for decades. In particular, the overthrow and murder of Lumumba and the support for

Tshombe’s white mercenaries angered African nationalists and soured U.S. relations with many key countries, including Algeria, Ghana, Kenya, and Tanzania; these actions also antagonized liberation movements in Angola, Mozambique, South Africa, and Zimbabwe. The resentment and suspicion that the CIA’s program in Congo engendered subsided slightly as the agency’s involvement there declined, but they never disappeared, and they would resurface throughout the 1970s and 1980s whenever the West (and in particular the CIA) intervened in the region.

A COMMUNIST CONGO?

The root of the CIA’s intervention in Congo was an overhyped analysis of the communist threat. Congo scholars have long been skeptical of the notion that had Lumumba stayed in power, his government would have fallen under the sway of the Soviet Union or China. At the time, even some U.S. officials had doubts. In 1962, shortly after he retired as director of the CIA, Dulles admitted, “I think that we overrated the Soviet danger, let’s say, in the Congo.” The Kennedy administration’s initial policy paper, soon modified, advocated a broad-based government of “all principal political elements in the Congo,” to be followed by the release of Lumumba. Even at the height of the rebellion, in 1964, National Security Adviser McGeorge Bundy wrote Johnson, “What is very unclear is how deep the Chinese hand is in the rebel efforts. Harriman thinks it is pretty deep; most of the intelligence community thinks it is more marginal.” In November 1964, Michael Hoyt—the U.S. consul in rebel-held Stanleyville, who had just been released from over three months

of captivity—informed policymakers that the leaders of the Lumumbist insurgency were “within the Congolese political spectrum” and that they were “essentially pragmatic and followed their own interests.”

The skeptics were right: Lumumba was never a communist, and he would not have yielded to foreign control. He and his supporters had cut their political teeth in the struggle against colonialism, and they found any form of external domination anathema. They were far more interested in nonalignment, and the foreigners they identified with were other African independence leaders, not Khrushchev or Mao. Lumumba and his followers also understood that the communist world could never replace the massive European investment and 10,000 Belgian technicians that served as the foundation for Congo’s Western-oriented economy. Even when they accepted Soviet military assistance to help reunify their country or contest their political exclusion, they continued to appeal for support from the United States, the rest of the West, and other African countries. Yet Washington refused to help.

Archives from the former Soviet bloc confirm that although Moscow was eager to squeeze every propaganda advantage it could from the West’s difficulties in Congo, it understood that Lumumba and his followers were no Marxists, and it hedged its support for them accordingly. Following Mobutu’s 1960 coup, Moscow meekly withdrew its airplanes and military advisers from the country and did nothing to help Lumumba. It provided little aid to his successors until Lumumba’s assassination and the capture of Stanleyville by

white mercenaries outraged the rest of Africa. Even then, the Soviet Union dispatched arms but no advisers to teach the recipients how to use them. Soviet and Chinese military assistance were also constrained by the need to secure transport rights through neighboring African states, which was not always forthcoming.

In retrospect, it is clear that the U.S. officials directing Congo policy inappropriately projected their Cold War experiences in Europe, Asia, and Latin America onto Africa, where the conditions were completely different. In Congo, there had been no Soviet military occupation and no significant Marxist or communist party or cadres. Tragically, Washington spurned an alternative policy: engaging diplomatically with Lumumba and his successors as part of a broad effort to keep the Cold War out of Congo. Instead, it anointed Mobutu and other members of the Binza Group as Belgium’s heirs. Impatient and inexperienced as he was, Lumumba represented his country’s best hope for a successful postcolonial era. There is every reason to believe that working with him and other incipient democratic forces would have better served both the United States and Congo. 🌍



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What Really Happened in Chile

The CIA, the Coup Against Allende, and the Rise of Pinochet

Jack Devine

On September 9, 1973, I was eating lunch at Da Carla, an Italian restaurant in Santiago, Chile, when a colleague joined my table and whispered in my ear: “Call home immediately; it’s urgent.” At the time, I was serving as a clandestine CIA officer. Chile was my first overseas assignment, and for an eager young spymaster, it was a plum job. Rumors of a military coup against the socialist Chilean president, Salvador Allende, had been swirling for months. There had already been one attempt. Allende’s opponents were taking to the streets. Labor strikes and economic disarray made basic necessities difficult to find. Occasionally, bombs rocked the capital. The whole country seemed exhausted and tense. In other words, it was exactly the kind of place that every newly minted CIA operative wants to be.

I ducked out of the restaurant as discreetly as I could and headed to the CIA station to place a secure call to my

wife. She was caring for our five young children, and it was our first time living abroad as a family, so she could have been calling about any number of things. But I had a hunch that her call was very important and related to my work, and it was.

“Your friend called from the airport,” my wife said. “He’s leaving the country. He told me to tell you, ‘The military has decided to move. It’s going to happen on September 11. The navy will lead it off.’”

This call from my “friend”—a businessman and former officer in the Chilean navy who was also a source for the CIA—was the first indication the agency’s station in Santiago had received that the Chilean military had set a coup in motion. Not long after, a second source of mine, another prominent businessman connected to the Chilean military, called for an emergency meeting; he and I agreed to meet at his house just after dark. He confirmed the earlier report and added one key detail: the coup would begin at 7 AM. Citing my two sources, I sent CIA headquarters in Langley a special type of top-secret cable known as a CRITIC, which takes priority over all other cables and goes directly to the highest levels of government. President Richard Nixon and other top U.S. policymakers received it immediately. “A coup attempt will be initiated on 11 September,” the cable read. “All three branches of the armed forces and the *carabineros* [Chile’s national police] are involved in this action. A declaration will be read on Radio Agricultura at 7 a.m. on 11 September. . . . The *carabineros* have the responsibility for seizing President Salvador Allende.”

JACK DEVINE is Founding Partner and President of the Arkin Group. During a 32-year career at the CIA, he served as both Acting Director and Associate Director of the agency’s operations outside the United States. This essay is adapted from *Good Hunting: An American Spymaster’s Story* (Sarah Crichton Books, 2014), which he wrote with Vernon Loeb.



Regime change: carrying Allende's body, September 11, 1973

That is how the U.S. government learned of the coup in Chile. This might be hard for many Americans, Chileans, and people elsewhere to believe, since it has become conventional wisdom, especially on the left, that Washington played a crucial role in the military-led overthrow of the democratically elected Allende, which resulted in the nearly 17-year authoritarian rule of General Augusto Pinochet. The coup in Chile is often included in indictments of U.S. covert action during the Cold War, during which the United States, at the direction of a number of presidents, sometimes took actions of questionable wisdom to prevent or reverse the rise of leftists who Washington feared might lead their countries into the Soviet orbit. But I can say with conviction that the CIA did not plot with the Chilean military to overthrow Allende in 1973.

It is important to set this straight for the sake of history: the CIA should not be blamed for bad outcomes it did not produce. In general, U.S. covert operations have worked far more often than anyone not involved in intelligence work would guess. But some misguided covert operations have hurt the United States more than they helped it, including the 1961 Bay of Pigs invasion of Cuba and the coupling of covert missile sales to Iran with illegal support provided to Nicaraguan insurgents during the 1980s, which came to be known as the Iran-contra affair. To avoid such missteps, policymakers and the public need to understand what makes a covert operation wise or unwise. That distinction is often hard to see even when everyone agrees on the basic facts. The persistent mischaracterizations of Washington's role in the 1973 coup in Chile have muddied the waters, making it

harder to have a productive debate about covert action.

TWO-TRACK MINDS

Admittedly, one primary cause of the confusion about the 1973 coup is the unquestionable fact that the United States helped launch an earlier coup attempt against Allende. In September 1970, after Allende finished first in a three-way presidential election, Nixon summoned CIA Director Richard Helms to the White House and told him in no uncertain terms to foment a preventive coup—one that would keep Allende from taking office despite his victory. The leadership of the agency believed that any attempt to keep Allende from taking office would fail and also lead to bloodshed, especially in the short time frame Nixon demanded. But Nixon believed that it was essential to U.S. interests to try it and ordered the CIA to conceal the plans from the U.S. ambassador to Chile and other U.S. officials in the country. The plot came to be known as Track II—a secret complement to Track I, the political and propaganda effort that Washington had mounted earlier to keep Allende from being elected in the first place.

Track II was clearly a major mistake. The Chilean military wanted no part of a coup after the election, and the Chilean people were not supportive of blocking Allende. Even though his margin of victory was very small, Allende had been elected through a democratic system that the Chilean military had supported for more than a century. Later, his government's mishandling of the economy would galvanize opposition in both quarters. But in the early fall of 1970, Allende had not yet taken office, so

there was not even a justifiable pretext for action.

The officers in the CIA station in Santiago felt little enthusiasm for a coup, and the station chief did not hide his doubts. "Parameter of action is exceedingly narrow and available options are quite limited," he cabled Washington immediately after Allende's election victory. "Urge you do not convey impression that station has sure-fire method for halting, let alone triggering coup attempts," read another message, sent around the same time. But the White House and Langley ignored these warnings and pressed for action. In September 1970, Helms even sent the agency's head of covert operations to Santiago to tell the station chief that if he wasn't prepared to press for a coup, he could return to the United States that day. The station chief agreed to do the best he could, but he remained pessimistic.

On October 22, 1970, a group of retired military officers tried to initiate a coup by kidnapping General René Schneider, the commander in chief of the Chilean army, who staunchly opposed military intervention in Chilean politics. The CIA was aware of the plan. But the kidnapping went awry: instead of abducting Schneider, the plotters wound up killing him. The country immediately rallied around Allende, who was inaugurated 12 days later. At that point, all coup plotting ended and Nixon drastically altered his policy. The new goal was to support the political opposition and avoid giving Allende an excuse to exploit anti-American sentiment to increase his domestic popularity and international support.

THE MEDIA ACCOUNT

In response to the new policy, the CIA resumed its strategy of supporting Allende's domestic political opponents and making sure Allende did not dismantle the institutions of democracy: the media outlets, political parties, and labor organizations that formed the Chilean opposition. CIA officers were under strict orders to make contact with the military only for the purpose of gathering intelligence, not fomenting coups.

But Washington was still determined to support Allende's foes, and that meant the CIA's job was to recruit people who could supply the U.S. government with secrets and act at its behest. My first recruit was a senior Communist Party official with whom the station had maintained periodic contact for a number of years but who had not been put on the payroll. Our go-between with this official was a local businessman, who agreed to set up a lunch at his home for me and the official so that I could make the pitch. I was apprehensive, but our host tried to put me at ease. He graciously served us a local delicacy, a deep dish of *erizos*: raw sea urchins. Fortunately, he accompanied the *erizos* with an excellent bottle of Santa Rita 120 white wine. After every spoonful of *erizos*, I took a big sip. Before long, the *erizos* started to taste better, and the target seemed more amenable to cooperation. But I took too long to get to the point for our host, who finally blurted out, in so many words, "How much money are you going to give this Communist for his cooperation?" I immediately suggested \$1,000 per month, and the official accepted.

My most important responsibility at the time was handling the "media

account," especially the CIA's relationship with *El Mercurio*, the oldest and most influential newspaper in Chile. The newspaper's owner feared that Allende's government might expropriate his businesses and put the media under government control; that made him a natural ally for the agency. The paper never used propaganda to deliberately mislead readers about the Allende government's economic policies, but between the lines, it did emphasize stories about the government's seizures of private property, the illegal and violent actions of certain segments of the ruling coalition, and the specter of economic disaster.

Although a notion persists that *El Mercurio* was an organ of the CIA, the agency had no role in what was printed in the paper. In fact, the editor did not take kindly to outside influence on editorial operations, and the CIA met only with the business side of the paper. The agency did not want to co-opt *El Mercurio*; rather, it wanted to ensure continued press freedom. The Allende government did not officially censor the media, and half a dozen independent daily newspapers in Santiago represented the full spectrum of political opinion. Shortly after my arrival in Chile in 1971, however, the government blocked *El Mercurio*'s access to newsprint. This, along with cutbacks in advertising and labor unrest, threatened to shut the paper down, and that would have been a tremendous loss. So the agency gave the paper roughly \$2 million over the course of two years, which allowed it to continue publishing.

After the failed coup in 1970, the CIA also maintained sources inside the Chilean military, but they were not nearly as numerous or important as the agency's

assets in the media and political parties. The agency wasn't getting regular information from high-ranking Chilean military personnel and had no meaningful relationship with Pinochet before he took power. In fact, the deputy station chief in Santiago had made contact with Pinochet but was unimpressed by him, considering him too weak to lead a coup.

EMPTY POTS AND PANS

The CIA's covert efforts to reduce support for Allende played an important role in the political turmoil that characterized his time in power. But the fierce opposition Allende faced was primarily a response to his own flawed economic policies, which hurt not only the wealthy but the middle and working classes as well. Perhaps fearing that his narrow margin of victory gave him little time to pursue his vision of a socialist Chile, Allende rushed into a program of land reform, nationalization of industry, and government spending to stimulate the economy. Initially, it seemed to work. In the government's first year, real GDP grew by nearly eight percent, production increased by more than 12 percent, and consumption levels grew at a rate of 13 percent. But by early 1971, Allende's economic populism began to backfire. Landlords became reluctant to maintain properties that might be seized at any moment. Business owners began leaving the country, taking their capital and entrepreneurial know-how with them. And the public at large suffered shortages of basic goods.

Allende faced political problems, too. The moderate Christian Democrats were alarmed by his nationalization of industry and opposed his agenda in parliament. Meanwhile, leftists in Allende's ruling

coalition thought he should move even faster. Their impatience bolstered the Revolutionary Left Movement, which sponsored seizures of privately held land in the countryside, often by violent means, creating a climate of fear and worsening food shortages.

Among my pool of covert assets at the time was an elderly middle-class woman, a grandmotherly type. She suggested putting together a demonstration in which women would carry pots and pans along with banners protesting the scarcity of food and basic household items. It sounded like a good idea, at least worth a small investment. I gave her several hundred dollars but had low expectations. So I was stunned a few weeks later when I was walking near a park not far from the U.S. embassy and heard the thunder of thousands of women parading down the street, pounding on pots and pans. There, among those directing the marchers toward the presidential palace, was my asset. Later that night, as the demonstrators gathered outside the palace, leftist students arrived on the scene and physically attacked the women. Images of Chilean housewives getting harassed by leftist youths flashed around the world, creating a publicity nightmare for the Allende government and a rallying point for the opposition.

The demonstration came to be known as "the March of the Empty Pots and Pans," and soon, similar protests were organized by other women's groups, sometimes aimed at the military, which the women challenged to act against Allende. In one particularly memorable protest, women threw chicken feed at soldiers, suggesting that they were too timid to oppose the president. Allende

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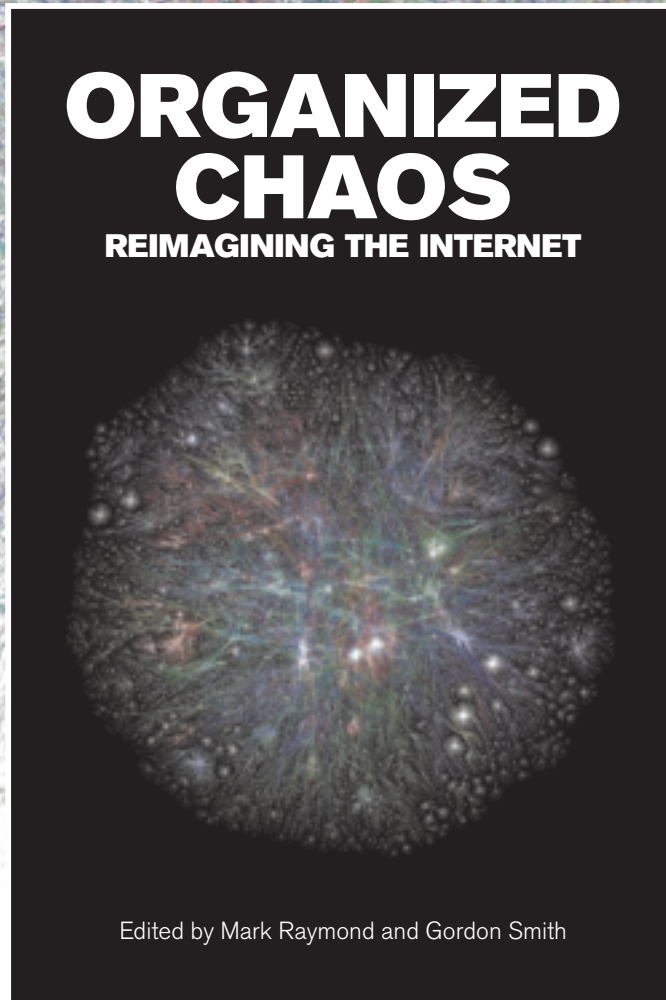
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tried to mitigate the damage by suggesting that the United States was behind the marches. Of course, to some degree, he was right. But blaming the United States—a tactic that had worked after the failed coup attempt in 1970—brought him limited success this time: his claims of American meddling had begun to sound like an excuse.

In October 1972, the main Chilean truckers' union went on strike. The country had limited railroads and little air transport, and most goods were carried by trucks owned by small, barely profitable firms. The truckers felt squeezed and worried that Allende was planning to nationalize their industry. When the president announced plans for a mixed public-private transport operation in the Aisén region, the truckers walked off the job. Shop owners closed their doors, partly in sympathy and partly because there would be no goods to buy or sell if the truckers weren't working. Within two weeks, bus and taxi drivers had joined in; soon after, professionals such as engineers, health-care workers, and pilots went on strike as well.

Some have alleged that the United States paid the truckers to go on strike. That is not true. The truckers asked the CIA for support, and the station chief thought it was a good idea. But the U.S. ambassador to Chile, Nathaniel Davis, opposed it. Davis did not dismiss the idea out of hand, however. He tried to maintain a good relationship with the CIA because he always feared the agency might take drastic action behind his back, as it had done to his predecessor in launching Track II. So he sent the truckers' request to Washington, where the White House officially rejected it.

THE TANK PUTSCH

By the spring of 1973, as the economy spiraled downward and street demonstrations became routine, rumors began to spread of an imminent coup. The station dutifully reported to Langley the chatter its officers were hearing, but the CIA's analysts were skeptical. They did not believe the military would subvert the constitution, and there had been false alarms before. Earlier that year, a covert Chilean asset had called his CIA case officer and said, "My aunt is sick and may not live to recover." The agreed-on phrase to indicate that a coup was under way was somewhat different: "My aunt has died." The ambiguous call, coupled with other indications that plotting was under way, led the CIA station to believe that a coup was about to take place. The station sent a CRITIC cable warning Washington to be prepared. The next morning, when nothing happened, the station ended up with egg on its face.

Yet in June 1973, an actual coup attempt did take place. A group of about 80 soldiers from an army tank unit who had been drinking heavily decided to free an officer who had been arrested earlier for calling for a coup. They obtained the officer's release from the Ministry of National Defense and drove a column of 16 armored vehicles to the presidential palace and the ministry headquarters, convinced that they could light a spark that would ignite the entire armed forces.

But the army's commander in chief, General Carlos Prats, was determined to secure the military's tradition of nonintervention, and he went in person to the presidential palace to confront the soldiers, who backed down and returned

to their base with little resistance. After the failure of this so-called tank putsch, the CIA concluded that there would never be a military coup. What the agency didn't realize was that senior officers in the military had been rattled by the challenge to their authority and feared that a breakdown in discipline would spread. They believed that the younger officers would press for a coup, and senior officers such as Pinochet worried that if they didn't join forces with the upstarts, they would be swept away by them. Far from marking the end of coup plotting, the tank putsch was when it began in earnest.

In the street, strikes and protests continued apace. In August, after an anti-Allende protest organized and attended by military wives, Prats resigned and Pinochet became commander in chief. By then, the mood in the entire country had darkened, and the CIA began to reconsider the prospect that a coup might take place. Less than three weeks after Pinochet's promotion, my friend called from the airport.

"THE BABY WILL BE DELIVERED TOMORROW"

In the days leading up to the coup, some State Department officials in the U.S. embassy in Santiago did not trust the information the CIA had received. "You issue a memo like that every Friday," scoffed a friend of mine who worked there. It's true that the station had been hearing and reporting coup rumors for weeks, but we had never had the kind of solid information we did now, which we had confirmed with three separate high-quality sources, each of whom provided more details.

On the night of September 10, a skeleton crew, including the station chief

and me, stayed in the CIA station so that we would be ready to take reports from the field when the coup began. The phone rang. "The baby will be delivered tomorrow," a voice said, then hung up. I had no idea who was calling, and the message didn't match any of the agreed-on codes. But I sensed someone was trying to tell us what we already knew: a coup was about to start. The phone rang again. "Uncle Jonas will be in town tomorrow" was the message this time. We received similar calls throughout the night, and by 7 AM the next day, we were on tenterhooks, waiting to see if our sources were correct. Time passed with no word. We feared we had another false alarm on our hands and that our credibility might be permanently compromised. Then, at 8 AM, we got the report: the navy had started the coup with an uprising in the city of Valparaíso. Our source had been off by an hour.

By 9 AM, the armed forces were in control of all of Chile except for the center of Santiago. When informed of the coup, Allende had refused to resign and gone directly to the presidential palace. Troops filled the streets downtown. Skirmishes and sporadic fire-fights erupted. Barricades went up around the U.S. embassy, and traffic ground to a halt. Shortly before noon, Chilean air force jets screamed across the skies over downtown Santiago and began firing rockets into the presidential palace. The whole city erupted in gunfire. At around 2 PM, Chilean troops stormed the presidential palace. The CIA learned from sources who were present at the assault that the military planned only to capture Allende, not to execute him. But he took his own life rather than become a prisoner of



Caesar Augusto: Pinochet reviews troops inside the presidential palace in Santiago

the military. By 2:30 PM, Pinochet's reign had begun.

Washington hailed Allende's demise as a major victory. Nixon and his national security adviser, Henry Kissinger, were pleased. So was the CIA: against all odds, the Santiago station had helped create a climate for the coup without tainting the effort by becoming directly involved. In the heady days immediately following, we took pride in having helped thwart the development of Cuban-style socialism in Chile and having prevented the country's drift into the Soviet orbit. We expected that Pinochet's junta would hold on to power only long enough to stabilize the economy and would soon thereafter call for elections and step aside.

BE CAREFUL WHAT YOU WISH FOR Events quickly dampened the sense of triumph. Soon after the coup, I met with a high-value asset who had infiltrated an extremist wing of the Chilean Socialist Party. After the coup, he had been arrested in a military roundup, and then interrogated and tortured. He was a tough guy, but we were concerned that he might have divulged his ties to the CIA under pressure, so we approached the meeting with caution and placed the meeting site under heavy surveillance. If he had been compromised, he could have been turned against us and instructed to feed us false information. Fortunately, the Chilean military interrogators who had questioned him had no inkling of his

affiliation with the CIA and never asked him about any ties to the agency.

At our meeting, he described his torture in graphic detail. Despite the beatings, he had stuck to his story and eventually convinced his interrogators that he was not affiliated with the extremist element of the Socialist Party. But he must have detected a bit of suspicion on my part: Was his story incomplete? Was he exaggerating his abuse? In order to prove his point, he rolled up his pants to reveal ugly scars and black-and-blue marks on his legs, left by the abuse he had suffered after being shackled and yanked around by his captors. Whatever reservations I had about his trustworthiness disappeared.

The worst was yet to come. In a secret memo dated September 24, 1973, less than two weeks after the coup, the CIA station in Santiago reported that “the deaths of the great majority of persons killed in cleanup operations against extremists . . . are not recorded. Only the Junta members will have a really clear idea of the correct death figures, which they will probably keep secret.” On October 12, another memo quoted a source saying that the Pinochet regime had killed 1,600 Chilean civilians between September 11 and October 10.

It also quickly became clear that Pinochet had no intention of relinquishing power. And over the course of the next year, the Pinochet regime’s human rights violations and its imposition of martial law cast doubt on the wisdom of U.S. policy in Chile. At the CIA station, we continued to hear disturbing reports of mass arrests, torture, and the “forced disappearance” and killing of people regarded as subversives. Many Chileans were not troubled by these

actions. They deeply feared the extreme leftists and didn’t believe that the military would harm innocent civilians. They were wrong. Years later, official Chilean investigations revealed that the Pinochet regime had murdered more than 2,200 people for political reasons and had imprisoned more than 38,000, many of whom were tortured.

My fellow CIA officers and I were seriously disillusioned by the brutality and repression of the Pinochet regime. None of us ever imagined that Pinochet’s dictatorship would last until 1990. That outcome has troubled me over the years, but it has not shaken my faith in the positive potential of covert action. When I arrived in Santiago, every indication was that the Allende government was intent on undermining the political opposition, threatening Chile’s independent media, and moving Chile into the Soviet sphere of influence. In that environment, it was fair game to support the opposition parties and help the media resist such antidemocratic actions. I’m convinced that if the Chilean military had not intervened in September 1973, our covert-action programs would have sustained the opposition until the next election and the Allende government would have been defeated at the ballot box—a far more preferable outcome than the Pinochet regime.

When a new station chief arrived shortly before my departure from Chile, in 1974, he asked me to write a memo about the situation in the country. I produced a rather blunt document suggesting that the United States should start using the same covert tactics against the Pinochet regime that it had used against Allende, in order to bring about a return to democratic governance. I

doubt the station chief agreed at the time, and he probably never sent my memo to Washington, if for no other reason than to protect my career.

KNOW YOUR LIMITS

The U.S. experience in Chile in the early 1970s offered a number of lessons about how to carry out good covert actions and how to avoid bad ones. Some of those lessons have been learned, but too many have not. This poses a problem for the United States as it leaves behind an era defined by major military actions in Afghanistan and Iraq and enters a new period, in which covert operations will become more crucial in places such as Iran, Pakistan, Syria, and Ukraine.

To most clearly grasp the lessons of Chile, consider the differences between the Track I and the Track II covert actions. The planners of Track I took into account the political environment in Chile and concluded that it would be difficult and probably unwise to attempt to overthrow a democratically elected leader who enjoyed genuine public support; better, they surmised, to limit themselves to restraining any antidemocratic impulses Allende expressed once in office. Track I's planners also recognized that even that more modest goal would require a well-coordinated plan that drew on the support and expertise of different parts of the U.S. national security system.

By contrast, when Track II was launched, the conditions on the ground in Chile did not favor the kind of military coup the plan envisioned, and the Chilean coup plotters with whom the CIA aligned itself lacked adequate resources and popular support. Yet the Nixon White House subscribed to the

idea that all it would take was a spark, a belief that officials sometimes latch on to when considering whether to undertake covert actions—and which usually proves to be wrong. Track II also failed to coordinate the activities of different arms of the U.S. government. The plan was hatched and handled by a very small group of White House staffers and CIA officials, and they kept the State Department largely in the dark—including even the U.S. ambassador to Chile.

Washington needs to avoid such missteps in the coming years, which are certain to witness increased covert competition between the United States and its adversaries. U.S. officials will need to become more adroit practitioners of the covert arts. As they hone their craft, they should never lose sight of how political realities in other countries can constrain U.S. intelligence activities, and they should remember that excessive secrecy and bureaucratic turf battles can compromise even the best-designed, most justified covert actions. 🌐

What Really Happened in Bangladesh

Washington, Islamabad, and the Genocide in East Pakistan

Harold H. Saunders

The Blood Telegram: Nixon, Kissinger, and a Forgotten Genocide

BY GARY J. BASS. Knopf, 2013, 528 pp. \$30.00.

On November 13, 1970, a devastating cyclone struck East Pakistan, a province dominated by the Bengali ethnic group and physically separated from the rest of Pakistan by India. The cyclone killed an estimated 230,000 people, and in its wake, the national government, based in West Pakistan, did too little to alleviate the suffering, further alienating the long-underrepresented Bengalis. A year later, they would declare independence. As an officer in the U.S. consulate in the East Pakistani capital of Dhaka later noted, “The cyclone was the real reason for the final break.”

Several weeks after the cyclone, on December 7, Pakistan held the first direct

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elections in its 23-year history. East Pakistan went for Mujibur Rahman, who headed a Bengali nationalist party called the Awami League, which was moderately pro-American. Sheik Mujib, as he was known, initially favored autonomy for both wings of Pakistan in a confederation. West Pakistan elected another nationalist, Zulfikar Ali Bhutto. He threatened to unseat the military government under General Agha Muhammad Yahya Khan, who was commonly referred to as Yahya. Because East Pakistan was more populous than West Pakistan, the Awami League won a substantial majority of the seats in the new national parliament, and Mujib stood to become prime minister of the entire country.

Yahya had no interest in losing East Pakistan, and as negotiations among himself, Bhutto, and Mujib went nowhere, he postponed the opening of the National Assembly, which had been scheduled for March 3, 1971. Feeling that the fruits of their electoral victory had been stolen from them, the people of East Pakistan poured into the streets and then launched a general strike. Archer Blood, the U.S. consul general in Dhaka, reported to the State Department: “I’ve seen the beginning of the breakup of Pakistan.”

Yahya banned the Awami League, ordered Mujib’s arrest, and oversaw a brutal military crackdown that involved the systematic massacre of some 200,000 defenseless citizens and sent more than six million Bengalis fleeing across the Indian border. Later in the year, India reacted by invading East Pakistan, winning a 13-day war that made East Pakistan’s earlier declaration of independence as Bangladesh a reality.

Throughout the crisis, as Gary Bass recounts in his new book, *The Blood*



The forgotten: refugees in East Pakistan, 1971

Telegram, the United States stuck by its ally, supporting Pakistan during the crackdown and threatening India as it prepared for war. The author has produced this gripping, thoroughly researched, concisely organized, and engagingly written account to spotlight what he calls the “significant complicity” of U.S. President Richard Nixon and his national security adviser, Henry Kissinger, in a “forgotten genocide.”

Bass relies not only on traditional sources, such as contemporary press accounts, interviews with participants, and the files of the State Department and the National Security Council staff, but also on the White House audio recordings that Nixon authorized. These tapes provide the rare opportunity to listen in on the private Oval Office exchanges between Nixon and Kissinger—a record that speaks irrefutably for

itself. One of the casualties of Bass’ book is the concept of the rational actor at the center of international relations: whether he intended to or not, Bass lays bare the conflicting interests, political realities, and deep personal animosities that rage at the heart of policymaking in a deep-rooted, multidimensional conflict.

STANDING BY

Once the election raised the prospect that Pakistan could split in two, U.S. policymakers faced sharply opposing options. The first was to try for a negotiated solution that would avoid bloodshed and preserve the unity of Pakistan, even while acknowledging the limits of U.S. influence in such an internal conflict. As a senior member of the National Security Council staff at the time, I am quoted as writing to Kissinger that the United States was

“witnessing the possible birth of a new nation of over 70 million people. . . . We could have something to do with how this comes about—peacefully or by bloody civil war.” At the very least, I argued, Washington could urge Yahya not to unleash his military on the people of East Pakistan. In Bass’ frequently repeated formulation, this option in effect placed “simply avoiding the loss of life” as a top policy priority.

The alternative course, which Nixon and Kissinger actually chose—inaction—reflected three impulses. First was their judgment that nothing the United States could say would restrain Pakistani leaders from doing everything possible to preserve the unity of their country. After all, the United States had once fought a costly civil war to preserve its own unity. Second was the principle of noninterference in the internal affairs of other states. “We don’t tell others how to run their countries,” Kissinger often said. And third was the impulse to stand by a Cold War ally. The United States had given military assistance to Pakistan’s leaders ever since the Eisenhower administration created the Middle East Treaty Organization and the Southeast Asia Treaty Organization to counter Soviet influence, and Nixon and Kissinger wanted to stay the course.

But personal relationships also came into play. During his travels and meetings as vice president and president, as well as during his eight years out of office in between, Nixon had formed strong opinions of South Asia’s politicians. Simply put, he liked Yahya, respected him as a leader, and saw him as an ally. Conversely, he disliked Indian Prime Minister Indira Gandhi and distrusted India for its decision to remain formally

nonaligned yet relatively friendly to the Soviet Union. The taped conversations leave no doubt about Nixon’s perceptions and feelings—often expressed in foul language.

As Bass’ account unfolds, it becomes apparent that Nixon’s liking for Yahya was something that Kissinger had to take into account when formulating his advice. Bass notes that my colleague Samuel Hoskinson and I sent a steady stream of memos to Kissinger throughout the crisis recommending that the United States pressure Yahya yet received no response. Presumably, Kissinger ignored us in part because he had to deal with the strong prejudices that Nixon revealed in confidence. Having worked with five presidents, I recognize that for better or worse, a critical factor in high-level policymaking is the president as a human being. Crudely put, there’s no right or wrong way; there’s the president’s way.

Kissinger’s decision also seems to have been motivated by his pessimism about the chances for a negotiated settlement: given how far apart the positions of Yahya’s government and the nationalists were, Kissinger apparently did not think it would be possible for the two sides to reach a compromise. Although I repeatedly argued for an aggressive U.S. role in promoting a peaceful resolution to the crisis and share Bass’ admirable commitment to saving lives, I must acknowledge with pain that even the United States cannot always prevent tragedy beyond its borders.

Further complicating the picture was the emerging thaw with China. Yahya had become an effective go-between in laying the groundwork for the normalization of

relations between the United States and China, which had drifted away from the Soviet Union during the 1960s. As Kissinger once explained to me, he felt that Beijing would carefully watch how faithfully Washington backed its ally. In the larger scheme of world politics and peace, the opening to China, along with the accompanying reordering of the balance of power, would count as a historic development and a major U.S. accomplishment.

THE BLOODBATH BEGINS

On March 25, when talks between the Pakistani government and the electoral victors broke down, the Pakistani army, wielding weapons supplied by the United States, launched a determined assault on the Bengalis in East Pakistan—often, as later became apparent, singling out the minority Hindu population. As the death toll mounted, Blood and his team in the American consulate in Dhaka intensified their reporting, even titling one cable “Selective Genocide.” Ultimately, 20 members of the staff signed a telegram, sent on April 6, registering their “strong dissent” from the administration’s policy. The message angered some top administration officials but won wide support among professional civil servants.

Blood and his colleagues, Bass writes, “refused to accept that Yahya could do whatever he wanted within Pakistan’s sovereign borders, overturning a fair election and killing his citizenry.” They wrote that Yahya’s “extra-constitutional martial law regime” was “of dubious legitimacy,” and they compared the Bengali struggle to the American Revolution. The same principles seemed to weigh on the mind of George H. W.

Bush, then the U.S. ambassador to the United Nations. In internal discussions, Bush supported India’s right to condemn Pakistan at the UN, citing the “tradition which we have supported that [the] human rights question transcend[s] domestic jurisdiction and should be freely debated.”

Kissinger acknowledged that Yahya’s use of force to hold Pakistan together would probably fail, but he argued in interagency meetings that Washington was powerless to convince Pakistani leaders to act otherwise and noted Nixon’s strong personal relationship with Yahya. Not unexpectedly, when Kissinger presented the results of deliberations within the administration to the president, he found Nixon receptive to the policy recommendation that had reluctantly emerged—what one State Department official termed “massive inaction.” At this point in his account, Bass underscores his thesis: “There was one consideration that, while voiced by other U.S. officials, never made it into Kissinger’s note to the president: simply avoiding the loss of life.”

But Nixon and Kissinger prevailed, allowing no daylight between Washington and Islamabad. On April 21, Chinese Premier Zhou Enlai sent a message through Yahya suggesting that a high-ranking U.S. official visit China—validating, in the minds of Nixon and Kissinger, their approach to Pakistan.

INDIA INVADES

By the end of April, an estimated one million refugees from East Pakistan had flooded across the border into India. Gandhi faced conflicting demands. On the one hand, given India’s experience with colonialism, she remained firmly

committed to the principles of national sovereignty and noninterference. Moreover, as Bass writes, it would be “embarrassing for India to cheer on secession in East Pakistan while stifling it in Kashmir.” On the other hand, India had an underlying desire to inflict devastating damage on its foe Pakistan. Early in the crisis, Gandhi’s military leaders told her that Indian forces needed months to prepare for an invasion of East Pakistan and that success depended on their waiting past the monsoon season for dry ground. She ordered them to get ready.

But it was the growing influx of refugees, ultimately numbering more than six million, that pushed India over the edge; the fleeing Bengalis were becoming an unbearable burden in a country already unable to care for its own poor. And so the Indian government, while waiting for the optimal conditions, trained and armed Bengali insurgents to bleed the Pakistani forces in East Pakistan. According to Bass, “the refugee crisis was driving India toward war.”

This being the Cold War, the crisis reverberated far beyond South Asia, reaching not only policymakers in Washington but also their counterparts in Beijing and Moscow. China, having been a victim of Western and Japanese imperialism and confronting its own secessionist movements in Tibet and Taiwan, took Pakistan’s side. Reacting to India’s outcry over Pakistani atrocities, Zhou, Bass writes, “vowed to support Pakistan against ‘Indian expansionists.’” At the same time, Beijing was not above backing pro-Chinese Bengali groups to improve its position in East Pakistan. The Soviet Union, meanwhile, signed a treaty of friendship with India.

In the United States, political opposition to U.S. support for Pakistan was mounting, further complicating the White House’s policy. The movement’s torchbearer was Senator Edward Kennedy, a Democrat from Massachusetts and a potential presidential candidate, who landed in India on August 10 for a fact-finding tour. He had intended to meet with Yahya in Islamabad, but the Pakistani government canceled his visa. In India, however, Kennedy toured refugee sites and met secretly with the Bangladeshi government in exile. His staff concluded that India could no longer bear the burden of maintaining the refugees and would have no alternative but to attack. When he returned to Washington, Kennedy assailed the administration, saying that he had just witnessed “the most appalling tide of human misery in modern times” and noting that the atrocities were being committed with U.S.-supplied arms.

As the refugee crisis worsened and the monsoon season came to a close, Indian troops started getting into more skirmishes near the border. Gandhi ordered the Indian military to invade East Pakistan on December 4. But on the evening of December 3, the Pakistanis launched a preemptive strike of their own, bombing Indian airfields near the border with West Pakistan and shelling Indian positions all along the western front, marking the beginning of the 1971 Indo-Pakistani war. The Indian army then launched its long-planned drive across East Pakistan, bypassing cities along the way in an effort to capture Dhaka and end the war quickly. India recognized Bangladesh on December 6. Ten days later, Pakistani forces in Bangladesh surrendered. The western

portion of the conflict ended, as Bass puts it, “in a bloody but inconclusive stalemate.”

The outbreak of war had triggered a flurry of activity in the White House. Convinced that India was bent on destroying Pakistan, Kissinger persuaded Nixon to approve actions to protect the United States’ ally. Washington asked the Chinese to mass troops on the Indian border and warned the Soviets not to intervene on India’s behalf. It urged Iran and Jordan to transfer U.S.-supplied combat aircraft to Pakistan, despite clear advice that such action violated U.S. law. And it sent its most formidable aircraft carrier, the USS *Enterprise*, into the Bay of Bengal to cause India to think twice about invading Pakistan—a move the Indians would resent long afterward. Fortunately, the war ended before any of these actions could draw the other two major powers into the conflict.

DECISION TIME

When I went to work on the National Security Council staff in the Kennedy administration in 1961, a senior colleague said to me, “Remember: policy is rarely made on paper; it’s a continuously changing mix of people and ideas.” Too often, political scientists make the mistake of treating policymaking and decision-making as synonymous. Policy is a frame of mind, a strategy, or a sense of direction, whereas specific decisions define practical steps for moving in the desired direction.

In other words, policymaking is itself the process of determining which moral principles or strategic objectives to prioritize. Officials’ choices often reflect deep struggles among conflicting interests and values, with the final judgments made

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not after mathematically weighing the pros and cons but by relying on gut feelings. Likewise, public arguments over policies often reflect the instinctive worldviews of the antagonists rather than honest dialogue to find the best possible approach.

Bass' stated objective is to correct what he regards as a whitewashed historical record and reveal the complicity of Nixon and Kissinger in the tragedy in East Pakistan. On that score, he has made his point, with the help of the Nixon tapes and his own impressive ability to organize and narrate a story that has a number of tracks. Yet whether or not he intended to, Bass has also presented a picture of the agonizing complexity of policymaking. Many readers will finish this book concluding that real-world dilemmas often have no clear right or wrong answers. Bass' own touchstone for U.S. policymaking in the events he analyzes is the protection of lives. Nixon and Kissinger, acting on a mix of predispositions (or prejudices), on the principle of noninterference, on a sense of commitment to an ally, and on a desire to establish a channel to China, put the U.S. relationship with Pakistan above humanitarian concerns. As is so often the case in real-world policymaking, they had to choose between moral and pragmatic considerations.

Bass' numerous citations of my memos reveal two points on which my approach differed from the course Nixon and Kissinger took. First, although I, too, respected the principle of noninterference, I had long felt that the United States had a moral obligation to use its influence to contribute to economic well-being and to prevent violence where possible. Kissinger, on the other hand, had to work with a president who

harbored a strong bias in favor of Yahya. Kissinger also felt that the United States had no real influence over Yahya, and he was determined to prevent India from attacking the government in West Pakistan. (Fortunately, India chose to settle for the separation of East Pakistan.) Second, experience had led me to be wary of policy rooted in emotion and anger. Of course, I could not have known about private conversations taking place in the Oval Office, but it is now clear just how vehement the emotions expressed there were.

In the end, Bangladesh emerged from horrible bloodshed as a viable nation, and India and Pakistan remain locked in an uneasy truce—with each now possessing nuclear weapons. We will never know whether the United States could have prevented the violence without doing more harm than good. Also up for debate is the broader question of whether Washington becomes an accomplice in another government's wrongdoing when it preserves a working relationship with that government for larger purposes—as it did with Stalin's regime during World War II and as it is doing with Beijing today. That is a matter of personal judgment. In the case of East Pakistan, I would have tried to promote a negotiated agreement, but such an effort might well have failed. Should Washington then have broken relations with Yahya? Its larger interests would have argued against doing so. Such are the complex questions with which policymakers at the highest level must grapple. But historians, commentators, and citizens who care about the conduct of U.S. foreign relations will make their own judgments about how such questions should ultimately be answered. 🌐



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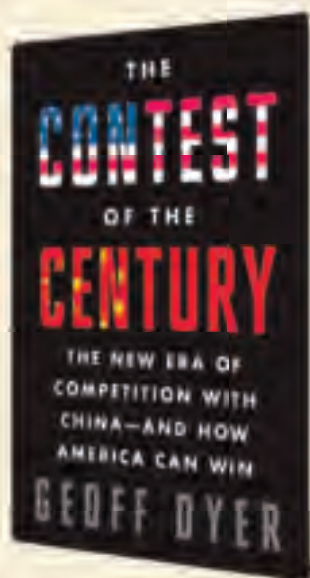
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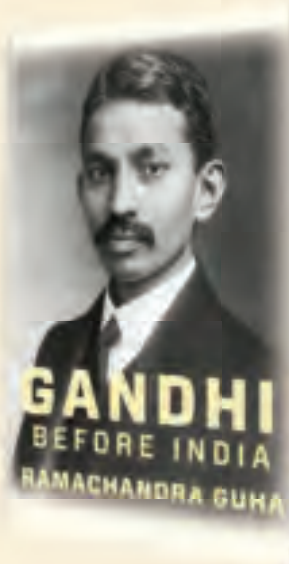
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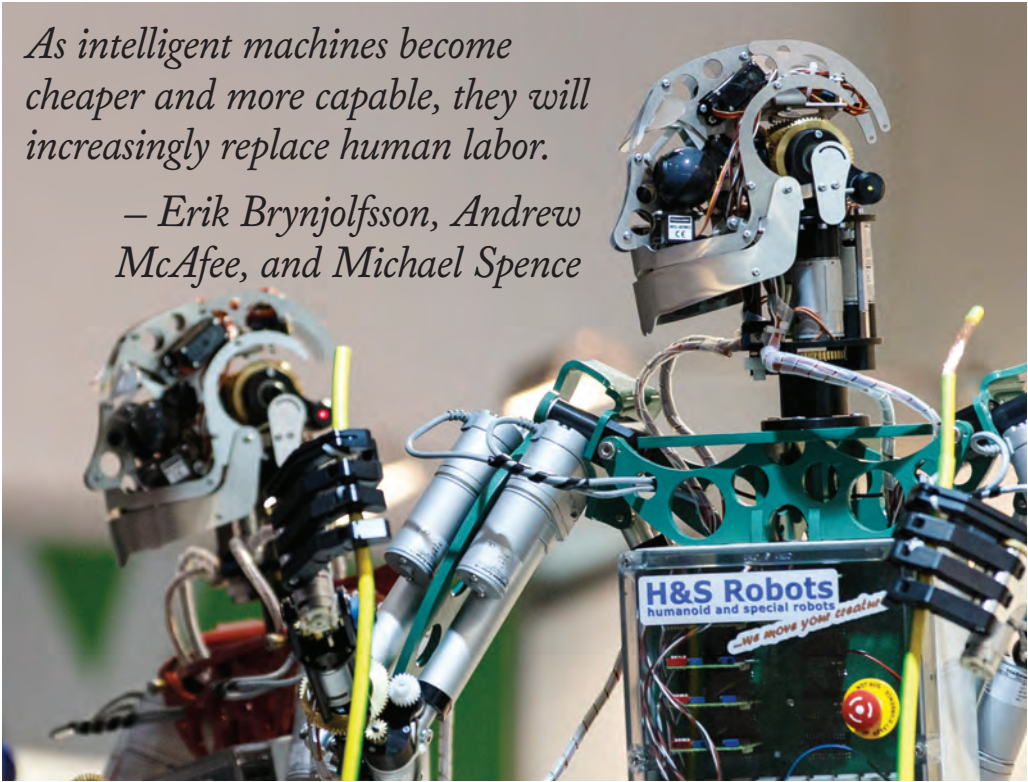
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ESSAYS

As intelligent machines become cheaper and more capable, they will increasingly replace human labor.

— Erik Brynjolfsson, Andrew McAfee, and Michael Spence



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New World Order

Labor, Capital, and Ideas in the Power Law Economy

Erik Brynjolfsson, Andrew McAfee, and Michael Spence

Recent advances in technology have created an increasingly unified global marketplace for labor and capital. The ability of both to flow to their highest-value uses, regardless of their location, is equalizing their prices across the globe. In recent years, this broad factor-price equalization has benefited nations with abundant low-cost labor and those with access to cheap capital. Some have argued that the current era of rapid technological progress serves labor, and some have argued that it serves capital. What both camps have slighted is the fact that technology is not only integrating existing sources of labor and capital but also creating new ones.

Machines are substituting for more types of human labor than ever before. As they replicate themselves, they are also creating more capital. This means that the real winners of the future will not be the providers of cheap labor or the owners of ordinary capital, both of whom will be increasingly squeezed by automation. Fortune will instead favor a third group: those who can innovate and create new products, services, and business models.

The distribution of income for this creative class typically takes the form of a power law, with a small number of winners capturing most of the rewards and a long tail consisting of the rest of the

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participants. So in the future, ideas will be the real scarce inputs in the world—scarcer than both labor and capital—and the few who provide good ideas will reap huge rewards. Assuring an acceptable standard of living for the rest and building inclusive economies and societies will become increasingly important challenges in the years to come.

LABOR PAINS

Turn over your iPhone and you can read an eight-word business plan that has served Apple well: “Designed by Apple in California. Assembled in China.” With a market capitalization of over \$500 billion, Apple has become the most valuable company in the world. Variants of this strategy have worked not only for Apple and other large global enterprises but also for medium-sized firms and even “micro-multinationals.” More and more companies have been riding the two great forces of our era—technology and globalization—to profits.

Technology has sped globalization forward, dramatically lowering communication and transaction costs and moving the world much closer to a single, large global market for labor, capital, and other inputs to production. Even though labor is not fully mobile, the other factors increasingly are. As a result, the various components of global supply chains can move to labor’s location with little friction or cost. About one-third of the goods and services in advanced economies are tradable, and the figure is rising. And the effect of global competition spills over to the nontradable part of the economy, in both advanced and developing economies.

All of this creates opportunities for not only greater efficiencies and profits but also enormous dislocations. If a worker in China or India can do the same work as one in the United States, then the laws of economics dictate that they will end up earning similar wages (adjusted for some other differences in national productivity). That’s good news for overall economic efficiency, for consumers, and for workers in developing countries—but not for workers in developed countries who now face low-cost competition. Research indicates that the tradable sectors of advanced industrial countries have not been net employment generators for two decades. That means job creation now takes place almost exclusively within the large nontradable sector, whose wages are held down by increasing competition from workers displaced from the tradable sector.

Even as the globalization story continues, however, an even bigger one is starting to unfold: the story of automation, including artificial intelligence, robotics, 3-D printing, and so on. And this second story is surpassing the first, with some of its greatest effects destined to hit relatively unskilled workers in developing nations.

Visit a factory in China's Guangdong Province, for example, and you will see thousands of young people working day in and day out on routine, repetitive tasks, such as connecting two parts

In the future, ideas will be the real scarce inputs—scarcer than both labor and capital.

of a keyboard. Such jobs are rarely, if ever, seen anymore in the United States or the rest of the rich world. But they may not exist for long in China and the rest of the developing world either, for they involve exactly the type of tasks that are easy for robots to do. As intelligent machines become

cheaper and more capable, they will increasingly replace human labor, especially in relatively structured environments such as factories and especially for the most routine and repetitive tasks. To put it another way, offshoring is often only a way station on the road to automation.

This will happen even where labor costs are low. Indeed, Foxconn, the Chinese company that assembles iPhones and iPads, employs more than a million low-income workers—but now, it is supplementing and replacing them with a growing army of robots. So after many manufacturing jobs moved from the United States to China, they appear to be vanishing from China as well. (Reliable data on this transition are hard to come by. Official Chinese figures report a decline of 30 million manufacturing jobs since 1996, or 25 percent of the total, even as manufacturing output has soared by over 70 percent, but part of that drop may reflect revisions in the methods of gathering data.) As work stops chasing cheap labor, moreover, it will gravitate toward wherever the final market is, since that will add value by shortening delivery times, reducing inventory costs, and the like.

The growing capabilities of automation threaten one of the most reliable strategies that poor countries have used to attract outside investment: offering low wages to compensate for low productivity and skill levels. And the trend will extend beyond manufacturing.

Interactive voice response systems, for example, are reducing the requirement for direct person-to-person interaction, spelling trouble for call centers in the developing world. Similarly, increasingly reliable computer programs will cut into transcription work now often done in the developing world. In more and more domains, the most cost-effective source of “labor” is becoming intelligent and flexible machines as opposed to low-wage humans in other countries.

CAPITAL PUNISHMENT

If cheap, abundant labor is no longer a clear path to economic progress, then what is? One school of thought points to the growing contributions of capital: the physical and intangible assets that combine with labor to produce the goods and services in an economy (think of equipment, buildings, patents, brands, and so on). As the economist Thomas Piketty argues in his best-selling book *Capital in the Twenty-first Century*, capital’s share of the economy tends to grow when the rate of return on it is greater than the general rate of economic growth, a condition he predicts for the future. The “capital deepening” of economies that Piketty forecasts will be accelerated further as robots, computers, and software (all of which are forms of capital) increasingly substitute for human workers. Evidence indicates that just such a form of capital-based technological change is taking place in the United States and around the world.

In the past decade, the historically consistent division in the United States between the share of total national income going to labor and that going to physical capital seems to have changed significantly. As the economists Susan Fleck, John Glaser, and Shawn Sprague noted in the U.S. Bureau of Labor Statistics’ *Monthly Labor Review* in 2011, “Labor share averaged 64.3 percent from 1947 to 2000. Labor share has declined over the past decade, falling to its lowest point in the third quarter of 2010, 57.8 percent.” Recent moves to “re-shore” production from overseas, including Apple’s decision to produce its new Mac Pro computer in Texas, will do little to reverse this trend. For in order to be economically viable, these new domestic manufacturing facilities will need to be highly automated.

Other countries are witnessing similar trends. The economists Loukas Karabarbounis and Brent Neiman have documented significant declines in labor’s share of GDP in 42 of the 59 countries they studied,

including China, India, and Mexico. In describing their findings, Karabarounis and Neiman are explicit that progress in digital technologies is an important driver of this phenomenon: “The decrease in the relative price of investment goods, often attributed to advances in information technology and the computer age, induced firms to shift away from labor and toward capital. The lower price of investment goods explains roughly half of the observed decline in the labor share.”

But if capital’s share of national income has been growing, the continuation of such a trend into the future may be in jeopardy as a new challenge to capital emerges—not from a revived labor sector but from an increasingly important unit within its own ranks: digital capital.

In a free market, the biggest premiums go to the scarcest inputs needed for production. In a world where capital such as software and robots can be replicated cheaply, its marginal value will tend to fall, even if more of it is used in the aggregate. And as more capital is added cheaply at the margin, the value of existing capital will actually be driven down. Unlike, say, traditional factories, many types of digital capital can be added extremely cheaply. Software can be duplicated and distributed at almost zero incremental cost. And many elements of computer hardware, governed by variants of Moore’s law, get quickly and consistently cheaper over time. Digital capital, in short, is abundant, has low marginal costs, and is increasingly important in almost every industry.

Even as production becomes more capital-intensive, therefore, the rewards earned by capitalists as a group may not necessarily continue to grow relative to labor. The shares will depend on the exact details of the production, distribution, and governance systems.

Most of all, the payoff will depend on which inputs to production are scarcest. If digital technologies create cheap substitutes for a growing set of jobs, then it is not a good time to be a laborer. But if digital technologies also increasingly substitute for capital, then all owners of capital should not expect to earn outsized returns, either.

TECHCRUNCH DISRUPT

What will be the scarcest, and hence the most valuable, resource in what two of us (Erik Brynjolfsson and Andrew McAfee) have called “the second machine age,” an era driven by digital technologies

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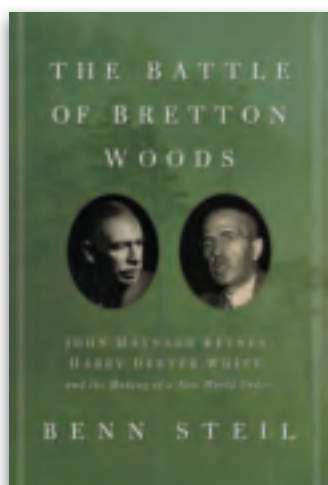


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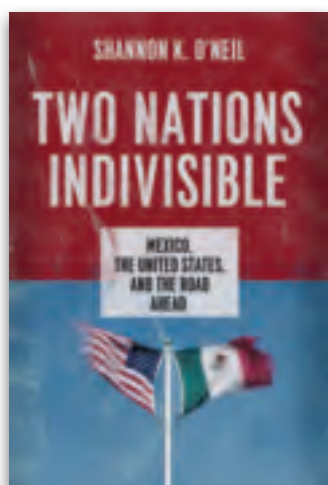
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and their associated economic characteristics? It will be neither ordinary labor nor ordinary capital but people who can create new ideas and innovations.

Such people have always been economically valuable, of course, and have often profited handsomely from their innovations as a result. But they had to share the returns on their ideas with the labor and capital that were necessary for bringing them into the marketplace. Digital technologies increasingly make both ordinary labor and ordinary capital commodities, and so a greater share of the rewards from ideas will go to the creators, innovators, and entrepreneurs. People with ideas, not workers or investors, will be the scarcest resource.

The most basic model economists use to explain technology's impact treats it as a simple multiplier for everything else, increasing overall productivity evenly for everyone. This model is used in most introductory economics classes and provides the foundation for the common—and, until recently, very sensible—intuition that a rising tide of technological progress will lift all boats equally, making all workers more productive and hence more valuable.

A slightly more complex and realistic model, however, allows for the possibility that technology may not affect all inputs equally but instead favor some more than others. Skill-based technical change, for example, plays to the advantage of more skilled workers relative to less skilled ones, and capital-based technical change favors capital relative to labor. Both of those types of technical change have been important in the past, but increasingly, a third type—what we call superstar-based technical change—is upending the global economy.

Today, it is possible to take many important goods, services, and processes and codify them. Once codified, they can be digitized, and once digitized, they can be replicated. Digital copies can be made at virtually zero cost and transmitted anywhere in the world almost instantaneously, each an exact replica of the original. The combination of these three characteristics—extremely low cost, rapid ubiquity, and perfect fidelity—leads to some weird and wonderful economics. It can create abundance where there had been scarcity, not only for consumer goods, such as music videos, but also for economic inputs, such as certain types of labor and capital.

The returns in such markets typically follow a distinct pattern—a power law, or Pareto curve, in which a small number of players

The United States has one of the world's highest levels of real GDP per capita—even as its median income has stagnated.

reap a disproportionate share of the rewards. Network effects, whereby a product becomes more valuable the more users it has, can also generate these kinds of winner-take-all or winner-take-

most markets. Consider Instagram, the photo-sharing platform, as an example of the economics of the digital, networked economy. The 14 people who created the company didn't need a lot of unskilled human helpers to do so, nor did they need much physical capital. They built a digital product that benefited from network effects, and when it caught on quickly, they

were able to sell it after only a year and a half for nearly three-quarters of a billion dollars—ironically, months after the bankruptcy of another photography company, Kodak, that at its peak had employed some 145,000 people and held billions of dollars in capital assets.

Instagram is an extreme example of a more general rule. More often than not, when improvements in digital technologies make it more attractive to digitize a product or process, superstars see a boost in their incomes, whereas second bests, second movers, and latecomers have a harder time competing. The top performers in music, sports, and other areas have also seen their reach and incomes grow since the 1980s, directly or indirectly riding the same trends upward.

But it is not only software and media that are being transformed. Digitization and networks are becoming more pervasive in every industry and function across the economy, from retail and financial services to manufacturing and marketing. That means superstar economics are affecting more goods, services, and people than ever before.

Even top executives have started earning rock-star compensation. In 1990, CEO pay in the United States was, on average, 70 times as large as the salaries of other workers; in 2005, it was 300 times as large. Executive compensation more generally has been going in the same direction globally, albeit with considerable variation from country to country. Many forces are at work here, including tax and policy changes, evolving cultural and organizational norms, and plain luck. But as research by one of us (Brynjolfsson) and Heekyung Kim has

shown, a portion of the growth is linked to the greater use of information technology. Technology expands the potential reach, scale, and monitoring capacity of a decision-maker, increasing the value of a good decision-maker by magnifying the potential consequences of his or her choices. Direct management via digital technologies makes a good manager more valuable than in earlier times, when executives had to share control with long chains of subordinates and could affect only a smaller range of activities. Today, the larger the market value of a company, the more compelling the argument for trying to get the very best executives to lead it.

When income is distributed according to a power law, most people will be below the average, and as national economies writ large are increasingly subject to such dynamics, that pattern will play itself out on the national level. And sure enough, the United States today features one of the world's highest levels of real GDP per capita—even as its median income has essentially stagnated for two decades.

PREPARING FOR THE PERMANENT REVOLUTION

The forces at work in the second machine age are powerful, interactive, and complex. It is impossible to look far into the future and predict with any precision what their ultimate impact will be. If individuals, businesses, and governments understand what is going on, however, they can at least try to adjust and adapt.

The United States, for example, stands to win back some business as the second sentence of Apple's eight-word business plan is overturned because its technology and manufacturing operations are once again performed inside U.S. borders. But the first sentence of the plan will become more important than ever, and here, concern, rather than complacency, is in order. For unfortunately, the dynamism and creativity that have made the United States the most innovative nation in the world may be faltering.

Thanks to the ever-onrushing digital revolution, design and innovation have now become part of the tradable sector of the global economy and will face the same sort of competition that has already transformed manufacturing. Leadership in design depends on an educated work force and an entrepreneurial culture, and the traditional American advantage in these areas is declining. Although the United States once led the world in the share of graduates in the work force with at least an associate's degree, it has now fallen to

12th place. And despite the buzz about entrepreneurship in places such as Silicon Valley, data show that since 1996, the number of U.S. start-ups employing more than one person has declined by over 20 percent.

If the trends under discussion are global, their local effects will be shaped, in part, by the social policies and investments that countries choose to make, both in the education sector specifically and in fostering innovation and economic dynamism more generally. For over a century, the U.S. educational system was the envy of the world, with universal K–12 schooling and world-class universities propelling sustained economic growth. But in recent decades, U.S. primary and secondary schooling have become increasingly uneven, with their quality based on neighborhood income levels and often a continued emphasis on rote learning.

Fortunately, the same digital revolution that is transforming product and labor markets can help transform education as well. Online learning can provide students with access to the best teachers, content, and methods regardless of their location, and new data-driven approaches to the field can make it easier to measure students' strengths, weaknesses, and progress. This should create opportunities for personalized learning programs and continuous improvement, using some of the feedback techniques that have already transformed scientific discovery, retail, and manufacturing.

Globalization and technological change may increase the wealth and economic efficiency of nations and the world at large, but they will not work to everybody's advantage, at least in the short to medium term. Ordinary workers, in particular, will continue to bear the brunt of the changes, benefiting as consumers but not necessarily as producers. This means that without further intervention, economic inequality is likely to continue to increase, posing a variety of problems. Unequal incomes can lead to unequal opportunities, depriving nations of access to talent and undermining the social contract. Political power, meanwhile, often follows economic power, in this case undermining democracy.

These challenges can and need to be addressed through the public provision of high-quality basic services, including education, health care, and retirement security. Such services will be crucial for creating genuine equality of opportunity in a rapidly changing economic

environment and increasing intergenerational mobility in income, wealth, and future prospects.

As for spurring economic growth in general, there is a near consensus among serious economists about many of the policies that are necessary. The basic strategy is intellectually simple, if politically difficult: boost public-sector investment over the short and medium term while making such investment more efficient and putting in place a fiscal consolidation plan over the longer term. Public investments are known to yield high returns in basic research in health, science, and technology; in education; and in infrastructure spending on roads, airports, public water and sanitation systems, and energy and communications grids. Increased government spending in these areas would boost economic growth now even as it created real wealth for subsequent generations later.

Should the digital revolution continue to be as powerful in the future as it has been in recent years, the structure of the modern economy and the role of work itself may need to be rethought. As a group, our descendants may work fewer hours and live better—but both the work and the rewards could be spread even more unequally, with a variety of unpleasant consequences. Creating sustainable, equitable, and inclusive growth will require more than business as usual. The place to start is with a proper understanding of just how fast and far things are evolving. 🌐

Taper Trouble

The International Consequences of Fed Policy

Benn Steil

In April 2013, Ukraine was sporting a massive current account deficit of eight percent, and it badly needed dollars to pay for vital imports. Yet on April 10, President Viktor Yanukovich's government rejected terms set by the International Monetary Fund (IMF) for a \$15 billion financial assistance package, choosing instead to continue financing the gap between its domestic production and its much higher consumption by borrowing dollars privately from abroad. So a week later, Kiev issued a ten-year, \$1.25 billion eurobond, which cash-flush foreign investors gobbled up at a 7.5 percent yield.

Everything seemed to be going swimmingly, until May 22, when the U.S. Federal Reserve's then chair, Ben Bernanke, suggested that the Fed might, if the U.S. economy continued improving, soon begin to pare back, or "taper," its monthly purchases of U.S. Treasury and mortgage-backed securities. The Fed had begun the purchases the previous September in order to push down long-term interest rates and encourage private lending; their end would mean higher yields on longer-maturity U.S. bonds, making developing markets decidedly less attractive. Investors in Ukrainian bonds therefore reacted savagely to the taper talk, dumping them and sending their yields soaring to near 11 percent, a level at which they would remain for most of the rest of the year.

Ukraine's financial problems had been mounting over many years, but it was the mere prospect of the Fed pumping fewer new dollars into the market each month that pushed the cost of rolling over its debt—that is, paying off old obligations with new bonds—beyond

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Kiev's capacity to pay. Had the Fed stayed dovish, Ukraine could have at least delayed its financial crisis, and a crisis delayed can be a crisis averted. Yanukovich ultimately turned for help to Moscow, which successfully demanded that he abandon an association agreement with the European Union in return. Ukrainians took to the streets—and the rest is history.

But that history has, until now, overlooked the role that the Fed's taper talk played in the toppling of Yanukovich and the chaos that followed. And this insight becomes even more worrisome when you consider that Ukraine is but one of a great many fragile, dollar-dependent countries with markets that can be sent spinning wildly at the mere suggestion of a change in Fed policy.

DOLLAR FOR DOLLAR

The U.S. dollar plays a unique role in the global economy. Although the United States accounts for only 23 percent of global economic output, most of the world's trade outside the eurozone and 60 percent of foreign exchange reserves are denominated in U.S. dollars. Particularly for developing countries, economic interaction with the rest of the world takes place overwhelmingly in U.S. dollars. Changes in U.S. monetary policy can therefore have immediate and significant global effects, expanding or constricting the flow of capital into and out of developing nations and whipsawing the value of their currencies against the dollar, which can in turn dramatically alter local inflation rates and export volumes. As a result, for many such countries monetary sovereignty is nothing more than an unattainable ideal. Recognizing this, a few of them, such as Ecuador and El Salvador, have in recent decades gone so far as to eliminate their national currencies entirely, adopting the U.S. dollar for use at home as well as abroad.

Ukraine was, following Bernanke's taper talk last May, only one of many developing nations suffering massive selloffs in their bond and currency markets, as investors sought to repatriate funds for safer investments in the United States. The selling was not indiscriminate, however. The countries hit hardest—Brazil, India, Indonesia, South Africa, and Turkey—had all been running large current account deficits, which needed to be financed with imported capital. Their markets recovered modestly following the Fed's unexpected decision in September to delay the taper but faltered again in December when the Fed announced that it would move forward with its plans.

As these markets tanked, many leaders of the worst-hit countries criticized Washington for its selfishness and tunnel vision. “International monetary cooperation has broken down,” said an angry Raghuram Rajan, the governor of India’s central bank, following another selloff in his country’s currency and bond markets in January. The Fed and others in the rich world, he said, can’t just “wash their hands off and say, we’ll do what we need to and you do the adjustment.”

In trying to understand what Rajan had expected from the Fed and why he was so angry, the recently released transcripts of the October 2008 Federal Open Market Committee meeting are illuminating. They show that the committee’s members were acutely aware of the

Observers have overlooked the role that the Fed’s policy played in the toppling of Yanukovich.

global nature of the growing crisis, yet they were focused not on stopping its spread through emerging markets generally but on limiting blowback into the United States. The members agreed that the Fed’s swap lines with emerging-market central banks, whereby the Fed would lend them dollars against their

own currencies as collateral, should be temporary and limited to those countries that they considered large and important to the U.S. financial system: Brazil, Mexico, Singapore, and South Korea, all of whose problems could potentially spread directly to U.S. markets. For example, Donald Kohn, then a member of the Fed’s Board of Governors, expressed concern about the potential for large-scale foreign selling of Fannie Mae and Freddie Mac mortgage-backed securities to “feed back on [U.S.] mortgage markets,” pushing up borrowing rates. Certain countries might go down that route, he argued, if they lacked less disruptive means of accessing dollars, such as Fed swap lines. And “it would not be in our interest” for them to do so, Kohn observed.

That year, the Fed privately rebuffed swap-line requests from Chile, the Dominican Republic, Indonesia, and Peru. And two years later, when the U.S. economy had become much less vulnerable to foreign financial instability, the Fed allowed its swap lines with Brazil, Mexico, Singapore, and South Korea to expire. Two years after that, in 2012, the Fed denied a swap-line request from India—thus explaining Rajan’s anger.

Just as the Fed was criticized for causing foreign currencies to plunge with its taper talk in 2013, so had it been condemned for doing

the opposite, causing foreign currencies to spike by initiating quantitative easing, in 2010. Many countries' export competitiveness was hurt as a result. As Zhu Guangyao, China's vice finance minister, complained at the time, the Fed had "not fully taken into consideration the shock of excessive capital flows to the financial stability of emerging markets." Brazil's finance minister, Guido Mantega, was more colorful, accusing the Fed of starting a "currency war."

Yet expecting the Fed to act otherwise, however desirable it might have been for other countries, was unrealistic: the Fed's primary objectives—ensuring domestic price stability and maximum employment—are set by law, and the Fed is not authorized to subordinate them to foreign concerns. Unsurprisingly, it has not shown any inclination to do so since the financial crisis erupted six years ago.

FROM BRETTON WOODS TO BITCOIN

It is easy to see why other governments have begun looking for an alternative to the current dollar-dominated global financial architecture—one in which U.S. monetary policy would be less disruptive abroad. In 2009, China's central bank governor, Zhou Xiaochuan, echoed John Maynard Keynes' call in the 1940s for the creation of a genuine supra-national currency, under the management of the IMF, which would take over the outsized international role of the U.S. dollar. In fact, the fund's Special Drawing Rights, which represent potential claims on the currencies of IMF members, could already play that role. Yet currently, no private-sector invoicing, borrowing, or lending takes place in SDRs. And until that changes, there is little incentive for central banks to hold much more of them than they currently do—a total of around three percent of global currency reserves.

Back when SDRs were created, in the late 1960s, Jacques Rueff, then the primary economic adviser to French President Charles de Gaulle, famously dismissed them as "nothingness dressed up as currency." Keynes had detailed how the supply of an IMF currency could be expanded, but never how it could be contracted. Rueff believed that SDRs therefore had a built-in inflationary bias that no bureaucracy would be able to control. He called instead for a return to the gold standard of the late nineteenth century, which had allowed a multilateral trading system to flourish without generating the global imbalances that cause crises. The system had done this, he explained, by automatically raising interest rates in deficit countries and lowering them in surplus countries.

The idea of returning to some form of gold standard still has some well-known backers today, such as Ron Paul, the former Republican congressman from Texas, and the businessman and writer Lewis Lehrman. Yet particularly given the extreme hardship endured by southern member states of the eurozone since 2008, it is not surprising that proposals for governments to reduce their active management of national monetary affairs—whether through the creation of new international currencies, such as the euro, or through a return to some form of commodity backing for money—are more widely seen by policymakers as dangerous steps backward. Of course, the digital currency Bitcoin has shown that something with the properties of transnational money doesn't necessarily have to be created by policymakers. Yet in the wake of the chaotic collapse of Mt. Gox, once the largest Bitcoin exchange, the Bitcoin market is also the last place anyone would look to minimize volatility and avoid a crisis.

Many still point to the Bretton Woods era of fixed exchange rates, from 1946 to 1971, in which global trade and output grew robustly, as an example of the type of international monetary cooperation to emulate. But other initiatives in the immediate aftermath of World War II, such as the 1948 Marshall Plan and the 1950 European Payments Union, deserve much more of the credit for kick-starting trade and growth. Furthermore, the monetary system that the IMF was set up to oversee could not actually be said to have started until 1961, 15 years after the fund was inaugurated, when the first nine European countries made their currencies convertible into U.S. dollars. And by this time, the system was already coming under stress, as France and others began demanding that the United States redeem their excess dollars for gold.

Today, a road map for cooperative monetary reform appears out of reach politically. Bretton Woods was, in essence, a deal between two nations whose policies were critical to global financial stability: the United States, the world's dominant creditor, and the United Kingdom, its largest debtor. The former agreed to assist countries struggling with current account deficits, and the latter to forswear competitive currency devaluation. Today, China is the world's largest creditor, and the United States its largest debtor. Yet both seem unwilling to cede any measure of control—Beijing over its currency exchange rate and Washington over dollar interest rates—even if doing so might theoretically serve the global good.

Solve Global Challenges

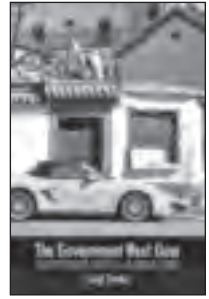
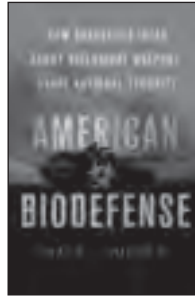
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All of this suggests that the world economy is condemned to remain reliant for some time on what the Stanford economist Ronald McKinnon has called “the unloved dollar standard.” But McKinnon and his colleague John Taylor think there are steps that the Fed could take to regain some love abroad. Taylor has argued that the United States should unilaterally return to a more rules-based, less discretionary approach to monetary policy, since that would lead to less volatile capital flows and economic conditions abroad.

Taylor is surely right in arguing that predictability in U.S. monetary policy has historically been a factor in helping stabilize global markets. Yet the relative unpredictability of such policy today is a direct result of the damage done to the U.S. economy by the financial crisis, which drove short-term interest rates down to

zero and obliged the Fed to improvise. It should hardly be surprising that views on what such improvisation should comprise, not least within the Fed, are many, varied, and shifting. Never before have economists and policymakers disagreed so much about what the right rules

for monetary policy are and under what conditions a given rule should be followed, modified, or abandoned. And unless these rules are codified, central bank officials will each devise their own preferred ones and, periodically, simply change their minds about them. Indeed, they have been doing so ever since 2010, when the Fed made its first forays into unconventional monetary policy, such as large-scale asset purchases.

Last June, for example, Bernanke tried to steer market expectations by suggesting that the Fed’s asset purchases would end once unemployment got down to around seven percent; yet the Fed only began a modest monthly tapering of such purchases in January, by which time unemployment had already dropped well below that level, to 6.6 percent. In some cases, the Fed has tried to convince the public that it will not do certain things, such as raising interest rates, until a certain distant date (mid-2015). Meanwhile, it has said that it will calibrate other interventions, such as asset purchases, to monthly data on employment and the like, which are typically volatile and therefore suggest frequent changes in the Fed’s behavior. No wonder markets have at times been on edge.

*For many countries,
monetary sovereignty is
nothing more than an
unattainable ideal.*

PROTECTION POLITICS

But can't developing countries take actions on their own to protect themselves, without cooperation from the United States? Indeed, they can. A recent study published by the IMF concluded that countries whose economies have been more resilient in the face of unconventional U.S. monetary policy since 2010 have three characteristics: low foreign ownership of domestic assets, a trade surplus, and large foreign exchange reserves. This has clear policy implications: in good times, emerging-market governments should keep their countries' imports and currencies down and their exports and dollar reserves up.

Unfortunately, many in the United States see such policies as unfair currency manipulation, harming U.S. exporters. To prevent foreign governments from taking such steps, some influential American economists, such as C. Fred Bergsten, supported by major U.S. corporations, have called on the White House to insert provisions against currency manipulation into future trade agreements. Others, including the economists Jared Bernstein and Dean Baker, have gone so far as to call for Washington to impose taxes on foreign holdings of U.S. Treasuries and slap tariffs on imports from alleged manipulators.

Such suggestions are misguided; they would only raise global trade tensions and political conflict. But the very fact that prominent commentators are calling for these actions illustrates how the functioning, or malfunctioning, of the global financial and monetary system can encourage a spiral of damaging policy actions. China's recent agreements with Brazil, Japan, Russia, and Turkey to move away from dollar-based trade, for example, could undermine the multilateral trading system. The U.S. dollar plays a critical role in this system, as countries are willing to export more than they are compensated for in imports only because they believe that the money they accumulate in the process—U.S. dollars—will retain its global purchasing power over time. Take the dollar out of the picture and countries will erect trade barriers to prevent bilateral imbalances from emerging, since they won't want to stockpile one another's less credible currencies (a fair bet for Brazil, Russia, and Turkey). And if everyone followed suit, the result would be the kind of trade wars that spread the Depression globally in the 1930s.

FED FUTURE

The U.S. Federal Reserve was created a century ago to end domestic banking panics. The devastation wreaked on British finances by two

world wars elevated the Fed above the Bank of England to its current, privileged role at the center of the global monetary system. But even as the power of the Fed increased, it never adopted the same sense of global stewardship as its British counterpart had in the nineteenth century. The U.S. Congress has never shown any desire to change this, and it is hard to imagine it changing its mind anytime soon.

Given the clear trajectory of U.S. policy, the turmoil in emerging-market currency and bond markets over the past year should spur more effective collective action to defend the global financial system against future Fed-induced whiplash. Most emerging-market countries lack the resources to protect themselves individually. But they could build sufficient currency reserves if they acted in concert. In Asia, for example, the Chiang Mai Initiative Multilateralization of 2010 allows the 13 nations involved to tap their \$240 billion of combined reserves in the event of a balance-of-payments crisis.

Unfortunately, however, there is much less here than meets the eye. The Chiang Mai countries have not actually pooled the money they have pledged, and members can call on significant funds only if they are under an IMF program and therefore subject to the fund's surveillance and conditionality—a status that carries a heavy stigma. In reality, governments in the region remain hesitant to extend credit to one another during crises, which is the only time it is actually needed. Meanwhile, the 2013 announcement by the BRICS countries (Brazil, Russia, India, China, and South Africa) that they would create their own development bank is equally long on promise and short on prospects for meaningful action. Neither initiative has yet provided a penny of mutual assistance, nor do they appear likely to do so in the future.

All of this goes to show that it is as easy to bemoan a lack of U.S. financial leadership as it is difficult to substitute for it, even when the resources required to do so are readily available. Given its mandate, the Fed has little choice but to continue pursuing domestic objectives, irrespective of the consequences for those countries that cannot credibly threaten to export economic instability to the United States. But if Washington can't lead, it should at least get out of the way by abjuring calls to apply anti-currency-manipulation measures against countries taking legitimate steps to bolster their defenses against future Fed-induced shocks. For as the ongoing crisis in Ukraine suggests, nasty financial crises tend to become even worse political ones—and the world is likely to see plenty of both in the years ahead. 🌐



MEXICO'S MUSCLE
REVEALING
THE STRENGTH

LOGISTICS FOR COMPETITIVENESS

The “Big Figures State of México” is raising the bar for México to become the logistics platform of the Americas.

To make the most of México's location and develop a world-class logistics platform, the administration of Enrique Peña Nieto has set out to harmonize all infrastructure sectors as part of the five hundred–project National Infrastructure program.

Railroads have been reaping the benefits of México's emergence as an automobile exporter as they haul Ford's and Fiat's sedans and compacts from Cuautitlan Izcalli and Toluca, both in the State of México, and from other parts of the interior, to the U.S. border and beyond. New infrastructure to increase cargo traffic and promote passenger rail networks to help relieve traffic congestion in major cities should further increase the competitiveness of the booming automotive and aerospace sectors.

Governors of the states of Querétaro and México are looking forward to the competitive edge the high-speed passenger rail projects from México City to Querétaro and Toluca will provide.

Eruviel Avila, governor of the State of México since 2011, is seconding Peña Nieto's ambition to turn México into a global logistics platform, and by doing so has made his state the country's primary destination to attract foreign direct investment (FDI).

“Historically the second-largest economy in the country, our infrastructure network comprises 8,700 miles of roads and 870 miles of railways. We currently have four ambitious road development projects underway with the federal government. Such communications advantages result in representing the most important logistics platform, a true gateway to North America as well as to the south of the country,

South America, Europe, and Asia,” explains Avila, an attorney with a masters degree and a law PhD.

Now the government of the State of México is working alongside the federal executive branch, through constant communication and financial transparency, striving to take full advantage of the historic “Mexican moment” the country is currently going through.

“We are extremely fortunate to have our country's name in our state name. Also, located in our territory is the most visited archeological site in the world, Teotihuacan, which is one of the most significant symbols of pre-Hispanic Mexican culture.

“The State of México is the land of opportunities; proof of it is the foreign direct investment we constantly attract. Companies such as Ford, Daimler, BMW, Fiat-Chrysler, Volvo, GM, Robert Bosch, Hitachi, Valeo, FedEx, DHL, UPS, Pfizer, Rocher, Sanofi, Bayer, Nestlé, Unilever, P&G, Alpla, and BASF, among others, show the confidence these brands have in the State of México and how they benefit from our competitive advantages, such as our strategic location, qualified workforce, and the contribution we make to the country's economic development.”

The state has modified its legal framework in order to facilitate business start-up processes; regulatory improvement has been implemented to eliminate more than 1,900 unnecessary procedures and red tape. Acknowledging such measures, the World Bank's Doing Business ranking has moved the State of México from twenty-eighth, in 2009, to eighteenth, in 2013.

Between July and September 2013, the state was the leading contributor to México's GDP and the one with greatest economic growth.

“We have historically positioned ourselves as the

State of Mexico: Regional Logistics and Innovation Platform



GOBIERNO DEL
ESTADO DE MÉXICO



third-most popular destination for foreign direct investment, according to the Ministry of Economy, from 2000 to 2013. We also lead in the manufacturing industry and real estate services, at 12.6 percent and 14.5 percent of the national total, respectively.

Avila, the twice-elected mayor of Ecatepec de Morelos (the largest county in Latin America, with 1.65 million inhabitants) and congressman from the State of México from 1997 to 2000, and 2006 to 2009, as whip and president of the congressional liaison and administration board, reveals his experience in politics by pushing toward economic and environmental sustainability from all sectors.

“We are the most populous state in the country, with approximately 16.3 million inhabitants, and, combined with



Inauguration of the largest instant coffee plant in the world (L-R) Governor Eruviel Avila, President Enrique Peña, Marcelo Melchor & Carlos Represas, CEO & Chairman of the Board of Nestlé Group Mexico and Secretary of Economy Ildelfonso Guajardo

Mexico City, we represent 21.3 percent of the country's population, 26.2 percent of GDP, and 22.5 percent of the nation's businesses. Furthermore, we host the largest number of businesses, also leading the number of commercial outlets and public markets.”

This solidary government's slogan is, “People who work and succeed big.”

“This is not only a slogan,” explains Avila, “It is a representation of what the State of México is: a land of opportunities, with hardworking, loyal people who try their best to achieve higher living standards and always find a way toward prosperity.”

Under this perspective, they have completed three thousand of the six thousand commitments made during the campaign, allowing the State of México to get closer to their goals. “We aim to be a better prepared, well-communicated, safer, more productive, competitive society.”

In order to accomplish this, the administration developed several strategic projects that will enforce the position of the State of México as one of the most competitive and productive states in the nation, especially in the logistics, agribusiness, information technology, and aerospace sectors. These plans include:

1. The Toluca International Airport: potentially aimed at becoming an alternative to México City's International Airport, it will have an integrated, high-tech cargo terminal to support national, international logistics, and courier activities.

2. Arco 57: A logistics platform comprising a master plan of 1,482 acres that combines strategic location, added-value services, and a sustainable design for businesses and commercial outlets from all sectors, to improve their logistics capacity and reduce transportation time and costs.

3. Tecnopolo Esmeralda: a technology center focused on innovation and regional development that promotes the revitalization of the economy by using a quadruple-helix integration model encompassing the public, private, academic, and social sectors.

4. Pasteje Central Park: currently being developed in conjunction with IUSA Group, in Jocotitlan County, will boost the agribusiness sector by promoting small- and medium-sized entities willing to export their products.

Avila concludes: “We are the ‘Big Figures’ State; this enables us to stand out in the global scene in terms of international trade and foreign direct investment.”

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The Case for Net Neutrality

What's Wrong With Obama's Internet Policy

Marvin Ammori

For all the withering criticism leveled at the White House for its botched rollout of HealthCare.gov, that debacle is not the biggest technology-related failure of Barack Obama's presidency. That inauspicious distinction belongs to his administration's incompetence in another area: renegeing on Obama's signature pledge to ensure "net neutrality," the straightforward but powerful idea that Internet service providers (ISPs) should treat all traffic that goes through their networks the same. Net neutrality holds that ISPs shouldn't offer preferential treatment to some websites over others or charge some companies arbitrary fees to reach users. By this logic, AT&T, for example, shouldn't be allowed to grant iTunes Radio a special "fast lane" for its data while forcing Spotify to make do with choppier service.

On the campaign trail in 2007, Obama called himself "a strong supporter of net neutrality" and promised that under his administration, the Federal Communications Commission would defend that principle. But in the last few months, his FCC appears to have given up on the goal of maintaining an open Internet. This past January, a U.S. federal appeals court, in a case brought by Verizon, struck down the net neutrality rules adopted by the FCC in 2010, which came close to fulfilling Obama's pledge despite a few loopholes. Shortly after the court's decision, Netflix was reportedly forced to pay Comcast tens of millions of dollars per year to ensure that Netflix users who connect to the Internet through Comcast

MARVIN AMMORI is a Future Tense Fellow at the New America Foundation, a lawyer, and the author of *On Internet Freedom*. Follow him on Twitter @ammori.

could stream movies reliably; Apple reportedly entered into its own negotiations with Comcast to secure its own special treatment. Sensing an opening, AT&T and Verizon filed legal documents urging the FCC to allow them to set up a new pricing scheme in which they could charge every website a different price for such special treatment.

Obama wasn't responsible for the court's decision, but in late April, the administration signaled that it would reverse course on net neutrality and give ISPs just what they wanted. FCC Chair Tom Wheeler circulated a proposal to the FCC's four other commissioners, two Democrats and two Republicans, for rules that would allow broadband providers to charge content providers for faster, smoother service. The proposal would also authorize ISPs to make exclusive deals with particular providers, so that PayPal could be the official payment processor for Verizon, for example, or Amazon Prime could be the official video provider for Time Warner Cable.

Word of the proposal leaked to the press and sparked an immediate backlash. One hundred and fifty leading technology companies, including Amazon, Microsoft, and Kickstarter, sent a letter to the FCC calling the plan a "grave threat to the Internet." In their own letter to the FCC, over 100 of the nation's leading venture capital investors wrote that the proposal, if adopted as law, would "stifle innovation," since many start-ups and entrepreneurs wouldn't be able to afford to access a fast lane. Activist groups organized protests outside the FCC's headquarters in Washington and accused Wheeler, a former lobbyist for both the cable and the wireless industries, of favoring his old clients over the public interest. Nonetheless, on May 15, the FCC released its official proposal, concluding tentatively that it could authorize fast lanes and slow lanes on the Internet. Although the FCC is now officially gathering feedback on that proposal, it has promised to adopt a final rule by the end of this year.

Despite the missteps so far, the administration still has a second chance to fix its Internet policy, just as it did with HealthCare.gov. Preferably working with policymakers of all stripes supportive of open markets, it should ensure that the FCC adopts rules that maintain the Internet as basic infrastructure that can be used by entrepreneurs, businesses, and average citizens alike—not a limited service controlled by a few large corporations. In the arcane world of federal administrative

agencies, that guarantee comes down to whether the FCC adopts rules that rely on flimsy legal grounds, as it has in the past, or ones that rely on the solid foundation of its main regulatory authority over “common carriers,” the legal term the U.S. government uses to describe firms that transport people, goods, or messages for a fee, such as trains and telephone companies. In 1910, Congress designated

Under Obama, the FCC appears to have given up on the goal of maintaining an open Internet.

telephone wires as a common carrier service and decreed that the federal government should regulate electronic information traveling over wires in the same way that it regulated the movement of goods and passengers on railroads across state lines through the now defunct Interstate Commerce

Commission, which meant that Congress could prevent companies from engaging in discrimination and charging unreasonable access fees. When the FCC was created in 1934 by the Communications Act, those common carrier rules were entrusted to it through a section of the law known as Title II. Today, the broadband wires and networks on which the Internet relies are the modern-day equivalent of these phone lines, and they should be regulated as such: like telephone companies before them, ISPs should be considered common carriers. This classification is crucial to protecting the Internet as public infrastructure that users can access equally, whether they run a multinational corporation or write a political blog.

However, in 2002, Michael Powell, then chair of the FCC, classified ISPs not as common carriers but as “an information service,” which has handicapped the FCC’s ability to enforce net neutrality and regulate ISPs ever since. If ISPs are not reclassified as common carriers, Internet infrastructure will suffer. By authorizing payments for fast lanes, the FCC will encourage ISPs to cater to those customers able and willing to pay a premium, at the expense of upgrading infrastructure for those in the slow lanes.

The stakes for the U.S. economy are high: failing to ban ISPs from discriminating against companies would make it harder for tech entrepreneurs to compete, because the costs of entry would rise and ISPs could seek to hobble service for competitors unwilling or unable to pay special access fees. Foreign countries would likely follow Washington’s lead, enacting protectionist measures that would

close off foreign markets to U.S. companies. But the harm would extend even further. Given how much the Internet has woven itself into every aspect of daily life, the laws governing it shape economic and political decisions around the world and affect every industry, almost every business, and billions of people. If the Obama administration fails to reverse course on net neutrality, the Internet could turn into a patchwork of fiefdoms, with untold ripple effects.

INNOVATION SUPERHIGHWAY

Net neutrality is not some esoteric concern; it has been a major contributor to the success of the Internet economy. Unlike in the late 1990s, when users accessed relatively hived-off areas of cyberspace through slow dial-up connections, the Internet is now defined by integration. The credit for this improvement goes to high-speed connections, cellular networks, and short-distance wireless technologies such as WiFi and Bluetooth, which have allowed companies large and small—from Google to Etsy—to link up computers, smartphones, tablets, and wearable electronics. But all this integration has relied on a critical feature of the global Internet: no one needs permission from anyone to do anything.

Historically, ISPs have acted as gateways to all the wonderful (or not so wonderful) things connected to the Internet. But they have not acted as gatekeepers, determining which files and servers should load better or worse. From day one, the Internet was a public square, and the providers merely connected everyone, rather than regulating who spoke with whom. That allowed the Internet to evolve into a form of basic infrastructure, used by over a billion people today.

The Internet's openness has radically transformed all kinds of industries, from food delivery to finance, by lowering the barriers to entry. It has allowed a few bright engineers or students with an idea to launch a business that would be immediately available all over the world to over a billion potential customers. Start-ups don't need the leverage and bank accounts of Apple or Google to get reliable service to reach their users. In fact, historically, they have not paid any arbitrary fees to providers to reach users. Their costs often involve nothing more than hard work, inexpensive cloud computing tools, and off-the-shelf laptops and mobile devices, which are getting more powerful and cheaper by the day. As Marc Andreessen, a

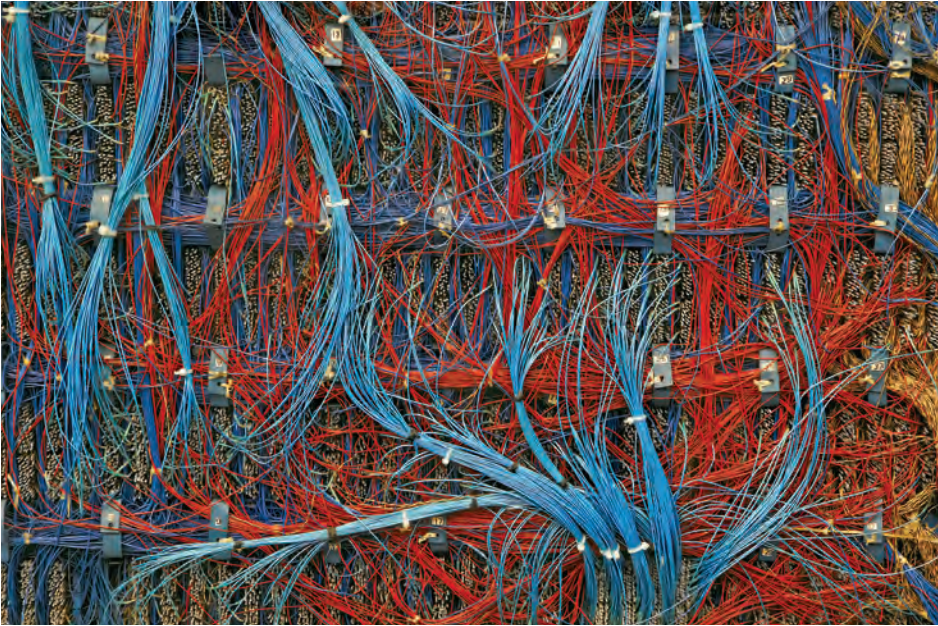
co-founder of Netscape and a venture capitalist, has pointed out, the cost of running a basic Internet application fell from \$150,000 a month in 2000 to \$1,500 a month in 2011. It continues to fall.

In some ways, the Internet is just the latest and perhaps most impressive of what economists call “general-purpose technologies,” from the steam engine to the electricity grid, all of which, since their inception, have had a massively disproportionate impact on innovation and economic growth. In a 2012 report, the Boston Consulting Group found that the Internet economy accounted for 4.1 percent (about \$2.3 trillion) of GDP in the G-20 countries in 2010. If the Internet were a national economy, the report noted, it would be among the five largest in the world, ahead of Germany. And a 2013 Kauffman Foundation report showed that in the previous three decades, the high-tech sector was 23 percent more likely, and the information technology sector 48 percent more likely, to give birth to new businesses than the private sector overall.

That growth, impressive as it is, could be just the beginning, as everyday objects, such as household devices and cars, go online as part of “the Internet of Things.” John Chambers, the CEO of Cisco Systems, has predicted that the Internet of Things could create a \$19 trillion market in the near future. Mobile-based markets will only expand, too; the Boston Consulting Group projects that mobile devices will account for four out of five broadband connections by 2016.

NOT NEUTRALITY

All this innovation has taken place without the permission of ISPs. But that could change as net neutrality comes under threat. ISPs have consistently maintained that net neutrality is a solution in search of a problem, but this often-repeated phrase is simply wrong. In the United States, both small and large providers have already violated the very principles that net neutrality is designed to protect. Ever since 2005, the FCC has pursued a policy that resembles net neutrality but that allows enough room for interpretation for firms to find ways to undermine it. From 2005 to 2008, the largest ISP in the United States, Comcast, used technologies that monitor all the data coming from users to secretly block so-called peer-to-peer technologies, such as BitTorrent and Gnutella. These tools are popular for streaming online TV (sometimes illegally), using



Let my data go: the supercomputer Illiac IV

cloud-based storage and sharing services such as those provided by Amazon, and communicating through online phone services such as Skype. In 2005, a small ISP in North Carolina called Madison River Communications blocked Vonage, a company that allows customers to make cheap domestic and international telephone calls over the Internet. From 2007 to 2009, AT&T's contract with Apple required the latter to block Skype and other competing phone services on the iPhone, so that customers could not use them when connected to a cellular network. From 2011 to 2013, AT&T, Sprint, and Verizon blocked all the functionality of Google Wallet, a mobile payment system, on Google Nexus smartphones, likely because all three providers are part of a competing joint venture called Isis.

In the EU, widespread violations of net neutrality affect at least one in five users, according to a 2012 report from the Body of European Regulators for Electronic Communications. Restrictions affect everything from online phone services and peer-to-peer technologies to gaming applications and e-mail. In 2011, the Netherlands' dominant mobile carrier, KPN, saw that its text-messaging revenue was plummeting and made moves to block applications such as WhatsApp and Skype, which allow users to send free texts. Across the Atlantic, in 2005, the Canadian telecommunications

company Telus used its control of the wires to block the website of a union member taking part in a strike against the company.

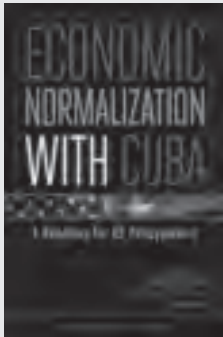
Opponents of net neutrality insist that efforts to enforce it are unnecessary, because market competition will ensure that companies act in their customers' best interests. But true competition doesn't exist among ISPs. In the United States, local cable monopolies are often the only game in town when it comes to high-speed access and usually control over two-thirds of the market. In places where there are real options, users rarely switch services because of the penalties that providers charge them for terminating their contracts early.

Some skeptics of strong regulation have proposed rules requiring companies merely to disclose their technical discrimination policies, but those wouldn't solve the problem either. Even in the United Kingdom, which boasts both healthy competition among ISPs and robust disclosure laws, companies still frequently discriminate against various types of Internet traffic. Indeed, wherever you look, the absence of rules enforcing net neutrality virtually guarantees that someone will violate the principle. As it stands now, after the FCC's rules were struck down in January, U.S. law does little to protect net neutrality. As companies push the boundaries, violations will become more common—and not just in the United States.

If the FCC doesn't rein in U.S. ISPs, there is likely to be a domino effect abroad. Some foreign officials view the net neutrality movement as nothing more than an attempt to protect U.S. technology companies, since given their size, they are the main beneficiaries of net neutrality abroad. (Twitter, for example, does well in foreign markets only where the government doesn't block it and carriers don't charge extra for it.) Foreign ISPs have long hoped to exclude U.S. companies from their markets or at least charge them for access, and if U.S. providers are allowed to play similar games in the United States, it will give foreign governments the perfect excuse to give their ISPs what they want. Similarly, if the U.S. government continues to allow American ISPs to block or charge foreign technology companies, such as Spotify, which is based in Sweden, then sooner or later, other countries are likely to retaliate by giving their own providers a similar right. The result would be a global patchwork of fees and discriminatory rules.



Peterson Institute for International Economics

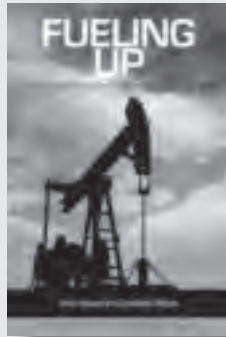


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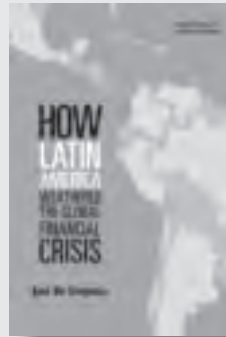


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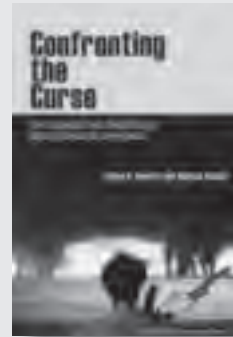
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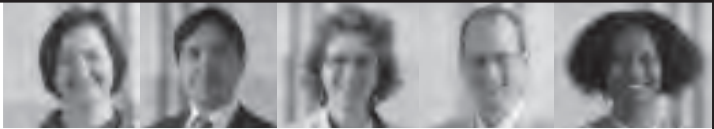
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Another danger is that if the Internet becomes less open in the United States, some forward-thinking foreign governments could enhance their net neutrality protections as a way of luring U.S. entrepreneurs and engineers to move abroad. Soon after the U.S. federal appeals court struck down the FCC's net neutrality rules in January, Neelie Kroes, a vice president of the EU Commission who is responsible for its digital agenda, asked on Twitter if she should "invite newly disadvantaged US startups to [the] EU, so they have a fair chance." By early April, the European Parliament had adopted tough net neutrality rules. Likewise, Chile, the first nation to adopt net neutrality rules, in 2010, has sought to attract global entrepreneurs through a government initiative called Start-Up Chile, which has invested millions of dollars in hundreds of foreign technology companies, most of which hail from the United States.

LIFE IN THE SLOW LANE

Imagine if, years ago, MySpace had cut deals with cable and phone companies to block Facebook, if Lycos had colluded with Alta-Vista to crush Google, if Microsoft had contracted with service providers to protect Internet Explorer by blocking Mozilla Firefox. If ISPs are allowed to block, discriminate, and charge for different applications, such scenarios could become commonplace. The main reason they have not been is because the FCC, in 2005, stated that Internet access should be "operated in a neutral manner" and subsequently stepped in a few times to enforce that policy: against Madison River Communications regarding Vonage, against Comcast regarding peer-to-peer services, and against AT&T and Apple regarding Skype. The enforcement has not been completely consistent—in-store payments from Google Wallet are still being blocked on AT&T's, Verizon's, and T-Mobile's wireless networks—but it has still largely succeeded in imposing some discipline on the market.

Without that FCC regulation, the Internet would have come to look very different than it does today—a lot more like the cable industry, in fact. For decades, cable companies, such as Comcast and Time Warner Cable, and satellite TV providers, such as DirecTV, have acquired equity stakes in channels as part of their carriage deals. That arrangement has resulted in disputes over price tiers, with smaller channels claiming they get put into more expensive, limited service packages than a cable company's own channels. In a

lengthy dispute with Comcast, for example, the independently owned Tennis Channel argued that it should be placed in the same basic service package as the Golf Channel and the NBC Sports Network, two sports channels that Comcast owns and provides to all its subscribers. In May 2013, a U.S. federal appeals court ruled in

A country's Internet infrastructure, just like its physical infrastructure, is essential to its economic competition and growth.

Comcast's favor; the Tennis Channel appealed to the Supreme Court, which in February declined to hear the case. Internet companies have never had to give up equity stakes as part of service deals to reach users or had to compete with firms that are owned by ISPs and thus given preferential treatment. And most of them would have

run out of funding during the years of litigation if they had taken legal action like the Tennis Channel has.

A scenario in which websites have to acquiesce to ISPs in order to secure competitive access to the Internet would kill innovation. Small companies would no longer be able to reach every segment of the market at no extra cost. A new company's rivals, if they could afford it, would be able to pay for better service, thereby reducing consumers' choices. Many start-ups would be unable to pay expensive access fees and would simply not start up in the first place. Investors would end up putting larger sums in fewer companies, and with no clear limit on how much ISPs could charge, the potential rewards from successful investments might be smaller and would certainly be more uncertain than they are today.

It is unrealistic to expect competition among ISPs to prevent or limit such fees; it hasn't done so in the United Kingdom and other European markets. Nor can one argue that ISPs need the money. They already enjoy comically high profit margins on broadband delivery, and their operating costs continue to decrease. In weighing the potential damage to entrepreneurship against the financial gains of a few huge telecommunications companies, the U.S. government should back the entrepreneurs.

That's especially so since without net neutrality, telecommunications and cable companies could also stifle free expression by favoring the websites and applications of the largest media conglomerates over those of nonprofit news organizations, bloggers, and independent

journalists and filmmakers. Permitting media giants to pay for a fast lane unavailable to all online outlets would raise the barriers to entry for all new publishing and sharing tools—eliminating innovations along the lines of Twitter, Tumblr, and WordPress. These tools, most of which started with extremely small investments, have helped citizens find new ways to petition and protest against their governments. New and better tools of this kind will continue to emerge only if the field is left open.

KEEPING THE INTERNET OPEN

The Obama administration needs to get the rules governing the Internet right. Obama's initial, feeble attempts to do so came during his first term, when the FCC was chaired by Julius Genachowski, a law school classmate of Obama's who demonstrated a distinct lack of political insight and courage on the job. In 2010, the FCC adopted a set of net neutrality rules known as the Open Internet Order, which barred providers from blocking or giving preferential access to particular websites and applications and required more disclosure about their policies. Moreover, in the order, the FCC effectively prohibited ISPs from creating and charging for fast lanes, declaring them unreasonable. But under pressure from ISPs, Genachowski punched two gaping loopholes into these rules. He exempted mobile access from the order, even though more people now go online through their cell phones than through their home computers. He also made it possible for ISPs to violate net neutrality through connection deals that they make directly with websites—a loophole that Comcast has exploited in its shakedown of Netflix.

Ultimately, however, it was the FCC's 2002 definition of ISPs as "an information service," rather than a "common carrier," that overwhelmed the weak rules established in 2010. Last year, Verizon challenged the 2010 rules, arguing that they went beyond the FCC's jurisdiction given the commission's own classification of ISPs as an information service. Since they were not common carriers, they could not be regulated according to Title II of the Communications Act, which would allow the FCC to treat them like telephone companies and ban unreasonable Internet discrimination and access fees. In January, a U.S. federal appeals court agreed with Verizon and struck down the 2010 FCC rules.

In legal terms, the FCC can easily address all these issues when it adopts a new order later this year. By reclassifying ISPs as common carriers, the FCC could regulate them as it does phone companies.

It should not shy away from using the authority that Congress gave it; the Supreme Court, in 2005, made clear that the FCC has the power to change ISPs' classification. Getting the legal definition right is crucial, since the FCC's last two attempts to enforce net neutrality were struck down in court on jurisdictional grounds, first in April 2010, in a case brought by Comcast, and then in January of this year. In both cases, rather than relying on its main authority over common carriers under Title II, the FCC attempted to impose net neutrality requirements through weaker regulatory authorities, including Section 706 of the Telecommunications Act of 1996, which gives the FCC the authority to regulate broadband infrastructure deployment. Each time, the court's ruling was sharply dismissive of the FCC's legal reasoning, as nondiscrimination rules can be applied only to common carriers.

In addition to fixing the FCC's legal footing, the new order should close the two loopholes in the moribund 2010 rules. First, there should be no exceptions for restrictions on mobile access. That is particularly important since many start-ups now develop applications initially or even exclusively for mobile phones, such as Instagram and Uber. The FCC should also make clear that ISPs cannot charge websites for direct connections to their networks, as Comcast has done with Netflix.

But Wheeler, Obama's FCC chair, has indicated that he prefers a different path. In late April, in an attempt at damage control after the FCC's new proposed rules were leaked, Wheeler wrote in a blog post on the FCC's website that he wouldn't "hesitate to use Title II" at some undefined future date. But instead of invoking those powers directly, the May 15 proposal tentatively concluded that the FCC would again rely on Section 706 of the Telecommunications Act as the basis for its legal authority, although it did say that it would also consider the use of Title II. Section 706 is the same flawed authority that the FCC already relied on in its 2010 rules and that the appeals court in January already held could not support restrictions against discrimination or fast lanes. Wheeler appears to have chosen this path because it is easier politically; the ISPs will not complain, since they are getting everything they wanted.

Although the Obama administration and the FCC are the main decision-makers, Republicans should recognize the need to support an open Internet. Over the years, some Republicans, including former

FCC Chair Kevin Martin, who served under President George W. Bush; former House Representative Charles “Chip” Pickering; and former Senator Olympia Snowe, have supported net neutrality as the best way to promote entrepreneurship, free-market competition, and free speech. Opposing an open Internet now would put the party on the wrong side of its values and on the wrong side of history.

A country’s Internet infrastructure, just like its physical infrastructure, is essential to its economic competition and growth. According to the Organization for Economic Cooperation and Development, high-speed Internet is not only slower in New York City and San Francisco than it is in Seoul; it also costs five times as much. Suffering from an even more expensive, less robust, and more fragmented Internet infrastructure would put the entire U.S. economy in a global slow lane.

Washington faces a simple choice: allow the Internet to remain an engine of innovation, a platform for speech in even the harshest tyrannies, and a unified connection for people across the globe—or cede control of the Internet to service providers motivated by their parochial interests. The Obama administration should focus its energy and resources on net neutrality and make sure that the FCC does the right thing for the U.S. and global economies. If it does not, many online businesses will soon have the kinds of problems usually associated with certain failed government websites. 🌐

Managing the New Cold War

What Moscow and Washington Can Learn From the Last One

Robert Legvold

No one should casually label the current confrontation between Russia and the West a “new Cold War.” After all, the current crisis hardly matches the depth and scale of the contest that dominated the international system in the second half of the twentieth century. And accepting the premise that Russia and the West are locked in such a conflict could lead policymakers to pursue the wrong, even dangerous strategies. Using such a label is thus a serious matter.

Yet it is important to call things by their names, and the collapse in relations between Russia and the West does indeed deserve to be called a new Cold War. The hard reality is that whatever the outcome of the crisis in Ukraine, Russia’s relations with the United States and Europe won’t return to business as usual, as they did after the 2008 Russian-Georgian war.

The Obama administration enjoyed some success in lifting the U.S.-Russian relationship from its 2008 nadir, as the two sides forged the New Strategic Arms Reduction Treaty (New START), agreed on tougher sanctions against Iran, cooperated on supply routes for NATO’s war in Afghanistan, and worked together on President Barack Obama’s plan to secure nuclear materials around the world. Relations never really moved to the next phase, as further progress was waylaid by frictions over missile defense, NATO’s war in Libya, the civil war in Syria, and a host of repressive measures

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that Russian President Vladimir Putin's regime directed at its own citizens. But even those obstacles never completely dashed the hope that Moscow and Washington might find common ground on a number of critical issues.

That hope is now gone. The crisis in Ukraine has pushed the two sides over a cliff and into a new relationship, one not softened by the ambiguity that defined the last decade of the post-Cold War period, when each party viewed the other as neither friend nor foe. Russia and the West are now adversaries.

Although this new Cold War will be fundamentally different from the original, it will still be immensely damaging. Unlike the original, the new one won't encompass the entire global system. The world is no longer bipolar, and significant regions and key players, such as China and India, will avoid being drawn in. In addition, the new conflict will not pit one "ism" against another, nor will it likely unfold under the permanent threat of nuclear Armageddon. Yet the new Cold War will affect nearly every important dimension of the international system, and Putin's emphasis on Russia's alienation from contemporary Western cultural values will add to the estrangement. Finally, were a security crisis in the center of Europe to escalate, the danger of nuclear war could quickly return.

For both Moscow and Washington, then, the top priority must be to contain the conflict, ensuring that it ends up being as short and as shallow as possible. To achieve that goal, both sides must carefully study the lessons of the original Cold War. During that conflict, the two sides, despite their bitter rivalry, were eventually able to develop a variety of mechanisms for reducing tensions and containing risks. By the 1970s, U.S. and Russian leaders had come to see managing the contest and focusing on areas of cooperation, especially nuclear arms control, as their principal tasks. Without discounting the fundamental differences that set them at odds, leaders on both sides embraced the wisdom of engaging, rather than isolating, the other. Toward the end of the original Cold War, the earnest, albeit fumbling, efforts of U.S. President Ronald Reagan and Soviet Premier Mikhail Gorbachev to understand what drove each other greatly influenced the final outcome. Today, as leaders in Moscow and Washington move in the other direction, they might pause and reflect on how the wisest among their predecessors approached the original Cold War.

THE BIG CHILL

For all the differences between the two periods, the new Cold War will share many of its predecessor's features. First, Russian and Western leaders have already begun framing the standoff in unfor-giving terms—much as their predecessors did at the start of the first Cold War, most famously with Soviet Premier Joseph Stalin's Febru-ary 1946 preelection speech and British Prime Minister Winston Churchill's Iron Curtain speech a month later. This past March, for example, Putin defended Russia's annexation of Crimea by saying that Washington and its European allies were guided by "the rule of the gun" rather than international law and were convinced that their "exceptionalism" allowed them to unlawfully use force against sover-eign states, "building coalitions based on the principle, 'If you are not with us, you are against us.'" In May, Alexander Vershbow, the deputy secretary-general of NATO, asserted that Russia should now be considered "more of an adversary than a partner."

Second, as in the early phases of the original Cold War, each side sees the conflict as a result solely of the actions—or even the nature—of the other. Neither pays attention to the complicated interactions that brought relations to their present low. This preoccupation with pinning fault on the other side recalls attitudes during the late 1950s and early 1960s, when each side viewed the other as inherently alien. Only after surviving the perils of the Berlin crisis of 1958–61 and the Cuban missile crisis in 1962 did the Americans and the Soviets step back and consider where their interests converged. Over the next ten years, they negotiated three major arms control agreements: the Limited Test Ban Treaty, the Nuclear Nonproliferation Treaty, and the first Strategic Arms Limitation Talks (SALT I).

Third, as during much of the original Cold War, neither side now expects much from the relationship. Isolated moments of cooperation might emerge when the two sides' interests on specific issues happen to coincide. But neither believes it feasible to pursue cooperation across a broad front with the aim of changing the nature of the relationship overall. Nor does either camp seem willing to take the first step in that direction.

Fourth, to punish Moscow and to signal the price it will pay for further aggression, Washington has resorted to a series of Cold War–style reprisals. Beginning in March, it put military-to-military activities with Russia on hold and ended missile defense negotiations. The



Red flag: Russian soldiers in Moscow's Red Square, November 2011

Obama administration has also banned the export to Russia of civilian technology with potential military applications, suspended cooperation with Russia on civilian nuclear energy projects, cut off NASA's contacts with its Russian counterpart, and denied Russian specialists access to the laboratories of the U.S. Department of Energy. Many of these measures will likely remain in place after the Ukraine crisis ends. And even those that are lifted will leave a corrosive residue.

Fifth, and most serious, just as the confrontation over security in the heart of Europe constituted the epicenter of the original Cold War, renewed uncertainty over central and eastern Europe's stability will drive this one as well. Beginning in the 1990s, NATO's expansion into much of eastern Europe, including the Baltic states, moved Europe's political-military border to the edges of the former Soviet Union. NATO enlargement also transformed Belarus, Moldova, and Ukraine into the new "lands in between," successors to Poland and the parts of the Austro-Hungarian Empire that the great powers fought over, with tragic results, in the nineteenth and twentieth centuries. Today, as Moscow fortifies its Western Military District, a key military command, and NATO refocuses on Russia, the military standoff over continental Europe, which took two decades to dismantle, will swiftly be reconstituted on Europe's eastern edge.

RED ZONE

Some might assume that the new Cold War, although undesirable, won't matter nearly as much as the last one did, especially since modern Russia presents a mere shadow of the threat once posed by the Soviet

Whatever the outcome of the Ukraine crisis, Russia and the West won't return to business as usual.

Union. It is true, of course, that the United States enjoys massive material advantages over its adversary: its economy is around eight times as large as Russia's, and its military budget is seven times as large. Moreover, the magnitude of the other challenges Washington faces, from turbulence in the Middle

East to rising tensions in the Asia-Pacific, might make a collapse of Russia's relations with the United States and most of Europe seem relatively unimportant.

But to doubt the likelihood or significance of a prolonged confrontation would be deeply misguided. In truth, if Russia and the United States approach each other in starkly adversarial terms, the conflict will badly warp the foreign policies of both countries, damage virtually every important dimension of international politics, and divert attention and resources from the major security challenges of the new century.

Consider Washington's position in the Asia-Pacific, toward which it has for several years now intended to rebalance its diplomatic and military resources. Recent events in Ukraine have already caused Tokyo to fear that Washington's new focus on Europe will diminish its commitment to Asia—and, more specifically, its commitment to helping Japan ward off a rising China. Japanese leaders even worry that Obama's relatively mild response to Moscow's annexation of Crimea foreshadows how Washington would react if Beijing seized the disputed Senkaku Islands (known in China as the Diaoyu Islands), in the East China Sea. Moreover, a belligerent Russia will have every incentive to hinder, rather than help, the United States' efforts to manage the delicate task of deterring Chinese aggression while widening the sphere of U.S.-Chinese cooperation. Similarly, at a time when Washington needs Russian cooperation to address new sources of global disorder, Moscow will instead step aside, impairing U.S. efforts to deal with terrorism, climate change, nuclear proliferation, and cyberwarfare.



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The pressure to reorient U.S. defense planning to meet what many members of the U.S. Congress and many of Washington's eastern European allies see as a revived Russian military threat will complicate the Pentagon's effort to save money by modernizing and downsizing. The U.S. military, which is currently focused on counterterrorism and securing access to the seas surrounding China, will now have to beef up its capabilities to fight a ground war in Europe.

The new Cold War with the United States and Europe will hurt Russia even more, especially because Moscow is much more dependent on the West than vice versa, in at least one critical respect. To diversify its resource-dependent economy and modernize its aging, Soviet-era infrastructure, Russia has counted on an inflow of Western capital and technology. To the degree that this option is lost, Moscow will be forced to become vastly more dependent either on its relationship with Beijing—in which it is a distinctly junior partner—or on scattered partnerships with countries that do not offer anything resembling the resources of the United States and Europe.

Only four years ago, after the global financial crisis had laid bare the weakness of the Russian economy, then Russian President Dmitry Medvedev argued that the country sorely needed “special alliances for modernization” with the United States and the countries of the EU. But now, as the crisis in Russia's relations with those countries deepens, Russia is already feeling the crunch, as capital is fleeing the country, its credit markets are shrinking, and its economy will soon enter a recession.

Such economic hardship may prompt Russian leaders to preemptively clamp down on domestic dissent even harder than they already have to avert potential social unrest at home, which would mean a level of repression that could backfire and at some point produce the very kind of widespread opposition the Kremlin fears. Meanwhile, Russia's poisoned relations with the United States and its European allies might well lead such Russian partners as Armenia, Belarus, and Kazakhstan—all of which are crucial to Russia's plans for a Eurasian economic union and a stronger Collective Security Treaty Organization—to subtly distance themselves from Moscow for fear of tainting their own relationships with the Western powers.

The new confrontation with the West will also force Russia to stretch its military resources thin. That will leave Moscow poorly equipped to handle a host of other security challenges, such as violence

in the northern Caucasus and instability in Central Asia, the latter of which is compounded by the unpredictable futures facing Afghanistan and Pakistan. Russia must also defend its vast border with China and prepare for a potential conflict between North and South Korea.

PRESSURE POINTS

The collapse of Russia's relations with the West will not only distort U.S., European, and Russian foreign policy but also inflict serious harm on a broad array of international issues. What still remains of the arms control regime that took Russia and the United States years to build will now largely come undone. The new Cold War has eliminated any chance that Moscow and Washington will resolve their differences over missile defense, a Russian precondition for further strategic arms control agreements. Instead, the two sides will likely start developing new and potentially destabilizing technologies, including advanced precision-guided conventional weapons and cyberwarfare tools.

Meanwhile, the European component of the U.S. missile defense program will now likely take on a specifically anti-Russian character, particularly because the Obama administration reportedly believes that Russia has violated the 1987 Intermediate-Range Nuclear Forces Treaty. And it is unlikely that Moscow and Washington will be able to agree on how to place limits on the deployment of major weapons systems in Europe. The new Cold War has also dashed any hopes of strengthening other basic agreements, such as the 1992 Treaty on Open Skies, which regulates unarmed aerial surveillance flights.

Geostrategic calculations will now also assume a far more dominant role in U.S.-Russian energy relations. Each side will attempt to use the oil and gas trade to gain leverage over the other and minimize its own vulnerability. In the Arctic, the chances for U.S.-Russian cooperation in developing that region's vast hydrocarbon reserves will surely shrink. More broadly, the new Cold War will set back international efforts to deal with the impact of climate change on the Arctic—an issue on which U.S.-Russian relations have been surprisingly cooperative.

One of the most successful but underappreciated aspects of recent U.S.-Russian relations has been the progress made by the 20 working groups of the U.S.-Russia Bilateral Presidential Commission, which was established in 2009 to facilitate high-level cooperation on a range

of policies, from prison reform and military education to civilian emergencies and counterterrorism. It seems unlikely that such cooperation will continue, much less improve, during the new Cold War. Moscow and Washington will also struggle to align their positions on key matters of global governance, including the much-needed reforms of the UN, the International Monetary Fund, and the Organization for Security and Cooperation in Europe. Washington is now focused on excluding Russia where possible (from the G-8, for example) and circumscribing Russia's role elsewhere. Meanwhile, Moscow will work harder than before to supplant U.S. and European influence in these institutions.

Finally, should one or more of the long-simmering conflicts in the post-Soviet region again explode, the chances that Russia and the United States would act together to contain the violence seem close to zero. Instead, were Nagorno-Karabakh, in Azerbaijan, or Transnistria, in Moldova, to blow up, Moscow and Washington would both be far more likely to focus on counteracting what they each saw as the malevolent role of the other.

DAMAGE CONTROL

The immediate crisis in Ukraine, even if momentarily muffled, has scarcely ended. The presidential election in May could not settle the crisis of legitimacy facing Ukraine's leadership, which lacks the trust of the eastern part of the country. Nor will the modest aid packages currently being cobbled together by the International Monetary Fund and other Western donors resolve the deep structural problems eating away at Ukraine's economy, namely unconstrained corruption and the power exerted by a small number of oligarchic clans. In short, the country has a long slog ahead, filled with political and economic uncertainty.

Yet Ukraine forms only part of a larger and more ominous picture. Europe's stability, which only recently seemed assured, now appears more tenuous. A new fault line has opened up in the heart of the continent, and instability anywhere within it—not only in Ukraine but in Belarus or Moldova as well—will likely lead to an escalating confrontation between the East and the West. Leaders in Moscow and Washington need to face up to this reality and to the price they will pay if they blind themselves to the larger consequences of the new Cold War. Understating both the risks and the costs will only lead to

underestimating how much effort will be required to surmount them. The overarching goal of both Moscow and Washington must therefore be to make the new Cold War as quick and as shallow as possible.

This goal can be achieved only if leaders on both sides embrace damage control as their first-order objective. So far, they have not. Rather than understanding the Ukraine crisis in this larger perspective, Russian and Western leaders seem fixated on prevailing in the crisis itself. For Russia, that means toughing it out: taking the pain the West means to inflict through sanctions and forcing Washington and U.S. allies to accept what Russian leaders see as their country's legitimate interests in Ukraine and beyond. For the United States and Europe, winning in Ukraine means stymieing Russia's aggressive behavior and forcing Moscow back onto a more cooperative path. (In some Western circles, winning also entails weakening Putin enough to hasten the end of his regime.)

Committing to limiting the damage done by the new Cold War does not mean that the West should tolerate Russian attempts to control events in Europe's new lands in between by abetting political instability or using military force. If the United States and its European allies cannot find a way to thwart this Russian temptation—through credible military threats, if necessary—the new Cold War will only deepen. At the same time, a policy to deal with conflicts over Europe's unsettled center needs to be guided by a larger goal. Everything that Western leaders do to induce Russian restraint must be paired with a compelling vision of an alternative path that, if taken, would lead in a more constructive direction. Both halves of this approach need to be clear and concrete: the redlines must be self-evident and backed by the threat of credible military force, and the opportunities for cooperation must be specific and significant.

ANGER MANAGEMENT

Minimizing the damage done by the new Cold War will require managing it with the intention of gradually overcoming it. To this end, leaders in Moscow, Washington, and European capitals should heed three lessons from the original Cold War.

First, they need to recognize that during the Cold War, mistrust often distorted each side's perceptions of the other's intentions. As one among many examples, consider Washington's incorrect belief that the Soviet invasion of Afghanistan in 1979 was an attempt to gain

control over the oil in the Persian Gulf—a misperception rooted in the deep-seated mistrust of Soviet territorial ambitions that U.S. leaders had harbored ever since Stalin seized much of eastern Europe after World War II and then sought to expand Soviet influence in such places as Iran and Korea.

Ever since the first Cold War ended, misperceptions have continued to plague relations between the two sides, constantly disrupting Moscow's and Washington's efforts to build a new partnership and allowing a potentially functional relationship to devolve into an adversarial one. NATO enlargement and U.S. plans for a European missile defense system fed a preexisting Russian disposition to believe such moves were directed against

Moscow and Washington must focus on making the new Cold War as short and as shallow as possible.

Moscow. And Russia's heavy-handed treatment of its neighbors—particularly Ukraine—created a Western perception that Moscow wants not merely influence but also control over old Soviet territory.

Peeling away such mistrust won't be easy. It will require great effort on the part of U.S. and Russian officials and a willingness to take real risks. Leaders on both sides know that their domestic political opponents will characterize any attempts to overcome hostility as weakness. They also worry that any overtures will look feckless if they are not immediately reciprocated—or, worse, that such efforts will look like appeasement if the other side responds with further aggression.

Still, it is each side's distorted notions of the other's aims that represent the largest barriers to cooperation. The way to begin unwinding this tangle is for the two sides to talk directly to each other, quietly, at the highest levels, and without preconditions. They must meet with an understanding that every issue is on the table, including the most contentious ones. Such dialogue, of course, is the most difficult precisely when it is also the most necessary, but neither government need abandon its current positions before it starts talking. Probing the sources of each side's deeper concerns, however, is only the first step. Next, talk must lead to action. Each side should specify a modest step or series of steps that, if taken, would convince it to begin rethinking its assumptions about the other.

The two sides should also stop blaming the other side and instead step back and consider what in their own behavior has contributed to

the derailment. The original Cold War's second lesson is that it was the interaction between the two sides, rather than the actions of only one side, that created the spiral in tensions. In the Ukraine crisis, at least, there is enough blame to go around. The EU was tone-deaf in dismissing legitimate Russian concerns over the failed association agreement with Ukraine. During the unrest in Kiev in February, the United States too quickly abandoned an agreement reached by diplomats on all sides that offered a potential way out of the crisis, promising new presidential elections and constitutional reform. And throughout, Russia has been all too ready to exploit Ukraine's instability to further its objectives.

The original Cold War's third lesson might be the most important. Events, and not predetermined plans and policies, usually determined U.S. and Soviet behavior. In the current crisis over Ukraine and in others to follow, the United States and its European allies should therefore focus on influencing Russian choices by shaping events rather than by trying to change the way the Kremlin sees things. In practical terms, this means that Washington, alongside the EU, should commit to giving Ukraine the economic assistance it desperately needs (provided that real steps are taken to fix its corrupt political system), insist that Ukrainian leaders establish a government that can regain legitimacy in the eastern part of the country, and strive to create an environment in which Ukraine can cooperate with Europe and Russia without having to choose between the two. If U.S. policy moves in this direction, Russian choices are likely to be more constructive.

At the moment, emotions are running high in Moscow, Washington, and the capitals of Europe, and the confrontation over Ukraine seems to have taken on a momentum of its own. If somehow the Ukraine crisis fades, the intensity of the new Cold War will weaken, but not end. If the crisis in Ukraine deepens (or a crisis elsewhere arises), so will the new Cold War. In other words, Ukraine is central to the direction the confrontation will take, but not everything depends on what happens there. Just like the original Cold War, the new Cold War will play out on many stages, and it will not even begin to be resolved until both sides recognize the high costs of the course they are on and decide to tackle the difficult steps leading to a different path. 🌐

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President Goodluck Jonathan recognized that Nigeria's development efforts had, over the years, been hampered by the lack of continuity, consistency and commitment to agreed policies and he bemoaned the fact that the country had never embarked on reforms with a long-term perspective.

Thus, he acted decisively and his Transformation Agenda



was set in motion. This need for an all-encompassing change brought about a strategy that was to cover the 2011-2015 period. Looking toward Nigeria's Vision 20:2020, which aims at Nigeria becoming part of the top twenty economies in the world by the end of the decade, the agenda is based on a set of priority policies and programs that will transform the Nigerian economy to meet the future needs of the Nigerian people.

No sector of the economy has been left untouched by the Agenda and it would be hard to deny its success thus far.

With economic growth up, increased inclusion in the economy for Nigerians and non-oil sectors booming, the Transformation Agenda is surely proving to be a success.

Nigeria Celebrates a Successful WEF



Nigeria's economic progress and place at the head table of African politics was recognized last year, when the honor of hosting the twenty-fourth World Economic Forum (WEF) on Africa was first bestowed on the country.

This globally acclaimed gathering brought more than one thousand of the world's political and economic leaders to Abuja, where they witnessed first-hand how Nigeria's economic and social policies are driving change in this emerging powerhouse.

"We consider it a special privilege and recognition of our achievements that Nigeria has hosted the World Economic Forum on Africa in 2014. We have been pleased to welcome the participants to Abuja and our continent," said President Goodluck Jonathan.

Nigeria had been preparing for this event for a year and was pleased to have had the opportunity to show the world how much it has achieved in recent years.

Africa's New Leader

On the eve of hosting the WEF it was announced that Nigeria's economy has not only become the 26th largest in the world, but that it has also over taken South Africa as the continent's biggest economy.

Following a rebasing exercise by the Nations Bureau of Statistics, which won praise from the IMF and World Bank, figures show an estimated GDP of \$510 billion in 2013 placing Nigeria well ahead of many Asian economies such as Malaysia, Thailand, and Singapore.

In addition to this economic milestone, Nigeria is also being recognized as one of the world's next powerhouses through the inclusion in the MINT economic block – together with Mexico, Indonesia, and Turkey, further confirming the country's potential in the eyes of global spectators, and paving the way to continuous future growth.

The previous way of calculating the GDP had not correctly taken into account many of the fast-growing areas of the economy, such as mobile telephony, which under the old system only accounted for 1 percent of the economy and after the recalculation it now accounts for 9 percent. The oil industry's share of GDP has now dropped from 33 percent to 14 percent, meaning that 19 percent of GDP has gone to new economic sectors. However, more diversification is still needed if Nigeria is to achieve its Vision 20:2020. Communication, technology and agriculture are widely tipped to be the main forces for this diversification.

Immigration Service Plays Key Role in National Development

As Nigeria's economic boom continues, the country is attracting more and more visitors from all over the world. Nigerians living and working overseas are also looking at the opportunities their mother country has to offer and many are opting to return. This means that the Nigeria Immigration Service (NIS) must be at the top of its game, as its people are often the first experience of Nigeria that visitors will have.

The first task of any immigration service is to secure a nation's borders, but at the same time, immigration officers also have an almost unseen role in their country's economic



Nigeria Immigration Service's Comptroller-General, David Shikfu Parradang, in his office at the NIS Headquarters, Abuja

development. "Investors will only come when they feel secure, so by protecting our borders we are actually contributing to our economic development by helping to attract investment," explained David Shikfu Parradang, the comptroller-general of NIS.

Extracted from the Nigeria Police Force in 1959, NIS has witnessed a series of changes and it came of age in 1963 when it was formally established by the act of parliament. Since then, it has come a long way in its march toward reform and restructuring to better position itself to meet the challenges of the twenty-first century.

Africa's First e-Passport

2007 was a landmark year for NIS, when it became the first immigration service in Africa to introduce the e-Passport – and among the first forty countries in the world to reach this milestone.

"I am very proud that we have aggressively embraced the use of technology. We were one of the first agencies to partner with the national e-Government strategy in 2005 and we had already brought in e-Passports two years later," the comptroller-general said.

Immigration stations at Nigeria's airports have also been installed with new technologies such as Electronic Passenger Registration Systems. NIS is also introducing technology to monitor and manage non-Nigerian residents, and the implementation of the Combined Expatriate Residence Permit and Aliens Card (CERPAC) in 2005 has been furthering the service's goal of becoming increasingly efficient through the use of ICT.

New Visa Policies Facilitate a Warm Welcome

The Nigeria Immigration Service has clearly taken on board the philosophy of the federal government's Transformation Agenda by designing and implementing policies aiming to place Nigeria in the position of being a preferred destination for foreign direct investment.

It has become globally recognized that positive immigration can contribute to GDP through increased job creation, the establishment of new businesses and wider economic investment. To work towards positive immigration NIS started to develop better and more efficient visa policies.

"A few years ago we realized the need to make Nigeria more investor-friendly and so we started the process of reviewing our visa policy to ensure convenience and simplicity without compromising national security," stated Mr. Shikfu Parradang.

By looking at liberalizing visa policies, NIS has strongly aligned itself with the strategic goals of the Government. "The outcome was the eventual approval of the proposed new visas policy in June 2012. Consequently a new policy of visa-on-arrival was introduced," he added.

This long awaited initiative has been welcomed by prospective international visitors and hailed as one of the best decisions taken by NIS in recent years. Aimed at facilitating the arrival to Nigeria for frequently traveled investors, executive directors of

multinational companies, and other high net worth individuals the visa-on-arrival will bring an unencumbered entry to Nigeria.

In this vein, the new visa policy has also packaged many attractive incentives to encourage economic participation in strategic areas of Nigeria's development. World-class innovators can now apply for residency without needing to have lived in Nigeria, depending on the level of investment and local job creation investors can now attain a special class of visa. Automatic quota slots now ensure that investment in Nigeria is rewarded with hassle-free employment for expatriates, ranging from two quota slots for investments up to \$250,000 to twenty slots when an investment is worth \$100,000,000 and fifty local jobs are created.

The expansion of immigration desks at overseas missions has also been boosted and NIS has recently added another twenty-eight posts in its most important markets: The United States, the U.K., South Africa, Saudi Arabia, and China.

Given the importance of the World Economic Forum, which took place in Abuja in May, and of its delegates, NIS put in place various initiatives to ensure a smoother visa and arrival process.

"We worked hard to guarantee that delegates could get their visas expeditiously and we prepared our airports for them."

NIS Sets Higher Training Standards

"My vision is to develop the immigration officials to be professional, firm, disciplined and totally committed to delivering a world-class service to Nigeria in furtherance of our fundamental objective of a secure and prosperous country," stated the comptroller-general as one of his most pressing objectives.

Just as across at its sister customs service, NIS has realized the need for capacity building through recruitment and training as a key pillar in its development. The service was suffering from gaps in its training and with the vision of the comptroller-general to develop his immigration officers into world-class professionals he had to change the approach to training.

"Fortunately we have been assisted by many international agencies and partners. This year alone we have had more than 1,200 training slots arranged with and conducted by the International Organization of Migration (IOM) and we have enjoyed productive cooperation with the Spanish government officials who have come here to train our officers."

Improved border patrols and document management are the main input the Spanish have provided and FRONTEX,



Recently renovated immigration clearance desks at Murtala Muhammed International Airport, Lagos

the European border control agency has conducted training in airport management. NIS has also enjoyed cooperation and systems training from U.S. agencies, including border patrol enhancement.

Master Plan for Border Challenges

Nigeria suffers from the challenge of having a very expansive and historically porous land border that covers well over 4,000 km sq. and 1,600 km sq. of marine border area.

"It requires equipment and staff to effectively control all of this border area and the problem was not helped by the fact that since the early 1970s we have only had eighty-four border control posts," stated Mr. Shikfu Parradang.

That meant that in between each control post were 500 km of border that took a level of manpower to patrol that NIS did not have. Due to recent pressures, NIS has been able

to push to increase the number of border control posts and decrease the unpatrolled kilometers in between them.

"To address this we had to come up with a practical program. In effect we needed a master plan."

NIS stated to add 30 percent capacity to its border posts to reduce the distance between them and then put structures in place to more effectively patrol the areas between them.

"We are going to have patrol bases which have no more than 50 km either side of them to make sure the area can be effectively patrolled and controlled," he concluded.

Nigeria is Ready to Receive the World

All eyes were on Nigeria in May as it hosted the WEF Africa in Abuja. Delegates arrived from all over the world and NIS was at the top of its game in welcoming them to the country.

Though the hard work it has done has not just been in preparing for this event. The world is currently looking at Nigeria for other important reasons: the country recently announced its position as Africa's largest economy—a great accolade—but one which also brings responsibilities and challenges.

To maintain its economic prowess and social development in line with the Transformation Agenda, Nigeria must ensure it has an immigration service fit for purpose. Under the leadership of its comptroller-general it is clearly on track to deliver the service Nigeria needs and deserves.

"I was proud to welcome all the delegates who came here for the WEF and I would like to add that Nigeria is ready to welcome the world."



For more information visit our website:

www.immigration.gov.ng



The Power Behind Nigeria's



Future

At the Niger Delta Power Holding Company we have worked tirelessly for the last decade to build a brighter future for Nigeria. We have invested in 10 new power plants, which will add 5000MW extra capacity to our power generation. We have invested more than US\$8 Billion in Nigeria's power sector, adding thousands of kilometers of new transmission lines while also building hundreds of new sub-stations. The last years saw us oversee one of the grandest and most successful privatization programs that the global power industry has ever accomplished.

We are not stopping there: planned new investments include 17 new hydro power stations, a further increase in transmission lines and Public-Private Partnerships to secure and improve Nigeria's gas pipelines. The first phase of the privatization may be over, but opportunities in our power sector are wide-ranging. Contact us to find out how you can get involved.

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Nigeria Customs Service: Nigeria's Gatekeeper

The Nigeria Customs Service (NCS) has a critical role in the implementation of a range of trade, economic, security, and social policies and is a key contributor to the goals of Nigeria Vision 20:2020.

In one form or another, the NCS has been the gatekeeper of the inflow of goods into Nigeria for more than one hundred years. Its core responsibilities have included collecting and accounting for revenues gathered from customs and excise and performing extensive anti-smuggling activities to protect Nigeria from dangerous imports, and it has always played a vital role in the country's economic development.

The service has become increasingly relied upon, and revitalization of what was a partly demoralized service has been underway since the influential appointment of Abdullahi Dikko Inde as comptroller-general of NCS in 2009.

"Having taken over in 2009, I have the mission which proves the government is serious about our role and about how effective we can be in helping the country achieve the goals of the Transformation Agenda," Mr. Abdullahi Dikko Inde explained.

The NCS coat of arms sums up the service rather well – the all seeing eye and leaves no doubt as to the NCS's determined

mandate to uphold the national interest. To ensure that last statement, the comptroller-general is well aware of the reforms needed and has personally undertaken to modernize the NCS.



A section of the PAAR Ruling Center at the NCS Headquarters, Abuja

Reform and Modernization at NCS

"We know reform is a continuous process, so we started out looking at our needs and then deciding what systems to put in place to get us to our objectives," said the comptroller-general.

Abdullahi Dikko Inde has fought hard for the resources that the NCS needs to fulfill its mandate and at the same time has set higher, more demanding standards of performance, integrity, and self-respect for its officers, which are summed up in his Six-Point Agenda through which NCS is to maximize its potential through capacity building, undergo a moral rebirth of honesty and integrity, and reward productivity. Additionally the service would consolidate the current e-Customs initiative, increase collaboration with stakeholders and international partners while

also increasing public awareness of the NCS's work among Nigerians.

With modernization a key driver in mind, he has matched his words with deeds and is bringing the service up to the required standard levels, making the process of importing and exporting simpler, more efficient and customer oriented—all key elements of helping increase economic activity.

The other important contribution to that reform has been government revenue. Prior to the start of the comptroller-general's reforms, a total of 30 billion Naira was collected per month. Current figures suggest that 100 billion Naira is now added monthly to government coffers.

Technology Improves Performance

In a recent interview, the comptroller-general spoke of the future of the service being ICT-driven and in recent years NCS has indeed invested in new technologies to ensure ICT integration.

The NCS now operates a central server system at its headquarters—the NCS Network. This enables warehousing of all import, export, excise, transit and transshipment data. It also provides interconnectivity with a wide range of agencies and organizations, including the Federal Ministry of Finance, the Central Bank of Nigeria, the National Bureau of Statistics, the National Agency for Food and Drug Administration and Control, the Scanning Service Providers, and the Terminal Operators. All designated banks, declarants, cargo carriers, and DTI Café operators

can now also connect to the central server. Furthermore, a Wi-Fi technology system is being test-run to bring additional benefits.

This has enabled the NCS to take over Destination Inspections and implement Pre-Arrival Assessment Reports (PAAR), and by 2010 it had already installed the latest version of the Automated System for Customs Data (ASYCUDA 3.0), which has provided the service with an efficient, integrated, and automated control platform to monitor cargo travelling across borders.

The use of electronic rather than paper methods has also increased, and allows online transactions for submissions of cargo manifests and payments and remittances to the Central Bank—all of which bring the service into the twenty-first century.

Youth to Build Future Capacity

"We suffered from a recruitment gap that spanned twenty years, so everybody working here was older than forty-five and we needed new blood," the comptroller-general explained, adding "we have to bring in new graduates, people I can mold and people who will deliver what the service needs."

Under his leadership the NCS recruited almost 10,000 young graduates with computer literacy skills. "These are the young officers who can take us to where we want to be," he added.

His aim was two fold: to foster much needed capacity-building and to improve the welfare and remuneration packages for the employees. The task of capacity building was approached with the creation of a new Department of Human Resources Development and the promotion of further training and retraining of NCS staff through a variety of programs, workshops, and courses,



The Comptroller-General of Customs, Dikko Inde Abdullahi, in an interactive session with officers at the NCS Headquarters, Abuja

both locally and internationally. This training greatly enhanced NCS staff's professionalism, productivity, and efficiency.

With the youth providing the backbone of the service's future, the NCS has invested heavily in training colleges in Lagos and Kano. Recruits are put through academic and physical programs that make up the NCS curriculum. "We have laid a lot of emphasis on training and it is paying off."

Leaving Bad Practices Behind

When Abdullahi Dikko Inde assumed his position, he found many issues that needed to be tackled head-on. As any customs officer will testify, smuggling was one of the main issues, but the NCS also had to deal with the integrity of its own personnel.

Corruption was a serious problem and it was having a negative impact on the NCS and the people and country it served. "The issue of low integrity in the NCS was a serious one and it lead not only to distrust, but also to significant revenue leakage," he stated.

So the comptroller-general took on the issue, determined to leave these bad practices in the past. Some of the policies he has implemented include bringing salaries up to realistic levels, better promotion policies, preventative and investigative measures, and an increased use of automation. "Now that most of our duties are online, we have reduced the opportunity for bad discipline."

Coordinated border management was also an challenge he had



WCO Secretary General, Kunio Mikuriya; Honourable Minister of Trade and Investment, Olusegun Aganga; and Comptroller-General of the NCS, Dikko Inde Abdullahi during the PAAR Ruling Center presentation in Abuja

to take on. Surrounded by four countries and the ocean to its south, Nigeria was susceptible to cross border smuggling.

Starting to work jointly with its neighbors Benin, Cameroon, Chad, and Niger, the NCS now runs joint border patrols after agreeing to further communication and engagement, making Nigeria's borders stronger.

The Eye Looks Ahead

The comptroller-general's reforms have repositioned the NCS not only to meet the requirements of customs and trade today, but also to prepare it for the trends that will shape tomorrow.

The traditional role of a customs authority being restricted to mere revenue collection is changing and the NCS's mandate has expanded. A greater awareness is emerging around the contribution that Customs make to socioeconomic development, its desirability to investors and its impact in protecting what has become Africa's largest economy.

"Without an efficient and effective customs service, Nigeria will not be able to meet its ambitious policy objectives for revenue

collection, trade facilitation, trade statistics and protection of society in the new millennium," the comptroller-general said in summing up why reforms had been so necessary.

With delegates from all over the world attending the WEF on Africa in Abuja in May, it was essential for them to see what had been achieved across the wider Nigerian economy, and NCS is yet another pillar of reform and modernization taking place.

"We are contributing to Nigeria's Vision 20:2020 in a very visible way, and while giving credit for what has been achieved, we must be clear about what we still have to do to be ready for the next, crucial decade."



For more information visit our website:

www.customs.gov.ng



Niger Delta Power Holding Company Invests for the Future



James Olotu
CEO of NDPHC

At the end of the twentieth century Nigeria's power sector was already behind the pace. The economy was about to start fourteen years of strong growth and there was no policy in place to ensure that power generation, transmission, and supply could keep up with demand.

When the economy really started to take off the country realized the need for change in the power sector. Since in April this year the recalculated GDP figures saw Nigeria take over from

South Africa as Africa's largest economy, it became even more pressing than before that the sector is up to the challenge of maintaining the country's economic development.

The year 2004 saw the beginnings of change when in order to develop the sector towards much needed privatization the National Integrated Power Project (NIPP) was conceived as a fast-track initiative to add significant new generation capacity to Nigeria's electricity supply system.

"NIPP was formed to radically improve the power infrastructure and it was such an important initiative that it had to be a partnership between the federal government and all the states," explained James Olotu, the managing director & CEO of the Niger Delta Power Holding Company (NDPHC), which began life as a regulatory arm of the NIPP.

With vast experience amassed in Nigeria's banking and power sectors, Mr. Olotu displays the business acumen and leadership necessary to take this sector forward.

NIPP's plan involved the construction of ten power plants along with the electricity transmission and distribution infrastructure required to deliver the natural gas the power plants needed. \$8.4 billion has been committed from the Excess Oil Account to guarantee Nigeria will have the power it needs.

Born from the NIPP in 2005, the Niger Delta Power Holding Company was established to be the legal vehicle which contracted for, held, managed, and operated NIPP's assets, but which uses the very best private sector practices to ensure the country's power sector is on the right path. NIPP was initially established as a project with seven power stations to be built in the Niger Delta region, but as a project it needed a legal company to do the work, hence the birth of NDPHC.

"Over time the project grew in size and went from seven to ten power plants of various sizes bringing a total technical capacity of 5000MW," explained Mr. Olotu, who went on to say, "we are consequently building a lot of transmission

lines and substations. The infrastructure for transmission was weak and was very inefficient. So what we strove to do was to change that from a radial system to a new grid system."

Thus, the project was beginning to provide Nigeria with the right kind of infrastructure and thousands of kilometers of transmission lines were built to take the power all the way to the end user.

The transmission project alone meant 41 different contracts and 102 subprojects, the expansion of 36 existing substations and the construction of 17 new ones and the adding of 3000 km of new lines.

The distribution project was no less daunting with another 47 different contracts and almost 300 substations and another 4000 km of new lines. Five gas pipeline projects were also needed.

All ten of the new power plants have been built, six are almost completed—two of which have been commissioned by Nigeria's President and the remaining four are hoped to come online by the end of this year.

"They have already been sold in the privatization process, which has been so successful that we raised \$5.8 billion from their sale. This actually means that the private investors who bought into this actually value them at between \$7 billion and \$8 billion, which is a lot more than it cost to build them," he added.

James Olotu

However successful it was Nigeria was still playing catch-up so NDPHC now plans to reinvest the entire sum from the sale of those plants back into the power infrastructure mix. "We are now going to partner with the Ministry of Power and with the Ministry of Water Resources to build about seventeen new hydro power stations before 2019 which will add another 4000MW."

The MD is also planning a tie-up with the Transmission Company of Nigeria (TCN) to build much needed additional capacity. These two new projects constitute an investment of another \$4 billion.

NDPHC is also very aware of the cost of vandalism of gas pipelines to the industry and the wider economy and is now looking to partner with eight agencies to tackle this head on with an investment of an additional \$1 billion in pipeline enhancement and security. Entering public private partnerships with the private sector will boost this initiative so their investment can possibly be quadrupled and Mr. Olotu hopes that this can become a major solution for the country.

It has been a good year for Nigeria and for its power sector. It pulled off one of the grandest privatizations the continent has ever seen and it is clear that NDPHC is not resting on its laurels, but continuing to build for the future.

"What has been achieved is proof that this country is not only ripe for investment, but that is a good place in which to invest. This country is a haven for investors right now," Mr. Olotu concluded.

"What has been achieved is proof that this country is not only ripe for investment, but that is a good place in which to invest. This country is a haven for investors right now."



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For more information please contact info@ics.us.com or visit www.ics.us.com.

What the Kremlin Is Thinking

Putin's Vision for Eurasia

Alexander Lukin

Soon after the Soviet Union's collapse in 1991, Western leaders began to think of Russia as a partner. Although Washington and its friends in Europe never considered Moscow a true ally, they assumed that Russia shared their basic domestic and foreign policy goals and would gradually come to embrace Western-style democracy at home and liberal norms abroad. That road would be bumpy, of course. But Washington and Brussels attributed Moscow's distinctive politics to Russia's national peculiarities and lack of experience with democracy. And they blamed the disagreements that arose over the former Yugoslavia, Iraq, and Iran on the short time Russia had spent under Western influence. This line of reasoning characterized what could be termed the West's post-Soviet consensus view of Russia.

The ongoing crisis in Ukraine has finally put an end to this fantasy. In annexing Crimea, Moscow decisively rejected the West's rules and in the process shattered many flawed Western assumptions about its motivations. Now U.S. and European officials need a new paradigm for how to think about Russian foreign policy—and if they want to resolve the Ukraine crisis and prevent similar ones from occurring in the future, they need to get better at putting themselves in Moscow's shoes.

BACK TO THE BEGINNING

From Russia's perspective, the seeds of the Ukraine crisis were planted in the Cold War's immediate aftermath. After the Soviet Union

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collapsed, the West essentially had two options: either make a serious attempt to assimilate Russia into the Western system or wrest away piece after piece of its former sphere of influence. Advocates of the first approach, including the U.S. diplomat George Kennan and Russian liberals, warned that an anti-Russian course would only provoke hostility from Moscow while accomplishing little, winning over a few small states that would end up siding with the West anyway.

But such admonitions went unheeded, and U.S. Presidents Bill Clinton and George W. Bush chose the second path. Forgetting the promises made by Western leaders to Mikhail Gorbachev after the unification of Germany—most notably that they would not expand NATO eastward—the United States and its allies set out to achieve

It was only a matter of time before Russia finally reacted to its encirclement.

what Soviet resistance had prevented during the Cold War. They trumpeted NATO's expansion, adding 12 new members, including former parts of the Soviet Union, while trying to convince Russia that the foreign forces newly

stationed near its borders, in Estonia, Latvia, Lithuania, Poland, and Romania, would not threaten its security. The EU, meanwhile, expanded as well, adding 16 new members of its own during the same period.

Russian leaders were caught off-guard; they had expected that both sides would increase cooperation, remain responsive to each other's interests, and make mutually acceptable compromises. The Russians felt that they had done their part: although never entirely abandoning the idea of national interests, Russia had shown that it was willing to make sacrifices in order to join the prevailing Western-led order. Yet despite an abundance of encouraging words, the West never reciprocated. Instead, Western leaders maintained the zero-sum mindset left over from the Cold War, which they thought they'd won.

It remains hard to say whether a different approach to the post-Soviet states would have produced a better result for the West. What is obvious is that the course Clinton and Bush took empowered those Russians who wanted Moscow to reject the Western system and instead become an independent, competing center of power in the new multipolar world.



Man with a mission: Putin chairs a meeting at his residence, March 2014

Today, the West's continued advance is tearing apart the countries on Russia's borders. It has already led to territorial splits in Moldova and Georgia, and Ukraine is now splintering before our very eyes. Divisive cultural boundaries cut through the hearts of these countries, such that their leaders can maintain unity only by accommodating the interests of both those citizens attracted to Europe and those wanting to maintain their traditional ties to Russia. The West's lopsided support for pro-Western nationalists in the former Soviet republics has encouraged these states to oppress their Russian-speaking populations—a problem to which Russia could not remain indifferent. Even now, more than two decades after the collapse of the Soviet Union, more than six percent of the population in Estonia and more than 12 percent of the population in Latvia, most of them ethnic Russians, do not have the full rights and privileges of citizenship. They cannot vote in national elections, enroll in Russian schools, or, for the most part, access Russian media. The EU, despite its emphasis on human rights outside its borders, has turned a blind eye to this clear violation of basic rights within them. So when it came to Ukraine and the threat of NATO forces appearing in Crimea—a region for which Russia has special feelings and where most residents consider themselves Russian—Moscow decided that there was nowhere left for such minorities to retreat. Russia annexed Crimea in response

REUTERS / RIA NOVOSTI

to the aspirations of a majority of its residents and to NATO's obvious attempt to push Russia's navy out of the Black Sea.

Western leaders were taken aback by Moscow's swift reaction. In late March, General Philip Breedlove, NATO's supreme allied commander for Europe, said with surprise that Russia was acting "much more like an adversary than a partner." But given that NATO has acted that way since its founding—and never changed its approach after the Cold War—Moscow's actions should have been expected. It was only a matter of time before Russia finally reacted to Western encirclement.

In this context, the government of Vladimir Putin has interpreted Western protests about the situation in Ukraine as nothing more than a case of extreme hypocrisy. Indeed, it is difficult to imagine how the Kremlin could think otherwise. Consider the EU's recent criticism of right-wing groups in Ukraine. In March, the EU's

*The West's continued
advance is tearing
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Russia's borders.*

foreign policy chief, Catherine Ashton, condemned Right Sector, a militant nationalist group, for attempting to seize the parliament building in Kiev. But the EU had effectively supported Right Sector when it took to the streets to depose the government of Ukrainian President Viktor Yanukovich only

months earlier. None of this is surprising, of course; Western leaders have never had any difficulty justifying the actions of such extremist groups when convenient, as when it assisted Croatians fighting in the self-proclaimed republic of Serbian Krajina in 1995 or nationalists in Kosovo in 1997–98.

Western hypocrisy doesn't end there. Washington has regularly chastised Russia for violating the sanctity of Ukraine's borders. Yet the United States and its allies have no leg to stand on when it comes to the principle of territorial integrity. After all, it was not Russia but the West that, in 2010, supported the ruling by the International Court of Justice that Kosovo's unilateral declaration of independence in 2008 did not violate international law. And Moscow repeatedly warned that the precedents set by Western military interventions in such places as Kosovo, Serbia, Iraq, and Libya would undermine the existing system of international law—including the principle of sovereignty as enshrined in the 1975 Helsinki Accords,



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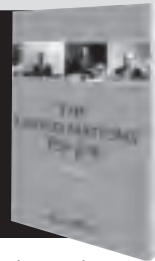


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in which the West formally acknowledged the national boundaries of the Soviet Union, the former Yugoslavia, and the Warsaw Pact states.

In spite of such Western double standards, Moscow has offered up a number of proposals for resolving the Ukraine crisis: the creation of a coalition government that takes into account the interests of the eastern and southern regions, the federalization of the country, the granting of official status to the Russian language, and so on. But Western ideologues seem unlikely to ever accept such proposals. Working with Russia, instead of against it, would mean admitting that someone outside the West is capable of determining what is good and what is bad for other societies.

COLLISION COURSE

Given the growing distance between Russia and the United States and Europe, it was only a matter of time before their two approaches collided in Ukraine, a border state that has long vacillated between the pull of the East and that of the West. The struggle initially played out between opposing Ukrainian political factions: one that advocated signing an association agreement with the EU and another that favored joining the customs union formed by Belarus, Kazakhstan, and Russia.

Western leaders have consistently viewed such Russian-led efforts at regional integration as hostile moves aimed at resurrecting the Soviet Union and creating an alternative to the Western system. Most officials in the United States and Europe thought that bringing Ukraine into alignment with the EU would deliver a heavy blow to those plans, which explains why they interpreted Yanukovich's decision to temporarily postpone the signing of the EU agreement as a Russian victory that called for a counterattack.

Yet Western leaders are woefully misinformed about the idea of Eurasian integration. Neither Russia nor any of the states seeking to join a Eurasian system wants to restore the Soviet Union or openly confront the West. They do, however, believe that in a multipolar world, free nations have a right to create independent associations among themselves. In fact, the ruling elites of many former Soviet republics have long favored the idea of maintaining or re-creating some form of association among their states. In 1991, for example, they created the Commonwealth of Independent States. And of the

15 former Soviet republics, only a few of them, primarily the Baltic states, have used the collapse of the Soviet Union as an opportunity to permanently abandon all ties to the former union and join Western economic and political unions instead. The remaining countries struggled to arrive at a consensus on precisely what role the CIS should play.

In some former Soviet republics, leaders have actively sought to create new forms of integration, such as the Eurasian Economic Community, whose members include Belarus, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan (Uzbekistan suspended its membership in 2008). In others, such as Georgia, Turkmenistan, and Ukraine, the ruling elites considered the commonwealth the primary means

The values of many former Soviet republics really do differ from what prevails in the West.

for obtaining a civilized divorce from Russia and dividing up the ownership rights and authorities that were previously held by a single, unified state. In most of these countries, at least part of the official establishment and a significant segment of the general population wanted to maintain close rela-

tions with Russia and the other former Soviet states. In Georgia and Moldova, for instance, various ethnic minorities feared increasingly assertive nationalist majorities and hoped that Russia would help protect their rights. In other states, including Belarus and Ukraine, significant parts of the populations had such close economic, cultural, and even familial bonds with Russia that they could not imagine a sharp break.

Yet economic problems have long stood in the way of real integration. Although Putin came to power convinced that the collapse of the Soviet Union was “the greatest geopolitical catastrophe” of the twentieth century, he waited a decade—until Russia had gained sufficient economic and political strength—to do anything about it. It wasn’t until 2010 that Belarus, Kazakhstan, and Russia launched a customs union, the first real step toward meaningful economic cooperation among post-Soviet states. The union created a territory free from duties and other economic restrictions, and its members now apply common tariffs and other common regulatory measures in their trade with outside countries. Negotiations are currently under way to add Armenia, Kyrgyzstan, and Tajikistan to the union.

In addition to providing economic benefits, Eurasian integration has fostered security cooperation. Like NATO, the Collective Security Treaty Organization—which includes Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan—requires signatories to help assist any member that comes under attack. Many Eurasian countries put a special value on the CSTO; their leaders know that despite assurances from many other countries and organizations, in the event of a real threat from religious extremists or terrorists, only Russia and its allies will come to the rescue.

UNDER GOD, INDIVISIBLE

With economic cooperation a success, political elites in the countries of the customs union are now discussing the formation of a Eurasian political union. As Putin wrote in the Russian newspaper *Izvestiya* in 2011, Moscow wants the new union to partner with, not rival, the EU and other regional organizations, such as the Association of Southeast Asian Nations and the North American Free Trade Agreement. That would help the member states “establish [themselves] within the global economy,” Putin wrote, and “play a real role in decision-making, setting the rules and shaping the future.” For such a union to be effective, however, it will need to evolve naturally and voluntarily. Moreover, taking post-Soviet integration to a new level raises the question of what deeper values would lie at its foundation. If the countries of Europe united to champion the values of democracy, human rights, and economic cooperation, then a Eurasian union must stand for its own ideals, too.

Some political thinkers have found the ideological foundation for such a union by looking to history. The concept of a Eurasian space or identity first arose among Russian philosophers and historians who immigrated from communist Russia to western Europe in the 1920s. Like Russian Slavophiles before them, advocates of Eurasianism spoke of the special nature of Russian civilization and its differences from European society. But they gazed in a different direction: whereas earlier Slavophiles emphasized Slavic unity and contrasted European individualism with the collectivism of Russian peasant communities, the Eurasianists linked the Russian people to the Turkic-speaking peoples—or “Turanians”—of the Central Asian steppe. According to the Eurasianists, the Turanian civilization, which supposedly originated in ancient Persia, followed its own unique

political and economic model—essentially, authoritarianism. Although they valued private initiative in general, many of the Eurasianists condemned the excessive dominance of market principles over the state in the West and emphasized the positive role of their region's traditional religions: Orthodox Christianity, Islam, and Buddhism. However dubious the Eurasianists' historical claims about the Turanians may be, this theory now enjoys wide popularity not only among a significant part of the Russian political elite but also in Kazakhstan, Kyrgyzstan, and other Central Asian states where the Turanians' descendants live.

Although the old ideas advanced by today's Eurasianists may seem somewhat artificial, the plan to establish a Eurasian union should not be considered so far-fetched. The culture and values of many former Soviet republics really do differ from what prevails in the West. Liberal secularism, with its rejection of the absolute values that traditional religions hold as divinely ordained, may be on the rise in western Europe and the United States, but in these former Soviet republics, all the major religions—Orthodox Christianity, Islam, Judaism, and Buddhism—are experiencing a revival. Despite the significant differences between them, all these religions reject Western permissiveness and moral relativism, and not for some pragmatic reason but because they find such notions sinful—either unsanctioned or expressly prohibited by divine authority.

Most inhabitants of these post-Soviet states also resent that people in the West consider their outlook backward and reactionary. Their religious leaders, who are enjoying increasing popularity and influence, concur. After all, one can view progress in different ways. If one believes that the meaning of human existence is to gain more political freedoms and acquire material wealth, then Western society is moving forward. But if one thinks, as a traditional Christian does, that Christ's coming was humanity's most important development, then material wealth looks far less important, for this life is fleeting, and suffering prepares people for eternal life, a process that physical riches hinder. Religious traditionalists see euthanasia, homosexuality, and other practices that the New Testament repeatedly condemns as representing not progress but a regression to pagan times. Viewed through this lens, Western society is more than imperfect; it is the very center of sin.

A great majority of Orthodox Christian believers in Russia, Ukraine, Belarus, and Moldova agree with all of this, as do many

people in Central Asia. And these beliefs have propelled to power leaders who support the integration of the former Soviet republics. They have also helped Putin succeed in establishing an independent power center in Eurasia. Western meddling, meanwhile, has only served to further consolidate that power.

MOVING FORWARD

The situation in Ukraine remains tense. It might very well follow the example of Moldova, effectively splitting in two. The United States has perceived Russian calls for dialogue as an attempt to dictate unacceptable conditions. In Russia, the continuing strife has fueled the activity of nationalists and authoritarians. The latter group has become especially active of late and is presenting itself as the only force capable of protecting Russia's interests. An uncontrolled escalation of the confrontation could even lead to outright war. The only solution is for the United States and its allies to change their position from one of confrontation to one of constructive engagement.

After all, a diplomatic solution to the Ukraine crisis is still possible. Even during the Cold War, Moscow and the West managed to reach agreements on the neutral status of Austria and Finland. Those understandings did not in the least undermine the democratic systems or the general European orientation of those countries, and they even proved beneficial to their economies and international reputations. It is no coincidence that it was Finland, a neutral state with strong ties to both the West and the Soviet Union, that hosted the talks leading to the signing of the Helsinki Accords, which played a major role in easing Cold War tensions. The solution to the current crisis similarly lies in providing international guarantees for both Ukraine's neutral status and the protection of its Russian-speaking population. The alternative would be far, far worse: Ukraine could well break apart, drawing Russia and the West into another prolonged confrontation. 🌐

Drop Your Weapons

When and Why Civil Resistance Works

Erica Chenoweth and Maria J. Stephan

Over the past three years, the world has witnessed a surge of nonviolent resistance movements. Pictures of huge demonstrations in public squares have become a staple of international news broadcasts, and *Time* named “the protester” as its Person of the Year for 2011. These days, it seems that at any given moment, thousands of people are mobilizing for change somewhere in the world.

But these movements have varied widely in terms of their duration, their success, their ability to remain nonviolent, and their cost in terms of human life. Building on years of intermittent protests and strikes, Tunisians toppled Zine el-Abidine Ben Ali, the dictator who had ruled their country for 23 years, after a sustained period of 28 days of protests beginning in December 2010. Between 300 and 320 Tunisians civilians died in the upheaval, all of them killed by police or security forces. Weeks later, Egyptians ended Hosni Mubarak’s three-decade reign after a decade of lower-level opposition and civil resistance culminated in 18 days of nonviolent mass demonstrations—but Mubarak’s security forces killed around 900 people in the process. In Libya, scattered protests against Muammar al-Qaddafi that began in February 2011 quickly became an armed rebellion. NATO soon intervened militarily, and within nine months, Qaddafi was dead and his regime demolished, but between 10,000 and 30,000 Libyans, according to various estimates, had lost their lives. In Syria, Bashar al-Assad brutally cracked down on mostly nonviolent demonstrations against

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They are the authors of *Why Civil Resistance Works: The Strategic Logic of Nonviolent Conflict*.

his rule between March and August 2011, killing thousands and setting in motion a civil war that has since resulted in over 150,000 deaths and the displacement of around nine million people. Most recently, in February, Ukrainians ousted President Viktor Yanukovich after three months of mass civil resistance and occasionally violent protests. Around 100 Ukrainian protesters died during the clashes between demonstrators and riot police—fewer than in most of the confrontations of the Arab Spring in 2011. But Russia’s response to Yanukovich’s overthrow—seizing the Ukrainian territory of Crimea and attempting to destabilize the eastern parts of Ukraine—has created the most dangerous and unpredictable security situation Europe has seen in decades.

The basic trajectory of these recent movements—each successive one seemingly more violent and more geopolitically charged—has encouraged skepticism about the prospects for civil resistance in the twenty-first century. Such doubts are understandable but misplaced. A longer view is required to see the real potential of nonviolent resistance, which is evident in a historical data set that we assembled of 323 campaigns that spanned the twentieth century—from Mahatma Gandhi’s Indian independence movement against British colonialism, which began in earnest in 1919, to the protests that removed Thai Prime Minister Thaksin Shinawatra from power in 2006. This global data set covers all known nonviolent and violent campaigns (each featuring at least 1,000 observed participants) for self-determination, the removal of an incumbent leader, or the expulsion of a foreign military occupation from 1900 to 2006. The data set was assembled using thousands of source materials on protest and civil disobedience, expert reports and surveys, and existing records on violent insurgencies.

Between 1900 and 2006, campaigns of nonviolent resistance against authoritarian regimes were twice as likely to succeed as violent movements. Nonviolent resistance also increased the chances that the overthrow of a dictatorship would lead to peace and democratic rule. This was true even in highly authoritarian and repressive countries, where one might expect nonviolent resistance to fail. Contrary to conventional wisdom, no social, economic, or political structures have systematically prevented nonviolent campaigns from emerging or succeeding. From strikes and protests to sit-ins and boycotts, civil resistance remains the best strategy for social and political change in the face of oppression. Movements that opt for violence often unleash

terrible destruction and bloodshed, in both the short and the long term, usually without realizing the goals they set out to achieve. Even though tumult and fear persist today from Cairo to Kiev, there are still many reasons to be cautiously optimistic about the promise of civil resistance in the years to come.

In the United States and Europe, policymakers often seem at a loss when confronted with the questions of whether to support civilians resisting authoritarian regimes using nonviolent protest and, if so, what form that support should take. Liberal interventionists cited a “responsibility to protect” civilians to justify NATO’s intervention in Libya and have also invoked that argument in advocating for similar action in Syria. But the promise of civil resistance suggests an alternative: a “responsibility to assist” nonviolent activists and civic groups well before confrontations between civilians and authoritarian regimes devolve into violent conflicts.

POWER TO THE PEOPLE

Civil resistance does not succeed because it melts the hearts of dictators and secret police. It succeeds because it is more likely than armed struggle to attract a larger and more diverse base of participants and impose unsustainable costs on a regime. No single civil resistance campaign is the same, but the ones that work all have three things in common: they enjoy mass participation, they produce regime defections, and they employ flexible tactics. Historically, the larger and more diverse the campaign, the more likely it was to succeed. Large campaigns have a greater chance of seriously disrupting the status quo, raising the costs of government repression, and provoking defections among a regime’s pillars of support. When large numbers of people engage in acts of civil disobedience and disruption, shifting between concentrated methods such as protests and dispersed methods such as consumer boycotts and strikes, even the most brutal opponent has difficulty cracking down and sustaining the repression indefinitely. Mohammad Reza Pahlavi, Iran’s last shah, had little difficulty neutralizing the Islamist and Marxist-inspired guerilla groups that challenged his rule in the 1960s and early 1970s. But when large numbers of oil workers, bazaar merchants, and students engaged in acts of collective nonviolent resistance, including work stoppages, boycotts, and protests, the regime’s repressive apparatus became overstretched and the economy tanked. From there, it didn’t take long for the shah to flee the country.

Broad-based support for a resistance movement can also weaken the loyalty of economic elites, religious authorities, and members of the state media who support the regime. When such figures defect to the opposition, they can sometimes force the regime to surrender to the opposition's demands, which is what happened with the Philippines' People Power movement of 1983–86. Broad movements also enjoy a tactical advantage: diverse, nonviolent campaigns that include women, professionals, religious figures, and civil servants—as opposed to violent ones comprised of mostly young, able-bodied men trained to become militants—reduce the risk of violent crackdowns, since security forces are often reluctant to use violence against crowds that might include their neighbors or relatives. And

Nonviolent campaigns against authoritarian regimes are twice as likely to succeed as violent ones.

even when governments have chosen to violently repress resistance movements, in all the cases under review, nonviolent campaigns still succeeded in achieving their goals almost half the time, whereas only 20 percent of violent movements achieved their goals, because the vast majority were unable to produce the mass support or defections necessary to win. In cases in which the security forces remain loyal to the regime, defections among economic elites can play a critical role. In South Africa, boycotts against white businesses and international divestments from South African businesses were decisive in ending the apartheid regime.

But civil resistance requires more than just mass participation and defections; it also requires planning and coordinated tactics. Successful nonviolent campaigns are rarely spontaneous, and the seemingly rapid collapse of the Ben Ali and Mubarak regimes shouldn't fool observers: both revolutions were rooted in labor and opposition movements going back nearly a decade. Indeed, between 1900 and 2006, the average nonviolent campaign lasted close to three years. As Robert Helvey, a retired U.S. Army colonel who organized civil resistance workshops in Myanmar (also called Burma), the Palestinian territories, and Serbia in the 1990s and the early years of this century, told activists during his workshops: if they wanted their campaign to succeed in one year, they should plan as if the struggle would last for two.

During the 1980s in the United States, Helvey worked closely with the scholar Gene Sharp, who has identified 198 different tactics that

nonviolent resistance movements employ. These include various methods of protest, persuasion, noncooperation, and what Sharp calls “nonviolent intervention”—all of which have worked in various contexts. Tech-savvy scholars, such as Patrick Meier and Mary Joyce, have updated Sharp’s list to include tactics linked to new technologies, such as using social media to report repressive actions in real time and even using small drones to monitor police movements.

Even campaigns that possess the holy trinity of features—mass participation, regime defections, and flexible tactics—don’t always succeed. Much depends on whether state authorities can outmaneuver the protesters and sow division in their ranks, perhaps even provoking nonviolent resisters to abandon their protests and strikes, lose their discipline and unity, and take up arms in response to repression. But even when nonviolent campaigns fail, all is not lost: from 1900 to 2006, countries that experienced failed nonviolent movements were still about four times as likely to ultimately transition to democracy as countries where resistance movements resorted to violence at the outset. Nonviolent civic mobilization relies on flexibility and coalition building—the very things that are needed for democratization.

Of course, nonviolent revolutionaries are not necessarily equipped to govern during a political transition. In Egypt, for example, the young secular activists who filled Tahrir Square in January and February of 2011 have failed to organize effective political parties or interest groups. Nonviolent mass uprisings cannot always resolve systemic governance problems, such as co-opted institutions, entrenched corruption, and a lack of power sharing between a regime’s military or security forces and the civilian bureaucracy.

But revolutionary campaigns can still maximize their chances of achieving more representative government—of bringing the successes of the street into the halls of power—if they develop so-called parallel institutions during the course of their struggles. Poland offers one of the best examples. In 1980, after some 16,000 workers launched a strike at the Gdansk shipyard, Polish labor groups, which had already been fomenting resistance to the Soviet-backed communist regime in Poland for a decade, formed Solidarity, a trade union that morphed into a civil resistance movement and gradually eroded the communist authority’s grip on the country. Solidarity published underground dissident newspapers, organized demonstrations and radical theater



Unarmed and dangerous: demonstrating in Cairo, February 2011

performances in churches, and resisted years of repression, including the imposition of martial law in 1981. Eventually, ten million Poles joined the group, which operated as a kind of shadow government, facilitating its ability to step into a leadership role as communism crumbled. In 1988, Solidarity organized a series of strikes that led to direct negotiations with the regime, which resulted in semi-free elections in 1989. When Poland emerged from communist rule a year later, it did so with a new set of electoral rules and practices, many of them shepherded by Solidarity through a series of negotiations, which allowed for a much more durable and confident turn toward democracy. Although problems remained, Polish civil society was fully capable of holding its new leaders to account—including Solidarity’s Lech Walesa, who was elected president in 1990.

FROM CAIRO TO KIEV

At first glance, recent events such as the struggle to consolidate democratic gains in Tunisia, the counterrevolution in Egypt, the chaotic state of affairs in post-Qaddafi Libya, the seemingly intractable civil war in Syria, and the instability of Ukraine in the wake of the revolution in Kiev appear to provide little evidence for the promise of

nonviolent resistance. But a closer look at these five cases actually reinforces why people power is still the most effective method of political change, even in highly repressive countries.

Despite setbacks last year, including the assassinations of two prominent liberal politicians by Islamist militants, Tunisia still looks like the bright spot among all the countries shaken up by the

Rather than illustrate the limits of nonviolent resistance, Syria shows how devastating the choice of violence can be.

Arab Spring. Indeed, Tunisia's revolution most closely resembles earlier examples where civil resistance succeeded, such as the Philippines and Poland. The country stands a good chance of completing a full transition to democracy within the next five years. This positive trajectory is in large part a product of how Tunisians

organized against Ben Ali. Massive numbers of Tunisians participated in a sustained series of public protests, and the demonstrations included a diverse set of citizens: women helped lead them, and members of labor unions marched alongside lawyers, professors, and students. When it came to tactics, the protesters mostly improvised, but they also relied on a wide range of techniques, alternating between demonstrations and crippling national strikes organized by labor unions. The regime's repressive countermeasures, such as lethal security crackdowns, backfired, drawing more people into the streets and encouraging defections from the military and among regime loyalists. After the Islamist party Ennahda swept the first post-Ben Ali elections, in 2011, power struggles between the Islamists and their secular rivals, amid flare-ups of protests and political violence, eventually yielded to compromise and a power-sharing deal late last year. The country's trade unions, notably, played a key role in brokering that deal.

Egypt's telegenic uprising, like Tunisia's, illustrated the potential of nonviolent resistance. Protesters employed a wide range of tactics, from occupying major public squares to organizing large labor strikes. Activists found allies in the Egyptian army, which refused to open fire on the crowds and abandoned Mubarak, leading to a victory for civil resistance in 2011. But it soon became clear that the popular refrain "The army and the people are one hand" was a hollow slogan: the Egyptian military (unlike its Tunisian

counterpart) intended to hold on to power at all costs. Last year, after the army toppled the democratically elected president, Mohamed Morsi, the military-backed government turned on the same activists who had organized the first protests against Mubarak in Tahrir Square, throwing many of them in jail. With the military's power firmly intact—and its former chief, Field Marshal Abdel Fattah el-Sisi, expected to win a presidential election in late May—Egypt provides ample proof that a successful nonviolent campaign that manages to oust an authoritarian ruler cannot necessarily guarantee greater freedom and stability in the period that follows.

Nevertheless, had the Tahrir Square protests turned violent, the situation in Egypt might well have been far worse than it is today. Armed uprisings tend to reinforce the power of the military even more quickly, discouraging defections. Moreover, they tend to initiate mass atrocities against civilians on a scale much larger than nonviolent action does. Armed revolts rarely succeed, and when they do, they almost never bring about greater stability.

When thousands of Ukrainians mobilized in late 2013, calling for Yanukovich to resign, it appeared to be a vindication for the promise of popular nonviolent resistance. Although most of the international media focused on Kiev as the hub of the protests, people actually rose up in many cities and towns across the country. As in Tunisia and Egypt, the resistance made use of a variety of tactics. People boycotted consumer goods from businesses linked to Yanukovich; in Kiev, a mass car pool ensured that protesters could move in and out of the city's main square. The demonstrators also exhibited a high degree of commitment to the cause: in one instance, civilians lay down across railroad tracks outside the city of Dnipropetrovsk to prevent a train carrying 500 elite riot police from entering Kiev. The movement was diverse, including men and women from different political groupings, classes, and ages. Its inclusiveness encouraged regime officials and security forces to switch sides in cities and throughout the countryside.

Of course, soon after Yanukovich fled Ukraine, in late February, the victory of civil resistance was undermined by geopolitics, as Russia reacted to the pro-European momentum in Kiev by seizing Crimea and fomenting instability in eastern Ukraine. But none of that changes the fact that it was mostly nonviolent popular protests, and not armed revolution, that brought down Yanukovich.

A FAREWELL TO ARMS

Libya does not fit neatly into this group of countries in which non-violent resistance led to political change; after all, Qaddafi was toppled by an armed movement with NATO support. But Libya is revealing because it demonstrates the pitfalls of ignoring the strategic possibilities of civil resistance. Libya never saw a coordinated civil resistance campaign; instead, the revolutionaries and regime defectors turned from disorganized mass protests, such as those that rocked Benghazi in February 2011, to violence in the uprising's first days, killing security forces, torching police stations and security offices across the country, and mobilizing an armed rebellion. Despite their early tactical victories, moreover, the rebel forces were badly outnumbered by Qaddafi loyalists and might have suffered a catastrophic loss without NATO's help, making them wholly reliant on the international community for their victory. The death toll from the Libyan civil war, furthermore, was far higher than those in Tunisia, Egypt, and other cases in which activists relied on non-violent means alone. After all, it was the armed revolt that provoked Qaddafi's famed speech in late February 2011, in which he promised to go "door to door" and "capture the rats" who had betrayed him. And Libya today looks ominously like past cases in which armed rebel groups have toppled authoritarian regimes: dozens of militias roam free, and the feeble central government teeters on the brink of collapse. Relatively free elections in 2011 have not ushered in effective governing institutions. In the end, violent resistance succeeded against Qaddafi—but it came at a high price. Although it is impossible to know whether nonviolent action could have succeeded, the spontaneous protests of February 2011 that provoked mass defections from Qaddafi's security forces after just two days indicate that it may not have been fruitless to try.

Although more organized than Libya's, Syria's initially nonviolent resistance struggled owing to a lack of sufficient participation and a coherent plan. Activists failed to coordinate protests across the country in a way that could have mitigated government repression and inspired more defections among both the security forces and economic elites. Most of the opposition's early tactics against the Assad regime were isolated and improvised: sporadic protests after Friday prayers at a mosque or flash mobs in popular markets. Decades of living under a brutal police state, where neighbors spied

on neighbors at the behest of one of the many security branches, discouraged trust among the protesters and undermined collective action. Yet during the nonviolent phase of the uprising, some members of the Syrian security forces still defected to the opposition, and the movement featured moderate levels of domestic support.

But taking up arms against the Assad regime's inevitable brutality destroyed any chance of maintaining the open support for the Syrian opposition on the part of significant numbers of Alawites, Christians, and Druze—minorities who were represented among the nonviolent movement and were crucial to any inclusive, successful civil resistance. The subsequent civil war has alienated many former participants in and supporters of the revolution, and in many ways, it has fortified the regime. And the costs have been enormous. From March to September 2011, when the uprising was mostly nonviolent, the Assad regime killed an estimated 1,000 people a month and reportedly arrested thousands more. But the ensuing civil war has claimed around 5,000 lives a month, and one-third of the Syrian population are now refugees.

If the Syrian case follows historical precedent, the rebels' future looks gloomy. Even with support from outside states, violent campaigns from 1900 to 2006 had less than a 30 percent chance of succeeding. The successes include dubious cases, such as the Khmer Rouge in Cambodia in 1975 and the mujahideen of Afghanistan in the 1980s. The failures include the Shiite uprising against Saddam Hussein in Iraq in the early 1990s, after the Gulf War. And as bad as the situation in Syria is, it could get worse. Since 1900, the average civil war has lasted over nine years. Even if the rebels win in the end, their victory will likely not satisfy the opposition's original hope for more freedom. Less than four percent of rebel victories in armed resistance struggles from 1900 to 2006 ushered in democracy within five years; nearly half relapsed into civil war within ten years.

The odds were probably against any opposition campaign in Syria, nonviolent or violent, given the brutality of the regime. But as counterintuitive as it might seem, civil resistance was working in Syria and would have had a greater chance of success than armed struggle. Indeed, rather than illustrate the limits of nonviolent resistance, Syria's path shows how devastating the choice of violence can be. It has played to Assad's strengths while making the opposition

wholly reliant on external armed intervention. Although entirely understandable given the scale of repression, engaging Assad on his own violent terms has had tragic—yet predictable—consequences.

YOU SAY YOU WANT A REVOLUTION

Comparing these cases brings out a few key points. First, nonviolent campaigns attracted far more diverse participation than armed ones, which increased the chances of defections among security forces and other regime elites. There is, in fact, safety in numbers, especially when protesters represent a cross section of society. Second, the nonviolent campaigns that succeeded used a variety of tactics. In Syria, on the other hand, nonviolent activists tended to rely solely on demonstrations and occupations, which are among the riskiest methods of civil resistance. Attempted strikes, boycotts, and other forms of mass noncooperation were weak, localized, and lacked support.

Third, although the protests of the Arab Spring inspired one another and were united by a similar, iconic slogan that was first chanted in Tunisia—“The people want the fall of the regime!”—they were hardly all the same. In fact, the different outcomes in each country underscore why nonviolent groups must resist the temptation to replicate a mass demonstration in another country without a broader strategy of their own, especially when that mass demonstration represents the endgame of a much longer nonviolent campaign. Fourth, in addition to killing more unarmed civilians and undermining participation, armed resistance makes rebel groups dangerously dependent on outside support. In both Libya and Syria, that total reliance made the rebels more vulnerable to accusations that they were agents of foreign enemies. Moreover, international support for armed groups is usually conditional and fickle, subjecting rebel groups to the whims of their sponsors (as Washington’s reluctance to follow through on its pledges of significant help for the Syrian rebels shows).

During last year’s UN General Assembly meeting, U.S. President Barack Obama spoke to a roundtable about the essential role that civil society has played in nearly every major social and political transformation of the last half century, from the civil rights movement in the United States, to the fight against communism in Eastern Europe, to the antiapartheid struggle in South Africa. The right of peaceful assembly and association, Obama said, is “not a Western

value; this is a universal right.” But the space for this right is shrinking in many parts of the world. Countries are passing laws to stifle civil society, restrict nongovernmental organizations’ access to foreign funding, crack down on communications technology, and, in more extreme cases, arrest and harass journalists and activists. Obama called on governments to embrace civil society groups as partners and, in a slightly edgier appeal, pressed governments and nongovernmental organizations to come up with more innovative and effective ways to support groups and activists fighting against injustice and oppression.

But that raises the question of which forms of external assistance to nonviolent civic groups work and which ones don’t. The idea of “do no harm” remains an anchoring principle for how outside governments and institutions should promote democracy and aid civil society groups in other countries. International support to such movements can take many forms, such as monitoring trials of political prisoners, engaging in solidarity movements to support the right of peaceful assembly, providing alternative channels of news and information, targeting warnings to security officials who might be tempted to use lethal force against nonviolent protesters, and supporting general capacity building for civic groups and independent media. But local actors are in the best position to determine which type of support is appropriate and if it is worth the associated risks.

Strengthening civil society is not only a precondition for sustained democratic development. It can also protect civilians from the worst excesses of violent repression. Although regimes may not refrain from using violence against peaceful protesters, history suggests that helping civic groups maintain nonviolent discipline—a practice that often requires coordination, preparation, and training—can ultimately minimize civilian casualties. In addition to staving off armed rebellion, sticking to civil resistance can insulate protesters from the most extreme forms of state violence by raising the costs of repression (although as Tunisia and Egypt proved, hundreds of protesters could still pay with their lives). Nonviolent movements are not as reliant on outside support as armed ones are, but the international community can help ensure that civil society groups maintain the space they need to exercise their basic rights of free speech and assembly while avoiding the temptation to turn to arms to pursue their goals.

Policymakers should prioritize a “responsibility to assist” non-violent activists and civic groups, rather than only seeking to protect civilians through military force, as in NATO’s Libya intervention. Of course, civil resistance campaigns are and must remain homegrown movements. But in recent years, the international community has done much to undermine civil resistance by quickly and enthusiastically supporting armed actors when they arrive on the scene. Syria’s tragedy is a case in point. Although regime repression, supported by Iran and Russia, undoubtedly helped turn a principally nonviolent uprising into a civil war, external actors could have done more to aid civil resistance and prolong the original nonviolent uprising. They could have helped encourage, coordinate, and exploit for political gain regime defections (including from key Alawite elites); demanded that Assad allow foreign journalists to remain in the country; accelerated direct financial support to grass-roots nonviolent networks and local councils; and provided more information to Syrian activists about what it takes to remain nonviolent under highly repressive conditions. Instead, the international community provided political recognition and sanctuary to armed actors, supplied both nonlethal and lethal aid to them, and helped militarize the conflict, undermining the momentum of the nonviolent movement. There was no silver bullet for effectively aiding the nonviolent Syrian opposition. But speed and coordination on the part of external actors, particularly early on in the revolution, were lacking.

Syria highlights the moral and strategic imperative of developing more flexible, nimble ways to support nonviolent resistance movements. The local champions of people power will continue to chart their own future. But outside actors have an important role to play in assuring that civil resistance has a fighting chance. 🌍

Keep Hope Alive

How to Prevent U.S.-Chinese Relations From Blowing Up

James Steinberg and Michael O'Hanlon

At their summit in California last June, U.S. President Barack Obama and Chinese President Xi Jinping committed themselves to building trust between their countries. Since then, new official forums for communication have been launched (such as the military-to-military dialogues recently announced by the two countries' defense ministers), complementing existing forums such as the Strategic and Economic Dialogue (which features the countries' top diplomats and economic officials). But despite these efforts, trust in both capitals—and in the countries at large—remains scarce, and the possibility of an accidental or even intentional conflict between the United States and China seems to be growing. Given the vast potential costs such a conflict would carry for both sides, figuring out how to keep it at bay is among the most important international challenges of the coming years and decades.

The factors undermining trust are easy to state. East Asia's security and economic landscape is undergoing massive, tectonic change, driven primarily by China's remarkable economic rise in recent decades. That economic miracle, in turn, has made it possible for China to increase its military capacity and ramp up its political role in the region and beyond. China's leaders and prominent strategists have been at pains to insist that China's rise will be peaceful and poses no threat to its

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neighbors or the existing international political and economic order. But many members of the world community remain concerned and even skeptical, noting that history and international relations theory are replete with examples of conflict arising from clashes between a dominant and a rising power.

Such skepticism has been fueled, moreover, by China's own recent actions, from its assertive maritime operations in the East China and South China seas to its unilateral proclamation of an "air defense identification zone" around the Diaoyu Islands (known in Japan as the Senkaku Islands), in the East China Sea. And U.S. military planners have become increasingly concerned about the trajectory of China's military modernization and about its "anti-access/area-denial" (A2/AD) doctrine, which they see as an ill-disguised effort by China to weaken the United States' ability to defend its interests and support its alliance commitments in the western Pacific.

At the same time, the Obama team has been actively promoting its own strategic reorientation, the "pivot," or "rebalance," to Asia. The administration insists that its motivation is to enhance regional stability for the benefit of all, rather than to contain or threaten China. But few Chinese, particularly in the military and national security communities, are convinced. They, too, read their history and international relations theory and conclude that the United States, like most dominant powers before it, is determined to maintain its hegemonic dominance, thwarting China's rise and keeping it vulnerable. As evidence of malign American intent, they point to enhanced U.S. capabilities, such as expanded regional missile defense; new and augmented basing arrangements in Australia, Guam, and Singapore; and recent military exercises and reconnaissance conducted close to Chinese territory, as well as the persistence of Cold War-era security alliances. And the only plausible justification for the emerging U.S. military concept of "air-sea battle," they claim, is a desire to coerce China with the threat of a decapitating preemptive attack.

Given the uncertainty surrounding the future of Asian security, each side's actions can be understood and legitimized as measures designed to hedge against the possibility of future hostility or aggression on the part of the other. But it is just such rational short-term thinking that can generate a longer-term spiral into even greater mistrust, making future conflict a self-fulfilling prophecy—which is why it is crucial to find ways of transcending or minimizing such a classic security dilemma.



Sea power: Chinese naval recruits in Qingdao, December 2013

One way to head off unnecessary conflicts is to reduce the malign role played by misperceptions. These can emerge from two quite opposite directions: from one side either perceiving a threat where none is intended or failing to believe in the credibility of the other side's intent to defend its interests. This means that the practical challenge for both Washington and Beijing is to dispel false fears while sustaining deterrence by making credible threats where they are seriously intended. The good news is that history and theory suggest four tools can be helpful in this regard: restraint, reciprocity, transparency, and resilience.

Restraint is the willingness to forgo actions that might enhance one's own security but that will appear threatening to somebody else. Reciprocity is a response in kind by one side to the other's actions—in this case, a signal that restraint is being understood as forbearance (rather than weakness) and is being met with emulation rather than exploitation. Transparency helps allay fears that the other side's visible positive gestures mask hidden, more hostile intentions. And resilience provides a margin of safety in keeping crises from escalating and in making it easier for either side to try to start a virtuous cycle of restraint, reciprocity, and transparency. Fortunately for everybody, there are a variety of practical measures both Washington and Beijing

can take in national security policy that can bring these tools to bear in increasing trust and reducing the risk of conflict.

CONVENTIONAL THINKING

From Washington's perspective, the greatest uncertainty about China's future intentions stems from the rapid and sustained growth of Chinese military spending and the accompanying investment in sophisticated conventional armaments that challenge U.S. capabilities. It is true that even the most generous assessments of China's current military spending—that it approaches \$200 billion annually, or about two percent of GDP—still put it at less than a third of U.S. spending (currently \$600 billion a year, or about 3.5 percent of GDP). At current rates of growth, Beijing's annual military budget would not equal Washington's until around 2030. And even then, the United States could rely on large accumulated stocks of modern weaponry, years of combat experience, and the spending of its allies and partners (now around \$400 billion annually).

But if China wants to calm international fears and signal that its goals are legitimate self-defense rather than the ability to project power abroad and threaten others, there are several constructive steps it could take. Given that U.S. spending covers capabilities not just in Asia but around the globe, a convincing case can be made that China can achieve adequate self-defense by spending about half of what the United States does. By reducing the current rate of growth of its military budget in coming years, therefore, China could telegraph that its objective is self-defense rather than complete parity. And it could exercise restraint in acquiring weapon systems (such as long-range antiship ballistic missiles) whose purpose, especially if procured in large numbers, seems inconsistent with a claim that it welcomes the U.S. military presence in the western Pacific. More broadly, China could offer greater transparency about its military budget and spending and provide greater clarity about the goals of its A2/AD doctrine.

The United States, in turn, could take steps to make clear that its own conventional military modernization is not designed to threaten legitimate Chinese security interests. The declining U.S. military budget is one such show of restraint. But Washington could do more in this regard, such as by clarifying the purpose of its air-sea battle concept, changing the concept's name to "air-sea operations," including military services besides the navy and the

air force more centrally in U.S. Asia policy, and modifying some of the more “offensive-minded” features of the air-sea doctrine that appear to directly threaten China’s command-and-control and strategic assets with a possible preemptive attack early in a conflict. To enhance the credibility of such doctrinal modifications, the United States could cap its procurement of long-range, precision-guided ballistic missiles and strategic bombers, which if acquired in sufficient numbers could be seen as posing an existential threat to China. By deploying a mix of conventional assets that did not require a heavy reliance on early escalation (including bases that were more effectively hardened and assets that were more survivable in the face of an attack), Washington could help mitigate a U.S.-Chinese arms race and lessen the risk of a conflict breaking out early in a crisis.

FROM SPACE TO CYBERSPACE

The most iconic confidence-building measures during the Cold War were strategic arms control agreements, which despite some problems ultimately helped Washington and Moscow increase crisis stability and limit offensive and defensive nuclear arms races. For various reasons, formal arms control agreements are less well suited to contemporary U.S.-Chinese relations than they were to U.S.-Soviet relations and could in some cases prove counterproductive. That said, there are a number of steps in the unconventional weapons arena that could help allay mutual suspicion and reduce the likelihood of accidental or premature escalation of conflict.

Take space, for example. Given the deep U.S. dependence on satellites for both military and civilian purposes, Chinese planners are clearly considering how to neutralize the advantages space offers for U.S. military operations. Yet precisely because of that dependence, the United States would be under pressure to act forcefully and quickly if it believed those assets were at risk, leaving little time for fact-finding or diplomacy to defuse a crisis. For this reason, measures that can enhance the security of Washington’s space assets are particularly compelling, and they will become more attractive to Beijing, too, as it increases its space capability over time. Absolute security in space cannot be guaranteed, since every maneuverable civilian satellite has the inherent capacity to destroy another satellite. But by adopting measures such as agreed-on “keep-out zones” around satellites, norms

of behavior can be established that legitimate the use of force in self-defense without having such use be seen as provocative. Resilience is important here, too, as the United States will need redundancy in space and aerial systems to compensate for a certain unavoidable degree of vulnerability.

Similarly, the United States and China could agree to a treaty, ideally involving other countries as well, banning collisions or explosions that would produce debris above an altitude of roughly 1,000 miles in

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space, the zone where low-earth-orbit satellites routinely operate. This area is already becoming cluttered with debris in ways that could render future space operations dangerous, and since tests of missile defense systems typically take place at a lower altitude, such an arrangement would be all gain with little pain.

The two sides could also agree not to develop or test dedicated anti-satellite weapons or space-to-ground weapons. Testing constraints alone would not eliminate the potential for such capabilities, of course, but they could reduce the confidence each side had in them, along with the willingness to invest in and rely on what would be rendered potentially destabilizing systems of uncertain effectiveness.

Restraint can play a particularly important role in enhancing confidence in the nuclear realm. China's restraint thus far in its nuclear deployments, for example, helps give credibility to the defensive nature of its nuclear doctrine. Similarly, U.S. restraint in deploying large numbers of ballistic missile interceptors that could neutralize China's retaliatory capability offers reassurance of American defensive intent. Even without formal codification, continued observance of this restraint would build trust, which could be further strengthened by both sides' ratification of the Comprehensive Nuclear Test Ban Treaty and implementation of the verification regime that accompanies it.

Such measures could be enhanced by transparency agreements, such as an "open skies" regime, which would give further credibility to each side's restraint. This regime could build on the arrangement by which the United States and Russia, and other NATO and former Warsaw Pact states, conduct overflights of each other's territories (at the rate of roughly 100 flights a year) under an accord dating from

the early 1990s. Countries know how to protect their most precious secrets from such overflights, so the arrangement presents no true national security concerns. But such an accord could lessen Beijing's frustration over routine U.S. reconnaissance flights near Chinese coastlines. Such flights could even be modestly reduced, as former National Security Adviser Zbigniew Brzezinski has proposed—a step that merits serious study, particularly if China shows a willingness to reciprocate with greater transparency.

Cyberspace is especially challenging. As in space, the United States' high degree of dependence on its cyber-infrastructure poses vulnerabilities and creates pressure to respond quickly to any attack, possibly even before its source can be fully identified. And the recent U.S. focus on “active defense” of this infrastructure seems to imply Washington's willingness to act offensively to neutralize emerging threats, with all the attendant danger of escalating retaliation.

There are many reasons to believe that both Washington and Beijing are unlikely to target cyber-infrastructure unless and until they find themselves on the brink of a major conflict. If nothing else, the countries' mutual economic dependence offers protection against a surprise attack. But other parties, including nonstate actors such as terrorists or hackers, might have an interest in faking such an attack in order to trigger a crisis or even war. For that reason, the United States and China should agree to joint investigation of “anonymous” cyberattacks, establishing transparency and a credible commitment to avoid targeting each other's civilian infrastructure. And resilience is particularly important in cyberspace, since the more each side reduces its vulnerability to a “bolt from the blue” attack, the more time will be available to try to figure out what actually happened and reduce the risk of an unintended spiral of escalation.

NEIGHBORHOOD WATCH

The most likely prospect for a direct military encounter between the United States and China in the near term comes from the growing tensions in the East China and South China seas. U.S. security commitments to Japan and the Philippines, both of which have territorial disputes with China, and U.S. willingness to assert basic navigational rights in the region (which set the stage for a close encounter between the USS *Cowpens* and Chinese ships last December) could entangle Washington in a conflict even though the United States itself has no

territorial claims in the area. These tensions are not likely to be resolved anytime soon. The actual interests at stake are small, and many of the conflicts involved could be managed were there sufficient mutual will to do so. But all involved seem to fear that any show of restraint or accommodation will be taken as a sign of weakness, leading to even more assertive behavior in the future. This makes it all the more important to find ways of preventing crises from emerging or keeping them contained once they do so.

China could provide reassurance about its intentions by agreeing to and implementing the Association of Southeast Asian Nations'

*The key to stable U.S.-
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proposed code of conduct for the South China Sea. Restraining its military deployments and agreeing to operational procedures that would reduce the danger of accidents or miscalculations would make Beijing's assertions of peaceful intent more credible, and similar procedures could be agreed on

in connection with the Diaoyu/Senkaku Islands. (This is an area where the bigger policy change needs to come from Beijing; there are other areas where a disproportionate burden of the responsibility lies with Washington, such as in a reduction in the size of offensive nuclear forces in coordination with Russia.)

U.S. and Chinese officials, moreover, need to establish better mechanisms for clear and direct communication during a crisis. Since 1998, the two countries have had a hot line connecting their political leaderships, but they have little military-to-military communication, due largely to Beijing's wariness of such engagement. A military maritime agreement, also dating to 1998, encourages consultation and transparency on each country's respective activities but doesn't cover operational rules of the road or specific tactical movements. It would make sense to establish a formal military hot line patterned after the U.S.-Soviet one; at a minimum, the two countries should each possess a much more complete set of contacts for the other's top military leaders to facilitate rapid communication in crisis situations.

The two sides, and perhaps other regional actors, could also agree to an incidents-at-sea accord comparable to that between Washington and Moscow during the Cold War, including not only navies but also coast guards and perhaps even merchant vessels as well. Both sides

will inevitably and legitimately continue their surveillance, but they could do so with far less risk. The accord would be designed to ensure that ships do not approach one another too closely, that carrier air operations are not interfered with, and that submarines do not surface or behave in other potentially risky ways.

Regarding regional issues, even though another Korean war seems unlikely, events on the peninsula in recent years (such as North Korea's ongoing nuclear and missile programs and its sinking of the South Korean frigate *Cheonan* and shelling of Yeonpyeong Island in 2010) serve as reminders that the risk of escalation to a wider conflict persists. Should a crisis erupt as a result of new provocations or a North Korean collapse, it is not hard to imagine the United States and China being drawn in, with potentially tragic consequences. So taking practical steps now to lay the groundwork for a coordinated response to a possible future crisis makes sense.

At the least, each side could reassure the other that its crisis response plans (including to secure North Korean nuclear materials or restore political order) are designed to be stabilizing rather than threatening. For Beijing, the reluctance to talk about such subjects for fear of offending Pyongyang could be circumvented by beginning the conversation as a track-two discussion among academics and retired officials. Beijing should also recognize that on a reunified peninsula, Seoul would have the decision over whether American forces should stay. Washington, for its part, should assure Beijing that any future U.S. force posture on the peninsula (assuming that Seoul would still want some U.S. presence) would be smaller than the current one and not based any further north than it is now. And both Seoul and Washington should be prepared to invite China to help in any future contingency, at least in the northern sectors of North Korea.

Even though cross-strait tensions have eased in recent years, Taiwan remains a contentious issue in U.S.-Chinese relations, in part because China has not renounced the use of force to reunify Taiwan with the mainland and in part because the United States continues to sell arms to Taipei. Some tension would seem to be inevitable given the fundamental differences in interests between the parties. Yet even here, reassurance can play a role. For Beijing, this means making its stated intention of seeking a peaceful path to unification credible, by putting some limits on its military modernization and stopping military exercises focused on intimidating

Taiwan through missile barrages or blockades. For Washington, it means making sure that the arms it sells Taipei are in fact defensive and demonstrating a willingness to scale back such arms sales in response to meaningful, observable, and hard-to-reverse reductions in China's threatening stance toward Taiwan.

Fortunately, both sides are already pursuing key elements of such an agenda. However, Beijing's current missile buildup, and the possibility of Washington's countering it by helping Taiwan improve its missile defenses, creates the potential for a new round of escalation—or it could lead to a new round of reassurance. China could usefully start the latter process by reducing its deployed missile force.

MORE SIGNALS, LESS NOISE

The key to stable U.S.-Chinese relations over the long term is for each side to be clear about its true redlines and the price, at least in general terms, it is willing to pay to defend them. As with reassurance, accurately communicating resolve requires more than just words; it involves demonstrating both the will and the capacity to make good on threats.

That means Washington needs to make Beijing understand that it will defend not just its own territory and people but also those of its formal allies and sometimes even its nonallied friends. This is partly what the Obama administration's rebalance was supposed to do, but to achieve that effect, it needs to be followed up on and be executed seriously rather than be allowed to languish. Of course, demonstrating resolve does not have to mean meeting every provocation with a direct military response. Sometimes, nonmilitary responses, such as sanctions and new basing arrangements, may make the most sense, as may using negotiations to offer appropriate "off-ramps" and other avenues for de-escalation of a crisis. The best way to signal resolve prudently in a particular case will depend on various factors, including the degree of coordination Washington can manage to achieve with its allies and partners. But it is crucial to signal to Beijing early and clearly that there are some lines it will not be permitted to cross with impunity.

The flip side of this is that the United States needs to understand and respect China's determination to defend, with force if necessary, its own vital national interests. To the extent that those interests are defined appropriately, this would be an acceptable assertion of China's

legitimate right of self-defense under Article 51 of the UN Charter, and given its history of past vulnerability to invasion and aggression, it is understandable for China to take steps to make its own resolve credible. The difficulty here is that in recent years, Beijing has seemed to assert an ever-expanding list of “core” interests and has often handled them truculently, turning even relatively minor and routine disputes into potentially dangerous confrontations and needlessly risky tests of mutual resolve. Beijing needs to recognize that over time, such behavior dilutes the legitimacy and force of its more important claims, sending conflicting signals and undermining its own long-term interests.

U.S.-Chinese relations may be approaching an inflection point. A long-standing bipartisan U.S. consensus on seeking constructive relations with China has frayed, and the Chinese are increasingly pessimistic about the future of bilateral dealings as well. Yet U.S. fatalism about China’s rise could lead to resigned acceptance of a new reality or muscular resistance designed to protect old prerogatives—both unpromising and ultimately self-defeating strategies. Building a relationship around the principles of strategic reassurance and resolve offers the prospect of a more promising future without jeopardizing legitimate interests on either side. In effect, rather than simply hoping or planning for trust, it substitutes a “trust but verify” approach. This is much sounder than classic hedging, since it seeks to reduce the possibility of unintended provocation and escalation. And with luck, it can be enough to help keep full-scale conflict at bay, an outcome that prudent people on both sides should be seeking. 🌐

The State of the State

The Global Contest for the Future of Government

John Micklethwait and Adrian Wooldridge

The state is the most precious of human possessions,” the economist Alfred Marshall remarked in 1919, toward the end of his life, “and no care can be too great to be spent on enabling it to do its work in the best way.” For Marshall, one of the founders of modern economics and a mentor to John Maynard Keynes, this truth was self-evident. Marshall believed that the best way to solve the central paradox of capitalism—the existence of poverty among plenty—was to improve the quality of the state. And the best way to improve the quality of the state was to produce the best ideas. That is why Marshall read political theorists as well as economists, John Locke as well as Adam Smith, confident that studying politics might lead not only to a fuller understanding of the state but also to practical steps to improve governance.

In today’s established and emerging democracies, few people seem to share Marshall’s sentiment and regard government as precious. Fewer still care about the theory behind it. Many instead see government as the root of many of the problems that plague their societies and express their contempt in protest movements and elections that sometimes seem more antigovernment than pro-reform. In Brazil and Turkey in recent years, huge numbers of protesters have marched in the streets against the corruption and incompetence of their rulers. In Italy, since 2011, three prime ministers have found themselves

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defenestrated, and in last year's national elections, voters awarded the largest share of votes to a party led by a former comedian. In May's elections for the European Parliament, millions of British, Dutch, and French voters, frustrated with their countries' political elites, chose to support right-wing nationalist parties—just as legions of Indian voters turned to Narendra Modi during elections this past spring. In November, Americans will trudge to the polls more full of anger than hope.

Much of this dissatisfaction is rooted in a despairing belief that when it comes to government, nothing is going to change. This cynicism has become commonplace—and yet it is actually rather odd. It assumes that the public sector will remain immune from the technological advances and forces of globalization that have ripped apart the private sector. It also ignores the lessons of history: government—and particularly Western government—has changed dramatically over the past few centuries, usually because committed people possessed by big ideas have worked hard to change it.

It's not only ordinary citizens in the democratic world who have lost sight of the fact that government can, in fact, change: their leaders have, as well. Somewhat ironically, these days it's China's authoritarian rulers, and not their Western counterparts, who are more likely to understand Marshall's insights into the preciousness and malleability of the state. Chinese leaders study the great Western political theorists—Alexis de Tocqueville is a particular favorite—and their bureaucrats scour the world for the best ideas about governance. The Chinese, it seems, realize that government is the reason why the West has been so successful. Until the sixteenth century, China represented the most advanced civilization in the world; after that, the West pulled ahead, thanks in part to three (and a half) revolutions in government that leveraged the power of technology and the force of ideas. Now, a fourth revolution has begun, but it isn't yet clear which countries will shape it and whether they will draw mostly from the ascendant tradition of Western liberal democracy or from newer forms of authoritarian rule that have emerged in recent decades.

YOU'RE GONNA NEED A BIGGER STATE

Providing a comprehensive account of the political development of Europe and North America would be a monumental undertaking: the historian Samuel Finer died before finishing his attempt, and the book

he left behind, *The History of Government From the Earliest Times*, still runs to 1,701 pages. That said, one can briefly sketch out the three major developments that give the story its basic shape: the appearance of nation-states in the sixteenth and seventeenth centuries, which brought internal order and external competition to Europe; the liberal revolution of the late eighteenth and nineteenth centuries, which replaced patronage systems with meritocratic and often much smaller government; and the Fabian revolution in the early twentieth century, which

The Chinese, it seems, realize that government is the reason why the West has been so successful.

created the modern welfare state. The return of market-oriented governance, embodied by British Prime Minister Margaret Thatcher and U.S. President Ronald Reagan, represents a smaller but equally significant shift—something like a half revolution. Each one of these revolutions tried to answer a basic question:

What is the state for? And the best way to understand each revolution is to examine the answers to that question formulated by four thinkers: Thomas Hobbes, John Stuart Mill, Beatrice Webb, and Milton Friedman.

Hobbes, the founder of modern political theory and the author of *Leviathan*, was born in England in 1588. At the time, Europe was a blood-drenched backwater. The world's most powerful and advanced countries were all in Asia. Imperial China was then about the same size as Europe but was unified by a vast system of canals that connected its great rivers to various population centers. Its government was similarly constructed: a country that was at least as geographically diverse as Europe was ruled by a single person, the emperor. At a time when only three European cities—London, Paris, and Naples—could boast 300,000 inhabitants, Beijing's imperial quarter alone housed that many people, including many of the mandarins who helped the emperor rule his vast kingdom. These civil servants represented the best that China could produce, and they were regularly selected through open examinations.

For Hobbes, as for most Europeans, life was far less orderly. Hobbes was born prematurely, supposedly because his mother was terrified by the combination of a violent storm and a rumor that the Spanish Armada had landed on English shores. ("Fear and I were born twins together," he wrote in his autobiography.) Hobbes grew up in a time of religious

conflict, rebellions, and political plots. The dominant event of his life, the civil war between Charles I and his Puritan foes in Parliament (1642–51), claimed the lives of a larger proportion of the British population than would World War I.

In *Leviathan*, published in 1651, Hobbes deconstructed society into its component parts in much the same way that a mechanic might deconstruct a car in order to discover how it works. He did this by asking what life would be like in the “state of nature.” The answer was not encouraging: men, he argued, were constantly trying to get the better of one another, trapped in a “war of every man against every man.” The only way to escape from perpetual conflict and the prospect of a “nasty, brutish, and short” life was for one to give up his natural rights to do as he pleased and construct an artificial sovereign: namely, a state. The state’s function was to wield power: its legitimacy lay in its effectiveness, its opinions defined the truth, and its orders represented justice.

It is not hard to see why Europe’s monarchs welcomed that idea. But *Leviathan* also featured a subversive dash of liberalism. Hobbes was the first political theorist to base his argument on the principle of a social contract. He had no time for the divine right of kings or dynastic succession: his Leviathan could take the form of a parliament, and its essence lay in the nation-state rather than in family-owned territories. The central actors in Hobbes’ world were rational individuals trying to balance their desire for self-promotion and their fear of self-destruction. They gave up some rights in order to secure the more important goal of self-preservation. The state was ultimately made for (and of) the subjects, rather than the subjects for the state: the original frontispiece of *Leviathan* shows a mighty king constructed out of thousands of tiny men.

This mixture of firm control with a touch of liberalism helps explain why Europe’s nation-states surged ahead. Beginning in the sixteenth century, across the continent, monarchs established monopolies of power within their own borders, progressively subordinating rival centers of authority, including the princes of the church. Kings promoted powerful bureaucrats, such as Cardinal Richelieu in France and the Count-Duke of Olivares in Spain, who expanded the reach of the central government and built efficient tax-gathering machines. This shift allowed Europe to escape from the problem that had doomed Indian civilization to impotence: a state that was so weak that society

constantly dissolved into petty principalities that inevitably fell prey to more powerful invaders. Yet Europe also avoided the problem that had plagued the Chinese state: too much centralized control over too vast a region. Even Europe's most imposing monarchs were far less powerful than the Chinese emperor, whose enormous bureaucracy faced no opposition from China's landed aristocracy or its urban middle classes and thus fell prey to self-satisfied decadence.

The birth of the modern state was reinforced in Europe by technological and economic advances. The Industrial Revolution gathered people into massive cities and accelerated the speed of communication. The emergence of railroads transformed not only transportation but also governance: in earlier eras, it had made sense for royal authorities to delegate power over the countryside to the nobility and the gentry. But now that any place was just a short ride away, it made more sense to concentrate power in the hands of an efficient central bureaucracy.

THE NIGHT-WATCHMAN STATE

The centralization of the modern state paved the way for the liberal revolution of the late eighteenth and nineteenth centuries. The transformation began with the American and French revolutions in the late eighteenth century and eventually spread across Europe, as reformers replaced regal patronage systems with more meritocratic and accountable governments. But the political shift that seems most pertinent today occurred more peacefully, in the United Kingdom during the nineteenth century. British liberals took a decrepit old system and reformed it, establishing a professional civil service, attacking cronyism, opening up markets, and restricting the state's right to subvert liberty. The British state shrunk in size even as it dealt with the problems of a fast-industrializing society and a rapidly expanding global empire. Gross income from all forms of taxation fell from just under 80 million pounds in 1816 to well under 60 million pounds in 1846, despite a nearly 50 percent increase in the size of the population. The vast network of patronage appointees who made up the unreformed state was rolled up and replaced by a much smaller cadre of carefully selected civil servants. The British Empire built a "night-watchman state," as it was termed by the German socialist Ferdinand Lasalle, which was both smaller and more competent than its rivals across the English Channel.

The thinker who best articulated these changes was John Stuart Mill, who strove to place freedom, rather than security, at the heart of

governance. He belonged to a very different England than the one Hobbes inhabited, one shaped more by reform and optimism than by dysfunction and fear. Mill had no experience of civil war, and the only revolution he witnessed was the peaceful transfer of power from a narrow landed aristocracy to a much broader educated elite. Thus, Mill's central political concern was not how to create order out of chaos but how to ensure that the beneficiaries of order could achieve self-fulfillment. For Mill, the test of a state's virtue was the degree to which it allowed each person to fully develop his or her abilities. And the surest mechanism for doing this was for government to get out of the way. In *On Liberty*, published in 1859, he argued that the only justification for state interference was to prevent people from doing harm to others. For Mill, freedom marched hand in hand with efficiency: the more open trade was, the more prosperous a country would become, and the less money the state would need to confiscate from private citizens. He also believed in the open competition of ideas, trusting that the unfettered clash of opinions would reduce error, persuade people to take a more active role in society, and provide citizens with moral training.

For most of the nineteenth century, the British state did a remarkably good job of embodying Mill's principles. A succession of British governments dismantled old systems of privilege and patronage and replaced them with a capitalist state. Government, the Victorians believed, should solve problems rather than simply collect rents. They built railways, paved roads, and furnished cities with sewage systems and policemen, known as "bobbies," after their inventor, Sir Robert Peel.

Throughout the nineteenth century, this kind of lean-government liberalism spread throughout Europe and across the Atlantic to the United States. Yet its moment did not last long. Mill himself typified the change. The older he grew, the more troubled he became by some profound questions, mainly to do with the persistence of poverty among plenty. How could a society judge each individual on his or her own merits when rich dunces enjoyed the best educations and poor geniuses left school as children to work as chimney sweeps? How could individuals achieve their full potential unless society played a role in providing them with a fair start? The state, he came to feel, had to do more. By its third edition, Mill's *Principles of Political Economy*, the bible of British liberalism, had begun to look ever more collectivist.

Mill was not alone: the late Victorians (and their imitators around the world) increasingly questioned the laissez-faire certainties of their predecessors, on two grounds. First, the night-watchman state stigmatized the poor: they were deprived of the vote and consigned to workhouses in order to discourage idleness and provide incentives to work and save. In his 1854 novel, *Hard Times*, Charles Dickens turned “utilitarianism,” the term most commonly attached to Mill’s thought, into a byword for heartless calculation. Second, British critics of liberalism argued that the only way to outcompete other nations, especially Prussia, was to expand the state. Confronted with Prussia’s world-class public educational system and effective tariffs, the British elite fretted about the naivety of free trade and the quality of their country’s breeding stock. In 1917, Prime Minister David Lloyd George worried aloud that the United Kingdom could not run “an A1 empire” with “a C3 population.”

During the first decades of the twentieth century, as the cities and factories of the West expanded, collectivism, compassion, and nationalism fused together into a call for a more potent Leviathan. If Henry Ford could invent a huge mechanistic assembly line for business, surely it was possible to do the same for government: to apply scientific management to the business of running the state and training its citizens. The collectivist dream of a new society also became a technocratic dream of a new state bent on national efficiency and global competition.

TANGLED WEBB

This dream was most dramatically manifested in the totalitarian nightmares of communism and fascism. But neither of those ideologies survived the twentieth century, and it is, instead, a different concept that drove the third great transformation in modern governance. That concept is the welfare state: the idea that the government should be a companion throughout the lives of citizens, providing them with education, a helping hand if they lose their jobs, health care if they fall sick, and pensions when they get old. This is the notion around which today’s sprawling Western states were built.

One of the most important champions of that idea was the British sociologist and economist Beatrice Webb. Webb’s life typified the sea change from Victorian high liberalism to collectivism. She was born Beatrice Potter in 1858; her father was a wealthy tycoon, her mother a

disciple of laissez-faire economics. But Webb went in a very different direction. She swapped London society for social work in the East End and shocked her social circle by marrying Sidney Webb, a prominent socialist activist, in 1892.

Webb was not a political theorist in the model of Hobbes and Mill: she spent her life worrying about administrative details rather than grappling with abstract concepts. But her work—including a ten-volume study of local government published periodically between 1906 and 1929—was suffused with a philosophical vision of the state as an embodiment of universal reason. In Webb's view, the state should stand for planning (as opposed to chaos), meritocracy (as opposed to inherited privilege), and science (as opposed to blind prejudice).

Webb also reflected the dark side of big government and collectivism. She hailed the Soviet leader Joseph Stalin as the architect of a new civilization, for example, and supported the idea of eugenic planning: given that people were the building blocks of the mighty state, it was the height of foolishness for the state not to step in to manage their breeding habits.

But those extreme ideas had little bearing on Webb's contributions to policy, which instead had the effect of gradually pushing the United Kingdom toward socialism. Together, she and her husband played a significant role in the Fabian Society, which advocated for socialist policies and an enlarged British welfare state. (The Webbs also established the London School of Economics, founded the *New Statesman*, and wrote the constitution of the British Labour Party.) In the United Kingdom, it did not take all that long for the state to adopt their basic principles. The British government introduced free school meals for needy children in 1906, old-age pensions in 1908, funds to fight poverty in 1909, and national health insurance for the sick and unemployed in 1911.

By the beginning of the interwar period, most British citizens found it perfectly reasonable for their government to tax the entire population to provide benefits for the unfortunate—a dramatic turnaround from just two decades earlier. This belief was not limited to governments led by the Labour Party: Tories continued to expand the state in the face of the Great Depression, and Winston Churchill's

By the 1970s, the U.S. government seemed to be spoiling everything it touched.

coalition government introduced free education to the age of 15 in 1944. Clement Attlee's Labour government then established national life insurance (1946) and free health care via the publicly funded National Health Service (1948). "Homes, health, education, and social security—these are your birthright," announced Attlee's minister of health, Aneurin Bevan, in 1945.

In the postwar years, social democracy found even more enthusiastic champions on the European continent. Between 1950 and 1973, government spending rose from 28 percent to 39 percent of GDP in France, from 30 percent to 42 percent in West Germany, and from 27 percent to 45 percent in the Netherlands. Governments built high-rise housing projects, established new universities, and made it easier to become eligible for welfare payments. On the other side of the Atlantic, a far less extensive social welfare state evolved at a much slower pace. The United States was too individualistic, too decentralized, and too business obsessed to embrace European-style social democracy. Still, during the mid-twentieth century, even the United States laid the foundations of a welfare state: Social Security, Medicare, and Medicaid.

For the most part, big government seemed to work on both sides of the Atlantic. Rapid economic growth more than made up for a bit of social engineering. For the United States, the postwar era was one of unrivaled supremacy. For the British, it was an era when ordinary people had "never had it so good," as Prime Minister Harold Macmillan put it in 1957. The French had *les trente glorieuses*, "the glorious thirty" years of prosperity, from 1945 to 1975, and the West Germans basked in the *Wirtschaftswunder*, the "economic miracle" that began during the period of postwar reconstruction.

But Leviathan overreached. By the 1970s, the U.S. government seemed to be spoiling everything it touched: a grinding war in Vietnam, an economy hobbled by stagflation, cities wracked by drugs and crime. Around the world, the decade brought labor strikes and energy crises. Those on the political left found themselves "mugged by reality," in the words of the neoconservative critic Irving Kristol—as did those in the West who still considered the Soviet Union a kind of noble experiment in collectivism. As the whole Soviet Union came to seem like one giant Potemkin village, it became painfully clear that there was nothing noble about Russian communism.

CAPTURING THE FRIEDMAN

Surveying the wreckage of the era, the economist Milton Friedman must have sometimes thought to himself, “I told you so.” Born in Brooklyn in 1912 to poor Jewish immigrants from Hungary, Friedman had an intellectual journey that was the reverse of Webb’s. He arrived at the University of Chicago in 1932 as a supporter of Norman Thomas, the perennial socialist candidate for U.S. president. After earning a master’s degree, Friedman worked first as a U.S. government economist. Among his major contributions was helping devise one of the most powerful (and least loved) tools of big government, the payroll withholding tax. But during the Great Depression and World War II, Friedman’s views changed dramatically, and when he returned to teach at the University of Chicago in 1946, he began to forge a very different course.

The state, Friedman had come to believe, consistently failed to provide services as efficiently as the private sector. He adopted the pro-market, libertarian ideas of the so-called Austrian school of economists, notably Friedrich Hayek, and welded them to American populism to contrive a novel form of small-government conservatism. During the 1960s and 1970s, Friedman became an intellectual celebrity, touring the United States to denounce everything that the American left, and, indeed, most of the center, held dear: government-provided health care, public housing, student grants, foreign aid. All of these, Friedman argued, were at best a waste of money and at worst an abuse of power on the part of an out-of-control, incompetent government. “If you put the federal government in charge of the Saharan desert,” he once said, “in five years there’d be a shortage of sand.”

In the 1980s, Reagan and Thatcher tried to put Friedman’s philosophy into practice. Reagan cut taxes and eliminated regulations. Thatcher faced down the United Kingdom’s labor unions and privatized three-quarters of its state-owned companies, including such behemoths as British Airways and British Telecom. The Reagan-Thatcher model soon spread around the world, just as the social-democratic model had done earlier. From 1985 to 2000, western European governments sold off some \$100 billion worth of state assets, including such well-known state-owned companies as Lufthansa, Volkswagen, and Renault. After the fall of the Soviet Union, post-communist countries embraced the so-called Washington consensus

with gusto: by 1996, Russia had privatized some 18,000 industrial enterprises. Leszek Balcerowicz, Poland's first postcommunist finance minister, regarded Thatcher as his hero. In the 1990s, U.S. President Bill Clinton proclaimed an end to "the era of big government," and British Prime Minister Tony Blair argued that "the presumption should be that economic activity is best left to the private sector."

So Reagan and Thatcher—and, by extension, Friedman—won their battle: today, almost nobody speaks up for big government. But they did not win the war. Leviathan hardly withered away. In her 11 momentous years in office, from 1979 to 1990, Thatcher succeeded in reducing public expenditure only from 22.9 percent of GDP to 22.2 percent. Reagan failed to persuade the Democratic-controlled U.S. Congress to enact the spending cuts that were supposed to accompany his tax cuts and as a result ended up triggering an explosion in the U.S. deficit. For all the talk of the rise of neoliberalism and the "shredding of the safety net," the state remained far bigger under Reagan and Thatcher than anything that Webb could have imagined, and it has only continued to grow in the decades since they left office.

Thus, Friedman's revolution counts as only a half turn. Today, the dominant version of government in the developed world remains the welfare state that Webb helped devise. Meanwhile, two other questions now hang over global politics: whether a genuine fourth revolution might occur, and whether it will originate in the West.

INNOVATION SHIFTS EAST

China is the obvious focus of the debate over the future of governance. The Chinese have produced a new model of government that directly challenges the Western belief in free markets and democracy. China has pioneered a form of "state capitalism" by selling off thousands of smaller companies but keeping equity stakes in more than a hundred big companies. The country has also revived its ancient principle of meritocracy by recruiting Chinese Communist Party members from top universities and promoting party functionaries based on their ability to hit various targets, such as eradicating poverty and promoting economic growth. China has also racked up some astonishing achievements in government reform. In the past decade, it has built a world-class university system. In the past five

years, it has extended a government pension program to 240 million rural citizens—far more than the total number of people covered by Social Security in the United States.

But other countries are even further ahead when it comes to innovations in government, most notably Singapore, which has created what is arguably the world's most effective administrative machine.

The government recruits the best prospects to work in public service, and those who reach the top of the bureaucracy are richly rewarded with pay packages of as much as \$2 million a year and with guaranteed jobs in the private sector after they leave government.

Singaporeans pay 20 percent of their salaries into the government-run Central Provident Fund, with employers contributing another 15.5 percent. This compulsory savings account serves as a retirement pension and also allows Singaporeans to pay for housing, health care, and higher education. But unlike many welfare state systems in the West, Singapore's preserves an incentive to work hard and contribute: 90 percent of what one gets from the fund is tied to what one puts in. This reinforces Singapore's attempt to combine universal health and welfare programs with frugality; Lee Kuan Yew, modern Singapore's founder and guiding hand, dismisses the Western welfare state as an "all you can eat" buffet.

Meanwhile, as Asian countries generate clever ideas for reforming government, the West's greatest strength—representative democracy—is losing its luster. Democratic governments increasingly make promises that they cannot deliver on and allow themselves to be captured by special interests or diverted by short-term considerations. The U.S. Congress has not passed a proper budget on time since 1997. The Peterson Institute for International Economics has calculated that since 2010, uncertainty about U.S. fiscal policy has slowed the United States' GDP growth rate by one percentage point and has prevented the creation of two million jobs. France and a number of other European countries have not balanced their budgets in decades. And recent European elections have been exercises in denial—in the French presidential election of 2012, neither President Nicolas Sarkozy nor his socialist challenger, François Hollande, proposed cutting the country's bloated budget or raising its retirement age.

The West's greatest strength—representative democracy—is losing its luster.

In the recent elections for the European Parliament in Brussels, right-wing parties made huge gains by blaming the EU's problems on open borders rather than the overindulgent spending of its members states.

The poor performance of political elites has led to intense cynicism among Western electorates. Voter turnout is declining, particularly in elections held in EU member states, and membership in political parties is plummeting: in the United Kingdom, from 20 percent of the voting-age population in the 1950s to just one percent today. In 2010, Iceland's ironically named Best Party won enough votes to co-run Reykjavik's city council (which is tantamount to co-running the country) by pledging to betray its promises and be openly corrupt.

Such antipathy toward politics might not matter much if voters wanted little from the state. But they continue to want a great deal. The result is a toxic mixture: dependency on government, on the one hand, and disdain for government, on the other. The dependency forces governments to overexpand and overburden themselves, while the disdain robs governments of their legitimacy and turns every setback into a crisis. Democratic dysfunction goes hand in hand with democratic distemper.

THE FOURTH REVOLUTION

This crisis of Western liberal democracy has been brewing for decades, but it has become acute in the last few years for three reasons. First is the increasingly unsustainable debt burden that Western states are carrying. The 2008 financial crisis and the subsequent global recession led to an explosion in public debt: according to the Economist Intelligence Unit, global public debt reached \$50.6 trillion in 2013, compared with just \$22 trillion in 2003. Much of that growth was driven by Western governments borrowing huge sums in response to the economic slowdown. In Europe, the working-age population peaked in 2012, at 308 million, and is set to decline to 265 million by 2060. That smaller group of workers will have to support an unprecedented number (in absolute and relative terms) of retirees. Between the present time and 2060, Europe's dependency ratio—the number of people over 65 as a proportion of the number of people between the ages of 20 and 64—will rise from 28 percent (the current level) to 58 percent. And those numbers assume that the EU will let in more than one million young immigrants a year; if it doesn't, the

figures will be even worse. In the United States, where the baby boomers are now crossing into old age, the Congressional Budget Office reckons that government spending on medical benefits alone will rise by 60 percent over the next decade—and will then begin to rise even faster.

The second factor that has thrown the deficiencies of contemporary Western governance into sharp relief is the rapid development of information technology. In the past two decades, computers and the Internet have revolutionized all forms of commerce and could revolutionize government as well. Information technology has already transformed the state's two core functions: fighting wars and collecting information. But so far, Western governments have failed to harness the full potential of the digital revolution, often stumbling in their attempts to make themselves more Internet-friendly: witness the clumsy launch of the Obamacare website in the United States.

The third ongoing test of Western-style liberal democracy is the impressive track records in recent years of other models, particularly the modernizing authoritarianism pursued by Asian countries such as China and Singapore. For the first time since the middle of the twentieth century, a global race is on to devise the best kind of state and the best system of government. Compared to during that earlier era, the differences between the models competing today are far smaller—but the stakes are just as high. Whoever wins this contest to lead the fourth revolution in modern governance will stand a good chance of dominating the global economy.

Westerners have long assumed that the ideals of freedom and democracy would ultimately take root everywhere and that all countries that wanted to modernize would have to adopt such values. But the rise of authoritarian modernization in Asia puts this in jeopardy. To remain stable and prosperous and to maintain their positions as global leaders, European countries and the United States will have to embrace the goal of smaller, more efficient government.

At the moment, Western governments do too many things badly: it would be better if they did fewer things and did them well. The Western democratic state is ripe for the sort of spring-cleaning that the Victorians gave it, one that would build on some of the achievements of the half revolution of the 1980s and 1990s. Reagan and Thatcher stopped the state from doing many things that it had no business doing in the first place, such as running energy companies

and telecommunications firms. A fourth revolution should go even further, getting government out of the business of picking winners in the private sector through market-distorting subsidies and regulations. Western governments also need to make sure that public largess helps the poor and not the already well-off. The United States, for example, redistributes huge sums to relatively prosperous people in the form of tax relief for mortgage holders, financial assistance in paying for health insurance, and subsidies for the agriculture and energy sectors. The total value of all the exemptions offered by the U.S. tax code is around \$1.3 trillion, an amount that could be significantly trimmed without damaging the economy.

Western governments should follow China's example and take good ideas wherever they can find them. Close to home, they should pay attention to Sweden's successful experiments with school vouchers. Farther afield, they should consider India's progress in reducing hospital costs and Brazil's welfare program based on conditional cash transfers, which requires recipients to meet certain goals, such as making sure their children attend school and receive vaccinations.

The twenty-first century is sure to be shaped by ever-fiercer competition between states to figure out which innovations in governing yield the best results. The liberal democracies of the Western world still enjoy a significant leg up in terms of wealth and political stability. But it's not yet clear whether the West will be able to summon the sort of intellectual and political energy that, for the past four centuries, has kept it ahead in the global race to reinvent the state. 🌐

Voodoo Abenomics

Japan's Failed Comeback Plan

Richard Katz

Imagine the predicament currently facing a growing number of Japanese men in their early 30s. Despite having spent years cramming in high school and attending good colleges, many can't find a full-time job at a good company. Since Japan's rigid labor laws make it nearly impossible to lay off permanent employees in downturns, companies now tend to fill open slots with part-time or temporary workers, and they typically pay them a third less. Today, 17 percent of Japanese men aged 25 to 34 hold such second-class jobs, up from four percent in 1988. Low-paid temps and part-timers now make up 38 percent of Japanese employees of all ages and both sexes—a stunning figure for a society that once prided itself on equality.

Prime Minister Shinzo Abe promised to revive Japan when he took office in December 2012, and he often boasts of all the jobs he has added since. But all the gains have been for irregular work; regular jobs have fallen by 3.1 percent. Consequently, the average wage per worker in real terms has fallen by two percent under Abe. No wonder consumer spending is anemic. Imagine as well the frustration of these irregular workers when a low salary thwarts their natural desire to start a family. Whereas 70 percent of Japanese men in their 30s with regular jobs are married, among irregular workers in their 30s, that percentage plunges to just 25 percent.

What counts as a personal tragedy for each worker translates into an economic disaster for Japan as a whole. The country's reliance on irregular workers eats away at its main resource: its human capital, meaning the skills that enable workers to use the most up-to-date technology and methods. Because irregular workers don't acquire the skills employers

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seek, the longer they stay stuck in their dead-end jobs, the harder it becomes to ever get a regular one—and the more human capital erodes. The low marriage rate among irregular workers accelerates Japan's demographic decline. That, in turn, amplifies economic strains, such as the shrinking number of workers to support the growing ranks of retirees.

Given how much these interconnected syndromes lie at the core of Japan's economic malaise, one would think they would also lie at the core of Abe's revival strategy. Yet they merit not a mention. Abe has not even proposed minimal steps to tackle these problems, such as a law requiring companies to offer irregular workers equal pay for equal work. Until Japan reforms its labor practices more thoroughly, the use of so many irregular workers will continue to lend firms the flexibility they need to adjust payrolls as sales rise and fall. At the same time, equal pay for equal work would end the incentive for firms to replace regular jobs with irregular ones simply as a way of cutting wages.

Instead, Abe's economic program—known as “Abenomics”—is, at its core, a confidence game. Abe and his advisers argue that the root cause of Japan's malaise is insecurity. If only Japanese had more faith in their country's prospects, the theory goes, then consumers would spend more and companies would do more investing and hiring. In this view, deflation represents the primary cause of Japan's woes. “For 20 long years of deflation, Japan suffered a deep loss of confidence,” Abe said in a speech last year.

To restore confidence, Abe has undertaken a program of what he calls “three arrows”: monetary easing to reverse deflation, fiscal stimulus to boost immediate spending, and structural reforms to revive long-term growth. If all three arrows were hitting their targets, there would be reason for bullishness. But two of the arrows have already flown wide: any stimulus from temporary spending has been more than offset by premature tax hikes made to cut government debt. Meanwhile, the prospects for structural reform have not progressed beyond vague sloganeering.

That leaves just one real arrow: monetary easing. But none of the three arrows can work without the other two. Confidence must rest on something more substantive than inflation: meaningful structural reforms to reverse Japanese companies' lagging competitiveness. Otherwise, any temporary economic boost will soon give way to disillusion.

Disenchantment is already appearing in Japan's stock market, which rose by 65 percent from Abe's ascension until the end of 2013—almost

entirely on buying by foreign investors—but, as of early May, had lost a third of those gains as foreign investors sold. These investors rightly fear that Abe is not spending his political clout on reform. Since many Japanese voters view the stock market as the smart money's verdict on revival, if jitters on the exchange continue, that could reduce Abe's approval ratings and his political clout. If Abe is unwilling to take on vested interests to advance reform now, it is hard to see how he will be able to do so after his clout diminishes.

THE INFLATION BOGEYMAN

When Abe named him the new governor of Japan's central bank in February 2013, Haruhiko Kuroda promised to deliver two percent inflation in just two years, and to create all the money needed to meet that goal. Abe and Kuroda claim to be well on their way. After all, in March, consumer prices were up by 1.3 percent from the year before.

Unfortunately, most of that increase stems from a 25 percent drop in the value of the Japanese yen, which raised prices on imports of everything from electronic gadgets to food to raw materials such as oil, as well as on products made from those imports. The devaluation effectively transfers income from Japanese consumers and firms to foreign oil sheiks, farmers, and manufacturers. Besides, since the yen has more or less stabilized, the inflationary effect of the depreciation is likely to ebb.

Suppose Kuroda were to achieve two percent inflation in two years—which 34 of 36 economists polled by Bloomberg in April said will not happen. By itself, this would do little to boost growth. Kuroda contends that if consumers see prices rising, they will rush out to buy things so as to avoid paying more in the future, and their spending will lead firms to increase their investment and hiring. Yet data over the past decade show that when Japanese consumers expected prices to rise, they spent less, not more. The reason is simple: if prices rise faster than incomes, people can't afford to buy as much. But Kuroda, devoted to abstract economic theories as he is, dismisses such evidence. Abe, in turn, likes the theory because it says that he can rejuvenate Japan via the easy route of printing money rather than the hard route of structural reform.

Since 1997, wages in Japan have fallen by nine percent in real terms. They are expected to continue falling, despite highly advertised wage hikes by a few hundred giant firms whose profits from overseas sales

have been artificially boosted by the weaker yen. Abe claims that wages will rise once workers and firms come to expect inflation. In reality, deflation is not the cause of Japan's problems but a symptom. Trying to cure Japan's malaise by generating inflation is like trying to cure a fever by putting ice on the thermometer.

Abe and his team boast that they have pushed down the yen's value vis-à-vis the dollar by 25 percent. But here, too, their optimism is misguided. Currency depreciation can cheapen the price of exports in overseas markets, helping a country export more. But the flip side is that imports become more costly, and in Japan's case, the harm suffered by consumers and companies has vastly outweighed the benefits enjoyed by exporters. The real volume of exports—tons of steel, number of cars, and so on—has barely risen since the start of Abe's term. Sony's problem is not that the yen is overvalued but that the company is no longer creating the innovative products that people want (such as smartphones and tablets). Likewise, auto exports are flat because automakers continue to shift production offshore rather than exporting from Japan. The fact that Japan now runs a trade deficit despite a currency exchange rate that, in price-adjusted terms, is the cheapest since the 1970s, suggests that it has suffered a deep loss in underlying competitiveness. This requires a real cure, not a chimerical quick fix.

The second arrow, fiscal stimulus, was supposed to give people the money they needed to spend more. Either tax cuts or the right kind of spending could do the trick. Yet while Abe has put one foot on the gas pedal, he has put a heavier foot on the brake. His new spending measures, mostly of the pork-barrel variety, have been more than offset by his raising of the consumption tax from five percent to eight percent this past April. Another hike, to ten percent, is scheduled for October 2015. How can people spend more when Abe leaves them with less money to spend?

Abe's team claims that fiscal austerity is necessary to prevent Japan from becoming the next Greek tragedy. But that is nothing but a scare story spread by officials such as Kuroda, who ought to know better. Once again, ideology is overriding evidence, due to the long-standing devotion to fiscal austerity on the part of the Ministry of Finance (where Kuroda spent virtually his entire career). In reality, foreign debt matters just as much as domestic debt in turning a manageable problem into a crisis. In Europe, the financial crisis hit only those countries saddled not just with lots of government debt but also with



Down and out: Tokyo, December 2008

huge foreign debts caused by years of big trade deficits. These countries saw foreign lenders pull out their money, interest rates spike as a result, and their economies tank. Meanwhile, countries with equally big government debt but little or no foreign debt, such as Belgium, France, and Germany, suffered no crisis.

Japan's long run of trade surpluses makes the country a huge net lender. Even if it runs a small trade deficit, its massive foreign exchange reserves are large enough to prevent capital from fleeing. Precisely because Japan finances its own government debt, the Bank of Japan has proved its ability to keep interest rates down, a fact Kuroda ignores when he counsels Abe that rates will skyrocket without austerity.

Most economists believe that Abe's tax hike will hamper growth for a couple of years. And if Abe also cuts spending to meet the Finance Ministry's goal of halving the budget deficit in two years, growth will suffer even more. Why go this route when Japan has time to fix its fiscal problems? Success requires not just doing the right things but also doing them at the right time and in the right order. Japan should first restore growth and then work on the deficit.

OUT WITH THE OLD

In the end, it is Abe's third arrow—structural reform—that will determine whether Japan can raise its long-term real growth rate from the 0.8 percent average prevailing since 1992 to the two percent the

prime minister has promised. Even Japanese government economists admit that without reform, the country's long-term growth rate will never exceed around 0.5 to 1.0 percent. With the working-age population shrinking, the only way to generate more growth is to gain more productivity from each worker. Japan's GDP per hour worked lags behind the average for rich countries by 25 percent. Yet the

Abe's economic program is, at its core, a confidence game.

erosion of human capital caused by the rise of irregular workers makes raising productivity even harder.

To lift productivity, Japan needs serious structural changes to promote creative destruction, the process of replacing decaying firms with vibrant ones. The sectors of Japan's economy that face international competition, such as the auto industry, enjoy high productivity. But the lion's share of the economy is domestically oriented, and much of it is shielded from both international and domestic competition by domestic regulations and cartel-like business practices. In these sectors, Japan lags far behind its peers. To take one tiny but characteristic example, regulations currently restrict online sales of non-prescription drugs because if unrestricted, such sales would hurt brick-and-mortar pharmacies; one corporate member of an Abe advisory panel on reform quit when bureaucrats emasculated his proposal to lift this regulation.

Or look at Japan's inefficient dairy industry, which the government has refused to open up to foreign competition—holding up negotiations for the Trans-Pacific Partnership, a proposed free-trade deal among 12 countries, in the process. Japan's milk market isn't even open to domestic competition. The powerful farm cooperative known as Japan Agriculture uses its stranglehold on distribution to protect inefficient farmers in the main part of Japan by hindering shipments of milk from the larger, more efficient farms in the northern island of Hokkaido. Tokyo turns a blind eye because Japan Agriculture is a powerful electoral ally of Abe's political party and because rural voters are disproportionately represented in the Diet. A real reformer would scrap Japan Agriculture's exemption from the Antimonopoly Act, a law passed in 1947 designed to encourage competition, and use the act to crack down on such practices.

Japan needs an economy in which newcomers can edge out moribund firms, in which workers can move easily from job to job, and in

which a solid safety net helps the unemployed through that transition. If reforms to create such an environment were put in place, now-lagging sectors would be propelled to world benchmark levels of efficiency, and productivity-led growth would soar—just as occurred in retail, rust-belt manufacturing, and other traditional sectors in the United States during the productivity revolution that began in the mid-1990s. The United States does so well in information technology today because it boasts a fertile ecosystem for nurturing start-ups. When IBM flagged, Microsoft and Intel were ready to take its place, and when Microsoft started to coast, Google and Apple quickly stepped in. In Japan, however, there aren't any successors to floundering Sony and Panasonic. The country's list of the top 20 electronics hardware firms has not included a new company since 1946.

Rigidities in Japan's labor market, as well as incestuous ties among Japan's entrenched firms, all too often hinder would-be entrepreneurs from gaining the financing, staff, and distribution channels needed to compete. Yet firm turnover—the exit or downsizing of inferior firms and the rise of better ones—is as vital to economies as Darwinian natural selection is to evolution.

Abe could promote innovation by enforcing laws against anticompetitive practices, promoting genuine labor flexibility (rather than the use of irregular workers), and financing a solid safety net. Instead, he, like his predecessors, has moved in the opposite direction, promoting ill-fated mergers among troubled firms. Countries such as Sweden spend up to 1.5 percent of GDP on programs for ongoing adult education, job matching, and the like to help workers shift from job to job, but Abe's fiscal austerity rules out similar steps. This is penny-wise and pound-foolish.

THE POLITICS OF PRODUCTIVITY

If reform were easy, it would have been accomplished long ago. The problem is that reforms aimed at promoting competition would hurt many entrenched firms and their workers. Since a Japanese worker's current job at his current firm is his main social safety net, a desire to avoid social dislocation is the main reason Japan protects moribund firms. To ease the pain of reform, Tokyo should use fiscal and monetary stimulus as an anesthesia.

In the past, Japan has enacted reforms that worked, such as deregulating the financial market, forcing resistant banks to clean up the

massive nonperforming loans that were hamstringing economic growth, ending laws that allowed small stores to block the entry of larger ones into their neighborhoods, and giving new entrants in the cell-phone business equal access to the mobile infrastructure of a previously dominant monopoly. These reforms ushered in huge productivity gains in retail and telecommunications (and for users of telecom), while partially unlocking distribution channels for newcomers.

Nothing in Abe's program, however, remotely resembles those advances. His proposed agricultural reform, for example, would merely replace a subsidy focused on production levels with one focused on income, while giving no incentives for tiny inefficient farms to consolidate or for agribusiness to expand sufficiently. His

Sooner or later, Abe will lose the political power to make necessary reforms.

talk of increasing career opportunities for women omits any mention of the main obstacle: that most of them get taken off the promotion track once they become pregnant. And while Abe has raised taxes on consumers, he is

talking about cutting taxes on corporations. His claim that this would promote investment is false, as even the Ministry of Finance acknowledges. Japan's corporate giants already have far more cash than they choose to invest at home. But a corporate tax cut might raise stock prices and gain Abe more corporate support.

His plans for the electricity sector, meanwhile, would ostensibly allow room for newcomers by separating generation from transmission. In reality, the existing regional electric monopolies will be allowed to form a holding company that controls both parts. He has done nothing to force rectification in the nuclear utilities, some of which falsified their safety records with the connivance of the regulators in the lead-up to the 2011 Fukushima nuclear accident. As a result, a justifiably distrustful population has so far blocked a restart of the reactors that previously supplied a third of the country's electricity. The resulting electricity shortfall and higher energy costs are propelling automakers and other efficient exporters to shift even more of their capacity overseas. All told, the third arrow has turned out to be nothing more than a bunch of nice-sounding goals for growth, job creation, and investment—without a plan for achieving any of them.

The most obvious litmus test of the third arrow is Abe's handling of the negotiations for the Trans-Pacific Partnership. In recent months,

these talks have stalled largely because Abe's team has insisted on keeping tariffs and other barriers high in a few agricultural sectors (such as beef, dairy, and pork) that employ less than 100,000 households but where high prices boost Japan Agriculture's income. As of mid-May, an agreement had not been reached. Even if a deal is eventually signed, Abe's capitulation to small interest groups means that it won't be used as a catalyst for domestic reform, unlike the way South Korea used its trade agreements with the United States and Europe, and as reformist officials in the Ministry of Economy, Trade, and Industry have urged Japan to do as well.

Abe certainly has the clout to take on these vested interests: he still enjoys an approval rating around 60 percent, and his party holds an overwhelming majority in parliament. Yet it seems impossible to find a single case in which the prime minister has truly challenged a powerful domestic constituency. Instead, he is wasting his political capital on denying seven-decade-old war crimes and refusing even to admit that Japan committed aggression, claiming Japanese ownership of islets long controlled by South Korea, and trying to change school textbooks to reflect these retrograde views. Even when Abe's ideas on security are sensible—such as his proposals for Japan to exercise a right to collective self-defense—the need to overcome resistance in pacifistic Japan diverts Abe's energy. Inevitably, this puts the third arrow on the back burner.

The sad fact is that Abe's heart does not beat to the rhythm of reform and revival. Instead, Abenomics is a means to an end: to gain enough popular support to pursue the goals that really move him—security and history issues. But Abe can stay insulated from the political consequences of his economic mismanagement for only so long. Eighty percent of Japanese polled say that his policies have failed to improve their lives at all. Abe remains popular because people still expect Abenomics to start working. Sooner or later, however, its failures will become impossible to ignore, and Abe will lose the political power to make necessary reforms—even if he somehow gained the stomach for them.

Japan will eventually reform and revive. Its tragedy is that it is filled with smart, ambitious, creative individuals who are trapped in once vibrant but now ossified political and economic institutions. The whole is so much less than the sum of its parts. The country will revive when it finally undertakes the necessary institutional overhaul. But that takes a visionary leader; Abe is not that leader. 🌐

Indonesia in Pieces

The Downside of Decentralization

Elizabeth Pisani

In April, voters in Indonesia's parliamentary elections shocked many observers, confounded most pollsters, and seemed to set back their own long-term interests by failing to deliver a massive victory to the main opposition party, the Indonesian Democratic Party of Struggle. Under the country's complex electoral rules, a party must win 25 percent of the popular vote (or 20 percent of the seats in parliament) before it can formally nominate a presidential candidate. Polls had predicted that the Democratic Party of Struggle would win up to 30 percent of the vote, largely thanks to the massive popularity of the politician the party announced would represent it in the presidential election: Joko Widodo, the governor of Jakarta, who was expected to win that race handily. But his party managed to eke out only 19 percent—more than any of the 11 other parties in the running, but not enough to cross the threshold. And so Jokowi, as he is widely known, will have to form a coalition to run for president, meaning that if he manages to take the helm of the world's third-largest democracy in July, he'll do so with little power and representing an alliance with no clear platform.

Indonesian voters have long been frustrated by the endless horse-trading and political compromise such deals inevitably involve. The current president, Susilo Bambang Yudhoyono, proved unable to deliver on his promised reforms because he had to hand out so many cabinet seats to other parties in order to build a coalition of his own in 2004. Since then, the Democratic Party, which came into being as a vehicle for electing Yudhoyono, has done little to develop local bases of support, and it has paid a heavy price: in the April elections, the party's share of the vote collapsed, to ten percent, from 21 percent in 2009.

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Why has the Indonesian electorate forced the man they want to replace Yudhoyono into the same corner of constant compromise? The answer lies in a little-understood but critical aspect of the country's political structure: rampant decentralization. When Indonesians voted in April, they were thinking not about the presidential election three months later but about hyperlocal issues. Although commentators in Jakarta's air-conditioned bubble have been slow to recognize this fact, 13 years after Indonesia began devolving power from the federal government to hundreds of subprovincial units, the link between local and national political interests has become extremely tenuous. As a result, although locally elected politicians may be delivering things that people want in their own backyards, they are not, collectively, meeting the nation's needs.

THINGS FALL APART

Indonesia is one of the most diverse nations on earth. Its 250 million people are scattered across some 7,000 inhabited islands, form over 300 ethnic groups, and speak 700 distinct languages. The vast majority are Muslim, but some 30 million profess other faiths. Suharto, the

general who ruled Indonesia from 1967 to 1998, used two uniformed armies to tie this disparate country together. One was the military; the other was the Jakarta-based bureaucracy. It was not always easy to distinguish the two. Both were disproportionately staffed by natives of Java, the island that accounts for seven percent of Indonesia's landmass but squeezes in 60 percent of its population. Ministries in the capital (located in Java) would make policy and hand it down through their regional hierarchies, where the center's will would be done.

After popular discontent triggered by the Asian financial crisis forced Suharto from office, his successor, B. J. Habibie, shattered the chains of command that Suharto had carefully wrought. That reversal hap-

One of the world's most centralized nations burst apart to become one of its most decentralized.

pened almost by accident. Habibie often allowed extravagant promises to escape from his mouth in public that could not be retracted, and in 1999, without so much as mentioning it to his foreign minister, he declared that the people of the fractious province of East Timor could hold a referendum on indepen-

dence. When Indonesia had marched troops into the former Portuguese colony in 1975, it had set about delivering development, Suharto-style: building roads, schools, and health centers. So Habibie, a Suharto loyalist to the core, seemed genuinely surprised when eight out of ten people in East Timor voted to break away from their Indonesian masters.

Blind-sided by Jakarta's crushing defeat, Habibie was forced to grapple with the implications of East Timor's independence for the rest of the country. Many of Indonesia's other islands are made of nickel and copper, sit above pools of oil and gas, or were once covered in precious hardwoods, and most of their inhabitants feel that Suharto and his cronies diverted the riches that properly belonged to the periphery and used them to develop the center. They have a point: at the end of Suharto's tenure, 82 percent of all of Indonesia's medium and heavy industry was concentrated in Java. At least two provinces—oil-rich Aceh, in Indonesia's far west, and mineral-rich Papua, in its far east—had already sprouted low-grade separatist rebellions, and in other provinces, discontent was brewing.

Post-Suharto Indonesia was heading down the path to democracy, and Habibie knew that Java could not continue to dominate the rest of the nation so completely. But giving more power to the provinces

(at the beginning of Habibie's tenure, there were 27 of them) was risky, because the richest provinces might try to split from the motherland, just as East Timor had done. Habibie opted to minimize the risk by bypassing the provinces and handing power to the administrative units directly below them, the districts, reasoning that it was unlikely that any single district would ever grow strong enough to secede.

Habibie then made this devolution happen. In the space of just 18 months from 1999 to 2001, one of the world's most centralized nations burst apart to become one of its most decentralized. Today, the center still takes care of defense, fiscal policy, foreign relations, religious affairs, justice, and economic planning. On paper at least, the provinces still have a coordinating and supervisory role. But what they don't have is any money to speak of. Beginning in January 2001, Jakarta handed over 90 percent of the cash and 100 percent of the responsibility for delivering most government services—health care, education, and a whole lot more—to the district governments. These entities numbered close to 300 at the time, and the only experience they had in governing was following orders from Jakarta.

The financial arrangements accompanying decentralization were complex. Most tax revenue (around \$105 billion in 2013) continues to be collected by Jakarta, which then passes it on to the levels below. In 2014, the center plans to redistribute about \$27 billion to the districts in the form of block grants weighted by, among other factors, each district's population, number of civil servants, and income from natural resources. District governments can use this money as they see fit. Another \$3 billion will go directly to the provinces. In addition, Jakarta plans to deliver another \$22 billion to the provinces and districts to fund special development programs and to meet (largely political) commitments related to supporting regional autonomy.

Once decentralization got under way, Indonesia's various local strongmen began using their contacts in Jakarta and the provincial capitals to lobby for new districts of their own. The result has resembled one of those fireworks that blossoms into a giant flower, and then bursts again, right and left, into a series of smaller showers. Since Suharto left office, the country has added ten new provinces, and the number of districts has increased by 70 percent. Although districts (and their urban counterpart, municipalities) now represent the most important level of government for most Indonesians, it is difficult to keep track of exactly how many exist. The most recent official figures from the Ministry of the Interior,

from the end of 2013, give the number variously as 497 and 506. The count is not the only source of confusion; the original decentralization law of 1999, which was vague from the start, has been partially rewritten at least twice. The current version clashes with existing laws affecting such important sectors as mining and forestry, making it extremely difficult to ascertain who is in charge of what and creating a nightmare for investors hoping to draw up contracts.

DEMOCRACY BY DEMONSTRATION

Supporters of decentralization contend that it encourages subnational governments to provide services that meet local needs, even as they work within the confines of the broad policy outlines set in Jakarta. But sometimes, local and national interests clash. To see how, consider the tiny eastern Indonesian village of Lamalera, located on the desiccated southern coast of the tiny island of Lembata, some 1,200 miles east of Jakarta. For centuries, whale hunting represented virtually the only economic activity for the village. A decade ago, some hunters acquired secondhand outboard engines; with these, they've been able to pursue dolphins as well as whales.

Although the village catches an average of just nine sperm whales a year, that and the dolphin fishing have been enough to anger Western animal rights activists, who, in late 2011, posted YouTube videos demanding that people stop eating tuna canned in Indonesia in protest. The campaign spooked the central government, which may or may not care about dolphins but definitely cares about Indonesia's \$750-million-a-year tuna export business. So the Ministry of Marine Affairs and Fisheries rushed out a new regulation in response to the criticism, and because one whale snuff film mentioned Lamalera by name, Jakarta made a special effort to bring the ruling to the attention of the local government in the Lembata district.

The head of the Lembata district, in turn, sent an underling on the four-hour trek across the island to Lamalera to inform the villagers that the fishing must stop. The hunters responded in a way that is becoming routine throughout the country: they hit the streets and demonstrated against the new rule. And the tactic worked. As one of the hunters told me, "They tried to do that conservation thing here a few months back. But the whole village went to Lewoleba [the district capital] to demonstrate. The local government didn't have the balls to enforce [the new rule], so nothing came of it."

The episode is a trivial example, perhaps, but it illustrates a larger phenomenon. Resentment about the distribution of mining royalties or about increases in fuel prices, land disputes, the provision of local services, restrictions on whaling: today, Indonesians are airing all these grievances on the streets. The country has developed a thriving demonstration industry, with businesses that rent out trucks with loudspeakers, printing shops that give discounts on bulk purchases of T-shirts, and individuals who hire themselves out for \$5–\$10 a day to rant on the streets about the cause of the moment.

And local governments have begun responding to protesters' demands. Democracy by demonstration cannot be what the promoters of decentralization hoped for when they touted the idea of greater responsiveness to the electorate. But it is an inevitable byproduct of Indonesians' increasingly sophisticated understanding of the way democracy functions in the age of *über*-decentralization.

THE PRICE OF DEMOCRACY

Since 2005, Indonesians have been electing their district heads directly; it is one of seven trips they can make to the polls in every five-year electoral cycle. Voters know that today's expensive election campaigns are entrenching a culture of patronage. They know that a prospective candidate first must pay a political party to allow him (or, very occasionally, her) to run as its candidate. Then there are the posters, the banners, the T-shirts, the fees for securing column inches in local newspapers. At rallies, candidates have to foot the bill for food vendors, singers, raffle prizes (fridges, cell phones, motorbikes), and buses to bring in supporters. A minibus driver working during one local election said he got paid three times for each campaign event: once when he put election banners on his bus for the day, again after he shipped in participants, and finally when he left his car near the rally to cause a traffic jam. "They want it to look like it's really busy," he told me. "All you have to do is park somewhere inconvenient and spend the afternoon smoking." All told, a campaign for district head costs somewhere between \$400,000 and \$1.7 million—peanuts for a U.S. campaign, but a mighty sum compared with the \$500-a-month salary than an Indonesian district head earns.

Candidates scrape together most of their campaign funds from people who expect something in return: a job, a contract, or a policy favorable to their business. Indonesia is not short on anticorruption regulations—

some types of pork-barrel spending that form part of the normal political process in the United States could get a legislator arrested in Indonesia—and as president, Yudhoyono has supported an independent commission that has scored some high-profile victories against graft at the national level. But there is very little that the commission or the president can do about the deeply entrenched patronage that is undermining the delivery of services and wasting public money at the district level.

A fascinating 2012 study by the economist Robin Burgess and his colleagues used satellite imagery to show that after new districts were created in forested regions of Indonesia, logging within their borders increased by an average of eight percent, even in supposedly protected areas. The uptick surely reflected the newly elected district heads' power, as well as their election debts. Ideally, the head of the local forestry department would report illegal logging to the police, who would prepare a case for the courts. But thanks to Jakarta's decentralization drive, all these actors are now appointed by the new district head. It will take a great deal more than clean-government rhetoric from the president to uproot that type of patronage, especially when it's something most voters expect, and sometimes even demand.

Take Supiori, a district in the easternmost province of Papua that was formed in 2003. With just 17,000 residents, it ranks as the country's smallest district. Yet like the other 500-odd districts, Supiori has its own departments of health, education, fisheries, and the environment, and dozens more, all of which need to be staffed. Civil service jobs are extremely sought after in the poorer parts of Indonesia, where high school graduates are rare and college graduates nonexistent. Last year, locals in Supiori, annoyed that the government was importing qualified staff from elsewhere, took to the streets to demand that they be hired for civil service jobs even if they couldn't pass the entrance exams. Several of them have indeed been hired, many as teachers. Giving teaching jobs to underqualified locals creates a vicious circle. Indonesia's education system is already failing; in internationally standardized tests conducted in 2012, over three-quarters of the Indonesian 15-year-olds tested were judged not to know enough math or science to function adequately in a modern economy.

The parlous state of Indonesia's infrastructure poses another major obstacle to economic growth. Even though Indonesia is the most populous country on the planet made up entirely of islands, the World Economic Forum ranks its port infrastructure 104th out of 139 countries; even

landlocked Botswana, Switzerland, and Zimbabwe report better access to ports. Indonesia scored nearly as badly on roads, air transport, and electricity, and local studies show that things are worst in the areas where the proliferation of new districts has been greatest. A 2011 study of over 12,000 businesses found that in eastern Indonesia, companies coped with an average of four power outages a week, and water service dried up twice a week. The Holy Grail of decentralization—the idea that previously marginalized areas would be able to compete for private-sector investment that would then promote local economic growth—has not been realized. The percentage of the country’s medium-sized and large industries that are located in Java actually increased from 2000 to 2012, to 83 percent.

Decentralization is making it more difficult to reverse years of underinvestment in infrastructure, because most investment decisions are now made at the district level. Very few districts have the wherewithal to build a major container port or a high-volume airport, for example, and it would be singularly inefficient for them to even try. What Indonesia needs is a coherent, centrally designed plan that channels investments to key areas where they will benefit the hinterlands.

Jakarta has developed just such a plan, but it can’t get it off the drawing board without the active support of district governments, which now control the bulk of public funds for nonmilitary spending. District heads derive much of their legitimacy from a new sense of local pride, which they take advantage of to build gargantuan palaces to house their offices. Meanwhile, few officials are willing to subsidize major investments in neighboring areas even if their own residents would profit from them as well, because the symbolic benefits, along with the photo opportunities, would accrue to some other district head. This is where provincial governments ought to come in, forcing or encouraging districts to cooperate. But the provinces have so few financial or political resources of their own to bring to the table that they find it hard to push districts toward agreement.

The districts thus have little trouble escaping oversight from the emasculated provinces, and an even easier time batting away mandates from the national level. In the April elections, for example, the head of Papua’s Jayawijaya district openly defied a ruling from the National Election Commission that forbade a type of voting system that allowed

Today’s expensive election campaigns are entrenching a culture of patronage.

local leaders to decide which candidates would win. He suffered no consequences. The remaining check on a district head, the local parliament, is just as notional. These bodies are often dominated by political allies or by local contractors who have grown relatively rich from building substandard roads or schools; it is not unusual for a district head to prepare a budget that includes generous benefits for the parliamentarians who then approve it. No wonder people take their political demands directly to the streets.

PYRAMID SCHEME

Even in the most out-of-the-way places, among fishermen, farmers, and small traders, Indonesians understand the compromises that riddle their democracy. Although they complain constantly about corruption, poor services, and the arrogance of politicians, they are generally content to live with the system as it is. When confronted with egregiously bad behavior—say, a local leader caught spending the district's money on drugs and prostitutes during a weekend in Singapore—voters are quick to boot that individual out of office. But they rarely punish politicians for the run-of-the-mill nepotism, the selective distribution of contracts, and the casual largess distributed from the public purse that define democracy in Indonesia today.

This disconnect likely arises because the current political landscape closely follows the contours of many of Indonesia's cultures. Collectivism is a deeply embedded norm throughout Indonesia, even if it takes different forms in different parts of the country. Most Indonesians expect to draw on the resources of a broad network to which they are sometimes only rather tenuously linked. But they also expect to contribute back to that network.

Under Suharto, the Indonesian political system formed a single pyramid with a very wide base. He was careful to dole out monopolies and other benefits to people who would give something back: national stability in the case of the military and industrialization, investment, and jobs in the case of the conglomerates. It was not until his children grew up and became greedy that Suharto began to give away something for nothing; it was then that patronage in return for services turned into plain old graft. It was then, too, that Indonesians grew fed up with him, which led to his downfall.

Nowadays, the patronage model has splintered into a multiplicity of smaller pyramids. But the principle remains the same. People are,

if not happy, then at least resigned to allowing those at the apex to skim off the benefits of political office, as long as they take care of the majority of those below. Although they grumble about “KKN”—the catchall abbreviation for “*korupsi, kolusi, and nepotisme*”—most Indonesians would be horrified by a world in which there were no mutually binding ties of loyalty and obligation.

“I’d say 90 percent of Indonesian politics is transactional,” a parliamentarian in a relatively wealthy district in western Indonesia told me bluntly. Today’s transactional politics, evident throughout Indonesia’s ever-expanding number of districts, has created fertile ground for corruption, expanded patronage, bloated the bureaucracy, undermined the quality of basic services, and made essential investment in infrastructure virtually impossible. But it has also given previously excluded communities a place at the trough, created the rapid-response culture of street protests, and trickled a sense of entitlement down to people who had never before demanded anything.

“If you’re clever and ask for the right things, you can turn [transactional politics] into a plus,” the district parliamentarian said. “At least it means that politicians have to deliver.” And they do deliver, more or less, on the things that voters demand. The problem is that when demonstrators hit the streets, they are usually asking for something local: fix the potholes in the road to the health center, give more jobs to the dominant ethnic group, discriminate against an unpopular religious minority, protect the right to hunt whales. Few wave placards demanding coherent investment in infrastructure, a reduction in the overreliance on commodity exports, curbs on consumer credit, or more loans for entrepreneurs—the bigger-picture things Indonesia needs.

JAKARTA DRIFT

April’s election results highlighted what Indonesian voters care about, and it’s not the platform of any single political party, all of which are decidedly ill defined. Although voters told pollsters they wanted to see Jokowi as president come July, they knew that most of the decisions that will affect their everyday lives, before and after July, will be made in their own districts, by an individual who paid a political party to be allowed to run on the party’s slate. Any loyalties that bleed upward from the all-important local politicians do so incidentally; there’s virtually no sense among most Indonesians that representation in Jakarta affects local well-being. As for the presidential election, no one seems to have

given much thought to the fact that denying votes at the parliamentary level to the party backing Jokowi may render him impotent as president.

From the point of view of most Indonesians, the current political model is working just fine. During the early years of Yudhoyono's second term, from 2010 to 2012, high prices for palm oil, rubber, coffee, nickel, and other commodities that Indonesia produces fueled growth rates averaging 6.3 percent. Cheap consumer credit and an overvalued currency led Indonesians to buy masses of agreeable but unproductive imports—everything from cell phones and motorbikes to blenders and refrigerators. But the boom times may be coming to an end. As China's appetite for commodities waned in 2012, Indonesia ran a trade deficit for the first time since 1996. Growth is predicted to be at 5.3 percent this year, but Indonesia can only reach this, the World Bank has warned, if the government stops squandering opportunities for reform. Consumed with keeping his various partners in the government happy, Yudhoyono has failed to knock heads together to force through vital investment in infrastructure, industry, or high-end services. As a result, Jakarta's ability to continue extending bounty to the regions (and thus its ability to allow district heads to satisfy voters) still depends largely on China's continued demand for Indonesian commodities.

The paradox of decentralization is that it requires strong central leadership to work properly. But Indonesia's current electoral arrangements are making that harder to come by. Jakarta needs to become far more involved in setting investment priorities, creating legal certainty, and giving the districts an incentive to cooperate. Yet because voters in April spread their votes broadly across parties with no shared policy platforms, a strong center that remains tolerant of local diversity seems unlikely to emerge.

Less likely still is any major move on Indonesia's part to assume a higher profile in international affairs; the country has consistently punched below its weight in this arena, in large part because its leaders are so consumed with holding the islands together. Whereas Suharto expended energy on balancing military, religious, and commercial interests, his successors have had to focus on building coalitions in Jakarta. This preoccupation has distracted Indonesia's leaders from the gravest challenge they now face: protecting the national interest from the profusion of locally elected politicians, each delivering largess that is pleasing to his own small pool of voters but damaging to the country as a whole. 🌐

A Korea Whole and Free

Why Unifying the Peninsula Won't Be So Bad After All

Sue Mi Terry

When Kim Il Sung, North Korea's founding ruler, died in 1994, many outside observers predicted that his state would die with him. That never happened, of course, and his son Kim Jong Il managed to keep the regime alive until his own death, in 2011. When his son Kim Jong Un took the reins that year, numerous Korea watchers again predicted a collapse. Once again, they were proved wrong. Despite its extreme poverty, North Korea is still very much alive and a major threat to its southern neighbor.

But cracks are appearing. Last December, Kim Jong Un took the unprecedented step of publicly executing his uncle Jang Song Thaek, the second most powerful official in the regime. Although Jang's removal may help strengthen Kim's rule in the short run, it could have the opposite effect in the long run, convincing North Korean elites that the 31-year-old heir to the throne is too hotheaded to be trusted. The regime's patrons in China, meanwhile, were undoubtedly unsettled by the execution of Jang, who was Pyongyang's chief envoy to Beijing and a proponent of Chinese-style reforms.

But Beijing is unlikely to start putting more pressure on Pyongyang, at least not anytime soon. China's leaders may not like the current regime, but they like the alternative far less. North Korea's collapse would likely flood China with refugees and precipitate a military intervention that would bring South Korean and U.S. forces to China's border. So Beijing sees supporting Kim as its least bad option.

Seoul, for its part, has also traditionally avoided doing anything to destabilize Pyongyang, and for similar reasons. For South Korea's leaders, living with the North's occasional pinprick attacks and the ever-

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present threat of another war is preferable to bearing the crippling social and financial burdens that would accompany reunification.

Even the United States and Japan, which have much less to fear from North Korea's demise, have quietly decided to live with the regime. Both the Clinton and the George W. Bush administrations struck generous aid deals with Pyongyang in exchange for limits on its nuclear program. Japan agreed to spend \$1 billion as part of one of those deals, the 1994 Agreed Framework, to finance two light-water nuclear reactors in the North (a project that was formally suspended in 2002), and Tokyo has contributed generous amounts of food aid. Policymakers in Washington and Tokyo know that they have little leverage to bring down the North Korean regime. But they also fear the regional chaos that regime change would bring.

Such concerns are legitimate, and all outside parties need to take them into account when planning for the regime's inevitable demise. Even under the best of circumstances, the reunification of North and South Korea will prove more expensive and challenging than that of East and West Germany, given how far apart the two Koreas are in terms of their economies, education levels, and ideologies.

But it is a mistake to conclude that reunification should therefore be avoided. Contrary to popular belief, a merger would not spell disaster for South Korea, nor would it pose an unacceptable risk for the United States, China, and Japan. Rather, it would produce massive economic and social benefits for the peninsula and the region. There can be only one happy ending to the long-running saga of the North: the emergence of a single, democratic Korea. Outsiders should do all they can to promote and plan for this outcome.

THE GOOD, THE BAD, AND THE UGLY

Reunification is likely to come about in one of three basic ways. The scenario South Koreans hope for most is a soft landing, in which Pyongyang adopts the Chinese economic model, eschews militarism, and undertakes a gradual rapprochement with Seoul. The second scenario is far less attractive: North Korea, staggering under the weight of economic and social forces, implodes and gets absorbed by South Korea. The third scenario is even worse: the peninsula could be reunified through military conflict, in which, following a major attack from the North, South Korean and U.S. forces finally destroy the regime. Of these three outcomes, a soft landing is the least likely,

given how little interest Kim has shown in reform. The third scenario is also improbable; for all his pugnacity, Kim is no more suicidal than his father or his grandfather was. That leaves the second scenario, a hard landing, as the most plausible. So that's what policymakers should plan for.

The collapse of Kim's regime would pose many immediate problems, the most pressing of which, from the standpoint of the United States, being how to secure North Korea's nuclear weapons. U.S. and South Korean forces would have to maintain the command structure of North Korea's army in order to prevent factional fighting and attacks by die-hard elements. They would also need to provide security, food, and basic public services, such as water, electricity, and telecommunications, in order to avert a humanitarian crisis that would send the long-suffering North Korean population flooding across the borders into China and South Korea and across the sea to Japan.

Contrary to popular belief, a merger of North Korea and South Korea would not spell disaster.

These are major challenges, but with enough planning, South Korea—backed by the United States, the UN, and other international actors—could deal with them. In fact, South Korea's Ministry of Unification, in cooperation with U.S. defense officials, has spent decades preparing to do just that. In the event of the North Korean regime's collapse, South Korea's large, well-equipped, and highly trained military should be able to rapidly assume control of North Korea and provide basic services until a civilian government takes over. The task would prove all the easier if South Korea could involve China in the planning process. So far Beijing has refused to publicly entertain the possibility that the Kim regime may not last forever. But even without Chinese participation, South Korea and its partners should be able to handle the fallout of collapse.

The real fear of South Koreans, however, is not that Seoul won't be able to deal with the immediate effects of an implosion; it is that the financial price would ruin them. Reuniting Korea would likely cost more than reunifying Germany did: the Halle Institute for Economic Research has estimated Germany's bill at \$1.9 trillion over 20 years. According to South Korea's finance ministry, reunification would consume seven percent of South Korea's current GDP—a share

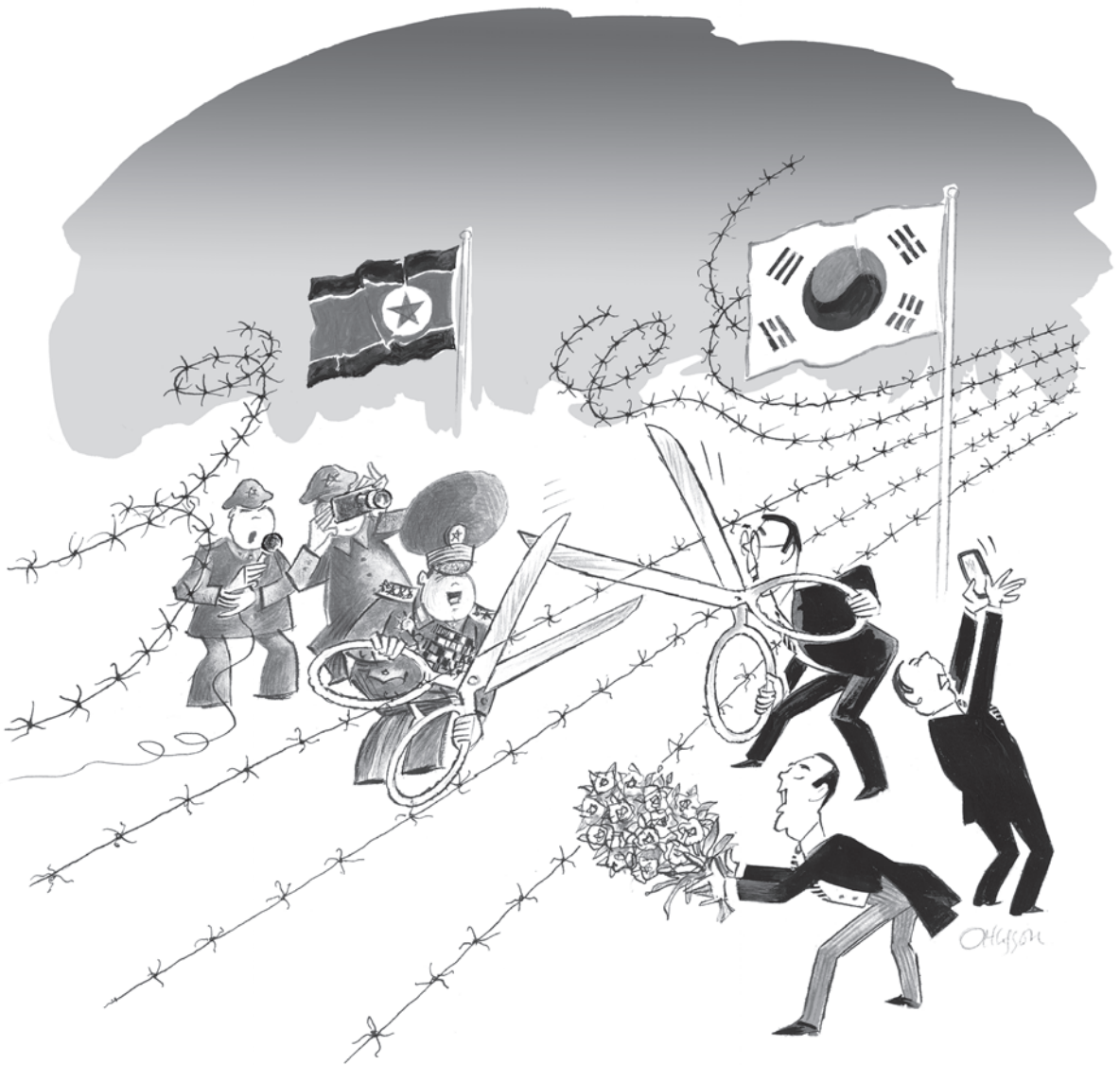
equal to \$80 billion—every year for a minimum of ten years. An advisory body appointed by South Korean President Lee Myung-bak in 2011 put the price tag of reunification even higher, at over \$2 trillion. Whatever the final figure, there is little doubt that the endeavor will prove expensive and that the difficulties will be exacerbated by the social challenges of integrating an isolated, impoverished, and brain-washed population.

WHEN TWO BECOME ONE

Although South Koreans tend to focus on the obvious costs, those costs would be outweighed by the benefits of reunification. Most immediate among these would be the disappearance of Northeast Asia's primary source of instability. Assuming that the regime's nuclear weapons and ballistic missiles could be secured and its army peacefully demobilized, its dissolution would leave not only Seoul but also Washington and Tokyo much more secure. The United States would no longer have to worry about North Korea selling nuclear weapons abroad or drawing U.S. forces into a second Korean war. Japan would no longer have to fear North Korean missile strikes or the abduction of more of its citizens. And South Korea could stop worrying about North Korea's artillery pulverizing Seoul, its navy torpedoing South Korean ships, or its commandos targeting South Korean leaders.

Even China would have reason to rejoice. It could replace its unrequited transfers of fuel, food, and other goods to Pyongyang with capital investments that yielded income. And once it stopped propping up the most despotic regime in the world, Beijing would find it far easier to portray itself as a responsible international stakeholder.

The end of the Kim regime would also have huge humanitarian benefits, freeing 25 million people from the grip of the world's last remaining Stalinist state and integrating them into a modern democracy. The majority of North Korea's 80,000 to 120,000 state prisoners could leave the government's slave-labor camps, where most have been consigned for political, rather than criminal, offenses. Average North Koreans could move from a starvation diet, both literally and intellectually, to the plentiful availability of food, information, consumer products, and all the other benefits of modern capitalism. South Koreans, an intensely nationalist people, would also finally



get to celebrate the reunification of the Korean family. Korea would once again become a single state, as it was from the year 668, when the Silla dynasty unified the three Korean kingdoms, until 1945, when the Soviet Union and the United States divided it at the 38th parallel.

But the greatest benefits for the South would be economic. Reunification would be far more profitable than is commonly assumed. For starters, Seoul could sharply reduce its defense spending, which currently stands at \$30 billion a year, or 2.5 percent of GDP—a figure that excludes the \$1 billion it gives every year to Washington to help cover the costs of the U.S. military’s presence on the peninsula. South Korea could end universal conscription and shrink its 680,000-

man military to 500,000 personnel or fewer, freeing large numbers of young Korean men to enter the work force years earlier than they currently do. Also joining them would be the 1.1 million people, most of them young, that North Korea now employs in its military.

The prospect of extra young workers should be especially tantalizing given the rapid aging of South Korea's population. Thanks to the country's growing wealth, life expectancy in South Korea has reached 81 years and continues to improve, whereas its birthrate, at only 1.2 children per woman, is among the lowest in the world. As a result, according to projections by the Organization for Economic Cooperation and Development, by 2050, South Korea will have the second-oldest population in the developed world, with nearly seven people over the age of 65 for every working-age adult. Absent reunification, the number of South Koreans aged 15 to 64 will start to decline in 2017; by 2030, so will the overall population.

In North Korea, by contrast, 91 percent of the population is currently younger than 65, and the fertility rate is higher than in the South, at 2.0 children per women. Following reunification, North Korea would add more than 17 million potential workers aged 15 to 64 to the nearly 36 million already in the South. South Korea could thereby avoid turning to Southeast Asia or other regions for low-wage workers, who would be hard to assimilate. South Korean firms could even move their factories from China to North Korea, where wages would be even lower initially.

Reunification would yield big gains in the mining sector. South Korea's high-tech economy is among the most advanced in the world, but the country possesses virtually no mineral wealth and must import 97 percent of its energy and mineral needs. North Korea, by contrast, has vast deposits of coal, uranium, magnesite, and rare-earth metals—together valued at \$6 trillion—but it cannot currently access them. With technology from the South, however, this mother lode could be unlocked at last, providing a welcome boost to the global economy.

A reunified Korea would also boast a newly expanded domestic market, experience a spike in tourism revenues—since some of the most scenic parts of the peninsula lie in the North—and see its sovereign risk rating improve. As the risk of war finally disappeared, credit would become cheaper and foreign capital would flow more freely into the country.

Once the landmine-fortified demilitarized zone vanished, moreover, trade would get easier and cheaper. South Korea currently functions as an island economy, paying high transportation prices for raw materials. With the border gone, a long-envisioned gas pipeline from Vladivostok to Seoul could finally be built, sending badly needed Russian oil and gas south. Energy costs, which drag down the South Korean economy, would fall dramatically. Korean companies could also begin shipping goods to China and Russia over land.

Over time, a reunified Korea, with a hard-working population of 75 million, could emerge as a consumer and industrial powerhouse—the Germany of Asia. As two economies became one, abundant new investment opportunities would arise. According to a 2009 report by Goldman Sachs, within 30 to 40 years, the peninsula, if reunified, could overtake France, Germany, and even Japan in terms of GDP. South Korea's current trading partners—especially the biggest two, China and the United States—would benefit immensely from this newfound source of economic vitality.

NEIGHBORHOOD WATCH

Despite all these benefits, selling Korea's neighbors on the geopolitical consequences of reunification will be difficult. Leaders in China fear losing a bulwark against U.S. power, but Washington could assuage these concerns by privately assuring Beijing that following reunification, no U.S. troops would be stationed north of the current demilitarized zone—or on any part of the peninsula, if that's what it takes to win Chinese support. Nationalist South Koreans might insist on this anyway; relieved of the threat from the North, they could well demand that Washington withdraw its forces.

Although such a move might feel jarring in Washington, it would not be a foreign policy setback. If anything, the departure of U.S. forces would represent a happy culmination of the long U.S. commitment to the peninsula, which began in the dark days of the Korean War. The United States could still hedge against Chinese expansionism from its bases in Japan and Guam, and it would undoubtedly maintain good relations with a reunified Korea, just as it does with a reunified Germany.

As for Beijing, its ties with Seoul are already better in some ways than its vexing relations with Pyongyang—and they should stay that way after reunification. Historically, Korea was a tributary

state of China, and although that submissive relationship will never be reestablished, China need not fear reunification. The new Korea would become an even better trade partner, and given its desire to avoid a hostile relationship with its giant neighbor to the north, it would likely triangulate its foreign policy between Beijing and Washington.

Japan, for its part, would no doubt look askance at the emergence of a stronger, single Korean state. Nearly 70 years after World War II, the Japanese–South Korean relationship remains fraught thanks to Japan’s dark colonial legacy. But the emergence of a democratic, capitalist Korea would not truly threaten the region’s other big democracy. In fact, reunification would give Tokyo a golden opportunity to dispel anti-Japanese sentiment among Koreans by donating food and medicine and sending aid workers and medical personnel. Japan already ranks as one of the top foreign aid donors in the world, and it could win considerable goodwill by helping rebuild the North.

READY FOR REUNIFICATION

Given all these advantages, the international community should promote reunification, not postpone it. There may be little that any outsider can do to make Pyongyang change course. But regional powers, notably South Korea and the United States, should stop propping up the Kim dynasty in return for fleeting assurances of better behavior, as they have in the past; Kim Jong Un is no more likely to keep these promises than his father or his grandfather was.

Nor should the West resist the urge to tighten sanctions or retaliate proportionately in response to North Korea’s provocations for fear of destabilizing the country. Even if the North were to implode now, that would be preferable to allowing the state to limp along for decades and waiting for reforms that will never come. South Korea has the most to gain from reunification, so it should confront the prospect with confidence, not trepidation. South Korean President Park Geun-hye caused a stir earlier this year when she called reunification a possible “bonanza,” and she gave a major pro-unification speech in Germany (a symbolic choice) at the end of March. Her government should continue with its public relations campaign to get South Koreans educated and excited about the benefits of reunification—a task that is particularly important as the younger generation in South Korea grows

increasingly wary of it. And Park should make good on her pledge to stay resolute in the face of the North's threats and provocations, even as she attempts to establish a renewed dialogue with the Kim regime and pursue initiatives such as holding cross-border family reunions. Seoul should not shy away from retaliating—which it has never really done—the next time Pyongyang torpedoes a South Korean vessel or shells a South Korean island for fear that doing so could destabilize or aggravate North Korea. Even China would be well advised to stop pouring resources into Pyongyang, unless a new cadre of reform-minded rulers takes power.

To get China and Japan on board, the United States and South Korea should launch a diplomatic initiative aimed at preparing for the contingency of an unexpected collapse. Washington and Seoul should augment their joint military planning by crafting a comprehensive political, diplomatic, economic, and legal strategy for reunification. Both governments should designate diplomatic and political representatives to come up with a civilian counterpart to the joint military plans that would

Regional powers, notably South Korea and the United States, should stop propping up the Kim dynasty.

be activated in the event of a conflict with or instability in the North. Both states have much to offer: South Korea's Ministry of Unification and other agencies could contribute years of expertise on precisely this scenario, and the United States could contribute the lessons learned from its experiences, good and bad, with nation building in Germany, Japan, Kosovo, Iraq, and Afghanistan.

Once the United States and South Korea develop a common vision, they should encourage Japan to join the planning. Tokyo has legitimate interests in the future of the peninsula and would benefit from preparations designed to address its concerns, such as the prospect of a massive influx of refugees by sea. Japan's logistical support and economic assistance would prove crucial during reunification.

As a final step in this process, the trilateral dialogue among the United States, South Korea, and Japan should expand to include China and possibly Russia. All these key players should be asked to bear some of the costs of reunification in return for a say in how the new Korea behaves in the region. For example, China and

Japan could be asked to contribute to the North's reconstruction—the former could help develop the North by providing discounted electricity and assistance in rebuilding infrastructure, and the latter could provide humanitarian and financial aid, investment, and expertise—in return for a guarantee that Seoul will not keep North Korea's nuclear arsenal. Striking such a deal would solve two big problems: South Korea's fears about the costs of integrating North Korea and the rest of the region's fears about an unleashed Korea as a military and economic competitor.

The Kim regime will probably not come to a neat end; the collapse of a state is always messy, and it will be particularly so for a regime so militarized and desperate. But that reality should not blind outside powers to the many upsides of what will come after, nor should it cause them to put off planning for the inevitable. In fact, the best way to cope with future instability in the North and reduce the costs of reunification is for the principal powers to start cooperating now. North Korea has the worst government on the planet. Despite all the challenges a transition will entail, everyone will benefit immeasurably from the rise of a new Korea, whole and free. 🌐

Bombs Away

The Case for Phasing Out U.S. Tactical Nukes in Europe

Barry Blechman and Russell Rumbaugh

In 1991, U.S. President George H. W. Bush decided to retire almost all the tactical nuclear weapons operated by the U.S. Army and the U.S. Navy. His reasons were simple: these short-range weapons were militarily useless and imposed significant burdens on the armed forces in terms of money, manpower, and time. Twenty-three years later, only one type of tactical nuclear weapon remains in the U.S. inventory: the B-61 gravity bomb. In addition to the several hundred B-61s located at home, the United States currently deploys around 180 of them in Europe, at bases in Belgium, Germany, Italy, the Netherlands, and Turkey. In the event of a nuclear conflict on the continent, NATO would deliver the bombs via U.S.-built F-15 or F-16 aircraft or European-built Tornado fighters, operated by some combination of Belgian, Dutch, German, Italian, and U.S. crews. Originally intended to prevent Soviet forces from penetrating Western Europe, the planes could travel as far east as Russia. But owing to their slower speed and lower altitude, they would be much more vulnerable to Russia's ground-based air defenses than would longer-range strategic bombers and missiles.

Such impractical plans are remnants of the Cold War, when the conventional forces of the United States and its allies were thought to be so inferior to those of the Soviet Union that NATO tried to deter Moscow by threatening to use nuclear weapons first. Tens of millions of Germans, Poles, and other Europeans would have been killed in such a tactical conflict. But even at the time, few believed that the weapons would have been able to stop a Soviet attack. Since detonating tactical

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nuclear bombs would have likely triggered a strategic nuclear exchange, Western policymakers reasoned that the fear of such escalation would prevent the Soviets from attacking in the first place. But Soviet plans called for the massive use of nuclear weapons at the very onset of any form of conflict in Europe, making the tactical weapons themselves irrelevant.

If tactical nuclear weapons had little military value during the Cold War, they have even less today. The weapons no longer serve their primary role of substituting for the weakness of the United States' nonnuclear forces; as U.S. President Barack Obama himself has noted

If tactical nuclear weapons had little value during the Cold War, they have even less today.

in response to the crisis in Ukraine, NATO now enjoys overwhelming conventional military superiority over Russia. Still, long-held assumptions are difficult to dislodge, especially when policy changes require the agreement of 28 member states. Moreover, some newer members of the alliance in eastern Europe, or at

least their defense officials, take comfort in the symbolism of the continuing presence of U.S. nuclear bombs on the continent—all the more so after Moscow's recent incursion into Ukraine.

Maintaining such symbols will soon become very costly, however, because the aircraft designated to deliver tactical nuclear bombs are nearing the end of their service lives. Some will be replaced with a new version of the F-35 Joint Strike Fighter, a U.S.-built plane scheduled to be rolled out in the coming years. But giving the F-35 the capability to deliver nuclear weapons would add hundreds of millions of dollars to its already high price tag. The U.S. Department of Defense would also have to extend the service life of the B-61 bomb itself, to the tune of around \$8–\$10 billion. And hundreds of millions more dollars (or euros) would be required to upgrade nuclear storage facilities on the continent.

As U.S. and European defense budgets continue to shrink, it makes little sense to spend such large sums on an outdated strategy. Particularly in light of recent events in Ukraine, Washington and its European allies should invest that money in other military capabilities that would actually help defend the interests of NATO members. U.S. allies would be far better off if Washington allocated its scarce resources to maintaining effective conventional and strategic nuclear forces rather than a decaying vestige of a bygone era.

NUCLEAR WASTE

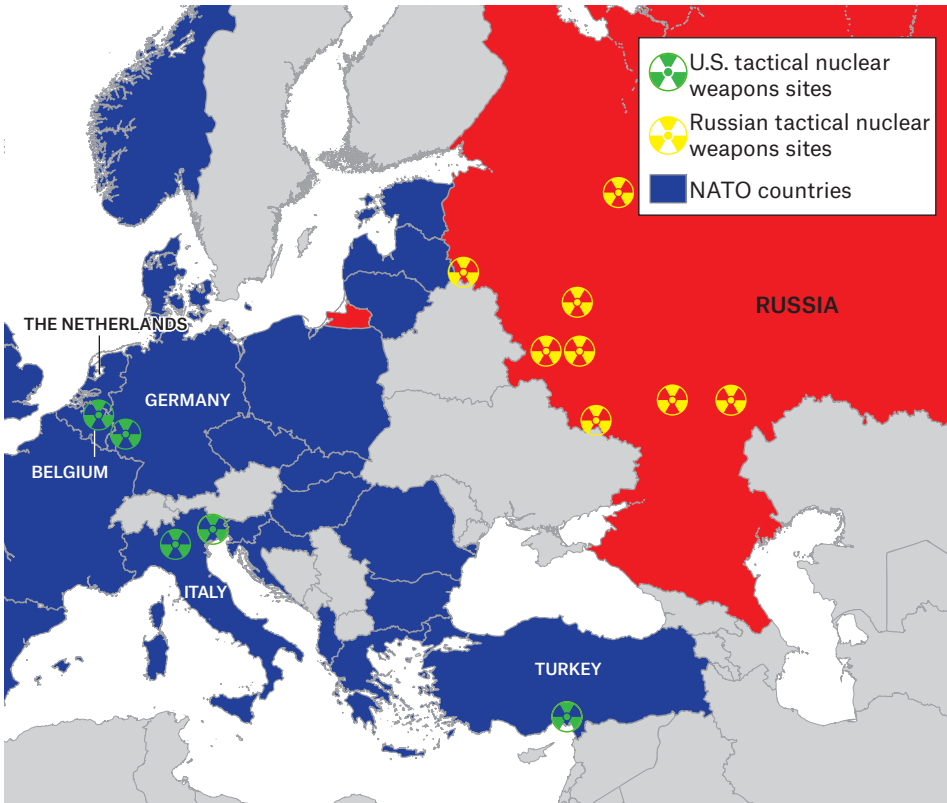
During the Cold War, the conventional military forces of the Soviet Union and other members of the Warsaw Pact seemed vastly greater than those of the United States and its allies. According to contemporaneous estimates, the Warsaw Pact enjoyed a ten-to-one advantage over NATO in standing army divisions, making it capable of quickly overwhelming NATO forces with a surprise attack on Western Europe. It is now clear that these assessments overestimated the strength of the communist forces, but at the time, they encouraged U.S. strategists to develop plans for limited nuclear wars. In their view, short-range nuclear weapons could compensate for NATO's weak conventional forces while also implicitly threatening escalation to an all-out nuclear exchange.

Today, however, NATO has no need to compensate for its conventional weakness, since it enjoys conventional superiority over any possible foe. Whereas Russia currently has about one million men under arms, the United States will still have over 1.2 million active-duty military personnel even after its ongoing military drawdown is complete. Washington has at least as many armored vehicles, twice as many air force fighters, three times as many surface combatant ships, and ten times as many large aircraft carriers as Moscow. NATO's European members, meanwhile, have two million soldiers, many of whom would have fought for the Warsaw Pact before the Soviet Union's fall. Most important, the United States and its allies enjoy a huge qualitative advantage over Russia, owing to the superior training and experience of the individuals who serve in NATO's armed forces. And the United States' intelligence, surveillance, and reconnaissance capabilities, supported by advanced space and airborne systems, to say nothing of its fighter aircraft and their precise conventional munitions, remain generations ahead of Russia's.

Meanwhile, another problem that tactical nuclear weapons were designed to fix—the inaccuracy of U.S. conventional bombs and missiles—has also disappeared. For much of the Cold War, conventional weapons had such a large margin of error in their delivery that bombs had to be quite large in order to be certain of destroying their targets. But tactical nuclear weapons, with their impressive yields, were thought to be capable of getting practically any job done. (Not all shared this view; the U.S. Army distrusted the air force's ability to destroy important bridges and so planned to have U.S. Special

Wasteland

Europe's Tactical Nuclear Weapons Sites



SOURCES: Global Zero and the Natural Resources Defense Council.

NOTE: Some Russian sites lie outside the map area.

Forces use nuclear land mines for such contingencies instead.) But thanks to more accurate sensors and better information technology, today's precision-guided bombs and missiles are far more effective than previous generations could have imagined, making a resort to tactical nuclear weapons unnecessary.

Analysts usually compare the effectiveness of various arms by measuring each weapon's "probability of kill." This metric is a function of a weapon's accuracy and destructive power: the less accurate a weapon, the more power it needs to guarantee the destruction of a target. Tactical nuclear weapons are highly destructive, so even when relatively inaccurate, they still have a high probability of kill. Precision-guided munitions inflict far less damage but have greater accuracy, meaning that the average probability of kill of such weapons

is comparable to that of a B-61. Even Russian President Vladimir Putin, who presides over an arsenal of some 3,000 tactical nuclear weapons, has come to grips with this reality, telling senior Russian officials last year, “The degree of precision and power of today’s high-precision weapons makes them essentially an alternative to nuclear weapons.”

Tactical nuclear weapons no longer offer any meaningful advantages over this new breed of conventional arms, and yet they still suffer from the same flaw they always did: the capacity for large-scale and indiscriminate destruction. Throughout the Cold War, exercises and war games routinely demonstrated these weapons’ potential for mass casualties. One NATO exercise in 1962 estimated that 10–15 million German civilians would be killed in a tactical nuclear exchange. An East German military study from the same period projected that such a war would expose an area the size of New York State (and over half the size of West Germany) to radiation levels high enough to cause poisoning in one hour and death in five. Given this drawback, tactical nuclear weapons would need to have demonstrable military advantages to justify their worth. But such advantages simply do not exist.

A KING’S RANSOM

Almost everybody agrees that tactical nuclear weapons lack military value. Those who wish to retain them argue that the bombs have political value and that failing to modernize this segment of NATO’s arsenal would signal a reduced U.S. commitment to the alliance. These arguments have gained strength in the wake of Russia’s interventions in Georgia in 2008 and, now, in Ukraine. Others have gone so far as to suggest that the removal of U.S. nuclear weapons from Europe could cause U.S. allies in Northeast Asia to doubt Washington’s reliability and seek to acquire nuclear arsenals of their own.

Unfortunately, the most recent statement of the U.S. government’s official nuclear policy—the 2010 Nuclear Posture Review—essentially adopts this misguided logic and commits the United States to modernizing its tactical nuclear weapons. Noting that Washington has already reduced its arsenal “dramatically,” the report tasks the air force with building a nuclear-capable F-35 to replace the aging F-16.

The review also notes that Washington remains “committed to making consensus decisions through NATO processes.” The problem with that promise is that European governments are deeply divided over whether or not they want to continue hosting U.S. bombs. In

European governments are deeply divided over whether or not they want to continue hosting U.S. nuclear bombs.

general, the weapons are deeply unpopular with European publics, and at the 2010 NATO summit, Belgium, Germany, Luxembourg, the Netherlands, and Norway joined together to call for the removal of U.S. tactical nuclear weapons from the continent. Last year, the Norwegian government hosted a conference to discuss the humanitarian consequences of nuclear war, an action interpreted by many as a rebuke to NATO policy. But many alliance members are of two minds. In 2009 and 2010, Germany's and Poland's defense ministers, for example, defended NATO's tactical nuclear weapons at the same time as their foreign ministers were joining international coalitions to eliminate all nuclear weapons.

To be sure, the U.S. nuclear commitment to NATO remains a keystone of the alliance. Until the world has rid itself of nuclear weapons entirely, Washington needs to continue to assure its European allies that it will protect them from nuclear coercion or attack. But the credibility of such promises does not depend on a handful of tactical nuclear bombs and fighter planes.

What ultimately deters NATO's foes are the United States' substantial strategic nuclear forces: the long-range bombers, strategic submarines, and land-based intercontinental ballistic missiles (ICBMs) that are based in the United States and stand ready to deliver nearly 2,000 nuclear bombs and warheads within a matter of hours. Even a small portion of this force could devastate any nation foolish enough to test U.S. resolve. Although they are not located on European soil, these weapons provide the actual basis for the U.S. nuclear umbrella. The 65-year history of NATO and U.S.-European security cooperation provides evidence enough of Washington's resolve; so long as the alliance holds, it does not matter whether the symbols of that commitment are B-61s in the Netherlands or ICBMs in North Dakota.

The U.S. military apparently agrees. According to a task force commissioned by the Pentagon in 2008 to review the Defense Department's nuclear mission, U.S. European Command, or EUCOM, has given up its traditional role of advocating for maintaining nuclear weapons in Europe. EUCOM leaders told the task force that long-range nuclear forces in the United States were more cost effective than short-range

weapons in Europe, that an “over the horizon” strategic capability was just as credible a deterrent, and that there would be “no military downside to the unilateral withdrawal of nuclear weapons from Europe.” The review quoted one senior U.S. defense official saying, “We pay a king’s ransom for these things and . . . they have no military value.”

Russia’s incursion into Ukraine has not changed this logic. In 2008, the United States could have defeated Russian forces in Georgia conventionally if Washington had so chosen. And neither conventional forces nor tactical nuclear weapons would have prevented the Russian subversion in Crimea. After all, Ukrainian forces did not lose; they did not fight. In any event, the presence of NATO’s tactical nuclear weapons on the continent clearly has been irrelevant to decision-makers in Washington and Moscow. In fact, a full-fledged Russian invasion of Ukraine would only provide further proof that U.S. tactical nuclear weapons have no deterrent effect.

Washington’s European allies, moreover, are not entirely dependent on U.S. deterrence for their own security. Both France and the United Kingdom have nuclear-armed submarines, and the French have their own tactical nuclear bombs and the capability to deliver them. Although the U.S. commitment to NATO is credible enough to render these arsenals unnecessary, French and British warheads are two more reasons a potential aggressor would have to think twice before threatening a member of the alliance.

Conceding that the local case for maintaining tactical weapons in Europe is weak, other defenders of the status quo frame the issue as one of international credibility, claiming that Japan and South Korea, facing a near-term threat from North Korea and a rising challenge from China, are closely monitoring Washington’s commitment to its European allies, especially when it comes to nuclear deterrence. The United States thus has to continue underwriting tactical nuclear weapons in Europe, they claim, to reassure not only its European allies but also its Asian ones.

The flaw in this argument is that the United States no longer has nuclear weapons in Asia. Washington based nuclear weapons in Japan and South Korea for more than three decades but withdrew the last of them in 1991. If Washington truly feels it is necessary to use short-range fighters with nuclear bombs to assure its Asian allies, then it should redeploy nuclear weapons directly to Asia. Such a move would

be unnecessary, since the United States can continue to protect its Asian allies with its strategic nuclear forces. But it would certainly have a more direct effect on leaders in Tokyo and Seoul—not to mention Pyongyang—than would retaining useless nuclear weapons in Europe.

In the recent past, the strongest argument in favor of keeping U.S. nuclear weapons in Europe centered on their potential as a bargaining chip with Russia. Although Washington has far fewer short-range systems than Moscow, the Kremlin has nonetheless long sought the removal of U.S. nuclear weapons from Europe, a fact that might increase the weapons' negotiating value beyond their actual military worth. Phasing out tactical nuclear weapons unilaterally would mean forgoing the possibility of getting something from Moscow in return. But Russia's recent incursion into Ukraine has put such a negotiation—which was always a long shot—ridiculously out of reach. As a result, the cost of maintaining such a bargaining chip far exceeds any value that could be gotten from trading it away at some distant point in the future.

A QUESTION OF VALUE

Doubts about the military value of tactical nuclear weapons are nothing new. Colin Powell favored abandoning them in the 1990s, when he was the chairman of the Joint Chiefs of Staff. Other prominent critics, such as Ivo Daalder, former U.S. ambassador to NATO, and Sir Malcolm Rifkind, a former British defense secretary and former foreign secretary, have long argued that the military rationale for keeping nuclear weapons in Europe is an anachronism.

But in the past, those doubts could always be overcome by arguments that the weapons might have some political value and that maintaining a small residual tactical nuclear force was relatively cheap and harmless. Today, that is no longer the case. In an era of fiscal austerity and declining defense budgets, the U.S. military faces stark tradeoffs. NATO allies in Europe face even more difficult choices. Investing in modernizing tactical nuclear weapons means not investing in other things that would undoubtedly have greater strategic value.

Under the discretionary spending caps locked in for the next seven years, all U.S. defense programs must compete against one another for survival. The bulk of the funding for modernizing the country's

tactical nuclear weapons resides with the Department of Energy's National Nuclear Security Administration (NNSA). But it draws from the same discretionary spending pot that funds the Pentagon, so modernizing those weapons would come at the expense of other critical updates of the U.S. arsenal, including the development of a new long-range bomber and a new strategic submarine. It would also come at the expense of investments in the conventional capabilities that are the basis for U.S. security and have allowed Washington to provide crucial support for recent European-led operations, most notably in Libya and Mali.

Over the next decade, the NNSA plans to spend billions modernizing various nuclear warheads. The organization describes this project as an extension of an existing program, but its plans are in fact much more ambitious. The B-61 extension, for example, aims to fold four different warheads into a single design in order to improve their accuracy and reduce their explosive yield—at a cost of at least \$8 billion. The air force would also have to spend about \$350 million to make the F-35 capable of carrying nuclear weapons and an additional \$1.4 billion to allow the bomb to be guided when delivered by F-35 fighters or stealth B-2 bombers.

Some of this spending will remain necessary even if the United States does not modernize its tactical nuclear weapons, because a variant of the B-61 would still need to be carried by the most modern existing long-range bomber, the B-2, and the B-61 would need to have its own service life extended. But this program would incur a total cost of only around \$2 billion, a far cry from the \$10 billion or more required for a full modernization program.

For a sense of scale, consider that \$10 billion represents the cost of more than ten years' worth of flying time for all of the air force's combat-enhancement forces—including its surveillance, radar, and communications aircraft. So given the spending caps currently in place, the huge cost of modernizing U.S. nuclear weapons in Europe could easily come at the expense of flying time for the aircraft the United States actually uses in times of war and crisis. That prospect is an alarming one; the security of the United States and its European allies depends squarely on the experience of U.S. crews. In Libya in 2011 and Mali in 2013, it was U.S. aircraft, pilots, and operations officers—not nuclear weapons—that the Europeans were unable to do without.

Furthermore, modernizing the United States' tactical nuclear weapons would entail large opportunity costs for the F-35 fighter program at a time when the program is already struggling to meet its many requirements. Integrating a nuclear weapons capability into the design of the F-35 would add hundreds of millions of dollars to its cost, require additional design studies and tests, and redirect time and funding away from developing the F-35's more important conventional capabilities. Although the F-35 project involves several international partners, including some European allies, its primary customer remains the United States. Washington should not burden the program with additional and unnecessary requirements that have no military payoffs, at least not without major contributions from its European allies.

RETIREMENT PLAN

Instead of blindly absorbing the cost of modernizing its tactical nuclear systems, the United States should raise the prospect within NATO of permitting them to expire at the end of their planned service lives, roughly ten years from now. If the Europeans believe that maintaining nuclear weapons on the continent beyond that point is necessary, Washington should demand firm commitments from at least four of the allies to acquire and operate F-35 replacement aircraft capable of delivering rehabbed B-61 bombs. (The cost of providing the F-35 with a nuclear capability would have to be included in the cost of the aircraft.) The United States should also require NATO's European members to contribute to the cost of extending the B-61's service life. Payments could be prorated for the alliance members according to the sizes of their individual economies.

U.S. officials regularly complain that European countries do not spend enough on defense. Although Europe's lack of spending mostly reflects its own fecklessness, Washington has done little to discourage free-riding, and the post-Cold War years of relative peace haven't given the Europeans much reason to worry. Given how much the modernization of the U.S. tactical nuclear arsenal would cost, and given how little intrinsic value it has, undertaking such a project would essentially mean providing an additional, and unnecessary, defense subsidy to Europe, something that makes little sense. If the European members of NATO are truly unwilling to rely on U.S. conventional military superiority, backed up by the United States' strategic nuclear

deterrent, then they should be prepared to foot the bill for any modernized tactical nuclear force themselves.

If the Europeans do not wish to make such a political and financial commitment, the United States should make clear that its nuclear commitment to NATO (and to its Asian allies) remains firm but that it will phase out the tactical component of its nuclear arsenal over the next ten years. Sending that message would require two policy changes. First, the Pentagon would need to scrap its plans to make the F-35 nuclear capable and direct the resulting savings toward the high-priority program to develop a new conventional long-range bomber.

The more Russia wastes its limited resources on useless weapons, the better off its neighbors will be.

This move would align with what Norton Schwartz, the former chief of staff of the U.S. Air Force, has already proposed. “Without financial buy-in by the NATO partners,” Schwartz told an audience at the Stimson Center last January, “F-35 investment dollars should realign to the long-range strike bomber.” Second, the NNSA would need to roll back the program to extend the B-61’s service life. Although some of those weapons would still have to be modernized for use on the B-2 long-range bomber, this move would yield considerable savings, perhaps as much as \$8 billion.

To demonstrate its enduring commitment to NATO, meanwhile, Washington should continue to work closely with all its allies on joint force planning, war-gaming, and military exercises. More specifically, it should temporarily send long-range nuclear bombers, in conjunction with other forces, to European bases. In the late 1940s, such deployments helped strengthen Western resolve in the face of Soviet aggression. More recently, such actions have successfully calmed U.S. allies in Asia in the wake of North Korean provocations.

Skeptics might wonder how the United States would counter Russia’s tactical nuclear weapons without an arsenal of its own, but Russian arms should be of no concern. Over the next ten years, U.S. B-61s will remain in Europe. During that time, Washington can try to persuade Moscow to include tactical nuclear weapons in a new round of arms control negotiations or to reciprocally withdraw its nuclear weapons from operational bases in Europe. Such initiatives are unlikely to succeed in the near term; Moscow views U.S. tactical nuclear weapons as wasting assets and, as NATO did during the Cold War, now depends

on its own tactical nuclear arsenal to compensate for its conventional inferiority. Eventually, however, Russian leaders could conclude that nuclear bluffs are poor substitutes for investing in conventional military capabilities. If they do not, Europe has little cause for worry: the more Moscow wastes its limited resources on useless weapons instead of investing in its increasingly lagging conventional capabilities, the better off Russia's neighbors will be.

Some argue that even if U.S. tactical nuclear weapons are useless, Russia's moves in Ukraine demand that their removal be delayed indefinitely. Yet maintaining the status quo is not an option. If Washington wants to retain its tactical nuclear weapons systems in Europe, the Pentagon will soon have to make a major long-term investment in their modernization. Squandering resources on outmoded weapons systems would be a poor way to confront Russia. Instead, Washington should step up other activities that can demonstrate U.S. resolve and abilities. Multilateral exercises in central Europe and temporary deployments of U.S. air and naval forces to allies in the Baltics and the Mediterranean are just two of the many ways that Washington could make clear that letting go of its tactical nuclear weapons in Europe is not a sign of retreat.

In any case, the United States' nuclear doctrine makes clear that its strategic nuclear capabilities are intended to deter and, if necessary, respond to a nuclear attack on either the U.S. homeland itself or U.S. allies. It makes no difference whether the United States retaliates with tactical nuclear weapons or strategic ones. For decades, Washington has provided its allies in Europe with a credible nuclear deterrent, and it should continue to do so. But maintaining its tactical nuclear weapons in Europe is a particularly ineffective and wasteful way of keeping the continent safe. 🌐

REVIEWS & RESPONSES



During the early Cold War, two pairs of brothers played critical roles in shaping U.S. foreign policy: the Dulleses and the Bundys.

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All in the Family

The Dulleses, the Bundys, and the End of the Establishment

Joseph S. Nye, Jr.

The Brothers: John Foster Dulles, Allen Dulles, and Their Secret World War

BY STEPHEN KINZER. Times Books, 2013, 402 pp. \$30.00.

The Color of Truth: McGeorge Bundy and William Bundy: Brothers in Arms

BY KAI BIRD. Simon and Schuster, 1998, 496 pp. \$27.50.

Who caused the Cold War? In *War and Peace*, Leo Tolstoy downplayed the role of human agency in shaping events, writing that “a king is history’s slave,” and ever since Thucydides chronicled the Peloponnesian War, historians have recognized how the international system constrains choices in a bipolar world. But just because world-historical forces made some type of cold war highly likely does not mean that one was inevitable. Nor does it mean that individual decision-makers bear no responsibility for the depth or nature of the conflict that did occur.

Indeed, some choices that U.S. presidents made during the Cold War had huge impacts on history. Had President

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Dwight Eisenhower accepted the recommendation of the Joint Chiefs of Staff to use tactical nuclear weapons against China during the 1954 crisis over the Taiwan Strait, there would have been no 70-year nuclear taboo. And had President John F. Kennedy, whose measured handling of the Cuban missile crisis averted nuclear war in 1962, been replaced by the more impulsive Lyndon Johnson that year instead of the next, then the episode might have turned out disastrously (as the Vietnam War did).

What about presidential advisers? How much did they matter? During the early Cold War, two pairs of brothers played critical roles in shaping U.S. foreign policy: the Dulleses and the Bundys. John Foster Dulles (who went by Foster) was appointed Eisenhower’s secretary of state in 1953, and his younger brother, Allen, became director of the CIA that same year, staying on until 1961, when Kennedy fired him after the Bay of Pigs fiasco. Despite their personality differences—Foster was a priggish lawyer, whereas Allen was a womanizing spy-master—they held essentially identical ideologies. McGeorge “Mac” Bundy served as national security adviser under Kennedy and for the first two years of Johnson’s presidency, and his older brother Bill held high-level positions in the CIA, the Pentagon, and the State Department during the Eisenhower, Kennedy, and Johnson administrations. Compared with the Dulles brothers, the Bundy brothers were younger, more liberal, more open to dissenting ideas, and better husbands and fathers.

These four men form the subject of two joint biographies: *The Brothers*, about the Dulleses, by Stephen Kinzer, and *The Color of Truth*, about the Bundys,

by Kai Bird. As the books make clear, all four were quintessential WASPs (white Anglo-Saxon Protestants) and card-carrying members of the so-called eastern establishment. The Bundys attended Groton and Yale. Their great-grandfather had been a congressman from upstate New York, and their father married a Boston Brahman and served as an assistant secretary of state in the Hoover administration. The Dulles brothers boasted an equally elite pedigree: graduates of Princeton, they were grandsons of John Foster, a lawyer who served as secretary of state under President Benjamin Harrison, and nephews of Robert Lansing, who also served as secretary of state, under President Woodrow Wilson.

Taken together, the two biographies make clear that the Dulles and the Bundy brothers saw the world through an ideological lens that made communist allies look more tightly aligned than they really were, made the prospect of Soviet gains look more frightening than it should have been, and thus made U.S. military and covert interventions look more necessary than they truly were. Less clear, however, is whether those faults can be attributed to the WASP establishment backgrounds of these advisers rather than the broader forces of American politics.

THE LAST HURRAH

“Never before had siblings directed the overt and covert sides of American foreign policy,” Kinzer says of the Dulles brothers, who often came together for a drink at the end of the working day. “There would be no reason for State Department and CIA officers to meet and thrash out the possible advantages and disadvantages of a proposed operation,” Kinzer writes. “With a glance, a nod, and a few

words, without consulting anyone other than the president, the brothers could mobilize the full power of the United States anywhere in the world.” And when ambassadors or bureaucrats obstructed their schemes, the Dulles brothers arranged to have them removed.

Eisenhower was determined to avoid a major hot war with the Soviet Union, and he relied on the Dulles brothers to carry out covert action as a substitute for military engagement. Some of the resulting schemes, such as the overthrow of the governments of Mohammad Mosaddeq in Iran in 1953 and Jacobo Arbenz in Guatemala in 1954, succeeded in the short run but hurt U.S. foreign policy in the long run. But Kinzer also provides a long list of covert operations that failed even in real time: in Eastern Europe, China, Vietnam, Laos, Burma, Indonesia, Tibet, Egypt, Syria, Iraq, and Cuba.

The Bundy brothers also engaged in unsuccessful covert interventions—most notably, Operation Mongoose, the plan, authorized in 1961, to overthrow Fidel Castro’s government in Cuba, and the 1963 coup that ousted Ngo Dinh Diem’s regime in South Vietnam. Unlike the Dulles brothers, the two Bundys occupied different levels in the government hierarchy (Bill Bundy’s highest posting was assistant secretary of state for East Asian and Pacific affairs), and although they socialized and exchanged ideas, they worked less closely together.

Bird’s biography holds the Bundy brothers partly accountable for the debacle in Vietnam. Both had private misgivings about the war but decided to persevere anyway. In Bird’s view, Mac Bundy “was no ideologue in the mold of John Foster Dulles. He was a realist who should not

have been blinded by talk of ‘international prestige.’ But he just could not face the prospect of ‘surrender on the installment plan.’” And so he supported Johnson’s increase in U.S. troop numbers, while Bill, at lower levels, participated in the planning for an expanded war.

Although the Bundy brothers were somewhat more sympathetic to Third World nationalism than were the Dulles brothers, they failed to conclude that a communist Vietnam would not be subservient to a communist China (which was itself resisting subservience to a communist Soviet Union). Had they understood that the geopolitical game in East Asia was balance-of-power checkers, rather than ideological dominoes, many lives and much treasure could have been saved—and Vietnam would still look similar to the way it does today.

As the 1960s progressed, the war that the Bundy brothers promoted inside government became increasingly unpopular outside it, and when they came back to Boston on visits, they eventually found themselves the targets of student demonstrations. They were not alone. When John McCloy, who was sometimes called “the chairman of the establishment,” served on a Harvard committee in 1970, I watched protesting students break into a meeting and pour cold water on him.

The country was changing in another way during these years, as well: its foreign policy elite was getting more diverse. The two national security advisers who followed Mac Bundy—Walt Rostow and Henry Kissinger—were, respectively, from a family of recent Jewish immigrants and a Jewish immigrant himself. In the words of the historian and Kennedy adviser

Arthur Schlesinger, Jr., Mac Bundy represented “the last hurrah of the Northeast Establishment.”

IDENTITY POLITICS

The Dulles and the Bundy brothers were WASPS, but such a category has little correlation with particular foreign policy views. Eisenhower and Johnson were both technically WASPS but pursued very different Vietnam policies. The non-WASP Rostow was a leading hawk on Vietnam. And John F. Kennedy and his brother Robert (who were far closer and more powerful siblings than the Dulleses and the Bundys) are sometimes considered honorary WASPS (despite their Irish Catholic background) thanks to their prep school and Harvard backgrounds, yet President Kennedy’s approach to Vietnam bore little resemblance to Johnson’s. As Bird puts it, the gamble on Vietnam “was not a requirement of the Cold War.” He adds, “Many of Mac Bundy’s own deputies were also Cold War liberals, yet they did not think it was necessary to draw the line in Vietnam.”

Somewhat more useful than the category of WASP is the concept of an eastern foreign policy establishment. Many of its constituents socialized together, bound by school ties and membership in elite organizations such as the Council on Foreign Relations. Bird recounts the story of how Bill Bundy, suffering in the aftermath of Vietnam, was offered the editorship of *Foreign Affairs* by David Rockefeller during a Harvard-Yale football game. (To his credit, he opened its pages to critics of the war.)

This establishment had its blind spots. Because of their travel and personal ties,

its members tended to focus on Europe to the exclusion of Africa, Asia, and Latin America. Both the Dulles and the Bundy brothers tended to view Asia through Eurocentric lenses and misapplied analogies such as Munich in 1938; they never really understood Third World nationalism. As Kinzer says of the Dulles brothers, they “may have believed that the countries in which they intervened would quickly become stable, prosperous and free. More often, the opposite happened.”

Loyalty was considered an important virtue, and it may have limited policy criticisms that could have led to course corrections. As Bird notes, “everything about Mac’s life—his Brahman upbringing, his Groton/Peabody education, his Skull and Bones comradeship, his military service as a signals intelligence officer and his tenure as Harvard dean—had taught him to value loyalty and to devalue the man who voiced his dissent in public.” Bird calls the brothers’ refusal to resign or publicly raise problems with the war “their worst and most personal mistake.”

And yet, although a coherent American elite helped create some major Cold War policies, the significance of this elite and the relevance of its common background can easily be exaggerated. Eisenhower, Kennedy, and Johnson had to wrestle with Congress, public opinion, and influences far broader than the eastern establishment. Consider how much power was wielded by Senator Joseph McCarthy, a Catholic from rural Wisconsin. His demagogic warnings about the communist threat stoked fear in the hearts of presidents, helping convince Kennedy to move forward with the Bay of Pigs invasion

in Cuba and Johnson to increase U.S. involvement in Vietnam.

Moreover, for all its flaws, the United States is a vibrant democracy in which elections matter, and so elected presidents and legislators matter most. As historians later discovered, the contemporaneous view that Foster Dulles controlled U.S. foreign policy while Eisenhower smiled and played golf was wildly inaccurate. In fact, Eisenhower, a master of leading from behind, was always in firm control. For instance, after Dulles removed the celebrated Foreign Service officer George Kennan from the State Department in 1953, Eisenhower tapped Kennan to chair a component of Project Solarium, an exercise that recommended the more moderate version of containment that Eisenhower ended up adopting in place of the more aggressive approach, favored by Dulles, of toppling Soviet client governments. As the historian John Lewis Gaddis put it, Kennan was used “to liberate Eisenhower from the ‘liberation’ strategy to which Dulles had tried to commit him.”

The power of Johnson’s advisers also had its limits. When Johnson came into office, he kept on Kennedy’s foreign policy team, but the master politician from Texas never grew fully comfortable with the people he called “the Harvards.” After Mac Bundy and Secretary of Defense Robert MacNamara became ambivalent about the Vietnam War and tried to moderate Johnson’s policies, they lost influence. Bundy left to head the Ford Foundation, and Johnson replaced him not with any of the people he had recommended but with Rostow, whose hawkish views dovetailed with Johnson’s political concerns about losing Vietnam.

Although Johnson often consulted elder statesmen, he used them more as window-dressing than to make decisions.

THE POWERS THAT BE

However much influence the Dulleses and the Bundys, and the eastern establishment more generally, might have had, it was eclipsed even during this period by the power of an anxious general public. Fear, Kinzer quotes the scholar Christina Klein as saying, “served as the emotional glue that held this world together: fear of Soviet expansionism, of communist subversion at home, of nuclear war.”

Objectively, this fear had little basis. The United States emerged from World War II with unprecedented power: nuclear superiority, nearly half of the world’s economic output, and strategic alliances with Europe and Japan. The Soviet Union, by contrast, was left devastated. But despite American power, the U.S. public did not feel comfortable. The Soviets pressed to consolidate their gains and disguise their deeper weakness. They gained a communist ally in China, developed a nuclear weapon, consolidated control of Eastern Europe, made inroads in the postcolonial Third World, and launched the Sputnik satellite.

To make matters worse, U.S. politicians misinterpreted and manipulated Soviet moves for domestic political advantage. During the Eisenhower era, the Democrats claimed to have discovered a “missile gap”—later shown to be nonexistent—which they used to portray the Republicans as weak and which later drove Kennedy to overinvest in missiles for domestic political reasons even after he had learned the truth. Moreover, discussion of the Soviet Union was

dominated by analogies to Nazi Germany, even though Soviet expansionism, opportunistic and relatively risk averse, was of a different kind.

Could Washington have done more to bargain with the Soviet Union after Joseph Stalin’s death in 1953? Could it have lived with leftist regimes in Iran, Guatemala, Cuba, and Vietnam? Could it have capitalized on the Sino-Soviet split in the early 1960s instead of a decade later? No one will ever know, not only because the Dulles and the Bundy brothers recommended against these alternative choices but because broader public opinion made them politically impossible. Whatever the influence of the two sets of brothers and the eastern establishment, the political leaders were in control. And they listened more to public opinion and broader elites than to the eastern establishment.

Even if the Cold War foreign policy establishment was not intellectually monolithic or all-powerful, however, the country would surely have benefited had that establishment been more diverse and truly open to talent of all kinds. For example, Foster and Allen Dulles had a sister, Eleanor, who many considered to have had the best mind in the family. In 1942, she joined the State Department as an economic officer. “This place is a real man’s world,” she later wrote. “It’s riddled with prejudices. If you are a woman in Government service you just have to work 10 times as hard.” And indeed, Eleanor’s career was curtailed by her gender. She was already working on the State Department’s Berlin desk when Foster became secretary of state. Rather than help her, he tried to dismiss her for fear of

appearing nepotistic; loyalty seemed to be limited to the brothers. “Had attitudes toward women been different during her lifetime, she might have risen to outshine them both,” Kinzer writes. Those who regret the demise of the eastern foreign policy elite should remember not only the mistakes it made but also the talent it excluded.

In recent years, of course, the top positions in the U.S. foreign policy establishment have been held by people from a wider range of backgrounds. As a matter of talent and justice, that is an important improvement. But since the United States’ Cold War policies were a product more of popular politics than the views of the establishment brothers, the fact of a newly meritocratic decision-making elite may have little effect on policy. Whatever the beliefs the brothers brought to their offices, at the root of their views lay the idea of American exceptionalism. As Kinzer writes of the Dulleses:

Their determination to project power was the same impulse that pushed settlers across prairies and over mountains, wrested rich territories from Mexico, crushed Native American resistance, and drew the United States into wars from Central America to Siberia. It remains potent. As long as Americans believe that their country has vital interests everywhere on earth, they will be led by people who believe the same.

Kinzer is right to blame failures of U.S. policy on American exceptionalism, but Washington can invoke that belief in two very different ways: to exert imperial control over other societies

or to rely on the power of the United States’ attraction as a city on a hill. Both forms were on display in Congo in 1960, for example. At the same time as the great American musician Louis Armstrong was being celebrated on the streets of Léopoldville like a visiting monarch, behind the scenes, the CIA was planning to assassinate Prime Minister Patrice Lumumba and colluding with his rival Joseph Mobutu, who subsequently pillaged the country for decades. What is America’s mission, and how should it be implemented? Those questions will probably remain long after the Dulles and the Bundy brothers are forgotten and some future historian writes a book called *The Sisters*. 🌐

What's the Matter With Russia?

Putin and the Soviet Legacy

Keith Gessen

Ruling Russia: Authoritarianism From the Revolution to Putin

BY WILLIAM ZIMMERMAN.
Princeton University Press, 2014,
344 pp. \$29.95.

Revolutionary Russia, 1891–1991: A History

BY ORLANDO FIGES. Metropolitan
Books, 2014, 336 pp. \$28.00.

On the way back from a recent visit to Ukraine, I found myself flying Aeroflot, Russia's national airline. I've always liked Aeroflot's international flights: the planes are new, everything's clean, and maybe because of the airline's less-than-stellar reputation, the crew always seems to be trying extra hard to please. Nonetheless, on this particular trip, I had hoped to avoid Aeroflot; an airline half-owned by a government that had turned homophobia into a national project and then invaded Crimea could get its \$600 from someone else. But AeroSvit, the flagship Ukrainian airline, had gone bankrupt and ceased operations in 2013, and there is no longer a direct flight from Kiev to New York.

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So there I was on Aeroflot Flight 100 from Moscow to New York. As luck would have it, a lot of people on the flight were drunk. Some of the sober passengers didn't appreciate this, which almost led to a fistfight; the pilot had to come out and convince one of the drunker passengers that if he did not calm down, he'd be spending his first night in the United States in jail. He calmed down.

The man sitting next to me—Sergei, I'll call him—was also drunk, and he decided to engage me in a discussion of geopolitics. He said he was a graduate of MEPhI, an elite technical university in Moscow, and that he had made millions in software design. Sergei was, theoretically, the sort of Russian who might be expected to be critical of Russian President Vladimir Putin, but he was not. He was thrilled that Russia had seized Crimea, if only because in doing so, it had extended a big middle finger to the West. Sure, the United States was stronger than Russia, but it was stretched thin. And Russia was unpredictable, which gave it an advantage.

"Oh, we'll lose," Sergei said, "like we always lose. But what a lot of laughs there'll be along the way!"

We landed soon after that, but the conversation stuck with me. I kept thinking—I keep thinking—what, exactly, is wrong with Russia? Why is it still so aggressive nearly 30 years after the Soviet leader Mikhail Gorbachev launched the process of "normalizing" Russia and its relations with the world? Why, despite two decades of optimistic predictions that it was on the path to becoming, or was on the verge of becoming, or had already become a "normal" country, had it never become one?



Why couldn't it be more like Germany, another country that used to invade other countries but now focuses on making quality automobiles and protecting the health of the euro?

At least part of the trouble is that Russians have never been able to agree

on what "normal" means. Gorbachev's reform program explicitly aimed to make Russia more normal; but the opposition to Gorbachev, which coalesced into an attempted putsch against him in August 1991, also came out in favor of normal. "An uncontrollable situation, in which

there are no clearly defined spheres of authority, has come about in the country,” said Vice President Gennady Yanayev, one of the coup plotters, in a now infamous press conference in which he and his fellow conspirators tried to explain themselves. “Under these conditions, normal life is impossible.”

Yanayev wanted to go back to the past: to him and many other Soviet citizens, that’s what normal meant. Boris Yeltsin, who quashed Yanayev’s coup attempt and went on to lead post-Soviet Russia, wanted to head in the opposite direction, toward a future in which normal meant something like “western European.” But Yeltsin was never quite clear on the details, a fact revealed in an exchange he had with the BBC’s John Simpson in September 1991:

Simpson: Gorbachev . . . was talking about Swedish social democracy; that is his model. . . . Is your model . . . François Mitterrand’s France, or John Major’s Britain, or the United States, or Japan, or Spain, or Germany?

Yeltsin: I would take everything together; I would take the best from each system and introduce it in Russia.

Yeltsin, it seemed, had not given the question much thought. And as the decade advanced, it came to seem that there were many other questions to which Yeltsin, along with his Russian and Western advisers, had also not given much thought. The West and its ideas, they believed, were an unmitigated good, except where those ideas did not apply. Free markets, they believed, were going to solve everything, except for the things that markets were incapable of solving.

And most of all, the Soviet experiment was an unmitigated disaster, except for those parts of it (oil wells, nickel mines, housing, infrastructure) that were going to come in handy. All countries struggle to square their histories with their self-images, but over the past two decades, Russia has found the history of the Soviet era especially vexing and difficult to accommodate.

That history is the subject of two recent books, both of which reflect on the continuing relevance of Russia’s past to the country’s present. The historian Orlando Figes’ *Revolutionary Russia* and the political scientist William Zimmerman’s *Ruling Russia* tell similar stories and focus on many of the same events. And both were written before the streets of Ukraine erupted into revolution earlier this year and Russia responded by seizing Crimea. Nonetheless, they represent two different possible ways of thinking about Russia’s history—and, thus, about Russia’s present and future. Figes’ tale is smoothly told and deterministic, with a central trauma (the Bolshevik Revolution) at its core. Zimmerman’s account is more jagged and less linear, allowing for more agency on the part of Russia’s political elite, which could suggest a better future for the country, but could just as well mean that things will remain as they are, or even get worse.

NORMALLY ABNORMAL

Figes’ book traces Russia’s turbulent history from 1891 to 1991. The starting date is somewhat arbitrary; Figes argues that the widespread unrest that accompanied the famine of 1891 set in motion a series of events that culminated in the revolution of 1917. But many other start

dates would have served just as well, and Figes' focal point is actually 1918, the first full year of Bolshevik rule under Vladimir Lenin and the first year of the civil war, which would end with a definitive victory for the Red Army. Figes' interpretation of the trajectory of Soviet communism from that point onward takes a conventional anti-Bolshevik line. As soon as the Bolsheviks launched the campaign of mass killings and torture known as the Red Terror and instituted the command economy known as "war communism," in 1918, the Soviet regime rendered itself irredeemable. From that point on, according to Figes, it could only get worse or collapse. Soon enough, under Joseph Stalin, it got worse. Eventually, under Gorbachev, it collapsed.

Zimmerman's book covers the same ground but does so quite differently. Zimmerman writes that he began the project by trying to present a quantitative account of Russia's political "normality"—or lack thereof—but gave up after realizing how little consensus there was on what a normal Russia would look like. Instead, Zimmerman has put together a political typology of modern Russia, in which the word "normal" appears most in the phrase "normal authoritarianism," a style of rule that Zimmerman places on a continuum of political systems that runs from democratic, to "competitive authoritarian," to "normal authoritarian," and, finally, to totalitarian.

Competitive authoritarianism features contested elections combined with all sorts of restrictions on democratic participation; this aptly describes Russia in the mid-1990s and Ukraine for most of the last 20 years. Normal authoritarianism yields a one-party dictatorship

that doesn't ask too much of its subjects in terms of sacrifice or deep belief: this matches the Soviet Union in the early 1970s under Leonid Brezhnev and Russia in recent years under Putin. Finally, totalitarianism (which Zimmerman also calls "mobilizational authoritarianism") gives the state's subjects no choice but also demands that they like it. That description fits Soviet Russia from 1928 to 1953—and it's where Putinism might be headed as the country mobilizes for war.

Zimmerman applies all sorts of measurements—for example, the number of times the Politburo met during particular periods (toward the end of Stalin's rule, very seldom)—to the question of just how authoritarian Russia has been at different times over the past hundred years. His conclusion is that the country has oscillated between pure tyranny and limited forms of responsiveness; "normal" has meant, for the most part, a normal authoritarian state, one in which both outright totalitarianism and anything approaching democracy were the exception rather than the rule.

Take, for example, two of the most terrible periods in Russian history. Stalin pursued a policy of violent collectivization in the late 1920s that amounted to a war on the countryside. But in 1930, he temporarily pulled back in the face of an armed peasant resistance. A few years later, in 1934, Stalin began a series of bloody purges, which reached their apogee in 1937. But the following year, the purges ended: at that point, the need to prepare for a likely war with Germany overcame whatever lingering fears Stalin might have had about enemies within. (After World War II, Stalin carried out a new round of purges.) In both cases,

Zimmerman's point is not that Stalin had a change of heart but that he was capable of responding to events by adjusting the level of repression he applied.

By the same token, Zimmerman's analysis also shows that reductions in some authoritarian behaviors did not necessarily reflect a consistent commitment to change. Gorbachev and Soviet Premier Nikita Khrushchev are rightly remembered as reformers who tried to make the Soviet system more humane, but Zimmerman shows how both leaders also managed to gather a great deal of personal power into their own hands. Gorbachev cheerfully arranged for members of the Soviet legislature to run in (and often lose) local elections in 1989 but made sure that he himself did not have to stand for office. Khrushchev claimed that, unlike Stalin, he consulted on all important matters with the council of deputies known as the Supreme Soviet Presidium. But in 1964, he secretly sent his son-in-law to West Germany to mend fences with the Federal Republic. It also later emerged that despite Khrushchev's claims of "collective leadership," sending nuclear missiles to Cuba in 1962 had been his idea. Even Yeltsin, the first president of a newly democratic Russia, often behaved autocratically—for example, in sending army tanks to shell the Russian parliament building during the constitutional crisis of 1993 and by unilaterally appointing a successor, Putin, to run the country when Yeltsin left office on New Year's Eve in 1999.

STALIN'S SHADOW

Figes, the historian, tells a story of continuities; Zimmerman, the political scientist, tells a story of variations,

contingencies, and even discontinuities. Figes recognizes the differences between Lenin and Stalin and devotes several pages to Lenin's famous "testament," in which the dying leader called, too late, for more democracy within the party and for the removal of Stalin from his post as general secretary. But Figes clearly sees Stalinism as the apotheosis of the Soviet regime. The years between Stalin's death and the fall of the Soviet Union represent more than half the time the Soviet Union existed but merit just three short chapters out of the 20 in Figes' book. For Figes, Khrushchev's 1956 "secret speech" denouncing Stalin was not an attempt at a new beginning but rather "the beginning of the end."

Zimmerman, by contrast, devotes a great deal of attention to the 1960s and 1970s. He shows how, after the death of Stalin in 1953, "intraelite norms" emerged to govern power struggles within the Communist Party. Under Stalin (at least after 1934), the losers of such conflicts could expect to be shot. Under Khrushchev, they fared far better: after losing a political fight, an elite member of the party might receive an appointment as ambassador to Mongolia or the task of overseeing a hydroelectric station in northern Kazakhstan. Under Brezhnev, the consolation prizes got even better. Those who lost their positions, Zimmerman writes, "whether as a result of opposition to policy or because they had been indiscreet enough to betray the fact that they thought Brezhnev was not an intellectual powerhouse," might become ambassador to a dull, prosperous country such as Canada or Denmark.

When it comes to the Putin era, Figes fixates on the lingering specter of Stalinism, pointing to various recent opinion polls in which a substantial proportion of Russians expressed a desire for “a leader like Stalin” to run their country. Zimmerman also notes such baleful trends, and he presents data showing that between 1996 and 2008, Russian presidential elections became less free and fair. But he also finds, surprisingly, that the elections of 2012 were the cleanest since 1996. The mass protests that followed the blatantly rigged Duma elections of December 2011 shook Putin’s regime, and the government found it expedient to behave itself the next time around.

This does not lead Zimmerman to predict a rosy future. Writing in the relatively mild days of mid-2013, before the pressure of the Ukrainian revolution pushed Russia closer to mobilizational authoritarianism, he nonetheless predicts that Putin will most likely remain firmly in charge of the country through the next presidential election, in 2018, and then for as long as the constitution currently allows—that is, until 2024.

SPEAK, MEMORY

There is no question that Russia has not become what most people hoped it would in the years since the fall of the Soviet Union. Whether they yearned for a return to the stability of the Soviet past or dreamed of a more European future, they have been disappointed. For ten years after the collapse of the Soviet Union, Russia was wracked by poverty and social decay: the country suffered a demographic collapse on a scale never before witnessed in an industrial country outside of wartime,

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as deaths outstripped births and the country's population shrank by some 800,000 people each year. In 1998, the country went bankrupt and defaulted on its debts.

During the second post-Soviet decade, the economy boomed, boosted by rising commodity prices, and many Russians were able to access a wide variety of consumer goods. But increased prosperity did not lead to a parallel process of democratization—in fact, as Zimmerman shows, the country became more, rather than less, authoritarian during the first decade of the current century.

Memories of the Soviet Union, and the legacy of Soviet times more broadly, continue to exert an ambiguous influence. The tremendous support among Russians for Putin's decision to invade and then annex Crimea confirmed that many still pine for an empire. There is also increasing nostalgia for Soviet cultural products; since 2004, most basic cable television packages in Russia have carried the Nostalgia channel, which shows old Soviet movies, and, in the past decade, the Russian film industry has produced two feature-length biographies of the Soviet hockey great Valery Kharlamov, which is probably one more than even a player as good as Kharlamov deserves.

In the political realm at least, this nostalgia attaches itself not to Brezhnev or Khrushchev but to Stalin. When Putin wants to appeal to Russian patriotism, he invokes Stalin's triumph in World War II rather than the achievements of the less tyrannical leaders who followed Stalin. More broadly, Russian political elites have clearly decided that they will no longer beat themselves up for the sins

of the past—after all, other countries have sinned, too, they like to note, in the style of classic Soviet “whataboutism.”

Still, not all the nostalgia is unjustified. As a brief visit to Moscow will show, a lot of what the Soviets built still stands and remains in daily use, and as the critic Tony Wood recently argued in an essay in the *New Left Review*, the much-maligned “Soviet legacy” in housing, manufacturing, and infrastructure in fact prevented what could have been a more calamitous social collapse. The same is true for all the big export commodities, most notably oil. As the political scientist Thane Gustafson detailed in his excellent recent book, *Wheel of Fortune*, the vaunted success of post-Soviet oil giants such as Yukos, Rosneft, and Lukoil has rested mostly on the intensive exploitation of oil fields first developed in the Soviet era; very few new oil discoveries have been made since, in part because the Soviet fields have remained so rich until recently. It's not an exaggeration to say that for 20 years, the entire country has lived off the Soviet legacy, whether in crumbling apartment blocks or on magnificent yachts purchased with money made from Soviet-era mines and mills.

The moral inheritance from Soviet times is equally mixed. It's depressingly true that many Russians today admire Stalin. On the other hand, as the cultural historian Alexander Etkind has argued, many others hate Stalin—including quite a few who like Putin. Writing in 2009, Etkind noted that

the vast majority of Russians support Putin, but about half of these supporters hate Stalin and about half respect him. Most probably, it means

that these people are divided in their actual, substantive idea of Putin as well: some support Putin because they see him as different from Stalin, while others support Putin because they believe he is similar to Stalin.

It is also worth recognizing that although an expansionist foreign policy is one ideological legacy of Soviet communism, so is a belief in a strong social safety net, egalitarianism, and the dignity of workers. If those more progressive values can survive the corruption and cronyism that suffuse Russian economic and political life today, Putinism's internal contradictions might become more apparent. Putin's regime stands on a Soviet material base that is rapidly crumbling, and his political style, with its gaudy embrace of the very Western consumerism it claims to disdain—Brezhnev would never have cruised around Moscow in a convoy of Mercedes-Benzes—might over time come to seem fundamentally alien to the Russian body politic.

The drunk, jingoistic computer programmer I sat next to on that Aeroflot flight is certainly one face of the new Russia. But so are the tens of thousands of people who poured into the streets of Moscow in March to protest the Russian military incursion into Crimea. With Putin cracking down on dissent and squeezing the remnants of the independent media, and with much of the country in the throes of a kind of war lust, things do not look good. But if there's any lesson to be learned from Russian history, it's that things can change very quickly. A balding, exiled book-worm named Lenin can return to

Russia and in a few months seize control of the state, then in a few years reconstruct the fallen Russian empire under a new name. And a balding, long-winded general secretary named Gorbachev can quickly dismantle that empire all over again. Just a few months ago, in prerevolutionary Ukraine, people wondered if they would ever see the last of President Viktor Yanukovich, who seemed to be solidifying his increasingly autocratic grip on power. Many Ukrainians, and at least some Russians, are now asking the same question about Putin. The only thing anyone knows for certain is that the answer, eventually, will be yes. 🌐

The Good Germans

Inside the Resistance to the Nazis

Peter Hoffmann

No Ordinary Men: Dietrich Bonhoeffer and Hans von Dohnanyi, Resisters Against Hitler in Church and State

BY ELISABETH SIFTON AND FRITZ STERN. New York Review Books, 2013, 157 pp. \$19.95.

When Adolf Hitler invaded Poland in 1939, Europeans had a long tradition of armed resistance to authority from which they could draw. In countries such as Denmark, France, and Poland, substantial movements emerged in opposition to Nazi occupation. Yet inside Germany itself, a comparatively small resistance struggled to gain traction and rarely posed a serious threat to Hitler's rule.

Most Germans worried primarily about their own survival and thus, as information began to leak out about the deportation of Jews and other Nazi abuses, they kept any concerns they might have had to themselves. After all, mentioning such matters could carry the death penalty, as could listening to foreign radio stations and spreading

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rumors. The threat of harsh punishment largely worked: the Nazis effectively sealed off most Germans from outside information, and anyone who did learn the truth and was troubled by it risked a great deal by acting on such thoughts. The brave few who did join in resistance were painfully aware of their lack of internal or external support, but it came as no surprise to most of them.

Yet explanations of why so few Germans rose up against Hitler and why so many stuck with him to the bitter end have tended to leave little room for the stories of the men and women who did oppose Nazi rule. In *No Ordinary Men*, Elisabeth Sifton and Fritz Stern help fill this gap by chronicling the lives of two leading members of the German resistance: the noted theologian Dietrich Bonhoeffer and his lesser-known brother-in-law the jurist Hans von Dohnanyi. In telling the stories of Bonhoeffer and Dohnanyi, the book offers a fascinating portrait of the anti-Nazi underground. Among its many insights, perhaps the most important is that, although those who opposed Hitler often had political and strategic motives unrelated to Nazi anti-Semitism, the most influential resisters were driven primarily (or at least in great part) by a shared sense of horror at the mass murder of Jews.

HALTING THE WHEEL

Both Bonhoeffer and Dohnanyi opposed the Nazi regime from the start, but Bonhoeffer's conflict with the Nazis was more public and is therefore better remembered today. Born to a prominent Berlin family, Bonhoeffer decided to pursue a career as a pastor when he was only 14. Sifton and Stern suggest that in addition to the influence of his mother's

side of the family (his maternal grandfather and great-grandfather were pastors), Bonhoeffer may have been attracted to a life of service in response to the “moral uncertainty” and “spiritual turmoil” that characterized the years following World War I. Later, Bonhoeffer studied for a year at the Union Theological Seminary in New York under the philosopher Reinhold Niebuhr (who happens to be Sifton’s father).

By 1933, the year Hitler was appointed Germany’s chancellor, Bonhoeffer was an ordained pastor who was already well known for his theological writings. At the time, the German Lutheran Church, to which he belonged, had no unified position on National Socialism. A strong faction within the church, whose members dubbed themselves “German Christians,” favored what it considered a Germanic version of Christianity, proclaiming an “Aryan Jesus” and supporting Nazi anti-Semitism. Most German pastors were not Nazi extremists, however, but nationalists, loyal to whatever government was in place. Bonhoeffer rejected both stances. Just two days after Hitler’s appointment, he delivered a radio address warning that if a strong leader (*Führer*) such as Hitler violated the trust of the people, he stood “in danger of becoming the great seducer” (*Verführer*). The Nazis, meanwhile, launched a major effort to assert control over the administration of the church and purge its clergy of “non-Aryans.”

Soon after his radio address, Bonhoeffer published “The Church and the Jewish Question,” an essay arguing that the German church had “an unconditional obligation toward the victims of any ordering of society.” Although the church’s

role was “neither to praise nor censure the laws of the state,” he wrote, it should question whether its actions were justified. Moreover, the church might be obliged to not only “bind up the wounds of those who have fallen beneath the wheel . . . but at times halt the wheel itself” by taking direct political action. In the words of the Swiss theologian Karl Barth, the essay made Bonhoeffer “the first and almost only pastor to grasp and deal with the centrality of the *Judenfrage* [Jewish question].” Unable to abide what he considered the cowardice of the Lutheran Church in the face of Hitler’s efforts to control it, Bonhoeffer and his fellow pastor Martin Niemöller led a group of more than 2,000 pastors to form a new organization called the Confessing Church.

Bonhoeffer soon abandoned that group, as well, believing its members were still too timid to counteract the Nazi sympathizers and operatives who sought to control Germany’s churches. The Gestapo seemed to believe the Confessing Church nevertheless posed a threat and arrested some 800 of its pastors in 1937. Three years later, the Nazis forbade Bonhoeffer from preaching or speaking publicly at all.

While Bonhoeffer was testing the limits of opposition to the Nazis, Dohnanyi was working at the highest levels of the Nazi system. Dohnanyi, a son of the celebrated Hungarian composer Ernst von Dohnanyi (and eventually father of the acclaimed conductor Christoph von Dohnanyi), had grown up in Berlin and had known the Bonhoeffers from childhood. While working toward a doctorate in law at the University of Hamburg, he met Bonhoeffer’s sister Christine and

married her in 1925. Four years later, the couple moved back to Berlin, where Dohnanyi entered the Justice Ministry and held a string of prestigious posts. In 1933, he became the chief assistant to the justice minister, Franz Gürtner. Deeply repulsed by the Nazis, Dohnanyi used this privileged position to begin keeping a record of their illegal acts. He later told his Nazi interrogators that it was “arbitrariness in matters of law, and National Socialist procedures in Jewish and church questions,” that had motivated him to resist.

But Dohnanyi also faced grave risks due to his own heritage: he had a Jewish grandfather. Like all civil servants, Dohnanyi was required to provide evidence of his Aryan descent. But Gürtner informed Hitler that his assistant was indispensable, and Hitler decreed that Dohnanyi was not to “suffer any disadvantage because of his racial origins.” To provide further assurance of Dohnanyi’s safety, Gürtner appointed him a judge on Germany’s supreme court, removing him from direct Gestapo surveillance.

The Nazis’ confidence in Dohnanyi was misplaced. As early as 1934, he had begun actively subverting the Nazi state: secretly assisting Jews whom he knew or who approached him and using his access to clandestinely collect and index copious records of official crimes. In 1939, Admiral Wilhelm Canaris, chief of the Abwehr, the German military’s counter-intelligence arm, recruited Dohnanyi to work as a specialist officer in his organization. Under Canaris, who was also a secret opponent of Hitler, Dohnanyi was able to continue assisting Jews, in some cases pulling strings to transfer them from a particular concentration camp to a less dangerous one. Dohnanyi

also used his new position to help link various resisters throughout the German officer corps.

Meanwhile, Dohnanyi often sought the spiritual council of his brother-in-law Bonhoeffer; Dohnanyi’s continuing service to the criminal regime, even if it was only a front, troubled him deeply. But by 1939, both men had come around to the same point of view: rather than being true to one’s convictions and showing open disapproval of the regime’s policies, it was better to hold on to the most influential Nazi post available in order to undermine the regime from within.

Bonhoeffer faced his own dilemma. In 1940, he was likely to be drafted into the army, and he was profoundly troubled by the thought of having to serve Nazi criminals in a military uniform. But he considered conscientious objection to be virtual suicide, since those who refused to serve were typically executed. After Bonhoeffer’s request to serve as an army chaplain was rejected, Dohnanyi and his associates managed to get Bonhoeffer’s military service deferred by recruiting Bonhoeffer into the Abwehr as a civilian liaison. Bonhoeffer subsequently became a full-fledged member of an active anti-Nazi conspiracy in the Abwehr. Its members—including Canaris; General Hans Oster, the second officer in command of the Abwehr; Ludwig Beck, the retired chief of the German general staff; and Helmuth James von Moltke, another Abwehr officer and a descendant of Bismarck’s famous field marshal Helmuth von Moltke—were all appalled by Hitler’s treatment of the Jews. But like Bonhoeffer and Dohnanyi, they had determined that the best chances of halting Hitler existed nearest to the levers of state



Moral minority: Dietrich Bonhoeffer, 1924

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power, requiring an involuntary complicity with the regime.

Perhaps the most significant scheme Bonhoeffer and Dohnanyi hatched as officers in the Abwehr was an attempt to gain support for a coup from the United Kingdom. In May 1942, Bonhoeffer learned that George Bell, the bishop of Chichester and a member of the House of Lords, was visiting Sweden. Bonhoeffer knew Bell and flew to Stockholm to meet him. He told the bishop that a group of conspirators of some standing in Germany were ready to overthrow the Nazi regime. And he

asked that the British government treat the potential coup seriously and refrain from taking military advantage of any instability that might result in Germany should the coup succeed.

Bell delivered the message to the United Kingdom's foreign secretary, Anthony Eden. But Eden refused to make any hypothetical commitments, and Bell got no further with British Prime Minister Winston Churchill. The German resistance had made similar appeals to other foreign governments, with the same result, so Bonhoeffer and Dohnanyi had had no illusions about

their chances of success. But they had felt that they had to attempt to secure some encouragement, if not the kind of material aid that the Allies were extending to every resistance movement in Europe except the German one.

Given the German public's enduring support for Hitler, Bonhoeffer and Dohnanyi also understood the risks that resistance carried for themselves and their families. As Sifton and Stern put it, they sacrificed "everything that was good in the private realm so as to combat evil in the public realm."

It was in this spirit that Dohnanyi orchestrated the smuggling in 1942 of 14 Jews from Berlin to Switzerland, disguising them as intelligence agents, which allowed the group to cross the border with the approval of Heinrich Himmler, the ss chief. But the gambit ultimately proved to be Dohnanyi's undoing: in April 1943, the Nazis arrested Dohnanyi and Bonhoeffer on charges of currency violations connected with the funding of the Switzerland mission.

In the book's final section, Sifton and Stern describe the two men's imprisonment, which lasted nearly two years, noting their steadfast refusal to name any associates. The authors describe how in the face of grueling interrogations, Bonhoeffer and Dohnanyi drew on their formidable dialectical and legal training in a final act of resistance, deflecting the Gestapo's accusations, threats, and verbal abuse. Both were hanged in April 1945—just weeks before the Red Army took Berlin.

KILLING HITLER

To be sure, not all German resisters counted Jewish persecution as their primary motivation. Other Nazi offenses

were abhorrent enough: the suspension of Germany's democratic constitution, the abrogation of civil rights, the unscrupulous sacrifice of millions of soldiers, the mass murder of Soviet prisoners of war. Over the course of the war, Henning von Tresckow, a senior military officer, planned and attempted several coups, all of which involved efforts to take Hitler's life. None succeeded, and after the failed July 1944 "Operation Valkyrie" assassination attempt, Tresckow committed suicide. But a year before his death, Tresckow made clear to his trusted secretary that it was the mass murder of the Jews that had driven him and his coconspirators to seek Hitler's death.

Claus von Stauffenberg, the colonel who planted the bomb intended to kill Hitler in the Valkyrie plot, also cited the murder of the Jews as a main motive. In April 1942, talking with a staff officer in the army high command, Stauffenberg expressed his outrage at the brutal treatment of the civilian population in German-occupied Russia, the mass murder of the Jews, and the starvation of Soviet prisoners of war. In May, on receiving an eyewitness account of ss men rounding up Jews in a Ukrainian town, making them dig their own mass grave, and then shooting them, Stauffenberg determined that Hitler must be removed. "They are shooting Jews in masses," he later told another officer. "These crimes must not be allowed to continue."

Tresckow and Stauffenberg were not alone: surviving Gestapo records individually quote 15 of the several dozen resisters who tried to kill Hitler in July 1944 as telling their interrogators that they opposed the Nazi regime for its persecution of the Jews. After months

of interrogating and torturing the conspirators, the Gestapo concluded that

the entire inner alienation from the ideas of National Socialism that characterized the men of the reactionary conspiratorial circle expresses itself above all in their position on the Jewish Question. . . . They stubbornly take the liberal position of granting to the Jews in principle the same status as to every German.

Why did the attempts on Hitler's life between 1938 and 1944 consistently fail? A central reason was that the Nazis were unsparing in suppressing dissent inside Germany. Between 1933 and 1945, the Nazis, using state-sanctioned procedures, executed some 77,000 Germans for political offenses and murdered innumerable domestic opponents in concentration camps without any semblance of due process. German courts-martial executed some 25,000 German soldiers. (By comparison, Allied courts-martial relating to World War II resulted in fewer than 300 death sentences.) Gestapo informers regularly thwarted attempts at forming coalitions. The radio was exclusively in government control; that left duplicating and spreading leaflets by hand, an inefficient method quickly detected and easily halted by the police.

And given how difficult it was just to distribute anti-Nazi leaflets, devising a plan to assassinate Hitler was far from simple. Several plots came close to succeeding, however, and most were frustrated by bad luck, technical malfunctions, or unpredictable changes in Hitler's schedule. The Valkyrie plot, which hinged on the detonation of a briefcase bomb, was no exception. Stauffenberg, whose service in Tunisia had left him

**Not all readers
are leaders,
but all leaders
are readers.**

- Harry S. Truman

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with one eye and just three fingers on a single hand, was the plot's key orchestrator. On the morning of July 20, he arrived at Hitler's Wolf's Lair headquarters, on the eastern front, and set about activating the fuses of two 1,000-gram packets of explosives—a process that was interrupted by an orderly who asked Stauffenberg to hurry to a midday briefing with Hitler that had already begun. In immediate danger of being detected, Stauffenberg cut short the activation and went off to the briefing with only half the amount of explosives that he had planned to use. The bomb exploded, and Hitler might still have been killed if Stauffenberg's briefcase had been placed—or had remained—close enough to Hitler. But Stauffenberg had departed the meeting (leaving his briefcase behind) to fly back to Berlin, where he was the only conspirator willing and able to run the next stage of the planned coup.

This points to the appalling fact that no one in Berlin except Stauffenberg could be relied on to set things in motion after the assassination attempt. Tresckow was fighting on the eastern front, and Bonhoeffer and Dohnanyi were already in Nazi custody. As a result, Stauffenberg had an impossible double role—managing two parts of the plot in two separate places, 350 miles apart. The fact that he was the only one with the will and the courage to go through with the entire undertaking is the deeper and more tragic reason for the plot's failure.

In the weeks leading up to his execution, Dohnanyi offered a similar explanation for the resisters' lack of success: "The obtuseness and cowardice of people of property and influence, and the stupidity of most officers, frustrated all efforts." This kind of thinking, of

course, was a common refrain of German resisters bemoaning the weakness of their own movement. "Since the conquest of Poland, three hundred thousand Jews in this land have been murdered in the most bestial manner," read one 1942 leaflet distributed by the White Rose, a student resistance group at the University of Munich. "The German people are again sleeping on in obtuse, stupid sleep, giving these fascist criminals the temerity and opportunity to continue to rage—and they are doing it. . . . Everyone is guilty, guilty, guilty!" (The group's leaders, Hans Scholl and his sister Sophie Scholl, were beheaded the following year.)

Sifton and Stern conclude their book with a look at how even after the Nazis' defeat, the Bonhoeffer and Dohnanyi families faced public and official calumny for being relatives of traitors. In Germany today, of course, the two resisters are officially honored. But if the stories of the men and women who did oppose Nazi rule are still not widely known, it is in part because they shame those who did not resist, whether owing to a preoccupation with survival, lack of opportunity, weakness of character, or active support for the Nazi regime. Sifton and Stern, then, have done an important service, exploring the lives of two men who took the path that, in Dohnanyi's mind, "a decent person inevitably takes."🌐

Letters to the Editor

DON'T BANK ON IT

To the Editor:

Jake Kendall and Rodger Voorhies (“The Mobile-Finance Revolution,” March/April 2014) argue that the principal benefit of mobile finance is the ability to deliver basic banking services to the world’s poor. Although they describe well this one facet of mobile banking, they do not examine the full range of effects—both positive and negative—that this development will have in other critical areas, such as good governance and international security.

Consider Afghanistan’s experience in 2009. When Kabul began using mobile cash transfers to pay the salaries of its national police force, most recipients thought they had received a 30 percent raise. In actuality, the government had circumvented corrupt middlemen; the police were simply receiving their full pay for the first time. The move also improved accountability: Kabul could more easily identify and stop depositing salaries in so-called ghost accounts, which belonged to police officers who did not exist.

Elsewhere, however, the record has been more mixed. In Nigeria, where the country’s central bank introduced measures to encourage mobile money transfers in 2012, mobile banking has failed to curb widespread corruption. And in Kenya, which Kendall and Voorhies hold up as a model for other countries, cash transfers by cell phone have become a convenient means of bribing corrupt police officers.

Such cases suggest that mobile banking can carry significant draw-

backs, particularly in the developing world. Indeed, mobile cash transfers provide an easy means of “smurfing,” whereby criminals break up large illegal transactions into multiple smaller transactions to conceal the total sums from law enforcement. And since mobile cash transfers typically do not require any personal interaction with service providers (not even to open an account), they make customer verification nearly impossible.

Mobile-based financial tools are thus highly vulnerable to abuse by money launderers and terrorist financiers. But if governments and financial institutions find ways of addressing these security issues, the mobile-finance revolution could provide benefits far beyond helping the poor.

This is particularly true in parts of Africa, the Middle East, and South Asia, where people have historically transmitted funds to friends and family through the largely unregulated hawala system, a cash-based money-transfer network that terrorist financiers regularly abuse. Mobile banking can reduce the amount of cash that travels through hawala dealers and put more of that money into formal financial systems, through which it is easier to trace and monitor illicit transactions. This is one reason why Washington has supported efforts to expand mobile banking in Pakistan, where al Qaeda and the Taliban commonly use the hawala system to move money.

Kendall and Voorhies argue convincingly that governments and banks should further expand mobile banking in developing countries. But before speeding ahead, mobile finance’s

backers should understand the many potential impacts of their investment.

MARISA PORGES

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DRONING ON

To the Editor:

Sarah Kreps and Micah Zenko (“The Next Drone Wars,” March/April 2014) argue that the proliferation of armed drones is undesirable but not inevitable. To prevent the spread of such weapons, they say, Washington should limit its own exports of the technology and create a multilateral arms control regime.

Yet the existing rules governing U.S. drone exports are already very restrictive, and other countries have fielded, can field, and will field the technology without U.S. assistance. (China and Israel come to mind in this respect.) Moreover, Washington now has an opportunity to use its exports to shape emerging global norms concerning drone use and improve U.S. security by sharing an important capability with its allies and partners.

As the U.S. defense budget shrinks, Washington needs its allies and partners to help shoulder more of the cost of collective security. For example, the United States is set to lose surveillance and reconnaissance capabilities as a result of defense cuts. By exporting interoperable military equipment, such as armed drones, to allies such as France and Italy, Washington can be assured of more assistance in these areas.

U.S. drone exports come with the strongest safeguards in the world, as well as training on their safe and responsible use. Combined with more transparent policies concerning its own drone use,

Washington can use its training programs and export regulations to help ensure that desirable norms surrounding drone use emerge. And by exporting such weapons to close allies and partners that are already members of the Missile Technology Control Regime, Washington can reinforce that existing arms control framework.

With or without U.S. assistance, other countries will build drones for their own purposes and in their own ways. As discoveries of several downed unmanned vehicles have recently shown, even a country as isolated as North Korea can build sophisticated unmanned systems. The commercial nature of robotics technology today, combined with the spread of global positioning systems and simple rockets and missiles, means that many countries—and even nonstate groups and individuals—will soon be able to build or acquire their own armed drones.

Focusing diplomatic efforts on limiting the spread of a single type of drone—of the sort operated by the United States today—will simply drive states toward other drone technologies. And in that case, Washington will have far less influence over how the weapons are used.

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MICHAEL C. HOROWITZ

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FISHING FOR FACTS

To the Editor:

In lamenting the state of the world’s oceans, Alan Sielen (“The Devolution of the Seas,” November/December 2013) cites a 2003 study conducted by the

marine biologists Ransom Myers and Boris Worm, who concluded that the number of “large fish,” such as tuna and swordfish, had declined by 90 percent since 1950. Although Sielen admits that the study “provoked controversy among some scientists and fishery managers,” he downplays such criticism.

Myers and Worm’s results were skewed because most of their data came from longline tuna fisheries, which exclusively target larger fish. A number of peer-reviewed studies have since argued that these findings are inaccurate. Recent data suggest that the world’s tuna population has decreased by only around 60 percent since 1950, and the Marine Stewardship Council declared the U.S. North Atlantic swordfish sustainable in 2013.

ROBERT VANASSE

Executive Director, Saving Seafood

BEIJING BEHAVING BADLY

To the Editor:

If Margarita Estévez-Abe (“Feeling Triumphant in Tokyo,” May/June 2014) were correct that Japanese Prime Minister Shinzo Abe provoked China’s expansionist behavior, then it would not be the case that many other Asian countries, such as India, Indonesia, the Philippines, and Vietnam, are also having to confront the challenge of Chinese aggression.

EDWARD FRIEDMAN

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NURTURING NATURE

To the Editor:

Jon Hoekstra (“Networking Nature,” March/April 2014) summarizes well some of the ways that technology is improving conservation efforts, including through the use of LIDAR, a laser-imaging technology that measures forests from a plane. The U.S. Agency for International Development, in partnership with NASA’s Jet Propulsion Laboratory, is currently using that technology to measure forest cover in western Colombia. The agency is also using satellite imagery to help Bangladesh predict disastrous floods more than a week before they occur and investing in new ways of reducing wildlife poaching and trafficking. Over the last 50 years, a host of new actors have become active in conservation; USAID hopes to mobilize this energy to overcome critical environmental problems.

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Thomas Piketty, author of *Capital in the Twenty-first Century*, speaks with *Foreign Affairs*. Watch the full video at ForeignAffairs.com. Highlights:

ON INEQUALITY:

I think inequality is fine, as long as it is in the common interest. The problem is when it gets so extreme—when it becomes excessive. So the very difficult question, of course, is, when is it that it becomes excessive?

ON WEALTH IN AMERICA:

In the United States, the share of national wealth going to the bottom 50 percent is just two percent. And the next 40 percent are getting about 23 percent. The top ten percent are getting 75 percent. So what I'm saying is that we need to find ways to limit the extreme concentration of wealth at the top.

ON TAXATION:

One way to put an end to this indefinite rise in top managerial compensation is to return to a very high top tax rate on very high income. And that's not going to reduce growth. You have the same growth in the United States as in countries like Germany, Sweden, which didn't have this huge rise.

ON THE WEALTHY:

The idea is not to expropriate wealth holders. It is to allow new people to enter into wealth accumulation. And for this, you need a new balance between taxation of income and taxation of wealth.

Visit foreignaffairs.com/video for the full interview and other videos in the series—including Ólafur Ragnar Grímsson on the Arctic, Robert Jervis on nuclear diplomacy, Fred Krupp on fracking and the environment, and many more.

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