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Taking Charge

*A Bipartisan Report
to the President-Elect
on Foreign Policy and
National Security*

DISCUSSION PAPERS

Transition 2001

Edited by Frank Carlucci,
Robert Hunter, Zalmay Khalilzad

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This collection of discussion papers provides analyses of the most critical national security issues facing the United States, both in the first part of the new administration and in the more distant future. The publication was supported by RAND using its own funds.

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PREFACE

Transition 2001 is a bipartisan panel of about 60 American leaders in the areas of foreign and defense policy, co-chaired by Frank Carlucci, Robert Hunter, and Zalmay Khalilzad and coordinated by Jeremy Shapiro. The convening of the panel stemmed from the belief that this presidential transition comes at a critical time for America's role in the world—a time, also, when there is special value in trying to forge as much bipartisan agreement as possible on the central tenets of U.S. foreign and national security policy. Accordingly, our purpose was to survey the principal challenges that the United States faces abroad in the years immediately ahead and to recommend specific actions that the new president could take in the early days of his administration. Such decisive early action will be critical for setting U.S. foreign and national security policy on the right path for the balance of his term and beyond.

To conduct its work, the panel commissioned more than 25 discussion papers on key issues and areas, prepared by RAND staff and others, to provide analyses of the most critical foreign and national security issues facing the United States, both during the first part of the new administration and in the long term. The panel met four times from February to October 2000 to discuss the most critical issues. The result of the panel's work is a report, published in an accompanying volume, and this volume of the supporting discussion papers. The report outlines what we have determined to be the most important national security challenges for the new administration, suggests priorities, and, where we could reach consensus, recommends specific courses of action. These discussion papers served as the raw material on which we drew for organizing our discussions and structuring the report.

THE TRANSITION 2001 PANEL

The following members of the panel have endorsed the basic content of the report:

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Please note that endorsement of the report by these individuals does not constitute an endorsement by their affiliated organizations.

The following members of the panel participated in the process, but due to their affiliation could not endorse the report:

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Section I
INTRODUCTION

U.S. GRAND STRATEGY: SETTING A NEW DIRECTION

by Zalmay Khalilzad, RAND

This is a great time for the United States, the preeminent world power. U.S. productivity, ingenuity, and industriousness have produced unprecedented prosperity that has made the U.S. economy once again the envy of the world. U.S. democratic ideals and technology are transforming the world—eroding borders, reducing the strategic importance of territory and geography, and strengthening the role of information, individuals, and civil society. U.S. armed forces are without peer, and most of the world's other leading countries are close U.S. allies.

Despite these blessings, the next administration should not allow itself to be lulled into a false sense of security. As quickly as superpower confrontation turned to cooperation and budget deficits turned to surplus, these comforting trends can reverse themselves if the United States relaxes its vigilance. The social stresses caused by globalization and by rapid technological change also make this a period of great uncertainty and danger. The U.S. victory in the Cold War ended the global nuclear confrontation, but many regions of the world remain unstable. Russia has not been anchored in the West. Other countries, particularly China and India, are seeking to enhance their status as great powers. Several important regional powers—such as Pakistan, Iran, and Indonesia—are in state of flux. Rogue states continue to threaten important regions, and even some major powers are unhappy about U.S. primacy. The U.S. homeland, U.S. forces based abroad, and U.S. allies are becoming more vulnerable to attacks by a larger number of actors as weapons of mass destruction

(WMD) and the missiles to deliver them spread around the world. International terrorism persists and might well become deadlier. Advances in information technologies are creating not only opportunities for the U.S. economy and military, but also new vulnerabilities to disruption by hostile states, individuals, and groups. Resentment of globalization is on the rise and is producing anti-Americanism, because Washington is regarded as its architect and beneficiary.

The time is right to build a consensus for a grand design of the U.S. role in the world. Such a design would guide the nation and give it a purpose in its foreign policy. Without such a purpose, it would be difficult to set priorities.

Turning inward is not a realistic option. The world is becoming more interdependent and U.S. prosperity depends on stability and the prosperity of other regions of the world. U.S. withdrawal would produce a vacuum, resulting in arms races, increased instability, and conflict. It could result in the renationalization of security policies in major states that in part depend on U.S.-led alliances for their security. Moreover, abandonment by the United States would encourage the proliferation of WMD and missiles by those countries that rely on security cooperation with the United States or that fear a hostile U.S. reaction should they move to acquire such systems. Key regions of the world, such as the Persian Gulf, might come to be dominated by hostile powers affecting, among other interests, the security of the world's energy supplies.

Two alternative strategies have been put forward. One implores the United States to seek and consolidate global hegemony. The United States would assert its primacy in all key regions of the world and would act unilaterally when necessary to preserve its own interests. It would resist the relative rise of other countries, even including U.S. allies, and act preemptively to maintain its hegemony. However, efforts to establish such hegemony would be expensive, as others resist U.S. domination. This strategy, moreover, would not enjoy domestic support—not only because of the potential costs but also because it would not reflect basic American values.

The alternative suggestion is to encourage the emergence of a multipolar system. In such a system, the United States and other great powers would compete and cooperate to avoid hegemony by any

single power. Many believe that the world is moving inexorably towards multipolarity, irrespective of U.S. actions or intentions. Therefore, they argue, the U.S. goal should be to encourage the rise of a multipolar system but at the same time to use Washington's current influence to make that system as cooperative as possible. However, there is a real question whether other major powers would behave as they should under the logic of a balance-of-power framework. Balance-of-power logic implies that the major democracies will no longer see themselves as allies. Instead, a political—and possibly military—struggle among them will become not only thinkable but legitimate. The result will be that the United States will face more competition from other major powers in areas of major interest to it.

Fortunately, the United States has confronted and conquered “inevitable” features of international relations many times before. There is a third path that the United States should choose: that of selective global leadership. Under this option, the United States would seek to preclude the rise of a global rival or a hostile global alliance, while at the same time transforming its own democratic alliances by focusing them on new threats and opportunities and preparing for increasing joint or shared leadership.

In the course of building up the Western alliance during the Cold War, the United States helped to create a community of nations that was held together by more than the Soviet threat. They shared common values, most important among them constitutional democracy and free markets. Since that time, the basic affinities between the societies of the United States, Japan, and the European Union (EU) have deepened. Despite often intense economic rivalries, the democratic nations of the West have established and recognized that they all have shared stakes in an increasingly integrated global economy. War among these nations has become unthinkable. Given continued unity, these nations will be strong enough to overpower any conceivable threat from outside their ranks.

Maintaining, strengthening, and extending these alliances should be the essential component of the new U.S. grand strategy. However, to serve their necessary purpose, alliances must have, and be seen to have, a lasting strategic purpose—that is, they must focus on realistic future threats and they have to be equitable. The United States should work together with its allies to do the following:

- Integrate major power and key regional states into the international system;
- Prevent hostile powers from dominating critical regions by constraining regional trouble makers;
- Contain and mitigate any backlash against globalization;
- Reduce the number of WMD and missiles and protect the United States and its partners against terrorism and other threats;
- Maintain U.S. military preeminence by transforming U.S. forces, increasing military cooperation with allies, and encouraging them to increase their military capabilities; and
- Improve the international security environment to prevent smaller problems from becoming larger ones.

INTEGRATE MAJOR POWERS AND KEY REGIONAL STATES INTO THE INTERNATIONAL SYSTEM

A few powers remain outside the U.S. system of alliances, and most important among them are Russia and China. Those powers retain the greatest capacity for threatening world peace and stability and as such must be the second priority—after U.S. allies—for U.S. foreign policy.

Russia is a declining power with extraordinarily uncertain future—the possibilities run the gamut from violent balkanization to development of a vibrant Western-style democracy. Nothing the United States can do will ensure that Russia will develop into a modern state and a trustworthy partner. If Russia itself proves incapable of reforming its society, the United States and its allies will have no choice but to accept the unpleasant and dangerous consequences. The stakes, however, are enormous, given that Russia is the only country in the world that retains the capacity to devastate U.S. society. The next administration would be remiss if it failed to make an all-out effort to facilitate what would clearly be an enormously preferable outcome. A world in which Russia is part of the solution rather than part of the problem may be unattainable, but it is not unthinkable, and it has too much to offer to be prematurely written off. (*For more on this topic, see Jeremy Azrael, "Prospects and Possibilities for U.S.–Russian Relations."*)

Dealing with China will also continue to be one of the most difficult issues in U.S. foreign policy. China's relative power has been growing steadily since the late 1970s and a major power transition has already begun in Asia that the United States ignores at its peril. The United States should continue to enhance economic, political, and cultural ties with China and to promote Chinese membership in international organizations—including the World Trade Organization (WTO). But to promote regional stability and to hedge against a Chinese push for regional primacy, the United States should also seek to restrain the growth of Chinese military power, promote regional security cooperation, and strengthen ties to regional countries. Should China grow more powerful and hostile, these relations might grow into a defensive alliance. This difficult balancing act is necessary to prepare for the possibility of a hostile China without creating a self-fulfilling prophecy. *(For more on this topic, see Zalmay Khalilzad, "U.S. Strategy Toward China.")*

India, Pakistan, Indonesia, and Iran are currently in the midst of major domestic transformations. The Indian economy has been growing at a rate of roughly 7 percent since 1991, and most international observers believe that that growth can continue, making India the world's fourth largest economy, in terms of purchasing power parity, by 2015. An economy of that size would increase India's ability to modernize its military forces, develop a credible nuclear deterrent, and deepen U.S.–Indian economic linkages. In short, if current trends hold, India will emerge as a great power. The United States should strengthen ties with New Delhi.

The situation in Pakistan remains unsettled and troublesome on multiple counts. Pakistan continues to be beset by unhealthy political, economic, and strategic trends that have become both intractable and mutually reinforcing. The most disturbing of these trends has been the growth of Islamic extremism. Pakistan's continuing state failures thrive because, among other things, they are supported and used by the Pakistani military and secret services in their policies in Kashmir and Afghanistan. The new administration should increase pressure on Pakistan to stop support for the Taliban and to cooperate in the fight against terrorism. It should encourage both India and Pakistan to show restraint in Kashmir and restart a dialogue to defuse the situation, taking the views of the Kashmiris into account. At the same time, Washington should encourage economic

reform, the strengthening of Pakistani civil society, and the restoration of democracy. (*For more on India, Pakistan, and South Asia in general, see Ashley Tellis, "South Asia: U.S. Policy Choices."*)

Indonesia is undergoing a political transformation that could change the geostrategic shape of Asia. Its huge population—the fourth largest in the world—and its strategic location, straddling key sea lanes, make its stability and future path a critical U.S. interest. The best-case scenario would be Indonesia's evolution toward a more stable and democratic state. Unfortunately, that evolution is threatened by a weak governing coalition, numerous insurgencies and separatists movements, and the looming presence of a military that views itself as the ultimate guardian and arbiter of the Indonesian state. The next administration should support Indonesian economic recovery and country's territorial integrity. Washington should encourage Indonesia play constructive role in regional security. (*For more, see Angel Rabasa, "Preserving Stability and Democracy in Indonesia."*)

Iran's leaders are involved in a major power struggle. President Mohammad Khatami's election in May 1997 reflected the desire of most Iranians for political reform, greater freedom, and economic reform of the flagging Iranian economy. Khatami's efforts at international reintegration have already led to improved ties with Europe and the Middle East and allowed greater political freedom within Iran. However, Khatami's agenda is not embraced by the hardliners—including Supreme Leader Ayatollah Ali Khamenei; the leadership of the important religious foundations; and unknown numbers of people in the military, the intelligence community, and the security services. These hardliners have thwarted Khatami's domestic agenda. Iran might face significant instability if the power struggle were to intensify. While containing Iran, the United States should remain open to engaging Iran. (*For more, see Jerrold Green, "Presidential Policy Options toward Iran."*)

PREVENTING DOMINATION OF CRITICAL REGIONS

A global rival could emerge if a hostile power or coalition began to dominate a critical region of the world. For now, three regions qualify as critical to the world economy: East Asia, Europe, and the Middle East. The risk of a hostile power establishing hegemony in Europe is

extremely low, but the Middle East and Asia do present potential problems.

The problem in the Middle East is that the United States serves as the region's only security guarantor. At present, the United States and many of its allies have essentially "agreed to disagree" over key questions of policy in the region: how to contain Iraq, whether and how to integrate Iran, and how to stop weapon proliferation in the region. These disagreements embolden rogue elements, impose significant costs on the United States, and undermine any coherent policy in the region. Although consensus on such issues will be difficult to achieve, the role of the United States in a system of global leadership would precisely be to forge such a consensus. Although the United States cannot and should not relinquish the role of leader in this region, U.S. policy should be coordinated with its allies, and those allies should do more to assist in providing for security. (*For more on related topics, see Daniel Byman, "U.S. Policy toward Iraq," and James Bartis, "A Guide for the Next International Energy Crisis."*)

The next presidential term also begins at a critical juncture for Asia's strategic stability. Asia faces potentially serious problems that could quickly unravel the region's tightly knit fabric of peace and prosperity, with implications throughout the world. India and China are rising powers seeking their place in the world. India is involved in an ongoing and bitter dispute with Pakistan, recently complicated by the presence of nuclear weapons and by the deep crisis of governance in Pakistan. Beijing refuses to rule out the use of force against Taiwan. Indonesia, the Philippines, and Malaysia face serious domestic unrest that threatens to descend into a Balkan-like spiral of violence and secession. Finally, the confrontation on the Korean peninsula has entered its sixth dangerous decade. Although that conflict shows some promise of finally coming to a peaceful end, even that happy outcome could present difficulties for the U.S. posture in Asia. A peaceful Korea would require the recasting of U.S. military posture in both Korea and Japan.

This potent combination of overlapping problems calls for a regional approach that integrates all of Washington's political, economic, and military tools. This strategy should have four parts. First, the United States should deepen its bilateral security alliances as well as widen them to create new partnerships. The partnerships should serve as

the basis for multilateral alliances that would complement U.S. bilateral relationships and would include the United States, Japan, South Korea, and Australia, as well as perhaps Singapore, the Philippines, and Thailand. In this context, Japan should be encouraged to revise its constitution to allow for the right of collective self-defense. Second, the United States should pursue a balancing strategy among the major rising powers that are not currently U.S. allies—China, India, and a possibly a future assertive Russia—to prevent any one power or hostile coalition of powers from dominating the region. Third, the United States should address directly those situations that tempt others to use force in the region. For example, the United States should declare that it opposes both the use of force by China against Taiwan and a declaration of independence by Taiwan. Finally, the United States should promote a security dialogue among all the states of Asia to provide a forum to solve regional disputes, promote confidence building, and encourage states to enter the U.S.-inspired multilateral framework. (*For more on the need for improved alliances, see David Gompert, "U.S. Alliance Relations in the Global Era."*)

Europe, meanwhile, provides the most hopeful outlook among regions of great importance to the United States. The North Atlantic Treaty Organization (NATO) has been revitalized, and EU-U.S. relations are essentially on the right track—despite continuing disagreement on particular issues. An integrated approach to European security is now seen to stretch across the continent. Some countries have joined NATO; others want to do so. At its next summit in 2002, the alliance should begin taking in the next countries ready and willing to shoulder the responsibility of NATO membership. The alliance should continue its multifaceted strategy that includes keeping an "open door," continuing Partnership for Peace, building a partnership with Ukraine, and seeking to draw Russia out of its isolation to play—if it will do so—a constructive role in European security. (*For more on the EU and NATO expansion, see Robert Hunter, "NATO Enlargement: Decisions for the New President."*)

The United States should also encourage the Europeans to develop their European Security and Defense Policy and to continue the military reform of NATO. The United States should continue to encourage the EU to fulfill its own mission in Central Europe and beyond, including stabilizing the Balkans. (*For more on the EU defense policy, see James Thomson, "U.S. Policy toward European Defense."*)

CONTAIN AND MITIGATE ANY BACKLASH AGAINST GLOBALIZATION

U.S. prosperity in the postwar period, and especially in the last 20 years, has been underwritten by the larger phenomenon of globalization. Globalization, in this context, refers to the idea that growing cross-border flows of goods, money, technology, people, information, and ideas are progressively creating a single, integrated, global economy. Of course, such a global marketplace is a long way from completion, but the trends in that direction are clear.

The U.S. government did not create the phenomenon of globalization, nor is it the principal motor for economic integration. Globalization is the work of a teeming, uncoordinated multitude of private actors throughout the world. However, U.S. power does underpin the global economic system, and successive U.S. governments have built and supported—for the most part—the progressively more open trade and investment regimes that are the institutional bases for increasing interdependence. Moreover, the United States is viewed throughout the world as the primary motivator and beneficiary of an increasingly global economy.

Although the process of globalization has brought tremendous wealth to the United States and beyond, its effects are often disruptive to societies as a whole and economically damaging to specific segments of society. Societies are reflexively resistant to disruptive change, even if it may have beneficial long-term effects. Even in places that have broadly benefited from increasing economic integration, such as France and the United States, the disruptive effects of exposure to the world economy—from the dilution of domestic culture to the loss of traditional industries to foreign competition—have already generated a backlash. In other, less advantaged parts of the world, that backlash threatens to take more violent expression and—given the association of the United States with the process of globalization—it may be directed at U.S. interests. (*For more on difficulties facing the United States in the developing world, see Bob Bates and Diann Painter, "U.S. Foreign Policy and Sub-Saharan Africa," and Angel Rabasa, "Challenges Confronting the Next Administration in Latin America."*)

Globalization thus implies two general directions for U.S. policy. First, the increasing linkages between states and regions mean that it will no longer be possible to view regions and issues in isolation. At the same time, U.S. policymakers must not forget that each individual country has unique local circumstances that will make global policies difficult to fashion. (*For more on globalization and international finance, see C. Richard Neu, "Strengthening the International Financial System."*)

Second, U.S. policy should anticipate and attempt to preempt or mitigate any backlash against globalization. Such a policy will require a delicate balancing act—too much active support for policies that are disruptive to traditional societies will only increase the association of the United States with the negative repercussions of globalization. Rather, U.S. policy should be proactive enough to recognize that the U.S. underpinning of and association with globalization also implies a responsibility and an interest in assisting those people and societies left behind. (*For more on U.S. economic policies, see C. Richard Neu, "Economic Instruments to Support National Security," and Ted Van Dyk, "Trade Policy: A Turning Point."*)

LIMIT, REDUCE, AND SECURE WMD AND MISSILES, AND PROTECT AGAINST TERRORISM

The spread of WMD—nuclear, biological, and chemical weapons—and missiles not only directly threatens the United States, its allies, and U.S. forces abroad, but also increases the dangers of resisting aggression and regional hegemony. The trends in proliferation are mixed: India and Pakistan have acquired nuclear weapons, and several other countries, such as Iran, are working to acquire them; others, such as South Africa, Brazil, and Argentina, have given up their nuclear programs.

U.S. nonproliferation strategy should continue to focus on problem countries, and Washington should better integrate its efforts with those of its allies. The United States cannot stop or even appreciably slow the spread of WMD if it acts alone. An understanding between the United States and its allies on the role of sanctions and appropriate export controls is particularly essential. The United States should bring together its law enforcement, intelligence, economic,

financial, and diplomatic assets for this purpose. Together with its allies, the United States should also work for enhanced cooperation to slow the proliferation of WMD—especially nuclear weapons and long-range missiles—to problem countries. U.S. and allied efforts should also include passing an effective international ban on the creation and weaponization of biological pathogens, making a greater effort to stop Russian assistance to the Iranian nuclear program, and discouraging Chinese and Russian assistance in the spread of missile technology. (*For more, see Lynn Davis, "Proliferation."*)

To reduce the danger from existing stockpiles, the United States should seek to reduce the existing number of nuclear weapons and seek cooperative ways to secure them. As part of this effort, the United States and its allies should continue to seek reductions in the Russian nuclear arsenal beyond the level of the current arms control agreement. (*For more on nonproliferation, see Glenn Buchan, "Nuclear Issues for the Next Administration."*)

The building of a missile defense in cooperation with America's allies will constitute a key challenge for the future. Such a capability not only will serve as shield for U.S. forces and allies, but also will allow the United States to continue to credibly deter even a WMD-armed state from campaigns of regional aggression. In addition, the United States should continue to support the rapid development and deployments of systems such as boost-phase intercept and sea-based theater missile defense that could be deployed with strategic warning against a possible ballistic missile threat from North Korea or elsewhere. The United States should also move deliberately to build a national missile defense (NMD) over time—when it is technically feasible. (*For more on developing defense technology, see Loren Thompson, "Military Science and Technology," and David McGarvey, "Nuclear Weapon Initiatives for the Next Administration."*)

But not all new threats will come from ballistic missiles. The high profile of missile defense has unfortunately caused other new threats—such as terrorist use of WMD and threats to critical information infrastructure—to receive lesser priority. Homeland defense against such new threats must be viewed holistically. The agency or person charged with addressing this problem must have the appropriate authority, including required cross-agency, multiyear program

planning. Here, too, cooperation with allies is important. (*For more, see Bruce E. Hoffman, "Terrorism."*)

TRANSFORM THE U.S. MILITARY AND STRENGTHEN MILITARY COOPERATION WITH ALLIES

Military strength underpins the U.S. position in the world. The United States need a military strong enough to shape the security environment, to discourage challenges to U.S. interests, and to reduce the likelihood of conflicts. Should conflict occur, the U.S. military should be in position to achieve a rapid and decisive victory against a wide range of potential adversaries—both state and non-state actors.

The U.S. armed forces face many challenges. There is a gap between U.S. strategy and U.S. capabilities. The military is facing the looming obsolescence of many of its premier platforms. Operating costs of current forces have remained high, and the unplanned but frequent deployments for peacekeeping and humanitarian purposes have imposed a major burden. The signs of strain include failures to meet recruiting goals, losses of experienced personnel, and signs of diminishing morale. Despite the recent increase in the defense budget, there is a gap between available resources and the demands of the current strategy. Without a change in strategy, the next administration will have to increase budgetary resources significantly—perhaps more than 10 percent. It might also have to consider reducing the demands on the force by being more selective in its use of force, attempting to take advantage of technological developments to transform the military, relying more on allies and friends, or, most likely, some combination of the four. (*For more, see Paul Davis, "Transforming Military Forces."*)

To deal with the readiness problem, the next administration will have to consider a variety of options: increase compensations across the board; overhaul the compensation system, targeting it at the most pressing problems; restructure military careers; or increase force size. These options are not mutually exclusive. (*For more, see Gordon Adams, "National Security Resources."*)

The revitalization of the U.S. military should take place in the context of a long-delayed transformation of U.S. security strategy and de-

fense posture. The military should take increased advantage of the information revolution. For example, it should have significantly enhanced capability to identify precisely the centers of gravity of its adversaries and to calibrate the amount of violence it employs against particular targets. This means getting to know potential adversaries and having the capacity to detect, track, and discriminate among targets reliably. However, it also means that U.S. information systems must be robust enough that the United States is not required to strike first or risk going blind. (*For more on this topic, see Abram Shulsky, "Intelligence Issues for the New Administration."*)

For force-sizing purposes, the ability to conduct two large-scale military operations more or less simultaneously has been the basis for planning. The scenarios that have played the greatest role in shaping U.S. forces have been possible attacks by North Korea against South Korea, and by Iraq against Kuwait and Saudi Arabia. These two scenarios, while important, are insufficient for determining future U.S. power-projection capabilities. For planning purposes, the forces have to be tested against several different pairs of scenarios. Some should involve the use of WMD, missiles, and attacks against U.S. information systems. Moreover, U.S. forces should also have specialized capabilities for humanitarian and peacekeeping operations, which, while perhaps less critical to the national interest than major wars, are increasingly becoming the principal occupation of the military. Ad hoc operations will interfere with long-term plans if the United States does not fund them adequately. If the president asks the military, on a moment's notice, to take on unanticipated responsibilities, those operations need to be funded, but it would be wrong to assume that resources can be shifted to new priorities without any diminished capability to fulfill programmed requirements. (*On a similar topic, see David Ochmanek, "Getting the Quadrennial Defense Review Right."*)

The United States also needs to encourage its allies both to increase their capability for power projection and to be more effective in coalitions with U.S. forces. At times, Washington has been ambivalent about increasing allied capabilities and roles—especially in terms of allowing them more decision-making power in military operations. This ambivalence should be resolved in favor of sharing military technology and providing greater say for U.S. allies as they do more. In the case of Japan, the United States should encourage it

to acquire appropriate capabilities for supporting coalition operations. European efforts at defense integration and rationalization should likewise be encouraged. (*For weapon development and defense cooperation, see John Birkler, Mark Lorell, and Michael Rich, "Formulating Strategies for International Collaboration in Developing and Producing Defense Systems."*)

WORK PROACTIVELY TO IMPROVE THE INTERNATIONAL SECURITY ENVIRONMENT

To reduce future demands on the U.S. military and to promote stability, the United States should have a proactive engagement strategy around the world. The objective should be to promote international norms and institutions, rather than the use of force, to resolve disputes. The United States should address those situations that, because of a power vacuum or for some other reason, tempt others to use force or produce massive humanitarian crises. Given that democracies are less inclined to go to war against each other and that they tend to respect human rights, the next administration should continue to promote the spread of constitutional democracy and an increased standard of living among the poorer nations of the world. (*For more on Western and developing democracies, see F. Stephen Larrabee, "The United States and the Balkans," and Ian Lesser, "Policy toward Greece and Turkey."*)

U.S. instruments for pursuing these objectives—particularly the capacity for effective diplomacy—must be strengthened. Addressing smaller problems now can preclude them from becoming bigger problems later. Unfortunately, inattention and underfunding have allowed the U.S. diplomatic instrument to erode. The ability to defeat regional aggression in the Balkans and the Middle East reflects well on U.S. military prowess. The inability to prevent or deter these challenges, however, reflects badly on the country's diplomatic prowess. (*For more, see William Harrop, "The Infrastructure of U.S. Diplomacy."*)

The United States can expect the need for effective diplomacy to grow in the immediate future. As the world becomes increasingly interdependent and globalized, an increasing number of economic, social, and humanitarian issues, from disease prevention to envi-

ronmental issues, will become part of the international diplomatic agenda. These new issues are not readily amenable to the application of military power. They cannot be solved by one nation, even by the only global power. They require coalitions of concerned governments and organizations, working together to address issues. (*For more, see Richard Haass, "Humanitarian Intervention."*)

Only the president can lead in obtaining and maintaining congressional and public support for U.S. global leadership. Only he can make a compelling case for U.S. leadership, and only he can shape public attitudes. Building a more democratic and peaceful world should appeal to American idealism. However, this alone will not be sufficient. Given the complexities of the current era, the new president will have to use the bully pulpit to explain the U.S. role and strategy. (*For more on the need to set priorities, see Harlan Ullman, "The Three National Security Deficits: Purpose, Structure, and People."*)

Section II
ALLIANCES

U.S. POLICY TOWARD EUROPEAN DEFENSE

by James Thomson, RAND

The new U.S. administration should make an early determination of its position on the creation of European defense structures—decision processes and military commands—and the adaptation of the North Atlantic Treaty Organization (NATO) to accommodate them. The United States should be firmly behind European defense efforts and should avoid imposing obstacles to them. But, the United States has good reason to be cautious about adapting NATO to accommodate these structures until stronger military capabilities are really developed. If the Europeans make real progress on capabilities, Washington should be ready to adapt NATO to the new European structures.

BACKGROUND

There is considerable reason to be skeptical about the current European debate on the European Security and Defense Policy (ESDP). European nations have a history of big talk and small action on defense. Despite rhetoric about a European “pillar” for defense, Europe—with the notable exception of the United Kingdom and France—has consistently spent less on defense than the United States, both in absolute terms and as a percentage of GDP, and has thus fielded forces with less technological capability and lower readiness.

This mattered less during the Cold War than it does now. America’s NATO allies had the bulk of the ground forces that would have de-

fended Europe. In a virtual division of labor, the Europeans provided most of the soldiers while the United States emphasized technology—command and control, intelligence, tactical air power, long-range strike capabilities, plus, of course, nuclear weapons.

Now, the difference between U.S. and European efforts matters a lot. The Cold War left the United States with far more capabilities that are useful in protecting the mutual interests of the United States and Europeans. The most important challenges are on Europe's periphery or well beyond, emphasizing the need for rapid deployment over great distances. In many other situations, such as in Kosovo, either America's or Europe's vital interests might not be directly engaged. In those cases it will be desirable to have the option to use force in ways that minimize casualties, as in the NATO air attacks on Serbia in 1999. In other words, precision strike technologies could enable military operations in cases when it would be politically impossible otherwise. Such precision strike capabilities are chiefly the domain of the United States today.

The Kosovo air campaign illustrated the vast gulf between U.S. and European capabilities. The United States conducted two-thirds of the air sorties and almost all of the precision-strike missions. Had a ground invasion proved necessary, it would likely have been organized with U.S. command and control and with U.S. ground forces making up a large part of the invasion spearhead.

For the first time, European politicians had to face the reality that European defense is essentially toothless. They chafed at and were politically embarrassed by what was perceived as a lack of consultations by the United States over the campaign's conduct. Countries whose military contributions were weak felt cut out of the decision-making process.

The result has been a major shift in the European attitude toward ESDP. This has had three components. The first was a shift in rhetoric from political structures toward military capabilities. In the 1990s, the European debate on defense largely featured discussions on organization, which many Americans found misplaced given European military weakness. This has changed. The Blue Ribbon Weizsaecker Commission on the state of the German military argued strongly for fundamental reform of military structure and an increase

in defense resources. The European Union (EU) has put forward a "headline goal" of a capability to deploy within 60 days a force of 60,000 soldiers, plus air and sea capabilities, and to sustain it for a year in contingencies consistent with the "Petersberg" missions. Because these missions include peacemaking and not just peacekeeping, this implies that the force must be combat capable. The sustainability goal means that the total reservoir of forces should be roughly three times larger, which makes the headline goals a serious challenge for Europe.

The second component of ESDP occurred with a rapid integration of Europe's defense companies, underscored by the creation of EADS, the European Aeronautic Defense and Space Company. Now, two major companies occupy an economic space that once had an order of magnitude more. This consolidation should help to reduce inefficiencies in defense research and development, a part of a large efficiency problem that bedevils the European defense effort.

The third component was the British government's decision to take the lead in promoting an EU role in defense and security policy, rather than oppose such a role. This decision makes it possible to eliminate some of the complications of the "overlapping and interlocking" institutions responsible for European security. Thus the EU is incorporating the Western European Union (WEU) as its military arm. Former NATO Secretary General Javier Solana has become simultaneously the high representative of the EU for security policy, the secretary general of the Council of Ministries of the EU, and the Secretary General of the WEU. A military committee has been set up and a command structure will be needed for the force associated with the EU's headline goals.

THE U.S. DILEMMA

As challenging as they are, the headline goals are only a start in the direction of what is needed from the U.S. point of view. Washington should hope that Europe would seek to get as much military capability for the dollar or euro as the United States does. Given current levels of European defense spending, that implies a military force roughly 60 percent as powerful as that of the United States. As was apparent in Kosovo, however, Europe's force is significantly weaker.

The headline goals address only two of the critical weaknesses of the European militaries—deployability and sustainability.

Were Europe to create a military force 60 percent as powerful as that of the United States, it would be good news. The United States needs Europe as a strong military partner, for at least four reasons. First, the United States already has too many global responsibilities to handle alone—for example, security of Persian Gulf oil, stability in East Asia and the Balkans, and protection against the proliferation of nuclear and biological weapons. If the United States had to act militarily to fulfill these responsibilities, it would have a hard time responding effectively in multiple simultaneous cases. If another conflict had broken out during last year's campaign against Serbia, for example, U.S. air capabilities would have been strained.

Second, the United States shares common strategic interests with Europe, especially on Europe's periphery. The United States and Europe may need to act together to protect these interests. Third, domestic politics demands partners. Unless Americans sense a direct threat to a truly vital U.S. national interest, they are unlikely to support unilateral decisions to commit U.S. forces to combat. A coalition is politically essential.

Finally, a weak military partner can be worse than none at all. U.S. forces may have to operate suboptimally in coalitions with allies that possess backward technology. For example, according to Defense Secretary William Cohen, during the Kosovo conflict, the United States often had to communicate in the clear because some allies lacked interoperable secure voice communication. This sort of problem will become more severe if Europe continues to lag the United States in military technology.

An effective security partnership between the United States and Europe also requires organizations and processes for command and control of coalition forces and for planning and programming future defense capabilities. Up to now, these organizations and processes have existed in NATO. It is arguable whether the NATO mechanisms for planning future defense capabilities are effective, but the organs for command and control and for military combat support have proven crucial in the Balkans and were even important in the Gulf War, although NATO itself was not directly involved.

Therein lies the U.S. policy dilemma. The drive for a stronger European defense includes the creation of European defense structures—that is, organizations and processes. These could be antithetical to an effective NATO, which has functioned well as a consequence of U.S. leadership. Because the United States is the dominant power in an alliance of 19 sovereign nations, leadership is relatively easy to exercise. Many officials and analysts worry that independent European defense structures would lead to a bilateral U.S.–European NATO in which the United States must bargain with a unified European authority rather than lead 18 other independent nations.

The sorts of structural changes that some Europeans have advocated have included the integration of separable multilateral European commands into the NATO military structure; the replacement of U.S. officers by European officers in senior NATO positions; and a European caucus—effectively a European seat at the table in the North Atlantic Council and in other political and military bodies. Such a NATO structure would be more cumbersome and thus weaker because of the time and effort needed to forge a European consensus and the inability of the United States to exercise decisive leadership. It is clearly more efficient if the United States—after consultations, of course—essentially tells everybody what it wants them to do.

Many Americans, especially in the national security bureaucracy, worry that the weakening of NATO would be no accident, but rather a consequence of deliberate policy. The French antipathy toward NATO is long standing and arguably some French see European defense structures as an alternative to NATO. In addition, many Europeans understandably worry about U.S. reliability in future conflicts on Europe's doorstep. The domestic U.S. debates over the Balkans do not instill confidence among Europeans that the United States will always be there to help. Hence, from a European perspective, independent European structures and capabilities would simply be a wise insurance policy.

The United States has been wary of independent European structures and has continually stressed the importance of building European defenses within NATO—meaning within NATO as currently conceived. The United States has been especially fearful of the possible worst case—a NATO modified to accommodate the drive for independent European mechanisms, but without any significant

improvement in European defense capabilities. Given both past European performance and the nature of the political challenges European nations must confront to create a stronger defense, this is a real danger.

As a result, U.S. reactions to European calls for a greater defense effort after the Kosovo crisis were muted at best, even sour. Early statements tended to put conditions on U.S. support: The effort should be undertaken in NATO, Washington suggested, through the NATO Defense Capabilities Initiative that was launched at the 1999 NATO Summit. The United States further argued that the Europeans should avoid the “three Ds”—duplication, decoupling, and discrimination of non-EU members of NATO—notably Turkey.

More recently, U.S. statements have generally been positive, as officials have realized that negativity could prove counterproductive, even providing some European leaders an excuse not to make a serious effort. This is a tactical move, however, and some U.S. officials continue to complain about the “unnecessary duplication” of capabilities, which again leads Europeans to wonder whether U.S. rhetoric in support of European efforts should be taken seriously. These officials mean that Europe should not duplicate expensive capabilities that the United States could provide for them through NATO—although they do not think U.S. forces should do the same, were NATO forces to develop a capability the United States lacked. In short, some officials continue to see a U.S.-dominated alliance, not a true partnership.

THE EUROPEAN CHALLENGE

Creating a future European defense capability roughly commensurate with the money spent is a daunting task. The reasons for European military weakness are deeply rooted, and three roots in particular will have to be addressed.

First, defense monies are poorly allocated in most European nations. There are too many soldiers and not enough professionalism and technology. The armed forces need significant restructuring, a fact that is now widely recognized throughout European defense ministries, including in Germany, which itself has major structural problems. What was needed in the Cold War—lots of heavy ground

force units to defend the eastern border of West Germany—is no longer a necessity.

Recognition of the problem is the first step toward solution, to be sure. But the task is huge. New equipment must be developed and bought, new support systems created, bases closed, conscription ended, and military compensation adjusted to attract and retain high-quality professionals. There are numerous countervailing forces that will hinder, if not block, this transformation: institutional cultures; vested interests within government, military, and the private sector; localities fearful of the effects of closed bases; and so forth. The U.S. post-Cold War transformation, as extensive as it was, nevertheless was nowhere near as sweeping as what Europe faces. But in the U.S. transformation has nonetheless been difficult and is still less than complete.

A common European complaint is that the United States has impeded the technological development of European forces through its export control policy. This complaint certainly has merit. Successive U.S. administrations have not been able to overcome internal resistance to permitting unfettered European access to state-of-the-art U.S. technology. The fact that stronger allies would be good for the United States cannot overcome fears of technology leaks. Perhaps the recent developments within Europe toward the rationalization of defense industries will help, as Europe should become more of a technological equal to the United States. This could, in turn, create greater opportunities for transatlantic industry partnerships and technology sharing.

The second European challenge is that not enough money is being spent on defense by some key countries. Perhaps from a long-term perspective, Europe as a whole is spending a reasonable amount, especially when the European spending on the “soft” instruments of security—such as humanitarian aid and investment credits—are taken into account. But there are significant imbalances within Europe. The UK and France each spend roughly 3 percent of their GDP on defense, while the rest of the EU spends slightly more than half that percentage. Italy spends a mere 1.9 percent of its GDP on defense, and Germany, only 1.2 percent. These kinds of imbalances would be a cause of political friction if Europe truly moves toward an ESDP.

In addition, the defense transformation that is needed cannot be accomplished without more money. Just as a firm facing restructuring must invest up front to get hoped-for returns later, so must military forces. New equipment must be purchased and old capabilities retired, and both are costly activities. The low-spending countries face the biggest transformation challenges.

Low defense spending is built into European national budgets. Any significant increases will have to be paid for elsewhere—by cuts in other government activities, or by increased debt or revenues. Even during this current period of economic growth, none of that seems likely. Germany will be the bellwether. There, fiscal priorities are on tax and welfare reforms. Before the Weizsaecker Commission report, the German government planned more reductions in the defense budget. Now, Germany plans a small increase in 2001 and hopes to see financial benefits from efficiencies in subsequent years. This is not a particularly strong reaction to the transformation need.

Third, European defense monies are spent inefficiently. There are 15 separate military establishments in the EU, each with its own military services, headquarters, training, support, and research and development programs; this has led to overlap and duplication in capabilities, and as well as to vital interoperability problems. Washington is quite familiar with the problem of interoperability, given the scope of the U.S. defense establishment and the strong role of each of the four military services in training, equipping, and maintaining the forces. The creation of joint capabilities in the United States is always a challenge, but the European problem is multiplied at least 15 times, when one considers that each of the 15 EU countries also has its own military branches and may have domestic interoperability problems as well. Moreover, the United States has a set of centralized organizations and processes in the Department of Defense to address the inefficiency problem; Europe does not. Europe would be lucky to achieve a level of defense inefficiency as low as that which exists in the United States.

In the long run, Europe needs a central defense authority to make a serious dent in the inefficiency problem. This implies a unified European defense program, planned and administered centrally, even if implemented by national defense establishments. Some sort of enforcement mechanism, such as exists in the stability pact in the Eu-

ropean Monetary Union, will be needed to ensure that central plans are actually implemented. The national defense capabilities will need to be tied together operationally by combined multinational European commands.

At this point in the deepening of the European Union, such central authorities seem a distant vision at best. But smaller steps could be taken now that would start the process. Existing and planned assets could be pooled, so as to be procured and operated along the lines of the NATO airborne warning and control system (AWACS) program. In December 1999, the EU heads of state at Helsinki endorsed an old WEU idea for a European transport command. Two British policy-makers, John Roper and Timothy Garden, have suggested that a Eurofighter headquarters operate that new tactical air capability. Others have proposed creating common support capacities. A collection of steps like this may ultimately add up to something approximating a central authority.

But, it will be a missed opportunity if Europe does not soon create a central defense planning structure. Given that European policy-makers now accept the need for defense transformation, it would be a shame if each nation undertook transformation on its own rather than by working together. Rampant inefficiency would simply be perpetuated.

One can at least hypothesize that there is a lot of money (or its equivalent in capability) that could be saved via a rational plan for Europe's future defense capabilities. Here the U.S. wariness about independent European structures is paradoxical. Europe will not be able to build needed capabilities without them, and the notion that the rationalization of European defense should happen in NATO is not realistic. Rationalization—the reduction of multinational inefficiency—means some subordination of national decisions to the larger, multinational good: Some countries give up some missions to bolster other capabilities. The United States would not do that, but it is at least conceivable that EU nations would. The NATO defense planning process has no real clout, as the United States has long bent the process to reflect U.S. national defense planning and others have followed suit. Something new—with real political influence over national programs—will have to be developed in the EU for there to be at least a chance for defense rationalization.

CONCLUSIONS

The United States should firmly support European efforts to build a stronger defense capability, including the creation of intra-Europe defense structures, because these will be necessary for Europe to build a stronger defense capability. The United States should stop complaining about duplication and let the Europeans stand on their own two feet, if they can. A militarily strong and competent Europe would relieve the United States of some burdens, ensure that the United States and Europe can act together militarily, and help to quell growing American domestic opposition to U.S.-dominated coalition operations, especially when U.S. vital interests are not engaged.

A more united and militarily stronger Europe could also be a more assertive and difficult partner. But the basic foundations of a strong European-U.S. security partnership are likely to override difficulties. Western interests are broadly aligned; Europe and the United States share the same basic principles. A few difficulties would be worth it.

The danger for the United States is that Europe could become a more united and assertive partner without adding seriously to its military capabilities. But a politically strong but militarily weak Europe will not be assertive unless the United States agrees to alter the NATO structures that weaken the U.S. ability to lead the alliance. Thus, the United States should clearly separate its attitudes toward developing European defense structures and adapting NATO structures. Washington should be firmly in favor of the former and wary of the latter. If Europe becomes militarily strong, the United States should be happy to alter NATO to accommodate it, thus creating a true twin pillar alliance. If Europe does not become strong, then the United States should not agree to adjustments. Washington cannot afford to bet on the outcome.

How the Europeans handle their headline goals will be a watershed. Even if taken seriously, these will be difficult if not impossible to meet by 2003, because some new capabilities will have to be created. If Washington's European allies admit this and lay out a sensible and achievable plan to move ahead, it will be good news. Nevertheless, it will be a long time before the United States knows whether European defense capabilities are improving. Some leading indicators, how-

ever, might include increased defense spending in Germany and other low-spending nations. The creation of true multinational planning mechanisms with real political clout would be another indicator. Steps toward combined military assets would be yet a third.

The political desire among Europeans to declare victory will be tough to resist, but U.S. defense analysts will be able to tell the difference between true progress and rhetoric. Washington will be able to see whether the Kosovo experience has truly reversed the previous European preference for communiqués over capabilities. If indicators show that real progress has occurred, the United States can be more relaxed about NATO adaptation.

NATO ENLARGEMENT: DECISIONS FOR THE NEW PRESIDENT

by Robert E. Hunter, RAND

At its April 1999 Washington Summit, the North Atlantic Treaty Organization (NATO) reaffirmed its pledge to keep the “door open” to new members, and nine Central European countries have applied to join.¹ Allied leaders further pledged that they would review the applicants’ progress to meet membership conditions at the next NATO summit, to be held no later than 2002. To be sure, the 1999 summit communiqué did hedge its bets—noting, for example, that decisions about NATO enlargement would be taken “as NATO determines that the inclusion of [further] nations would serve the overall political and strategic interests of the Alliance and that the inclusion would enhance overall European security and stability in light of the overall political and security situation in Europe.”² Nevertheless, expectations are high throughout Central Europe that, in 2002, the alliance will invite one or more countries to join.

The new U.S. president inaugurated next January does not have to decide soon whether to promote further NATO enlargement in 2002 or to choose which applicant countries to support for membership. These decisions can be deferred, the former in all likelihood until late

¹ The nine applicants are Albania, Bulgaria, Estonia, Latvia, Lithuania, Macedonia, Romania, Slovakia, and Slovenia.

² See Paragraph 7 of the April 24, 1999, NATO Summit communiqué, relevant portions of which are included in this essay’s appendix.

in 2001 and the latter until the few months before the (notional) NATO summit, although the sooner the United States makes its views known, the sooner the alliance can begin working toward a consensus. But soon after inauguration, the president will have to act in three related areas:

First, he will need to indicate publicly that he supports the principle of further NATO enlargement—reiterating pledges made in 2000 by both major party presidential candidates and party platforms³—but he can withhold, if he chooses, any specific commitment regarding 2002. The new president must be prepared to make this reiteration of the principle of enlargement by the time of his first press conference or meeting with a European leader. Failure to do so would be interpreted throughout Europe as a backing away from the “open door” pledge and would have a negative effect on a wide range of U.S. NATO policies. The new president can choose that course, but, if so, he must be prepared for widespread questioning of U.S. credibility in Europe. Second, he will need to reaffirm the overall U.S. commitment to European security and willingness to continue exercising leadership within the alliance—an enduring requirement at the beginning of every new administration, closely watched by all European countries, despite the end of the Cold War. Finally, he will have to begin laying the groundwork for his later decisions about whether to promote NATO enlargement in 2002 and, if so, which countries to support.

This last step will be necessary so he can preserve the option for a 2002 enlargement decision, for a simple but compelling reason: To produce a successful outcome, this decision cannot be seen on its own, but only in relation to a number of other policies and actions, some of which will take significant time and effort to bring to fruition. This was also true before the NATO decision at its 1997 Madrid summit to invite Poland, Hungary, and the Czech Republic to join. NATO enlargement is a package of policies, and that will be even more true the next time around, when overall allied support for further enlargement is, as of now, less robust.

³ For party platform excerpts, see http://www.dems2000.com/AboutTheConvention/03d_peace.html; and <http://www.rnc.org/2000/2000platform8>.

THE PACKAGE OF EFFORTS

Several key steps must be taken soon in the new administration in order to preserve the president's options for further NATO enlargement in 2002. These include the development of an overall U.S. strategic policy toward European security that demonstrates the place Europe occupies within U.S. global security perspectives. If allies perceive that the United States is reducing the degree of its commitment, then later decisions about NATO enlargement will be deeply affected; as in the last round, the alliance's decision to take in new members is first and foremost about the strength and credibility of the overall—and enduring—U.S. strategic commitment to European security. It goes without saying, of course, that the national missile defense (NMD) issue must be managed in a way that does not cause decisive damage to the NATO alliance or to U.S. credibility within it.

Another step involves basic decisions about the future of U.S. engagement in the Balkans, including the U.S. role in the Bosnia Stabilization Force (SFOR) and the Kosovo Peace Implementation Force (KFOR). What the new president decides here—or lets continue without fresh decisions—will be an important signal of the depth and character of U.S. strategic engagement on the continent, as well as of specific attitudes regarding the importance of the Balkans, whose general region contains five of the nine countries aspiring to NATO membership. Of course, decisions to reduce U.S. involvement in collective NATO actions in the Balkans, unless they are the outgrowth of common allied agreement, would raise questions among allies about U.S. staying power and would thus effect deliberations about further NATO enlargement. This point took on major significance, after key advisers to presidential candidate George W. Bush announced that a Bush administration would leave the responsibility for NATO peacekeeping to the Europeans. That could have a serious, negative effect on allied willingness to continue with NATO enlargement. By the same token, allies interested in NATO enlargement toward the southeast should be encouraged to make diligent progress with the European Union's Stability Pact for Southeast Europe and other efforts to reduce the still very considerable risks of instability in the region—concerns that continue to apply in some measure to both Romania and Bulgaria, and with stronger reason to Macedonia and Albania.

U.S. and allied efforts to foster progress among the three most recent members in meeting expectations about their performance, including military reform, constitute a third key action. What Poland, Hungary, and the Czech Republic are judged to have done by 2002 will help to condition opinion, especially in the U.S. Senate, about NATO's taking in new members at that time.

Parallel efforts should also be taken to promote both NATO's Partnership for Peace (PFP) and progress within individual states aspiring to join NATO. The former is important not only to help prepare aspirant countries to join NATO, but also to help cushion the domestic political effect of rejection at the next allied summit—for those countries not invited at that time—by continuing to develop close engagement of these countries with NATO, short of actual membership. The latter effort is important to help ensure that any countries selected to join NATO in 2002, on whatever criteria, are in fact moving toward meeting objective conditions for being effective allies.

The next administration should reaffirm the Baltic Charter and work to develop further its practical aspects. Even if the new president is determined to seek invitations for all three Baltic states to join NATO in 2002, this effort will both preserve his option and signal the importance of these countries to the United States; if he is not so inclined, promoting the Baltic Charter must be part of efforts to help disappointed applicants politically.

Another key step the next president should take is to develop policies toward Russia designed, to the extent possible, to reduce its opposition—in practice, if not in rhetoric—to further NATO enlargement. This effort, especially important if the new U.S. president wants to preserve his option to support NATO membership invitations in 2002 for one or more of the Baltic states, needs to be initiated rapidly to have time to succeed—if success is, indeed, possible. These policies can include continued efforts to build NATO–Russia cooperation, along the lines of those policies undertaken in the 1990s with mixed results. Of course, developing a basic, long-range set of policies toward Russia will be a matter of high priority early in the next administration even without considering the option of future NATO enlargement.

The next administration should also initiate discussions with the European Union (EU) about that body's pace, timing, and direction of enlargement. The EU has long rejected the creation of any correspondence between EU and NATO enlargement decisions. In terms of reassuring countries not selected for NATO membership, however, prospects for joining the EU make great political sense; for example, such an arrangement was decided, without NATO-EU consultation, in the EU's decision to put Estonia on the fast-track to EU membership. Given the degree of expectations in Central Europe about engagement in Euro-Atlantic institutions, the next administration should not be shy about pressing this case.

Once the administration has decided on its strategy, it should engage in early consultation and coordination with NATO allies regarding this entire package, and it should also seek early discussions on Capitol Hill, and especially with the Senate and its principal committees—Foreign Relations and Armed Services—about the administration's overall policy toward NATO, the Balkans, and enlargement. These discussions should include steps being taken in regard to reform efforts—military and otherwise—in the three new member states and in individual aspirant countries.

DECIDING ON THE INVITEES

Presuming that the next president does not elect to abandon the U.S. and NATO pledge of the "open door," the administration should begin, in 2001, its own internal deliberations about the number of countries to be given serious consideration for invitation to membership at a 2002 NATO summit—as well as whether that summit should take place early or late in the year, a decision to be influenced in part by the pace of other efforts discussed above.

It is already clear that the United States and allied states have developed individual sets of criteria for judging whether aspirant states would be acceptable as NATO members. These criteria remain subjective and can be viewed as gates to be cleared rather than positive indicators for admission: few if any allied states would be prepared to create a "check list" that would lead to "automatic" membership. In addition, decisions about enlargement within the alliance will be more difficult in 2002 for several reasons. First, the two key countries bordering on Germany—Poland and the Czech Republic—have al-

ready been admitted, thus fulfilling Berlin's aspiration to "surround itself" with NATO allies. Second, NATO has shown that, as a matter of principle, it is prepared to project stability into Central Europe. Third, the most important aspirant countries, geopolitically in relation to the former Soviet Union and especially Russia, have already been admitted. Fourth, there will be careful analysis of the practical results of the admission of Poland, Hungary, and the Czech Republic to determine whether enlarging NATO increases its capabilities or at least "holds harmless" existing capabilities. By the same token, decreased pressure within NATO to take in any particular aspirant state or, for some allies, any at all, will lead to intensified scrutiny about the readiness of countries to assume the burdens of NATO membership.

Fifth, no current aspirant country is likely to generate the amount of domestic political support in the United States that was developed for Poland, and from which Hungary and the Czech Republic also benefited. Sixth, the Kosovo conflict dramatized the potential obligations that NATO would take on if it admitted countries from that region, as opposed to the virtually "free good" in terms of such obligations represented by the first three aspirants. Seventh, the added sensitivity in some allied countries, especially following the Kosovo conflict and the election of Vladimir Putin, to Russian objections to NATO enlargement, especially regarding the Baltic states; this is contrasted with doubts in some allied countries that a next round of NATO enlargement could be conducted that patently sidelined all three Baltic states. Eighth, the U.S. Senate, and especially the Senate Armed Services Committee, is likely to play a more skeptical role even before the president makes his own decisions. Other allied states will also question the pace and extent of NATO enlargement—as well as the selection of individual candidates—in terms of NATO's capacity to remain effective militarily, with all that that concept applies, including the functioning of the integrated military commands. Ninth, the departure of Slobodan Milosevic from the Yugoslav Federation should reduce risks of conflict in that region of Europe and, with it, some allies' support for extending formal NATO commitments in that direction. And finally, it will generally be more difficult to justify within the alliance, in terms of a coherent and consistent set of criteria, virtually any combination of states to be selected for entry. Poland and the Czech Republic—and to a lesser degree,

Hungary—were the “obvious” choices in 1997. Only Slovenia and perhaps Slovakia at this point would appear to be “obvious,” and neither has yet fully demonstrated that it meets the list of implicit criteria set by various allies.

Furthermore, the entire process of NATO enlargement has not yet adequately addressed a more basic question: What is the strategic rationale for taking in new members, especially particular countries? There has been a general proposition that Central European countries have a right—and the West a duty to honor that right—to become full members of Euro-Atlantic institutions. Such a proposition is implicit in the philosophy and values of the West, the basis on which it fought the Cold War, and the documents creating the great Western institutions, including NATO and the EU. For NATO, the primary arguments for membership involve questions of location (is the country next to Germany, on the direct route to Russia?), reform (has it undertaken political, military, and economic efforts?), relations with neighbors (has the country renounced territorial claims?), and whether a country is prepared to meet requirements of actually being an ally. Beyond those four issues, the most compelling added argument was that, for Central European countries to proceed most productively with reforming their politics, economics, and other institutions, they needed to have a strong sense of confidence that they would not again become objects rather than subjects of European politics, battlegrounds for great-power conflict. This is the heart of the current NATO and U.S. commitment.

NATO has also adopted the general principle that any member state of the Organization for Security and Cooperation in Europe (OSCE) can, in time, become a NATO ally, provided it is ready and willing to shoulder the responsibilities of NATO membership. Implicitly, this could also include Russia.

But beyond these two general propositions, buttressed by the other arguments advanced for the admission of particular countries, NATO has not developed a convincing rationale with regard to the directions and how far it should enlarge at any particular point and whether, in practice as opposed to theory, there is any limit to membership. These issues already relate to the timing of the next enlargement decisions in regard to assuring that NATO will still be able to function as an effective alliance, as well as to judgments that must

be made at any point about the effect of these enlargement decisions on external countries, especially Russia. Whatever the theory—or commitments—about not honoring Russian “red lines” with regard to new NATO allies, including any state formerly a part of the Soviet Union, several of the allies will be acutely sensitive to potential responses in Moscow.

Although specific NATO enlargement decisions—the question of “who”—may in fact be made on an ad hoc basis, there will be increased interest, including in parliaments that are being asked to make commitments, as to the nature of the commitments being undertaken, in practice, and the overall strategic rationale for choices made. These points need to be developed during the period before the 2002 summit.

THE RANGE OF ALTERNATIVES

As in 1997, there is little doubt that the United States will have the most influence within the alliance about which countries will be invited to join, whether in 2002 or later. This is particularly true since Germany has gained its preferred candidates, France appears to be less enthusiastic than it was before for Romania (although that could change), and extending membership into either the Baltics or the Balkans would require clear U.S. engagement—the former because of the need for U.S. leadership in dealing with Russian objections, and the latter because commitments that come with membership could be called upon by one or more Balkan states, and that, for the foreseeable future, would require major U.S. participation in any military, or even political, response.

The following are possible choices for the next administration and the alliance:

1. *No Invitations.* This is theoretically possible; indeed, the criteria set out in Paragraph 7 of the Washington Summit communiqué provide that latitude.⁴ Yet, except in extraordinary circumstances, it would be difficult for the alliance to reject all nine applications without falling prey to charges of lack of purpose and loss of credibility. Try-

⁴ See the appendix.

ing to justify delay—even with attempts to create some form of added engagement with NATO between Partnership for Peace and full membership—is unlikely to satisfy any aspirant country; moreover, PFP is designed to fill all the space short of full membership.

2. *The 'Big Bang.'* This alternative, subscribed to in general terms by all nine aspirant countries in Vilnius in May 2000, is designed in part to enable each of the nine to reinforce the case for all of them; to gain greater attention for enlargement, as such, by demonstrating solidarity, including in efforts to undertake necessary internal reforms; and, in the process, to avoid some sort of diplomatic "beggar thy neighbor" policy. Supporters of the Big Bang argue that it would (1) facilitate creating a coalition of allied supporters—no "log rolling" or regional pressure-groups would be needed; (2) provide Russia certainty and predictability, rather than with a crawling approach that could provoke a new reaction each time NATO took a fresh enlargement decision (implicitly, some Big Bang supporters admit, the message would be "these nine and no farther," and Ukraine would also be implicitly excluded from NATO membership at least for many years); (3) satisfy all aspirants and avoid the implication of new lines of division, at least in the middle of the continent, that would create Central European haves versus have-nots; (4) ensure no weakening of democratic processes—or recrudescence of tensions with neighbors—in countries disappointed for a second time; and (5) permit both NATO command structures and military reform programs to rationalize their efforts.

Arguments for the Big Bang, however, have to be measured against skepticism that it could garner widespread support within the alliance. For one thing, several allies would be unwilling to take such a risk with regard to Russian reactions. It will be difficult enough for them to test the waters with a single Baltic state; to flood NATO membership could, in their judgment, simply drive Russia out of the game of cooperation and back into isolation and obduracy. For another thing, proponents of a NATO that must be seen as militarily strong and effective at every point in its evolution would have deep misgivings about such an abrupt taking in of new members, some clearly problematical in military terms and also political and economic terms. In all likelihood, the U.S. military would object to the uncertainties of potentially having to defend such a group of countries, however remote that contingency might be. And allied coun-

tries that are less enthusiastic about any further enlargement would find the Big Bang simply out of bounds—if, that is, NATO were to continue being considered a serious military alliance, as is a basic premise of all allies' defense strategies. The Big Bang, therefore, is unlikely to attract sufficient support within the alliance to be a viable alternative in 2002.

3. *Single Nation.* Most—perhaps all—of the allies could coalesce around admitting Slovenia, assuming that it continues on its current pace of reforms. It was nearly admitted in 1997, and it has the virtues of providing a land bridge to NATO member Hungary, of not needing NATO's Article V protection from any foreseeable direction, of not being a likely significant drain on allied resources, of being economically quite solid, and of being virtually invisible to Russia. As a token to demonstrate that the “open door” is still viable, Slovenia would be an obvious choice; but this might be so obvious as not to satisfy those in Central Europe concerned about the credibility of the NATO “open door” pledge.

4. *Two Countries.* In this scenario, a second country could be added. By most allies' reckoning, this would be Slovakia. It had been one of the original Visegrad states, but it failed to qualify for NATO membership at the Madrid Summit because of policies pursued by former President Vladimir Meciar. With progress in democratic development, Slovakia is generally considered to have resumed its place on the “fast track,” in part because of its geography and connection to the Czech Republic. To qualify in the future, however, Slovakia will need to keep on the path of internal political and economic reform; it will also need to take steps, well beyond what it has done so far, in military reform and adaptation to NATO standards.

Another “second country” possibility would be Austria, especially because it borders on Germany. Austria has not yet applied to join, however; there is little enthusiasm for its candidacy within NATO; and some time may still have to pass in Austria's internal political development before it would find unanimous support among allies for NATO membership.

5. *Two Countries Plus 'n' Countries?* Neither Slovenia nor Slovakia should be controversial within the alliance. But if NATO were to invite any third country—or more—which should be chosen? To most

allies, Albania and Macedonia are regarded as not ready to be included within NATO; both are widely seen as “problematical” in the sense that each has special difficulties related to the 1999 Kosovo conflict and its aftermath. Ironically, many allies are loath to include as formal allies countries that might actually have need of an Article V commitment—and, indeed, both Albania and Macedonia were, in effect, given temporary coverage against aggression, analogous to that provided for under the North Atlantic Treaty’s Article V, during the Kosovo conflict.

This analysis demonstrates a key element in considerations about NATO’s future: the distinction between the political virtues of membership and the military requirements of the Article V guarantee: they are clearly not the same; indeed, NATO countries, individually or collectively, can undertake a strategic commitment to a country without its being a formal alliance member.

Romania and Bulgaria are both pushing hard to be included in the next round of NATO enlargement, and both have their champions within the alliance, especially in southern Europe. How far each will have progressed by 2002 toward meeting implicit NATO standards, in terms of military reform, economic progress, solidity of democratic institutions, and enduring, positive relations with neighbors can only be judged nearer that year’s projected NATO summit. Also at issue will be whether NATO’s current members—and in particular the United States—will want to see the alliance enlarged by as many as four countries in 2002.

At the same time, a number of NATO allies are pressing for the inclusion of at least one Baltic state, to show that NATO can enlarge in that direction and that it is not being dissuaded by the Russian “red line.” Lithuania is most often cited, if only one Baltic state were to be invited to join NATO at this point, in large part because it is contiguous to NATO territory—Poland—and has a relatively small Russian minority. By contrast, Latvia has a large Russian minority, while Estonia, considerably separated from NATO territory, is, as noted earlier, on the fast track to EU membership, which many allies would see—though they rarely say so—as “compensation” for not being invited to join NATO.

In terms of the internal alliance politics of NATO enlargement, including one or more of the Baltic states is likely to be most controversial, because of Russian objections. At the same time, creating a consensus within the alliance for including states from either the Balkan or the Baltic region may require choosing at least one of each—an example of political log-rolling, if not strategic coherence. None of these decisions, however, needs to be made before 2002.

CONCLUSION

As the United States is leader of the alliance—in fact and in expectation—what the new administration decides to do about NATO enlargement in 2002 will be highly influential and likely decisive within the alliance. Most important for the administration's first year, however, will be to keep the president's options open. To do this means reaffirming NATO's basic commitment on enlargement, beginning a process for considering what to do at a 2002 NATO summit, and, in some ways most important, beginning soon to take the steps needed so that further NATO enlargement will contribute to the alliance's capabilities, its continued political cohesion, advancing the goal of including Central European countries fully within the West, and buttressing overall European security. Thus, as was true before the 1997 Madrid Summit, the process leading to further NATO enlargement, and the character of the corpus of NATO activities, will be critical.

Appendix

Paragraph 7 of the April 24, 1999, NATO Summit Communiqué (relevant parts)

We reaffirm today our commitment to the openness of the Alliance under Article 10 of the North Atlantic Treaty and in accordance with Paragraph 8 of the Madrid Summit Declaration. We pledge that NATO will continue to welcome new members in a position to further the principles of the Treaty and contribute to peace and security in the Euro-Atlantic area. This is part of an evolutionary process that takes into account political and security developments in the whole of Europe. . . . The three new members will not be the last. . . . The Al-

liance expects to extend further invitations in coming years to nations willing and able to assume the responsibilities and obligations of membership, and as NATO determines that the inclusion of these nations would serve the overall political and strategic interests of the Alliance and that the inclusion would enhance overall European security and stability. To give substance to this commitment, NATO will maintain an active relationship with those nations that have expressed an interest in NATO membership as well as those who may wish to seek membership in the future. Those nations that have expressed an interest in becoming NATO members will remain under active consideration for future membership. No European democratic country whose admission would fulfill the objectives of the Treaty will be excluded from consideration, regardless of its geographic location, each being considered on its own merits. All states have the inherent right to choose the means to ensure their own security. Furthermore, in order to enhance overall security and stability in Europe, further steps in the ongoing enlargement process of the Alliance should balance the security concerns of all Allies. We welcome the aspirations of the nine countries currently interested in joining the Alliance. Accordingly, we are ready to provide advice, assistance[,] and practical support. To this end, we approve today a Membership Action Plan. . . . We direct that NATO Foreign Ministers keep the enlargement process, including the implementation of the Membership Action Plan, under continual review and report to us. We will review the process at our next Summit meeting[,] which will be held no later than 2002.

U.S. ALLIANCE RELATIONS IN THE GLOBAL ERA

by David C. Gompert, RAND

If the United States is to have effective alliances in the future, they must be strategically purposeful and politically equitable. Of its two principal alliances, the North Atlantic Treaty Organization (NATO) and the U.S.-Japan defense relationship, neither one currently measures well along these yardsticks. This essay examines alternative approaches to these alliances, screening the options first according to strategic value and then according to fairness. The result is a recommendation to recast both alliances, the better to meet these standards of effectiveness.

STRONG FRIENDSHIPS, SHAKY ALLIANCES

Ten years after the end of the Cold War that spawned them, U.S. alliances with Western Europe and Japan are intact even though the bloc that opposed them is long gone. There are three reasons for this surprising durability: (1) the cohesiveness of democratic ideals spanning the north Atlantic and north Pacific; (2) shared stakes in an increasingly integrated global economy; and (3) particular security problems—namely, North Korea and Yugoslavia—that have made each alliance at least situationally useful.

Because the first two conditions are likely to persist, so too should friendly relations between the United States and both Western Europe and Japan, without which alliances obviously would be out of the question. Of course, other futures cannot be excluded: Economic rivalry and a more uppity European Union (EU) might fray or sever

U.S.–European cooperation. Japan might become ambitious and unreliable. The United States might shelve its 50-year commitment to multilateralism for lack of the spur provided by a global enemy. If seen to be making its own rules, while no longer willing to sacrifice disproportionately to keep its alliances together, a unilateralist United States could reinforce any European or Japanese tendency to set an independent if not contrary course.¹

More likely, though, the forces of economic and political affinity will prevail: the former because the economies of the United States, EU, and Japan are gradually merging; the latter because their shared values are becoming even sturdier, as democracy flourishes globally and as their citizens have access to common information, from CNN to MTV. Although U.S.–EU and U.S.–Japan relations could become more competitive in some senses, they will stay friendly in the most basic sense.

While it has thus far helped to keep the two alliances going, friendship alone does not assure effective military pacts in perpetuity. After all, these pacts were erected mainly because Japan and Western Europe needed protection, not merely because these allies were democratic or cooperative. Common values and economic interests are insufficient to energize defense collaboration and instill a sense of shared commitment to international security. There must also be a compelling strategic purpose, but neither alliance has found or at least declared one.

So far, this lack of an unambiguous, agreed strategic purpose has not undone either alliance: Peacekeeping in the Balkans has kept NATO usefully busy, just as North Korea has kept the United States and Japan focused. Yet, nasty as they are, the Balkans and North Korea are limited, presumably transitory problems. Although more flare-ups between Serbs and Albanians can be expected, Greater Serbia has been defeated and deflated. Take away Slobodan Milosevic and the Balkans should steadily recover from his savage policies. Similarly, North Korea is a decrepit dictatorship whose only leverage is a threat—chilling though it is—to use weapons of mass destruction (WMD) if attacked. Although its demise might not be imminent, its

¹ Robert Gilpin, *The Challenge of Global Capitalism: The World Economy in the Twenty-First Century* (Princeton, N.J.: Princeton University Press, 2000).

days, like its options, are numbered. Both these situations warrant attention and could require allied action, but they cannot be lasting *raisons d'être* for the alliances between the United States and the world's other two leading economic, democratic powers.

STRATEGICALLY POINTLESS, OR JUST RUDDERLESS?

Artful communiqué-drafting, jovial photo ops, and puffy references to shared ideals cannot hide the fact that neither NATO nor the U.S.–Japan defense relationship has set forth a compelling strategic purpose. Such justifications as “stability” in Europe and East Asia, while unexceptionable, do not translate into strategies or impel serious joint defense efforts. The official and intellectual stewards of each alliance argue with conviction that theirs is needed in order to keep the United States engaged in East Asia or in Europe, but they are vague or evasive when asked why that engagement will be imperative in the future.

The thought of alliances in search of strategic rationales is disturbing. Although public support for them is solid among all members, this could wane if the costs grow and disagreements over directions erupt. The public feels it needs them, but either it does not really know why or it knows but cannot say:

- Is the alliance with Japan intended to check the rise of China? If not, then what is its purpose? It is said that the U.S.–Japan alliance obviates the need for Japanese remilitarization. But this implies that the alliance satisfies some profoundly important need that Japan would otherwise be impelled to meet on its own at great expense. This begs the question: What would motivate Japanese remilitarization? The answer is surely China, but neither Japan nor the United States chooses to say so.
- Is NATO to become the maker and keeper of peace in Europe and adjacent regions, such as Africa and the Middle East? If so, why not say it?² If not, then why continue it? Is it a hedge against a resurgent Russia? If so, the motivation will continue to shrink

² Talmudic scholars would be hard-pressed to find such a rationale in the latest official documentation of NATO's “strategic concept.”

as it becomes ever clearer that Russia will not, because it cannot, resurge. If NATO's purpose is merely to police the southern Balkans, it follows that NATO will decline in importance as the EU takes more responsibility there, as both the United States and Europeans say it should.

Unless and until their purposes are clarified, these military alliances are on borrowed time, even as shared democratic values and economic interests sustain amicable U.S.–EU and U.S.–Japan ties. Paradoxically, they are vulnerable not only to crises, which could fracture them, but also to the absence of crises, which could reveal a lack of utility.

Of course, strategic rationales for these alliances must address U.S.—and European and Japanese—security needs, interests, and responsibilities in the new, global era. These include the security of world energy supplies; countering the proliferation of WMD; preventing aggression in key regions; stopping genocide; safeguarding global flows of goods, capital, and information; and dissuading rising powers from confrontational behavior. With these security challenges in mind, several interesting strategic ideas can be imagined for U.S. alliances.

THE ALTERNATIVES—FIRST PASS

Option 1: A More Equal, More Global U.S.–European Partnership. NATO could become a true Atlantic partnership, able and willing—though not obligated—to protect common interests and to fulfill common responsibilities wherever needed. This could include keeping peace in the Balkans, responding to humanitarian catastrophes in Africa, guaranteeing Arab–Israeli peace agreements, maintaining security in the Persian Gulf region, and fighting terrorism worldwide. For the Europeans to accept a stronger role alongside the United States everywhere except in East Asia and, of course, the Americas, the United States would be obliged to treat Europeans as partners instead of followers. The United States would then be able to devote more resources and attention to East Asia, especially to what looms as the greatest challenge of the new era: China. The

increasingly robust U.S.–European partnership might, in time, even contribute directly to discouraging China from a provocative path.

Option 2: A U.S.–European Division of Labor. The United States could shift the main responsibility for keeping peace in Europe—but only there—to European shoulders, thus freeing Washington to deal with challenges elsewhere, including the Middle East and East Asia. This arrangement would respond to the post-Kosovo intention of Europeans to reduce their dependence on the United States for security on their own continent. Rather than a partnership, NATO would become a mechanism to manage a division of labor between the EU and the United States, as well as an insurance policy for Europe should unforeseen circumstances require renewed U.S. involvement there. At the same time, a more muscular U.S. presence in East Asia would make it unnecessary for Japan to take greater responsibility for regional security.

Option 3: Rebalanced Regional Partnerships. Both the EU and Japan could accept more responsibility within the existing alliances for security in Europe and East Asia, respectively. The United States would continue to be engaged in both regions while remaining the security guarantor of Middle East peace and world petroleum supplies. The rationale for this alternative is that the United States is a global power and the EU and Japan are, at most, regional ones. Although Japan has less of an appetite than the EU for a larger security role, the recent expansion of its supporting role in regional contingencies suggests that more regional responsibility-sharing on the part of the Japanese is possible within the strict framework of the defense relationship with the United States.

Option 4: Worldwide U.S. Leadership. Finally, the United States could reassert its primacy in both alliances and in all regions where serious security problems exist, especially the Middle East, East Asia, and Europe. The rationale would be that U.S. military and technological superiority is growing and that being the planet's superpower brings unique responsibilities and prerogatives. U.S. "unipolarists" would see an added payoff in discouraging the rise of any other power—be it China, the EU, or Japan. Proponents of a multipolar world—China, India, Russia, and France—would be frustrated but unable or unwilling to alter the situation. An anti-U.S. grouping would be

unlikely to coalesce because its would-be members could not afford to discard the security and economic benefits of U.S. ties.³

Although purposeful, these four alternatives are not necessarily all equitable. Therefore, some might not be able to win and sustain political support. In particular, the American public might not be satisfied that the other great democratic powers, having enjoyed the benefits of U.S. protection for so long, are bearing responsibilities commensurate with their economic means and their own security interests.

FAREWELL TO FREE-RIDING?

The United States was willing to bear disproportionate burdens and risks in its alliances when its very way of life was threatened and its allies could not protect themselves. That willingness is seeping away because the conditions that once justified it no longer exist. Increasingly, if the distribution of responsibilities within an alliance does not reflect the respective interests and capacities of the parties, that alliance will become contentious, ineffective, and fragile. Whereas the decline in U.S. willingness to sacrifice disproportionately has thus far been gradual, it could go into a nose-dive in the event of a crisis that costs the United States more dearly than its allies, especially in lives.

Out of habit, or because they are friends, the awesome capacities of the EU and Japan are generally underappreciated. In today's world, power—the modern, useful kind—is concentrated in the United States, the EU, and Japan. Neither sagging Russia, with its eleven time zones, nor ascending China and India, with their teeming populations, can match the technological and economic strength of the leading democracies. Precisely because of their political and economic freedoms, the United States, Europe, and Japan are superior at creating and using information technology, the main source of power in the new era. Their human and financial capital put them in a league of their own.

³ This explains why China and Russia have not formed an anti-U.S. coalition, despite predictions that they would based on classical balance-of-power reasoning.

Although far behind the United States, Europeans collectively have the world's second most capable military establishment. (Japan could easily field strong forces within a few years of a decision to do so.) Along with the United States, the EU and Japan manage the world economy; their trade and investments give them great leverage in world politics; and, of course, they are blessed with powerful friends—one in particular—and weak enemies.

Why, then, do these two other centers of power play marginal roles in world security and comparatively modest roles in their alliances with the United States? Why do Europe and Japan lack the U.S. global perspective, when their interests are just as global? And why is it that the two alliances have essentially the same political characteristics they did back when Europe and Japan were vitally dependent on U.S. protection: hierarchies under U.S. leadership; forces under U.S. command; lop-sided distributions of responsibilities, burdens, and risks; a psychology of dependence?

To a large extent, the situation has remained the same because the Europeans and Japanese are content to have it this way. Free-riding is a hard habit to kick. It is also rational, at least in the short term. As long as the United States is prepared to defend common interests and international security where the dangers are greatest—Korea, the Taiwan Straits, the Persian Gulf—without significant allied help, there is scant incentive for those allies to help. Japan has grown used to, if not dependent on, concentrating its resources and policies on furthering its economic position. Europeans, while expressing interest in a world role, are consumed with consolidating prosperity and unity at home.

Of the two, the Europeans are better prepared and more inclined than Japan to take on larger roles in their own region, the world, and their alliance with the United States. There is a growing resolve among Europeans to develop a defense component to their evolving union. The appointment of a director for "common foreign and security policy" and the decision of one after another European country to develop modern deployable forces suggest that a corner has been turned. Still, the Europeans appear far more willing to take responsibility to put out nearby brushfires than to intervene forcibly in

more distant and dangerous regions.⁴ Consequently, the average American will continue to spend twice as much as the average European on defense, and U.S. forces will become more exposed to WMD than will those of Europe.

In Japan's case, important third countries—notably, Korea, Australia, and China—do not want it to be given, much less to take, significant security responsibilities. The fact that Japan is not part of multilateral security or political structures in Asia, as Germany is in Europe (as a member of NATO, the EU, and the Organization for Security and Cooperation in Europe, or OSCE), makes it harder for its neighbors to trust Japan with power. It is ironic, not to say unfair, that Japan's contribution to Asian *insecurity* sixty years ago allows it to minimize its contribution to Asian security today, but that is the case now and is likely to remain so for years to come. Even if Japanese nationalist sentiment grows, it is more likely to manifest itself in symbols—harmless, if haunting, allusions to the “divine nation”—than in an actual choice to reduce dependence on U.S. power.

DOES THE UNITED STATES WANT FOLLOWERS OR PARTNERS?

If its allies are hooked on U.S. power, the United States plays the role of enabler, in the psychiatric sense—a role it rather likes. Being, or at least claiming to be, the “indispensable nation” provides self-affirmation and instant gratification for speech-making officials and their audiences in Washington.

Yet, it is not entirely irrational for the United States to play a nearly exclusive role of security provider in the world's danger zones, for it helps ensure unrivaled influence. In the Middle East, for instance, the United States may be the “Great Satan” because of its power and role, but it also has the most clout—and the fattest contracts. Even in the regions where its two main alliances are centered, leadership brings the United States benefits along with burdens and risks. In East Asia, being crucial to regional equilibrium gives the United States leverage not only with Japan but also with China. In Europe,

⁴ The German and French defense ministers have both used the fire-fighting image to justify the need for a European Security and Defense Policy.

its ability to react decisively to crises, while EU members are groping for a unified position, gives the United States both an edge in shaping outcomes—such as the Dayton Accords—and a reminder to Europeans that they cannot do without their large friend.

As Europeans have remarked, and as Japanese may think, the United States wants partners when it comes to heavy lifting, but followers when it comes to calling the shots. Already, the United States is getting a reputation in Europe for not wanting to relinquish a position of regional leadership that the EU naturally envisions for itself. The United States has been so resistant to restructuring NATO as a partnership that Washington has become a more effective, if inadvertent, agent for EU-based defense cooperation than has any European capital.

Although the United States is fond of running its alliances, the status quo is anomalous and unstable. It is no longer possible to dismiss as isolationist or unilateralist the growing mainstream sentiment in the United States that allies can and should do more. Polls consistently indicate that U.S. citizens do not share the itch for predominance that many of their statesmen and strategists have.

This common-sense desire for others to pitch in is particularly evident when the United States is asked to support interventions when no vital U.S. interests are involved. Notwithstanding unilateralist temptations and unipolar-ish rhetoric, the hard reality is that the public is willing to back U.S. intervention only if allies participate. Realizing this, the U.S. government is showing more interest, not less, in capable, interoperable, military coalitions.

There is an asymmetry between Europe and East Asia in this regard. In Europe, there are no foreseeable threats to vital U.S. interests; therefore, it is nearly unthinkable that the United States would use force in Europe without the allies contributing substantially. In East Asia, however, the United States faces greater threats to important interests and is ready to intervene alone if need be. In the near term, the presence of U.S. troops near a hostile, WMD-toting (if moribund) North Korea assures that the United States will not look to offload its responsibility. In the longer term, the rise of Beijing could pose challenges to regional stability and U.S. interests to which Washington would have to respond irrespective of Tokyo's stance. For this rea-

son, patience with Europeans is running out faster than patience with Japan, even though the latter does far less.

Apart from U.S. impatience, the current distribution of responsibility and authority within NATO is unstable because it is incompatible with the vision most Europeans have of the EU. After all, how can the EU *not* have the leading role in providing for European security? Therefore, if NATO remains U.S.-led, the EU is bound to replace it at the center-stage of European defense. Conversely, if NATO is to remain vital, the United States must be willing to make it a U.S.-EU partnership.

THE ALTERNATIVES—SECOND PASS

The condition that its alliances must be more equitable rules out the alternative of the United States continuing to play leading roles in both Europe and East Asia (Option 4), with the disproportionate burdens, risks, and prerogatives those roles entail. The necessary increase in U.S. defense spending and the implied interventionist policy would not enjoy public support.

At the same time, the United States is in a weak position to demand substantially more of Japan. It knows that other friends in East Asia would be aghast at the thought of Japan inheriting U.S. security duties in the region. Because of China, it cannot credibly threaten to leave East Asia if the Japanese do not accept more responsibility. Moreover, encouraging China's integration and discouraging its use of power would be made much harder by should the United States offload its responsibilities to a stronger Japan. Therefore, rebalancing both NATO and the U.S.-Japan alliance (Option 3) is also not desirable, at least not now.

Thus, applying both the strategic and fairness tests, two alternatives survive: Leave Europe to the EU and turn greater U.S. attention to Asia, or make NATO a more global, more equal partnership. In both cases, the United States would be able to devote greater attention to East Asia, especially China. Does this imply that Japan will remain a free-rider in any case? In essence, yes. Nevertheless, it might be cajoled—again, the United States is in no position to make demands—into doing more in the interest of forging a better overall strategy vis-à-vis China. The thrust of a reinvigorated, somewhat rebalanced

U.S.–Japan alliance would be not against China but toward it—urging China into a constructive role in Asia and the world, but making clear that the United States and Japan, together, will oppose Chinese belligerence.

As for NATO, the choice between the two equitable alternatives is a profoundly important and ultimately stark one: Either NATO becomes a partnership in and beyond Europe, or the United States and EU adopt a division of labor and go their separate, if complementary, ways. Clearly, NATO would atrophy in the latter case. Strategically and politically, a more equal, more ambitious NATO is better—fairer and more purposeful—than a division of labor, especially for the United States. However, the division of labor is easier and thus more likely, for two reasons: It would not require the United States to accept Europe as an actual partner, and Europe could limit its responsibilities to its own relatively safe region. Therefore, it would require a strong initiative to ensure a lastingly robust, fair, and relevant NATO. Such an initiative is worth taking.

CONCLUSION

If the United States had more responsible allies, it would have more effective alliances. If it had more effective alliances, it would be able to achieve greater security at reduced cost and risk. The price it would have to pay to gain genuine partners is a certain loss of influence, pride, and freedom of action. The EU is more ready than Japan to accept greater responsibilities—and the world is more ready for the former than the latter. Both can do much more, and over time they must; when they do, this will strengthen, not weaken, their alliances with the United States.

Section III

MAJOR POWERS AND KEY REGIONS

PROSPECTS AND POSSIBILITIES FOR U.S.-RUSSIAN RELATIONS

by Jeremy R. Azrael, RAND

Whatever its initial promise, the “strategic partnership” on which the United States and Russia ostensibly embarked in the early 1990s has remained unconsummated. Over the past several years, relations between the two countries have steadily deteriorated and, today, are cool and wary. In retrospect, political elites and attentive publics in both countries have concluded that they were far too quick to take protestations of goodwill at face value and far too ready to discount countervailing evidence. Many in both countries now seem convinced that it is time to “face the fact” that Russia and the United States share few interests in common, and they are ready to proceed accordingly.

In the United States, disillusionment with Russia stems, above all, from the latter’s failure to meet promises and expectations of political democratization and market reform. Some Americans are ready to place part of the blame for this failure on what they consider to have been Washington’s misguided advice and mismanaged financial and economic assistance. However, there is also a strong feeling that gullible U.S. policymakers were taken in by so-called Russian “reformers” who were actually intent on political and financial self-aggrandizement at their countrymen’s ruinous expense (as well as at the expense of U.S. taxpayers). While a number of commentators have given the newly installed administration of Vladimir Putin high marks for its liberal economic program and its campaign to curb the power of at least some of the country’s rent-seeking “oligarchs,”

most have raised serious doubts about whether real economic changes can and will be implemented. In the same vein, Putin's frequently expressed commitment to constitutional democracy, governmental accountability, freedom of the press, and respect for fundamental civil rights and the rule of law have been greeted with almost universal skepticism. In consequence, there is a widespread feeling in the United States that Russia has been "lost"—if not necessarily forever, then certainly for a long time to come. Even those who have not completely written Russia off no longer see it as a potential U.S. ally.

While many Americans believe that Washington's assistance to Russia was a waste of money, many Russians believe it was something akin to "hush money" paid to mute their leaders' reactions to U.S. policies that were clearly inimical to Russia's interests. Frequently cited examples and explanations of such policies include:

- admission of the Czech Republic, Hungary, and Poland to the North Atlantic Treaty Organization (NATO), which is attributed to Washington's desire to monopolize the role of security manager in Central and Eastern Europe;
- NATO-led military interventions in Bosnia and Kosovo, which were seen not only as unwarranted and hostile interference in the internal affairs of a sovereign state with which Russia has historically had a special relationship, but as a threatening precedent for possible similar military intervention in a future Kosovo-like conflict in Russia or other countries of the former Soviet Union;
- cultivation of close military ties, including joint military exercises, with other countries of the former Soviet Union, which is viewed as gratuitous and mischievous meddling in Russia's immediate security sphere;
- circumvention of the United Nations Security Council in the authorization and conduct of strategically sensitive international peacekeeping operations, which is attributed to Washington's unwillingness to take Russia's interests and concerns into account; and
- promotion of the Baku-Ceyhan pipeline for Caspian oil exports, which is viewed as a U.S. effort both to deprive Russia of its right-

ful share of potentially large economic benefits and to undercut its political influence in a neighboring and strategically important region.

These policies have led many Russians to suspect that Washington has been more interested in taking advantage of Russia's weakness than in helping to overcome it. This suspicion is reinforced, in turn, by disbelief that a country that actually favored Russia's economic recovery and growth would

- limit the number of its commercial satellites that could be launched on Russian rockets;¹
- undercut Russian arms sales by applying political pressure on would-be customers;
- curb the access of Russian steel producers to U.S. markets;
- provide humanitarian assistance in the form of food and medicine, which would enrich Russian bureaucrats—and U.S. producers and suppliers—while putting Russian producers out of business because of their inability to match low, taxpayer-subsidized prices;
- victimize all Russian banks, as well as the embryonic and shaky Russian banking system, to combat alleged money laundering by a few of them; and
- retain numerous Cold War restrictions on U.S.-Russian trade.

To the Russians who are affected, these policies say far more about Washington's priorities and intentions than does the inclusion of Russia in the group of seven (G-7) industrialized nations or expressions of support for Russia's eventual membership in the World Trade Organization (WTO).

Such mutual disenchantment and mistrust would bode poorly for Russian-U.S. relations even if no developing issues seemed certain to exacerbate them. But at least two such issues exist: the further enlargement of NATO to include the Baltic states and the deployment

¹These long-standing limits were eased in July 2000.

of a U.S. national missile defense (NMD).² Since both U.S. presidential candidates endorsed NMD—albeit in quite different variants—and at least tacitly subscribed to statements by the current administration that NATO membership for the Baltic states is “virtually inevitable” and could be considered as early as 2002, there is likely to be some follow-through by the next administration in Washington. Given the “red lines” the Putin administration has already drawn, any such follow-through could precipitate an acrimonious confrontation.

Putin and his colleagues undoubtedly realize that the incorporation of the Baltic states would add little, if anything, to NATO’s military capabilities vis-à-vis Russia, especially given the self-restraints that current NATO members would promise to exercise in order to reassure Moscow—restraints they could almost certainly be expected to observe. Similarly, Putin and his colleagues recognize that the strictly limited NMD that Vice President Al Gore proposed would not jeopardize Russia’s ability to launch either a “first strike” or a “second strike” against the United States. In addition, they may be reasonably confident that the much “thicker” variant of NMD that George W. Bush proposed in the campaign would still leave the United States feeling too vulnerable to retaliation to risk a “first-strike” attack on Russia under almost any conceivable circumstances. Even if they discount worst-case scenarios, however, Putin and his colleagues are bound to be deeply disturbed at what they see as further evidence that the United States is actively seeking to marginalize Russia as an international actor.

There is little, if anything, Moscow can do on its own to deter Washington from proceeding with Baltic inclusion or NMD deployment. The countermeasures that Moscow has threatened or might threaten to take—reinforcement of its military forces in the Baltic region, abrogation of the Anti-Ballistic Missile (ABM) Treaty and other arms-control agreements, cancellation of the third round of strategic arms reduction talks (START III), deployment of additional strategic and theater nuclear missiles, curtailment of cooperative threat-reduction and confidence-building activities, and so forth—have already been

² A decision by President Bill Clinton to break ground for future NMD deployment could bring that issue to a head even before the inauguration of the new administration.

factored into Washington's calculations. In consequence, Moscow's best, and possibly only, hope of preventing an outcome that it greatly fears is to rely heavily on others. This explains Putin's leading role in an all-azimuths political and diplomatic campaign to turn the apprehension that is felt in many capitals—including in some quarters of Washington—over what is seen as gratuitous and risky U.S. "muscle flexing" into unified resistance to U.S. "hegemonic" ambitions. In effect, like the judo expert he is, Putin hopes that he can devise a way to turn Washington's overwhelming strength to an embattled Moscow's advantage.

As it is forced to deal with serious and widespread opposition to NMD and, to a lesser extent, to the early inclusion of the Baltic states in NATO,³ the next administration in Washington may well decide to reassess its methods, if not its basic objectives. If so, the reassessment will be animated in the first instance by a desire to alleviate the concerns of close friends and allies and of China rather than those of Russia. If only because Russia's concerns partially overlap with and contribute to the concerns felt by its European and Asiatic neighbors, however, the next administration may show more interest in taking steps to alleviate them than have previous administrations. The next president might, for example, become more responsive to Russian proposals to cooperate in the development and deployment of a multinational missile defense network that would protect everyone involved against accidental launches and attacks by terrorist groups, "rogue states," and, to some extent, each other.⁴ Similarly instead of pro forma acknowledgments of the statements Putin and his colleagues have repeatedly made about Russia's interest in joining NATO, Washington might try to open a serious dialogue with Moscow about what would be required to make Russian member-

³ Although Greece is one of the few NATO states to have publicly stated its opposition to the early inclusion of the Baltic states, many other member states are also opposed. It is indicative, for example, that British officials recently presented the speaker of the Lithuanian parliament with "a list of reservations bordering on objections" that had been expressed by other allied governments and officials. See *Jamestown Foundation Monitor*, July 17, 2000.

⁴ See Robert B. Zoellick "Clinton's Last Chance to Get Russian Policy Right," *Wall Street Journal*, March 27, 2000, for one of the very few, if not the only, public statements by a senior member of the U.S. foreign policy establishment (and Bush adviser) that endorses joint work on missile defenses—"at least to the degree Russia can maintain the security of the effort."

ship a real possibility and about when this possibility would be acted on if the requirements—one of which would presumably be Russia's graceful acceptance of NATO's earlier incorporation of the Baltic states—are met.

To raise such possibilities is inevitably to invite a host of objections. There can be no guarantee that Moscow could not and would not utilize such U.S. overtures to slow, if not stop, the implementation not only of NMD and NATO enlargement but also of other high-priority programs and policies. The difficulties of working harmoniously with Russia in NATO's Partnership for Peace activities, as well as in peacekeeping operations in Bosnia and Kosovo, are not reassuring in this regard, nor are Russia's repeated failures to fulfill its pledges and treaty obligations to tighten controls on the export of equipment, technology, and expertise needed for the development, production, and delivery of weapons of mass destruction (WMD). Furthermore, any steps to actualize the prospect of Russia's eventual inclusion in NATO will encounter resistance from some NATO members and will complicate relations with both Japan and China. Given these and many other related and equally telling points that could be mentioned, there is clearly a case to be made for seeking to work around Russia rather than to engage it on important security issues. Other factors, however, make this case less compelling.

Conversations with well-informed and generally reliable Moscow "insiders" suggest that Putin and his colleagues may now see Russia's marginalization as an international actor as so grave and imminent a danger that they would do everything possible to make the most of what they saw as a genuinely promising—and otherwise unattainable—opportunity for further integration into "the new world order." If this is so, a convincing affirmation of U.S. and allied readiness to consider Russia's eventual but realistically foreseeable participation in a multinational missile defense system and membership in NATO could yield far-reaching benefits. Of course, everyone concerned would understand that the negotiations would be necessarily lengthy; but in the meantime, Russia would have given its consent to initial NMD deployment in the United States and to the inclusion of the Baltic states in NATO. Both of these steps could and actually might proceed "on schedule," but they would merely be first steps in a more comprehensive, longer-range strategy that allowed for Russian participation in their implementation.

While it would be essential for Washington to demonstrate its seriousness by not overreaching or applying double standards, Moscow would have to show its seriousness by meeting certain standards of what Russians themselves identify as “civilized” behavior both at home and abroad—standards resembling the five criteria set forth in NATO’s original enlargement study. At a minimum, Moscow could be expected and required to enforce strict nonproliferation measures; to comply with internationally imposed economic and other sanctions on “rogue states”; to increase governmental accountability to the public; and to institutionalize the legal and regulatory prerequisites for the development of an open, market economy. Failure to progress along all these axes with all deliberate speed would be stipulated at the outset as grounds for termination of the negotiations.

While a considerable amount of monitoring would obviously be necessary to measure Russia’s progress, there would be less need for intrusive macro- and micromanagement of the sort that accompanied U.S. and international financial and economic assistance in the 1990s. In consequence, Russia would not have to contend with a large influx of often supercilious and heavy-handed foreign consultants and monitors of the sort that created such strong feelings of resentment during the heyday of reform. Although the underlying reality would still be a weak and needy Russia in desperate search of a *modus vivendi* with a powerful and demanding—indeed, far more demanding—United States, the search could be carried out with less conspicuous infringements of Russian sovereignty. Even if financial and economic assistance were continued or resumed, moreover, it would no longer be seen as a poor substitute for efforts to develop a meaningful security relationship.⁵

Even if the Putin administration were to make a good-faith effort to meet reasonable U.S. requirements for genuine security cooperation, it would not be easy for it to deliver. In the first place, the Kremlin would almost certainly have to contend with concerted resistance

⁵ At present, Moscow is primarily interested in securing debt relief—forgiveness as well as rescheduling—and delivery of the outstanding tranches of previous International Monetary Fund (IMF) loans. If Russia’s current economic recovery continues, it is unlikely either to want or to get significant additional financial or economic assistance.

from within the so-called “power structures”—the armed forces and the security services—that have strong vested interests in the continued existence of a fairly high degree of “East–West” rivalry and tension. In addition, it would face open opposition from radical communist and ultranationalist movements for which close collaboration with the West is anathema. Moreover, it would have a hard time selling a policy of rapprochement to the sizable part of the Russian population—including members of the political, administrative, and business elites—that mistrusts the West in general and the United States in particular and that pines for the restoration of a Russian (or Soviet) empire. Nevertheless, if it were sufficiently cohesive and sufficiently skillful—big “ifs,” to be sure—the Putin administration would also be able to mobilize substantial support.

Putin has a great deal of authority and power at his disposal if he wants to use it. In the first place, he is the recently elected incumbent of a constitutionally strong presidency. The majority of Russians, moreover, are looking to him for leadership and, at least for the time being, are ready to follow his lead almost wherever it takes them. Within this population, moreover, there are large and influential groups that are deeply convinced that their own and their country’s future depends on much closer integration with the West—an entity that for most of them definitely includes the United States as well as Western Europe.⁶ Although many of these people support Moscow’s current military campaign in Chechnya, they tend to be open to the possibility of future Chechen independence and have no interest in “recovering” the Caucasus, Central Asia, or Ukraine, let alone the Baltic states. Their national identity is postimperial, and their aspiration is to live in a “normal” country, not a country with a distinctive “manifest destiny.” In their eyes, furthermore, one of the primary attributes of normalcy is political liberty. Although they sometimes say that what present day Russia needs is a leader like former Chilean dictator Agostino Pinochet, it is clear that very few of them really favor a return to authoritarian rule. What most of them would like to see Russia emulate is the success of Poland, Hungary, and the Czech Republic in combining economic recovery and growth with democratic

⁶Among others, this is true of the scientific and technical intelligentsia, young professionals and businessmen, and the hundreds of thousands of Russian citizens who have studied or traveled extensively in the West.

political development. Moreover, they fully understand that the incentive of future membership in NATO is one of the factors underlying this success.

Given such potential support, there is a reasonable chance that Putin could steer Russia onto a path of meaningful security cooperation with the United States and its allies if such a path were opened and he were prepared to take it. Were Putin to make it clear that he is ready to take this chance, such as by delivering an address to this effect, firing some of his outspokenly "hardline" lieutenants, and taking steps to meet U.S. requirements, the next administration in Washington should encourage him to do so. It should, for example, welcome the prospect of Russian participation both in the design, development, and deployment of a multinational missile defense system and in future NATO enlargement. It should also propose or agree to Russian proposals for early, high-level discussions and negotiations that could explore modalities and timetables and could identify solutions for what are sure to be a multitude of difficult political and technical problems. This advice rests on a judgment that the costs and risks of trying to work with a highly problematic but potentially cooperative Russia are far outweighed by the costs and risks to trying to build a "new world order" from which Russia is intentionally and unnecessarily excluded.

Even if such a new world order could be built, however, its security and stability would be under constant threat from a strategically located, nuclear armed, and deeply embittered Russia, which would almost certainly seek and find clients and allies among other "outsiders"—both state and nonstate actors—some of which already possess or are eager to acquire WMD.⁷ While neither China nor India would be likely to join such a Russian-led coalition outright, they both would probably be ready to provide it a certain amount of support. Although the United States and its allies would possess unrivaled economic and military power, perhaps including a defensive

⁷ That Putin and his colleagues are already actively cultivating the soil for the formation of such an "outsiders' coalition"—the ground for which was, of course, prepared by their Soviet predecessors—is indicated by, among other things, the recent flurry of visits to Moscow by senior officials from Yugoslavia, Syria, Libya, Iran, and Iraq, as well, perhaps, as by Putin's visit to North Korea. See, for example, *Jamestown Foundation Monitor*, August 2, 2000.

missile shield, they would still be vulnerable to persistent efforts to inflict pain and suffering on their homelands and to sow discord in their ranks.

This picture—which could be made even bleaker by adding a more charismatic and erratic leader than Putin, for example a Russianized latter-day Adolf Hitler—contrasts sharply with that of a Russia that has responded positively to an opportunity to become a full-fledged security partner of the United States and its allies. It is not only that such a Russia would, by definition, have met the eligibility requirements for partnership. Thanks to having done so, it would also have greatly reduced the chances of an internal political breakdown that could undermine central command and control over nuclear weapons and thereby raise the horrendous specter of thousands of “loose nukes.” In addition, there would be a steady broadening and deepening of mutually beneficial East–West economic relations as a result of an improved investment climate in Russia and a reduced concern about sensitive technology transfers and energy dependence in the United States and Europe. Furthermore, a cooperative Russia could be of enormous assistance in combating international terrorism, narcotics trafficking, and illicit arms sales, as well as in carrying out multinational peacemaking and peacekeeping operations that would be much harder to conduct without it. Like other U.S. allies, an allied Russia would not always share Washington’s preferences and priorities and would sometimes vigorously oppose them. As a recognized “insider” rather than an estranged “outsider,” however, its opposition could be expected to be loyal and negotiable, not confrontational and implacable.

Nothing the United States can do will ensure that Russia will develop along the lines sketched out above. If Putin and his colleagues prove unwilling or unable to do what is necessary to make Russia into an attractive security partner, the United States and its allies will have no choice but to accept the unpleasant and dangerous consequences. Considering the stakes, however, the next administration in Washington would be remiss if it failed to make an all-out effort to facilitate what would clearly be an enormously preferable outcome. A world in which Russia is part of the solution rather than part of the problem may be unattainable, but it is not unthinkable, and it has too much to offer to be prematurely dismissed.

U.S. STRATEGY TOWARD CHINA

by Zalmay Khalilzad, RAND

Dealing with China is and will continue to be one of the thorniest issues in U.S. foreign policy. China's relative power has been growing steadily since the late 1970s; its resulting rise could create in a major power transition in Asia, but there is no consensus in the United States on a strategy to cope with this possibility. The next administration needs to assess how to deal with China and to develop bipartisan support for the resulting strategy. The review should focus on the following questions: What should be the overall U.S. policy toward China? Should the United States commit itself to the defense of a democratic Taiwan? And finally, how will U.S. policy toward China affect U.S. relations with other countries in Asia and beyond.

WHERE IS CHINA HEADING?

There is broad agreement that the current Chinese leadership is seeking to build "comprehensive national power." That is to say, it seeks to create a modern China that would rank among the leading nations in all dimensions of national power—political, economic, military, and technological. China's leaders have been quite pragmatic in pursuing this goal. They have made major adjustments in how the country is ruled to facilitate development and modernization. They have relaxed their grip on the population, opened the country to foreign influences, and reduced government control of the economy. Nevertheless, the Chinese Communist Party has insisted on a monopoly of power and has not yet allowed the formation of an opposition party.

As China pursues comprehensive power, its leadership has recognized that good relations with the United States are strongly advisable, if not absolutely necessary, given the latter's technological leadership, its huge markets for Chinese exports, its military power, and its political influence with other advanced nations. Therefore, avoiding an all-out conflict with the United States becomes an important consideration. But even during this period, a policy of good relations with the United States is not without its limits and countervailing pressures. China sees the United States as an impediment to enforcing its sovereignty over Taiwan. A Chinese attack on Taiwan cannot be ruled out even before China has achieved comprehensive national power. China also worries that the United States is seeking to undermine the regime and, eventually, to transform China into a democratic state. It also fears that Washington might adopt a containment strategy and attempt to slow China's rise.

Realist international relations theory suggests that a powerful China is likely to become a major rival for regional and even world power. Beyond any specific territorial claims, China might well seek regional hegemony or a sphere of influence in East Asia. Chinese historical behavior is not very encouraging in this regard. The combination of China's long-standing geopolitical centrality in Asia; its high level of economic self-sufficiency; and its past economic, cultural, and political influence over the many smaller states, tribes, and kingdoms along its periphery have produced among the Chinese leadership a deep-seated belief in China's political, social, and cultural primacy in Asia.

While both realist theory and an analysis of Chinese history suggest that a strong China will behave in a more assertive manner, there is some reason to hope that the Chinese leadership could retain its current emphasis on the importance of good relations with the United States. First, the modernization process will not have a clear-cut endpoint; even after several decades of successful economic and technological development, China will likely be behind the United States in many respects, and the leadership may still recognize the need to "catch up." More fundamentally, the dynamism of technology and the global economy is such that even the most advanced countries quickly find that they must remain open to each other if they wish to keep pace; no country is able on its own to develop all

relevant technologies to world-class standards. Hence, China would not be able to cut itself off from the rest of the world without quickly falling behind.

Second, the Chinese leadership could undergo an acculturation process, by which it would become increasingly willing to abide by the norms of the international system. Thus, although China's current acquiescence in these norms may be tentative and insincere, driven solely by the need for foreign contributions to China's modernization, the leadership might gradually come to understand that these norms serve China's interests as well. By the time China becomes strong enough to challenge the current international order, in other words, it may become reconciled to it.

Third, the opening of China to the world, the relaxation of restrictions on travel and communications, and the rapid growth of an educated middle class raise the possibility of a transformation of the regime in the direction of democracy. Although the process of modernization could produce aggressive external behavior, the attainment of democracy can, based on the experience of other democracies, lead China eventually to pursue peaceful and cooperative relations with other democracies.

China's military modernization has been consistent with its long-term objective of building comprehensive power. China is pursuing this objective as a long-term program rather than as an urgent requirement. It has implemented no crash program to increase military capability. The Chinese leadership is aware of the dangers of Soviet-style military spending that might place an unbearable burden on its economy. The Chinese defense burden remains light by any measure, even though in recent years defense spending has been accelerating. But China also does not intend to follow Japan in limiting its military capability to a level far below that which its economy could support. In recent times, preparing for conflict over Taiwan has provided a central focus for the military build-up.

China is on a trajectory to emerge as a formidable multidimensional military power in the next 20 years if it continues to trade quantity for quality, increase defense spending, pursue innovation, and mature its industrial base. All of these are within China's reach.

U.S. POLICY ALTERNATIVES

Engagement

This has been the U.S. strategy in recent years, and it has had three elements. First, on the level of economics and trade, engagement has meant seeking normal relations, such as through granting China “most favored nation” (MFN) trading status, facilitating Chinese entry into such international economic organizations as the World Trade Organization (WTO), and reducing the number of sensitive goods and technologies covered by export controls. Second, on the political level, engagement has meant seeking to maximize bilateral ties while keeping any disputes as low-level as possible. Washington has tried to bring Beijing into the various multilateral arms control regimes dealing with weapons of mass destruction (WMD), proliferation, and arms trade, as well as into other international regimes. It has attempted to make China part of the solution of regional issues, such as the Korean and South Asian disputes, rather than part of the problem. Third, in the military sphere, engagement has meant increasing military-to-military relations and encouraging China’s participation in regional security organizations.

The rationale for pursuing engagement has two variants with differing views on what the result of China’s enmeshment in the international system will be. One variant assumes that, over time, the international economic and political system will socialize Chinese leaders into international norms of behavior while increasing their stake in the current system. A stronger variant of engagement believes that, in addition to the restraining effects of enmeshment in the international system, increased Chinese interaction with the outside world will facilitate the democratization of China. And not only will a democratic China be good in and of itself, but it will also be less likely to come into conflict with the United States.

The success of engagement thus far is mixed. On the positive side, China acceded to the Nuclear Non-Proliferation Treaty (NPT) and supported its extension. It has played a helpful role in dealing with the North Korean nuclear problem. It has ratified the Chemical Weapons Convention (CWC) and agreed to observe limitations imposed by the Missile Technology Control Regime (MTCR). It also

agreed to stop assisting Iran's nuclear program and to cease sales of antiship cruise missiles to Iran.

On the negative side, China has assisted Pakistan with its nuclear weapons and missile programs. Despite taking a public position similar to the United States on South Asian nuclear issues after the Indian nuclear explosion, the Chinese leadership privately encouraged Islamabad to explode a nuclear device. Although Beijing has ratified the CWC and claims that it does not produce or possess chemical weapons, in fact, China has an advanced chemical weapons program. Similarly, while China is a party to the Biological Weapons Convention (BWC), it has continued its production and possession of biological weapons. Finally, China continues to supply missile technology to Pakistan and possibly to Iran, despite its pledges to the contrary.

With respect to domestic trends, China has made considerable progress in improving the economic lives of its citizens. Politically, however, little progress has been made. China continues to deny its citizens basic political liberties, and the rule of law remains weak. Unfortunately, where China has not made appropriate progress, engagement does not offer any guidance for a useful response.

More fundamentally, engagement rests on a core assumption—that continued contact will eventually affect Chinese behavior in a positive direction—that is far from certain. In the meantime, a policy of engagement helps China to develop economically and technologically, creating a base for future military strength. Thus, if the core assumption is incorrect, engagement helps China to become a more threatening adversary.

Even if Beijing is temporarily willing—to secure the advantages of engagement—to abide by U.S.-supported norms of international behavior, there is no guarantee that its acquiescence will continue once China's comprehensive national power has been sufficiently enhanced. At that point, China may feel confident of its ability to make its way in the world without economic or other relations with the United States. Alternatively, it may believe that its importance in world affairs is so great that the United States has no choice but to seek good relations with it.

Containment

Some have suggested that a containment policy would be a more realistic way to deal with an increasingly powerful China. The goal of such a policy would be to avoid or at least to delay as long as possible an increase in China's power relative to that of the United States. Even if China's rise is inevitable, later is better than sooner. The containment strategy would include efforts to slow down China's economic growth in general, as this is the fundamental basis for national power, and to prevent an upgrading of its military capabilities in particular. It would also include efforts to limit the expansion of China's influence beyond its present borders.

Under a containment policy, all elements of the U.S.-China relationship would be subordinate to the goal of preventing the growth of China's power. Thus, the United States would work to limit foreign trade and investments in China and in particular to prevent the transfer of any technology that might aid China's military. Preventing the unification of Taiwan's capital and technology with China's manpower and resources would be especially important. In particular, the United States would announce that an attack against the island would be met with force under any circumstances. Washington would also lead an effort to forge a new, anti-China alliance and would build up the militaries of Vietnam, Indonesia, India, and other potential security partners in the region to support such an alliance. A policy of containment would assume that serious conflicts of interest with China are highly likely and that the United States should demonstrate its resolve to convince China not to challenge U.S. interests.

At present, containment would be a very difficult policy to implement. First, it would be hard to obtain a domestic consensus to subordinate other policy goals—including trade—to dealing with a Chinese threat that is as yet, to say the least, far from manifest. In any case, it would be difficult to mobilize national energies on the basis of predictions that are not only extremely pessimistic but also necessarily uncertain. Second, containment would require the cooperation of regional allies and the world's advanced industrial countries. Such cooperation would be difficult to obtain. U.S. allies in Europe may not believe that even an aggressive, rising China would pose a threat to them, while allies in East Asia do not seem convinced that such a

hard policy toward China is necessary—at least not now. In addition, the United States would lose whatever leverage over Chinese policies—such as sales of missiles or WMD-related technology—that it currently obtains by means of engagement. Containment seems unnecessarily to resign itself to an unfavorable outcome while overlooking the possibility that Sino-U.S. relations can perhaps evolve in a much more acceptable fashion. In this sense, containment risks becoming a self-fulfilling prophecy and condemning U.S.-China relations to years of unnecessary and dangerous tension.

RECOMMENDED STRATEGY: 'CONGAGEMENT'

Given the difficulties surrounding both containment and engagement, a combination of the two is the most appropriate strategy for the moment. Such a "third way" policy would continue to try to bring China into the current international system and to deepen political and economic ties with it. The United States would encourage increased economic and political development in China in the hope that such development would make China more cooperative and might cause the transformation of the regime from communism to democracy.

But equally important, the United States would simultaneously prepare for a possible Chinese challenge and seek to convince the Chinese leadership that a challenge would be difficult and extremely risky to pursue.

Under "congame," the United States would enhance economic, political, and cultural ties with China and promote Chinese membership in international organizations—including the WTO. The United States would also seek enhanced military-to-military ties, including possible joint exercises for humanitarian operations. It would also continue with efforts to integrate China into select regional organizations and to promote inclusive multilateral security dialogues.

But to promote regional stability and to hedge against a Chinese push for regional primacy, the United States would seek to restrain the growth of Chinese military power, promote regional security cooperation, and strengthen ties to regional countries. Should China grow more powerful and hostile, these relations might grow into a defensive alliance.

If the next administration embraces “conengagement,” the steps that it should consider include the following:

- Promote improved relations between Japan and South Korea to facilitate their cooperation on security issues in the future.
- Encourage a gradual normalization of the Japanese role as a regional actor, including the revision of its constitution allowing the right of collective self-defense, the expansion of its security horizon beyond its own territorial defense, and the acquisition of the appropriate capabilities for power projection.
- Encourage a settlement between Russia and Japan of the dispute over the “northern territories.”
- Enhance political–military cooperation among the member states of the Association of South East Asian Nations (ASEAN) and improve military-to-military cooperation between the United States and ASEAN states such as the Philippines.
- Build stronger ties with India without isolating Pakistan.
- Preserve and stabilize the status quo with regard to Taiwan. This means firm opposition to any use of force by China against Taiwan and to any Taiwanese declaration of independence.
- Tighten export controls on sensitive technology to China and gain cooperation from Israel and other allies in denying China access to a select set of weapons and technologies that could undermine regional stability.
- Finally, structure U.S. military forces to confront the possibility of conflict scenarios with China even though avoiding such a conflict should be the overall objective.

Under “conengagement,” the United States would be agnostic on some of the key judgments about China’s future—for example, whether enmeshing China in the international system will modify Beijing’s long-term objectives and behavior, and whether China as a rising power will inevitably challenge U.S. global leadership. The policy would seek to sharpen the fundamental choice faced by China’s leadership—cooperation with the current international system versus challenging the U.S. world role and pursuing regional hegemony—by presenting the alternatives starkly.

POLICY TOWARD GREECE AND TURKEY

by Ian O. Lesser, RAND

NEW CHALLENGES AND OPPORTUNITIES

The past year has seen dramatic changes in the eastern Mediterranean, offering new challenges and opportunities for U.S. policy toward its long-standing allies, Greece and Turkey. Washington is in a position to consolidate positive changes in the region and to strengthen its relationships with Athens and Ankara in ways that support key objectives in the Balkans, Eurasia and the Middle East, and also within the North Atlantic Treaty Organization (NATO). Policy toward both countries can no longer be conceived in strictly bilateral terms, but can and should reflect a complex of issues that cut across traditional geographic lines.

The changes affecting regional security and U.S. interests have been substantial. First, a dramatic improvement has occurred in the relationships between Athens and Ankara. Two years ago, Greece and Turkey were still engaged in a dangerous game of brinkmanship, with a daily risk of accidental conflict and escalation. Bilateral frictions impeded the completion of new NATO command arrangements for the eastern Mediterranean and threatened the cohesion of the alliance. Since the start of the conflict in Bosnia, U.S. policy has stressed the risk that Balkan conflicts could spread to Greece and Turkey and reinforce "civilizational" cleavages in the region, a theme reiterated in the context of Kosovo. In fact, both countries have taken a cautious, multilateral approach to the Balkans, and cooperation in

Balkan relief efforts was one of the few bright spots in Greek–Turkish relations prior to 1999.

Much has been made of the “earthquake diplomacy” accompanying the 1999 disasters in both countries. These events had a significant effect on public opinion and helped to overcome the overheated nationalism that has prevailed at times on both sides of the Aegean. But the real significance of the earthquake diplomacy was the scope it gave to policymakers in Athens and Ankara already committed to *détente* for strategic reasons. Foreign Ministers Ismail Cem and George Papandreou have been instrumental in this change of course. Despite considerable support, especially from the private sector in both countries, they are keenly aware of the need to proceed carefully in deepening Greco–Turkish reconciliation. To date, a series of meetings, including a high-level exchange of visits, has produced nine bilateral cooperation agreements covering peripheral but significant matters, from tourism to counterterrorism. A package of confidence-building measures has been discussed and is ready to be implemented. For the moment, the core issues of Cyprus and the Aegean have been left aside, but it is now clear that these very divisive issues must be addressed in some form if the current *détente* is to be consolidated and extended.

Second, there have been important, positive changes on the domestic scene in both countries. In Turkey, the government has entered a period of relative stability. Turkey’s Islamists have become a less-potent force on the political scene, and the confrontation between Islamists and secularists is less overt and less centered on the role of the Turkish military. The more significant force on the Turkish scene today is Turkish nationalism—and the behavior of Turkey’s nationalist party (MHP) is one of the large open questions for the future. It could also have important implications for future U.S. access to Turkish facilities such as Incirlik Air Base, long constrained by Turkish sovereignty concerns and a lack of shared regional objectives. The strong reaction to congressional debate over a nonbinding Armenian genocide resolution, and the threat of Turkish retaliation on defense cooperation and trade, points to the continued potential for national sensitivities to impede predictable cooperation.

The stability of the current Turkish coalition has allowed parliament to pass important legislation encouraging a more open and transpar-

ent economy. Inflation, although still very high, is down from the extraordinary levels of the recent past. The dynamism and liberal outlook of the Turkish private sector is an encouraging sign for continued progress toward a more modern society that is converging with Europe. The recent election of a reform-minded president is another positive development. Ankara has also succeeded in containing the insurgency of the Kurdistan Workers Party (PKK); a success that was evident in security terms even before the apprehension of the PKK leader Abdullah Ocalan. The key question now is whether Ankara can translate this security success into political reconciliation with Turkey's Kurds.

In Greece, changes have been equally pronounced and positive. The Simitis government, narrowly reelected in 2000, has moved ahead with a moderate and highly European outlook. The country has managed impressive economic reforms and has just become a full member of the European Monetary Union. This last development is emblematic of Greece's movement into the European mainstream over the past few years. It has contributed to the strategic rationale for détente with Ankara and complete reversal of the confrontational relationship with Macedonia. Overall, Athens has emerged as an increasingly capable, credible, and European actor in southeastern Europe. Even during the Kosovo crisis when NATO intervention was highly unpopular in Greece, the government was able to remain within the alliance consensus—an important measure of how much has changed in Greece. One consequence of these trends is that U.S. policy toward Athens has become less bilateral, less troubled, and simply part of the wider set of policies toward Europe.

Third, the strategic environment facing Athens and Ankara has evolved significantly, with implications for U.S. and NATO agendas in the region. At the EU's Helsinki summit in December 1999, Turkey became a candidate for full membership in the union. At the same time, the Helsinki summit envisioned the opening of Cypriot accession talks, preferably with—but if necessary without—a settlement on Cyprus. With the advanced state of the Cypriot candidacy, the clock is running on the question of Greek-Turkish relations in Cyprus, and the EU factor is now the dominant one in shaping the future of this dispute. Moreover, there can be no question of Turkish membership without a resolution of the full range of Greek-Turkish problems, including air and sea space issues in the Aegean. For

Turkey, its EU candidacy provides a clear path toward closer integration and convergence with Europe—a longstanding U.S. policy preference. But the final status of Turkey within the EU is far from certain, and there is a serious risk that the offer of eventual membership will prove hollow, with negative implications for Ankara's role in Europe and European security arrangements. Turks believe that they have been frozen out of European decision making on Europe's Common Foreign and Security Policy (CFSP) and European Security and Defense Policy (ESDP), and under these conditions they are prepared to block the automatic use of NATO assets for European-led missions. The issue of Turkey's role in ESDP is a key "test case" for Ankara in its evolving relationship with Europe. Above all, Turkey fears a decoupling of U.S. and European defense and a decline in the credibility of NATO guarantees to Turkey.

Other issues contribute to the longer-term importance of Athens and Ankara as strategic partners for the United States and the West. These include the prospect of continuing demands for peacekeeping, crisis management, and reconstruction in the Balkans. Greece and Turkey are key actors in this regard, both politically and economically. Instability in the Caucasus touches directly on Turkish security, and Ankara will be a key partner in managing a potentially difficult relationship with Moscow in the region. A more nationalistic and competitive Russia would likely seek to challenge Western interests on the periphery—in the Balkans, the Caucasus, and the Middle East—rather than in the center of Europe. In a more positive climate, these regions could similarly be a focus of cooperation with Russia. To the extent that NATO shifts its strategic attention toward the South, as prospective risks would suggest, Greece and Turkey will be even more central. Turkey, with its large military establishment and extensive modernization program, will be an increasingly capable partner for power projection in adjacent regions.

Turkey and, to a lesser extent, Greece have developed close and diversified relationships with Israel. This can offer new and useful "geometries" for U.S. diplomacy and security cooperation vis-à-vis the Persian Gulf and other key areas. Both Athens and Ankara can contribute to Middle East peace arrangements, if the peace process goes forward. Turkey will have a particularly keen interest as a water-surplus state and as a stakeholder in future security arrangements for Syria. Above all, the eastern Mediterranean is at the center of an

emerging energy security picture that reaches to the Gulf, the Caspian, and across the Mediterranean. Turkey and Greece are becoming important energy entrepôts, especially for the supply of natural gas to European markets. Pipeline decisions, including the future of Turkey's Baku–Ceyhan route, will shape the future of Western access and energy security.

Finally, the eastern Mediterranean is exposed to functional challenges, cutting across regional lines, that are also prominent concerns for the United States. Turkey is already vulnerable to ballistic missile attack from proliferators on its Middle Eastern borders, and it could play a central role in theater ballistic missile defense architecture and perhaps in national missile defense (NMD), with a boost-phase approach. Both Greece and Turkey are important U.S. partners in counterterrorism. Transnational crime, drug trafficking, and the smuggling of nuclear materials are prominent security challenges for both countries and of increasing concern to Washington. The functional agenda for cooperation with Athens and Ankara includes many of the central challenges for U.S. national security planning in a new era.

WHAT ARE U.S. INTERESTS? WHAT IS AT STAKE?

This background suggests that U.S. interests are engaged in important ways:

- The United States has a stake in the evolution of Greece and Turkey as “pivotal” states—pivotal because what happens there involves not only the fate of two longstanding allies (with NATO security guarantees) but also influences the future of regions that matter to Washington. This gives the United States a stake in the two countries' domestic situations, reforms, Turkey's convergence with Europe, and other issues.
- Washington looks to Athens and Ankara to play a positive role in regional security and development, whether in the Balkans or in relation to energy security or missile defense. This includes the continued positive evolution of the Greco–Turkish relationship. A return to confrontation would negatively affect U.S. bilateral interests as well as NATO interests.

- The United States wants Greek and Turkish policies to contribute more specifically to U.S. freedom of action in adjacent regions. On the diplomatic front, this includes support for U.S. policy aims in relation to both crisis management and reconstruction in the Balkans, as well as to the containment of Iraq and Iran. In security terms, it includes predictable access to Turkish and Greek facilities for regional contingencies and flexibility to engage or hedge in relations with Russia, as appropriate.

The next president's policy approach should therefore seek to deepen positive trends in the internal evolution of Greece and Turkey, support the process of détente between Athens and Ankara, and provide a basis for shared strategy and predictable cooperation in key regions.

POLICY OPTIONS

Approaches to furthering these objectives differ principally in terms of the extent of U.S. engagement and the question of policy leadership. Given NATO commitments and the strong nature of U.S. interests in Greece and Turkey, disengagement is not a viable option. On at least some important questions, however, it is reasonable to ask whether the United States, Europe, or the parties themselves should take the lead.

1. Focus on bilateral approaches, and provide a lead from Washington. This is the traditional course. It acknowledges the resonance of these issues, including the Cyprus question, in U.S. domestic politics. In the current environment, it can also reassure regional allies, above all Turkey, that the United States is not decoupling from European security or defense. Moreover, the United States will have an independent stake in shaping regional diplomacy and security in ways that accord with U.S. interests. The issue of access to Incirlik Air Base, for example, is not of central interest to Washington's European allies, and it may not wish to see Turkish attitudes toward Iraq or Iran further "Europeanized." U.S. leadership may also help to ensure that Turkish-Greek relations remain in balance—something that might prove difficult without U.S. advocacy on Ankara's behalf. Cyprus diplomacy would be a key test of the viability of this approach. Certain initiatives, including the Baku-Ceyhan pipeline,

arguably will not happen at all without active U.S. leadership and support.

2. *Let Europe take the lead.* This approach would acknowledge Europe's increasingly central place in the outlook of both countries. The United States has been a beneficiary of this trend, and it may wish to support it. Moreover, the results of the Helsinki summit have made the EU role a permanently operating factor in relation to Turkey, the future of Cyprus, and the Aegean dispute. Improved relations with Brussels provide an incentive for all sides and will be critical to the deepening of Greco-Turkish détente. The United States should welcome an opportunity for some of the diplomatic and security burden to shift to Europe, especially with other claims on U.S. attention, above all the Middle East peace process. In the context of relations with Turkey, a more balanced transatlantic approach can take pressure off of otherwise contentious issues between Ankara and Washington. The United States has pressed for a greater Turkish role in Europe, and it should now take the next steps to encourage it. In the case of Greece, as recent experience suggests, the less bilateralism, the better.

3. *Let the parties solve their own problems.* This option pertains above all to the question of how to strengthen Greco-Turkish détente. Both parties are sensitive to the appearance of being pushed into further concessions against their national interests. An arms-length approach from Washington could be helpful here; the same might be said of the EU, but Europe, post-Helsinki, is a structural participant in the process and cannot really disengage. At the end of the day, leaderships in Athens and Ankara must decide whether to move forward and how.

4. *Refocus U.S. engagement to allow for a shift of roles.* The overall thrust of U.S. policy toward these allies and their regional roles should change. The next administration should capture the advantages of more European and multilateral approaches and take an arm's length approach where appropriate. At the same time, the United States and its partners should jointly redefine bilateral relationships to address new issues and foster more predictable partnerships. With some important exceptions, Washington should let Athens and Ankara manage the next stages of their reconciliation, and it should recognize that they key decisions and policies regard-

ing Cyprus must come from Europe. Europe is also the leading factor in domestic change for both countries. Reminding Europe of its responsibility vis-à-vis Turkey should remain a feature of Washington's transatlantic policy.

NEXT STEPS

Since Europe is already structurally engaged in the Greek-Turkish equation, and the United States has a stake in deepening this engagement, a U.S.-led approach is inappropriate. Similarly, the parties themselves must take the initiative in further developing Greco-Turkish relations. On wider, regional issues, Greece and Turkey should be integrated in transatlantic strategies. Washington should stay engaged in policy toward Greece and Turkey, but should refocus its engagement toward priority next steps.

- Support the consolidation of Greco-Turkish détente, but recognize that the initiative to move ahead on "core issues," including Cyprus and the Aegean, must come from the parties themselves. Of these issues, agreement on Aegean air and sea space and seabed resources is probably more accessible in the near term. One area where the United States (and NATO) can offer to help is in the area of military confidence-building measures, including full implementation of the package of measures already agreed on concerning rules of engagement, exercises, exchanges and observers.
- Continue to stress the importance of closer Turkish convergence with and integration in Europe. But the United States should recognize that Turkey's prospects for full EU membership remain mixed at best. convergence rather than membership is the real objective from the perspective of U.S. interests. Washington should press its European partners to adapt their plans for CFSP and ESDP to give Ankara a greater role in European decision making on defense—or at least to broker a compromise that will avoid a Turkish break with Brussels and the risk of paralysis over European-led initiatives at NATO.
- On Cyprus, the goal of a "bizonal, bicomunal federation" remains appropriate. The United States can have a role, but not necessarily the leading role, in any settlement arrangements for

the island. Cyprus is increasingly an EU-led issue, and the key incentives for compromise will come from Brussels. Congressionally mandated reporting requirements notwithstanding, the next administration should give priority to other aspects of its involvement in the region.

- Engage Greek and Turkish leaderships toward the development of a new, more relevant strategic agenda. For Turkey, key elements of this agenda can include energy security, ballistic missile defense, dealing with Russia, and integrating Turkey in Europe. Dialogue on a common strategic agenda can help to increase the predictability of Turkish defense cooperation, including access to Incirlik Air Base for Gulf and other contingencies. The United States should also consider exploring with the Turks what new activities of mutual interest could be conducted at Incirlik, looking beyond Operation Northern Watch. With Athens, new agenda discussions can usefully focus on Balkan reconstruction, security cooperation in the Adriatic, and possible roles for Greece in the Middle East peace process.
- Conclude promised arms transfers to Greece and Turkey in recognition of the extraordinary progress that has been made in stabilizing Greco-Turkish relations, and as a contribution to the security of NATO allies in a troubled region.
- Offer tangible support for the Baku-Ceyhan pipeline. With the discovery of new proven reserves in the Caspian, there is a better chance for the pipeline to prove economic. To date, Washington has offered strong diplomatic support but little substantive backing for the pipeline, despite a clear strategic rationale. If it is serious about promoting energy security and Turkey's regional role, Washington should be prepared to contribute, together with the private sector, appropriate assistance and credits toward the pipeline's construction.
- On counterterrorism, the next administration should not hesitate to make its concerns known about the continuing threat to U.S. citizens and interests posed by terrorists in the region, especially the Greek organization "November 17." The challenge will become critical with the approach of the 2004 Olympics in Athens. Washington should offer the Greek authorities intelligence and technical assistance. But it should recognize that EU countries

are also exposed, and cooperation in an EU context is now the most effective—and politically acceptable—way for Athens to address the problem. Sanctions on Greece would be a highly inappropriate way to pursue counterterrorism in the region, and they would run counter to the U.S. interest in supporting positive developments in many other areas of the relationship.

THE BALKANS: CHALLENGES AND PRIORITIES FOR THE NEXT ADMINISTRATION

by F. Stephen Larrabee, RAND

The Balkans have proven to be one of the most difficult and intractable policy challenges facing U.S. policymakers since the end of the Cold War. Both the Bush and Clinton administrations found themselves embroiled in crises there, often against their will. However, the victory of Vojislav Kostunica in the presidential elections in Serbia opens up important new prospects for stabilizing the Balkans. As long as Slobodan Milosevic was in power, there was no chance of integrating Serbia into the broader range of Western policy initiatives in the Balkans and developing a comprehensive strategy toward the region. Kostunica's election, however, changes the dynamics of Balkan politics and creates a possibility to develop a comprehensive, long-term policy to stabilize the region.

U.S. INTERESTS IN THE BALKANS

The United States has four important interests in the Balkans: regional stability, the cohesion and credibility of the North Atlantic Treaty Organization (NATO), stability in Europe as a whole, and relations with Russia. The problems in the Balkans are closely interconnected. A conflict in one area could easily spill over and unleash instability throughout the region. Unrest in Kosovo, for instance, could destabilize Macedonia or Albania, or both. It could also have security implications for Greece and Turkey—two important NATO allies in the region. In other words, an outbreak of violence and unrest in the

Balkans could pose a serious test of NATO's cohesion and credibility. If NATO failed to respond, its credibility as the prime manager of European security could be strongly undermined. At the same time, a crisis could put NATO's cohesion to a severe test. Kosovo demonstrated both the fragility and the strength of this cohesion. But few would like to see it tested a second time. The stakes are too high.

The United States has a strong stake in a prosperous and stable Europe writ large. However, a crisis in the Balkans is unlikely to remain localized and could have a significant spillover effect on European stability. A number of countries, especially Greece, Italy, and Germany, would face a large influx of refugees that could threaten their internal cohesion and social stability. The ability of the European Union (EU) to carry out its agenda of internal reform—a prerequisite for further enlargement—would be impaired, possibly even halted altogether. Finally, developments in the Balkans could also exacerbate relations with Russia at a time when the United States is trying to build a new relationship with Moscow and overcome the strains precipitated by the Kosovo conflict. A Balkan crisis would doom such an effort. Moreover, Russia might be tempted to use the crisis to exploit intra-alliance differences over European Security and Defense Policy (ESDP) and U.S. national missile defense (NMD), thereby deepening already existing strains in the alliance.

In short, it is the effect of developments in the Balkans on broader U.S. interests that gives the United States a strong stake in Balkan stability. Washington may not have a "vital" interest in Bosnia or Kosovo per se, but it does have a strong stake in the viability of NATO and European stability more broadly. Both of these would be strongly affected by any new crisis in the Balkans.

STAYING ENGAGED

U.S. military involvement in the Balkans, however, remains controversial. The Clinton administration faced serious opposition to its Bosnia policy, particular the decision to participate in the NATO Stabilization Force (SFOR), and it only narrowly beat back an attempt by the Senate to force the withdrawal of U.S. troops from Kosovo last summer. The debate in Congress suggested widespread

unease on both sides of the aisle about the U.S. military commitment in the Balkans.

Opposition to military involvement stems from many factors. Some opponents believe that the Balkans are essentially a "European" problem and that the United States should withdraw its forces and turn the peacekeeping operations over to the Europeans. Others are concerned that the United States is overextended and should curtail its military engagement overseas in areas that are not deemed vital to U.S. interests. Still others oppose U.S. involvement in peacekeeping altogether, arguing that the job of the U.S. military is to fight wars and not engage in nation building.

However, U.S. military involvement is not simply a narrow defense issue; it is an important element of a broader political strategy for stabilizing the Balkans. With Serbia on the verge of a democratic transition that could have far-reaching consequences for stability throughout the Balkans, this is not the time to withdraw U.S. troops. Such a move would send the wrong signal and could encourage antidemocratic forces in Serbia and Kosovo to undertake new acts of violence.

A withdrawal of U.S. troops could also spark new tensions in U.S.–European relations at a moment when a coherent, joint U.S.–European policy in the Balkans is essential. Moreover, without troops on the ground, the United States would lose diplomatic leverage and the ability to influence developments in the Balkans.

Finally, NATO's ability to remain the prime security organization in Europe would be seriously weakened were the United States to withdraw its troops. Withdrawal would be seen by many U.S. allies as a signal that the United States was reducing its commitment to European security. This would have a strong influence in Central and Eastern Europe in particular. Central European members of NATO—at present, strong Atlanticists—would begin orienting themselves toward the EU and diminishing their commitment to NATO on the assumption that U.S. interest in Europe was declining. Many other East European partners would do the same.

Rather than withdrawing totally from the Balkans, the United States should encourage the Europeans to increasingly assume the main responsibility for security in the region, which they are doing. They

currently provide about 85 percent of the troops in Kosovo. However, a small number of U.S. troops should remain in the region as a hedge against a possible future crisis and as a symbol of the U.S. commitment to and interest in stability in Southeastern Europe.

This would allow the United States gradually to reduce its exposure in the Balkans and would help to defuse congressional concerns about the lack of a clear exit strategy—or at least reduce such concerns to a manageable level. At the same time, it would allow the United States to retain some influence over regional developments and offset any perception that the United States was disengaging from Europe, which could have a detrimental impact on broader U.S. interests in Europe.

Promoting Democratization and Reform in Serbia

The United States faces four major challenges in the Balkans. The first challenge is to promote the democratization and reintegration of Serbia into the international community. Kostunica's election provides an important basis for beginning this process. However, Serbia's transition will not be easy. After ten years of war and economic deprivation, Serbia's economy is in shambles. Corruption and racketeering are rampant and most of the key industries and economic enterprises are in the hands of Milosevic's cronies. The police, army, and media are also dominated by Milosevic loyalists.

The democratic opposition, moreover, is not a cohesive force. It showed a rare degree of unity in the weeks leading up to the September 24 election, but there is a danger that this unity will dissolve and that the opposition will again revert to the type of internal bickering and jockeying for power that characterized the 15 months prior to the elections. Indeed, differences within the coalition have already begun to manifest themselves.

The new government will need to implement a coherent economic reform program. If it does not show rapid economic progress, it could face an erosion of domestic support, as occurred in Bulgaria after the democratic opposition took power in October 1991, and as occurred in Romania after the victory of the democratic opposition in November 1996.

The United States and its European allies, therefore, need to move quickly to reinforce support for Kostunica. The top U.S. priority should be to support internal democratization and reform in Serbia. Other issues, such as Milosevic's extradition and Kosovo's final status, while important, should be subordinated to this goal. Putting too much emphasis on them in the initial stages could overload the political agenda and possibly even derail the process of internal democratization and reform. Once Kostunica has consolidated his power and internal reform is on track, it will be easier to deal with these other issues.

Most of the sanctions should be lifted, leaving in place only those that are aimed directly at Milosevic and his key supporters. In addition, the United States should work closely with its allies to draw up an action plan for Serbia designed to encourage democratization and economic reform. Western economic assistance should be conditioned on the introduction of a coherent program of economic and political reform and the implementation of the Dayton agreement.

At the same time, the United States should recognize that Kostunica is no Vaclav Havel. While a convinced democrat, he is also a moderate nationalist and he has been highly critical of the NATO bombing and of U.S. policy. Thus, relations may be a little prickly at the outset. The United States should be prepared for this and not overreact to it. The important thing is that Kostunica appears genuinely committed to introducing democratic reforms and reintegrating Serbia into the international community. If the United States pursues a sensible policy designed to support democratic reform, Kostunica's suspicions are likely gradually to dissipate, allowing the United States to put relations on a firmer footing.

The Kosovo Dilemma

The second challenge is to stabilize Kosovo and define its future political status. The NATO air campaign halted the ethnic cleansing but did little to resolve the broader political problems in Kosovo. Local political institutions are weak; the economy is in shambles; lawlessness and an atmosphere of intimidation persist in many areas; and freedom of movement and interaction between the Serb and Albanian populations is nonexistent. Most important, Kosovo's political status remains unresolved.

Resentment among the Kosovar Albanians, however, is growing over the international community's slowness in creating interim democratic structures. A way needs to be found, therefore, to involve Kosovars in their own democratic self-rule. This should be the top U.S. priority in the short run. Otherwise, there is a danger that discontent will provoke new incidents of violence and unrest. In addition, a date needs to be set for national elections as soon as possible. This will give Kosovars a greater sense of self-rule and help to defuse the growing sense of dissatisfaction.

At the same time, the United States and its allies need to develop a coherent long-term policy regarding Kosovo's future. The current Western policy—support for autonomy within a federal Yugoslavia—is untenable over the long run. It has no support among any of the key actors in Kosovo—including Ibrahim Rugova—and it is not likely to be acceptable to the Kosovar Albanians even if a more democratic regime emerges in Serbia.

Without a clear roadmap defining Kosovo's final status, the Kosovar Albanians will eventually begin to regard the international community as the main obstacle to self-determination. This could precipitate new violence and reprisals—this time against NATO and the UN—and could spark pressures to withdraw Western troops and the UN from Kosovo.

In short, Kosovo's independence or self-determination—or potentially both—may be unavoidable over the long run. The alternative is to suppress by force the aspiration of the Kosovars for self-determination, but it is unlikely that the international community has the will or the stomach to pursue such a policy. Moreover, it could lead to the creation of a "Palestinian-type" situation in the heart of Europe.

The timing and modalities of Kosovo independence, however, are important. If independence occurs before Kosovo has developed functioning democratic institutions, and while the Balkans remain plagued by ethnic strife, it could be highly destabilizing. However, if it occurs as a final stage of an extended transition process and takes place after the Balkans have been integrated into a broader European framework, its effects may be less disruptive and dangerous.

Thus, what is needed is a transition process that makes self-determination contingent on the Kosovars' meeting clearly defined conditions. These conditions would include the holding of free and fair elections, the establishment of stable democratic institutions, the creation of a viable market economy, respect for minority rights, and a renunciation of territorial aspirations against its neighbors. The Organization for Security and Cooperation in Europe (OSCE) could be given responsibility for monitoring and assessing Kosovo's progress toward meeting these goals.

Moreover, one should not automatically assume that Kosovo independence will inexorably lead to the formation of a "Greater Albania," as many Western observers fear. Historically, the Albanian population has never lived together in a single unified Albanian state. Political loyalty is determined primarily by clan and family ties, not by ethnic identity.

In addition, there are important tribal and cultural differences between the various Albanian communities. The current ruling party in Albania, for instance, is largely dominated by Tosks. Most Kosovars, however, are Gëgs. Thus, the many Tosks are not particularly enthusiastic about unification with Kosovo, because it would upset the tribal political balance in Albania.

MACEDONIA: FOSTERING ETHNIC HARMONY

The third challenge is to help foster greater ethnic harmony in Macedonia. To date, Macedonia has maintained a greater degree of stability than many observers anticipated. But relations between the Slav majority and the Albanian community—which constitutes more than thirty percent of the population—remain tense. If these problems are not adequately addressed, they could lead to growing ethnic unrest and pressure for secession on the part of the Albanian community.

Unlike the Albanians in Kosovo, however, the Albanian community in Macedonia has chosen—at least for the moment—to follow a path of peaceful integration rather than separation. It is essential that they continue to do so. The Albanian community needs to be given a greater stake in Macedonia's political and economic life. Otherwise, discontent and secessionist pressures are likely to grow.

The United States and its allies, therefore, should encourage the Macedonian government to expand economic and educational opportunities for the Albanian population. This could help to reduce ethnic tensions and defuse separatist tendencies among the Albanian population in Macedonia. At the same time, the United States should make Kosovo's final status contingent upon a commitment by the Kosovars to respect Macedonia's territorial integrity and not to incite the Macedonian Albanians to join a broader Albanian state.

STABILIZING THE PERIPHERY

Finally, the United States needs to stabilize the Balkan periphery. The goal of U.S. policy should be to create a ring of stable, democratic states on the periphery of the Balkans. This can act as a firewall against the spread of any future threats to regional stability.

As part of this policy, the United States should strongly support the reform processes in Croatia, Bulgaria, and Romania. While none of these states is ready at the moment for NATO or EU membership, the doors to both organizations should be kept open and every effort should be made to help these countries become better qualified for membership. The prospect of membership in both organizations can provide an important incentive for domestic reform and stimulate all three to improve their treatment of minorities.

The United States and its allies should also support Croatia's reform process. Indeed, Croatia provides a good example of the benefits that could accrue to Serbia if it were to adopt a more democratic and reformist course. The United States should make clear that similar Western support will be forthcoming if Serbia introduces a program of comprehensive economic and political reform and embarks upon a democratic path.

Finally, the United States should encourage Greece and Turkey to intensify their current thaw. The recent rapprochement between the two countries is one of the most promising developments in South-eastern Europe in recent years and could considerably contribute to enhancing regional stability. However, if it is to be truly successful, the current thaw must go beyond atmospherics and eventually address the core issues such as the Aegean and Cyprus.

CONCLUSION

In short, a viable U.S. strategy toward the Balkans must work along several separate but parallel tracks: promoting democratization and reform in Serbia, stabilizing Kosovo and defining its end status, fostering ethnic harmony in Macedonia, and stabilizing the Balkan periphery. These problems must be addressed in tandem as part of a broader regional strategy.

If it is to succeed, U.S. policy will need the support of Washington's key European allies. It is therefore important that the new administration consult closely with U.S. allies to harmonize and coordinate policy toward the Balkans, especially Serbia. NATO and the EU should be the main fora for this consultation. However, the dialogue with the EU needs to be broadened and upgraded. It should become a genuine "strategic dialogue" that includes important political issues, such as the Middle East and the Balkans, and not simply focus on trade and other issues, such as genetically altered food.

SOUTH ASIA: U.S. POLICY CHOICES

by Ashley J. Tellis, RAND

The new administration will confront challenges and opportunities in South Asia that are as complex as the region itself. Three critical issues will demand continued U.S. attention in the years ahead: continuing transformations within India and Pakistan and the consequences of those transformations for regional security in and beyond South Asia; the continuing civil war in Afghanistan and the implications of that war for the export of terrorism and instability both within and beyond South Asia; and the continuing war in Sri Lanka and the implications of that war for the future of Sri Lanka as a unified state.

ISSUE ONE: INDIA AND PAKISTAN

Both India and Pakistan are currently in the midst of major domestic transformations. Although India's democratic institutions remain both durable and robust, its traditionally liberal and secular character is increasingly contested by a variety of new Hindu confessional groups in Indian politics. As these unsettling social transformations work themselves out, other political, economic, and strategic transformations continue to occur concurrently.

At the political level, India will continue to experience coalition governments at the center for the foreseeable future: this implies that national decision making will be buffeted by the fractious demands of domestic politics, as no single political party currently appears capable of dominating national politics as the Congress Party did dur-

ing the second half of the 20th century. This implies that it will be rather difficult to secure a quick and easy domestic consensus on various international issues of great importance to the United States like, for example, the Comprehensive Test Ban Treaty (CTBT), intellectual property rights, climate management, and international trade.

At the economic level, India is continuing, with dramatic effects, its slow move away from statist economic structures that have dominated since independence. The Indian economy has been growing at an annual rate of roughly 6 percent to 7 percent since 1991, and most international observers believe that such growth rates can continue over the next two decades. If true, this would make India the world's fourth largest economy in terms of purchasing power parity (PPP) by 2015. Such growth rates will increase India's ability to modernize its already large military forces, develop a credible nuclear deterrent, and become a naval power of some consequence in the northern Indian Ocean. U.S.–Indian economic linkages will also continue to deepen as a result of continued economic liberalization and rapid growth within India and, over the longer term, India would in fact realize its potential as the “big emerging market” it was once advertised to be.

At the strategic level, India seeks to sustain the improvement in U.S.–Indian relations that have occurred in recent years. Conditioned in part by fears about a rising China, India seeks to evolve a relationship that emphasizes “strategic coordination” with the United States: Whereas its traditional, and still strong, desire for political autonomy and its continuing search for greatness will prevent it from ever becoming a formal alliance partner, it seeks to develop friendly relations with Washington that do not preclude important forms of strategic and military cooperation over the longer term. Such relations are sought both to resolve India's security dilemmas vis-à-vis Pakistan and China and to develop cooperative solutions to various emerging problems of global order, even as it remains committed to producing those instruments it believes are necessary for its long-term security, like nuclear weapons.

In contrast to developments in India, which—with the exception of troubling domestic Hindu revivalism—are largely positive from the

viewpoint of the United States, the situation in Pakistan remains unsettled and troublesome on multiple counts. Pakistan continues to be beset by unhealthy social, political, economic, and strategic trends, which have unfortunately become both relatively intractable and mutually reinforcing. The most disturbing of the social trends has been the rise of a large number of armed, disaffected, Islamist groups in Pakistan. Although these groups arose as a result of the Soviet invasion of Afghanistan in 1978, they have survived thanks to Pakistan's continuing state failures, and they thrive, among other things, because of the ongoing support received from the Pakistani military and secret services. As a result, they are now deeply entrenched—sometimes violently—in Pakistani politics, and, equally problematically, they have become the spearheads of terrorism in Afghanistan, Central Asia, and Kashmir.

At the political level, the disruption of democratic governance resulting from the military coup in October 1999 is likely to continue well into the foreseeable future, and the military is likely to be formally involved in managing matters of state even after Gen. Pervez Musharraf finally exits office. The current regime has certainly restored a measure of domestic stability and has reduced sectarian violence, but it has further eroded the already poor democratic temper in Pakistan. For a variety of historical reasons, Pakistan has had a very infirm civil society, and periodic military interventions, no matter how well intentioned or temporarily successful, have invariably contributed to destroying the political processes, institutions, and ethos necessary for a stable democratic order. It is unlikely that the present regime will be able to permanently arrest the growth of the radical *jehadi* (holy war) movements in Pakistan or create the structural conditions necessary for a stable democracy over the long haul. In fact, the program of political and constitutional reform currently promoted by the military regime is likely to make this task even harder insofar as it further weakens many of the key institutions necessary for a strong civil society.

At the economic level, the Pakistani economy remains paralyzed by high external indebtedness, poor extractive capacity, and low levels of technology absorption. The current regime has attempted to address the first and second problems far more seriously than its predecessor ever did, but with mixed success thus far. Engaging the

third, more permanent, problem of slow technical change fundamentally depends upon access to foreign investment, but Pakistan's structural problems—the presence of endemic corruption, the power of feudal social structures, the persistence of depressed social indicators, and the entrenchment of cultural attitudes that are increasingly alienated from the West—imply that substantial injections of foreign technology, resources, and know-how will continue to lie beyond reach. Although the current military regime has placed significant emphasis on reviving the economy, it has become increasingly clear that even a powerful bureaucracy like the Pakistan Army lacks both the power and the legitimacy required to enforce the gut-wrenching changes that will be necessary to turn the economy around.

At the strategic level, Pakistan's circumstances also continue to remain highly unsettled. Pakistan, like India, is a *de facto* nuclear state. It will not rollback its nuclear program, because of continuing fears about India's capabilities and intentions. It will also continue to rely on assistance from China and North Korea for future strategic technologies and it will receive such assistance—for different reasons in each case—unless the United States can successfully intervene to staunch the flow. Further, Pakistan appears committed to using its emerging nuclear capabilities for strategic cover as it challenges India through its support for domestic insurgent movements in Kashmir and elsewhere. The Indian refusal to discuss the issue of Kashmir with Pakistan in the aftermath of the Kargil conflict will only reinforce the Pakistani penchant for mounting further challenges in the future. Pakistan's strategic policies since independence have resulted in the creation of a garrison state, and permanent confrontation with India seems to have become an unfortunate fixture of Islamabad's grand strategy.

On balance, therefore, Pakistan, in contrast to India, is faced with far greater and more complex challenges: internal radicalization, economic stagnation, and political decay subsist amidst growing security competition with New Delhi which involves, *inter alia*, low-intensity wars waged by proxy and an emerging regional nuclear arms race.

In such circumstances, there are four broad policy directions facing the United States:

1. Ignore both India and Pakistan

The advantages of this policy are that it spares Washington from (1) getting involved too deeply in an area that is still not vital to the United States; (2) getting entrapped in local disputes which, given the positions of the two sides, are not “ripe” for external mediation; and (3) having to invest political capital which might be better expended elsewhere.

On balance, however, the disadvantages accruing to this option outweigh its advantages. Ignoring both states implies losing influence over their choices in issue-areas of potentially great importance both to the United States and to themselves: nuclear proliferation, nuclear weapons use, human rights, democratic governance, and economic reform. Moreover, the resources normally expended by the United States on South Asia are not very significant to begin with: while they are not enough to achieve great good, they often suffice to prevent things from getting worse; consequently, even relatively low levels of attention—consistently applied—may be better than pervasive inattention and neglect.

2. Increase support to Pakistan and provide a de facto balance against India

The advantages of this policy are that it provides (1) a means of recovering the traditional influence the United States enjoyed in Pakistani politics; (2) an opportunity to piggyback on Pakistani influence in Central Asia, the Middle East, and China; and (3) a potential constraint on India’s regional ambitions, which could prevent it from opposing larger U.S. interests in Asia or globally.

This option too has more disadvantages than advantages today. First, increased U.S. influence in Pakistani politics—even if attainable—would buy the United States less than is sometimes imagined. Pakistani politics today has been sufficiently transformed that even increased goodwill towards the United States will not change Islamabad’s positions on critical issues relating to, for example, nuclear proliferation and Afghanistan. Supporting Pakistan in opposition to India also buys the United States little by way of increased influence in Central Asia, the Middle East, and China, since U.S. resources more than suffice for this purpose. Second, increasing support to Pakistan at the cost of India could result in the “tail wagging the

dog": Islamabad, delighted by the resumption of U.S. support, could be tempted to exploit it to further its own revisionist agenda vis-à-vis India in Kashmir and elsewhere and, as happened in 1965, could "entrap" Washington in unnecessary conflicts with New Delhi. Further, this option, to the degree that it would encourage Pakistani revisionism, is also likely to guarantee a major Indo-Pakistani war, with possible nuclear brandishing and conceivably nuclear use. Third, supporting a weakening and possibly decaying Pakistan against an increasingly confident and slowly rising India is bad balance-of-power politics if the weaker state—namely Pakistan—cannot absorb U.S. support because of its domestic fragility or is likely to misuse U.S. support because of its revisionist aims: In either event, increased U.S. support would only enrage the stronger, rising, power—India—even as it has little effect on constraining its rise or conditioning its ambitions. Finally, supporting Pakistan against India, even if successful, would do little to neuter the real challenge to U.S. global and regional interests which, if it emerges, is more likely to be personified by a rising China rather than a rising India. Thanks to both the differential in relative capability between China and India and the existing compatibility between Indian and American democracy, New Delhi is likely to become a less pressing strategic threat in comparison to Beijing and it may in fact become the more appropriate object of U.S. assistance rather than containment over time.

3. Increase support to India and contain Pakistan

The advantages of this policy are that it (1) provides a means of coopting a rising power that shares democratic traditions, while utilizing that power's resources to manage common threats like state failure, terrorism, proliferation of weapons of mass destruction (WMD), freedom of navigation in the northern Indian Ocean, and possibly the challenges posed by a rising China over time; (2) provides one solution for defusing the threat of regional South Asian war, insofar as it embraces India as the local security manager and, by implication, rejects both Pakistani claims and its potentially adventurous policies vis-à-vis Kashmir; (3) increases the potential for inducing India to become a potential U.S. coalition partner in peace operations whenever necessary and opens the door for closer U.S.–Indian security cooperation which may include combined training, exercises, and operations over time; and (4) could both serve to contain the worst consequences of domestic deterioration within Pak-

istan and function as an instrument designed to minimize the consequences of any unhelpful Pakistani or Chinese behaviors in issue areas, like terrorism, WMD proliferation, and Afghanistan.

Although many analysts believe that this is where U.S.–Indian relations are headed given current trends, this option—as stated—is premature in the context of the geopolitical realities today. There are many disadvantages to this option, among the most important of which are the following: First, containing Islamabad is likely to result in a complete loss of U.S. influence within Pakistan, an accentuation of the most destabilizing trends within Pakistan, and the complete marginalization of those liberal elites still struggling to survive within the country. Second, as a policy option, it fails to distinguish between the Pakistani state and the Pakistani polity and in seeking to contain the former and its excesses, it ends up penalizing the latter. Third, it reinforces the existing—unhealthy—linkage between India and Pakistan in U.S. policymaking, and although it may get the relative emphasis right, it continues to stay trapped in a zero-sum mentality that, no matter how prevalent in the region, should be escaped by U.S. policy to the degree possible.

Given the problems inherent in the three policy options listed above, an optimum policy for the United States, should consist of a strategy that lies between the second and third options: It will lie closer to option three than to two, but it will have several distinguishing features that separate it from both.

4. Pursue a differentiated policy: deepened engagement with India; a 'soft landing' in Pakistan

This policy would have several distinctive features. First, U.S. calculations could systemically decouple India and Pakistan; that is, U.S. relations with each state would be governed by an objective assessment of the intrinsic value of each country to U.S. interests rather than by fears about how U.S. relations with one would affect relations with the other. Second, the United States would recognize that India is on its way to becoming a major Asian power of some consequence and, therefore, that it warrants a level of engagement far greater than the previous norm and also an appreciation of its potential for both collaboration and resistance across a much larger canvas than simply South Asia. Third, the United States would recognize that

Pakistan is a country in serious crisis that must be assisted to achieve a "soft landing" that dampens the currently disturbing social and economic trends by, among other things, reaching out to Pakistani society rather than the Pakistani state.

Given these three premises, U.S. policy should aim for the following goals. With India, the United States should expand high-level bilateral political consultations on key political and strategic issues with the aim of developing common approaches to the key emerging challenges of global order: terrorism, WMD proliferation, state breakdown, peace operations, and future power transitions in the international system. Important lower-level objectives would be to reinforce New Delhi's traditionally moderate responses to Pakistani needling and encouraging India to exhibit restraint with respect to its nuclear weapons program, and to assist Indian integration into multilateral security and economic organizations in the Asia-Pacific. The next U.S. administration should also work to strengthen economic cooperation at all levels, with an emphasis on removing bureaucratic impediments to trade in civilian high technology, increasing bilateral economic flows, and expanding and consolidating the open international trading order. It should also continue to encourage India to accelerate its internal economic reform, thereby providing greater encouragement for larger U.S. investments in, and trade with, India. Finally, the United States should work to enhance military-to-military cooperation in the form of officer exchanges, combined training, combined exercises, and eventually combined operations wherever possible.

With Pakistan, the United States should aim to extend assistance in strengthening the institutions in civil society with the objective of helping Pakistan to become a modern Muslim republic. Important lower-level objectives would be to assist Pakistani society through support for liberal Pakistani nongovernmental organizations (NGOs) that work in the areas of education, health care, and women's rights and to increase the growth of U.S.-Pakistani economic relations. A second general goal should be to maintain strong pressure on the current regime for a return to democracy. The United States should also clearly communicate to Pakistan's civilian and military leadership its strong preference for reconciliation over Kashmir that involves, among other things, a transformation of the current line of control (LOC) into a new international border. Finally, the next ad-

ministration should work to restore some forms of military-to-military cooperation, primarily in the form of personnel exchanges and military education, but not arms sales—even on commercial terms—until Pakistan ceases to challenge the territorial status quo in Kashmir by force.

ISSUE TWO: CIVIL WAR IN AFGHANISTAN

The continued civil war in Afghanistan between the Taliban movement and the remnants of the erstwhile Northern Alliance remains the second important issue deserving American attention. Although the United States clearly has a moral obligation to assist in the restoration of peace in Afghanistan, among other things because of the sacrifices made by the Afghan people during the Soviet invasion, there are important strategic reasons for increased U.S. involvement today as well. These include restoring normalcy to arrest the growth of terrorism and narcotics trafficking in Afghanistan, to enable the resettling of Afghan refugees in Pakistan, and to assist the prospect of developing stable trading links between Central Asia and the Southern Asian states.

After the Soviet withdrawal, it was hoped that the erstwhile mujahideen groups in Afghanistan would form a broad-based government in Kabul. When this prospect did not materialize after months of internecine fighting, the Pakistani-supported Taliban movement launched a military campaign that brought about two-thirds of the country under its rule. Pakistan is heavily invested in supporting the Taliban's continued effort at seeking control over all of Afghanistan by force. Today the Taliban is opposed principally by Ahmad Shah Massoud, with assistance from Russia, India, and several Central Asian republics, all of whom are concerned about the domination of Afghanistan by an Islamist regime that remains beholden to Islamabad, may become a fountainhead for the export of instability, and, among other things, continues to harbor Usama Bin Ladin and his Al-Qaida network.

U.S. policy initiatives with respect to Afghanistan should include increased support for the "Rome Process" to create a broad-based forum to discuss future structures of governance in Afghanistan. They should also permit support for Massoud to prevent complete Taliban domination of Afghanistan by force. Even if the Taliban conquer all

of Afghanistan, the next administration should refuse to recognize them as a legitimate regime until concerns about human rights, terrorism, and narcotics, are satisfactorily resolved. Moreover, it should support NGOs in their efforts to provide education, health care, and social services within Afghanistan. Finally, the United States should prepare to economically support the reconstruction of Afghanistan after a satisfactory broad-based solution to the civil war is achieved.

ISSUE THREE: CIVIL WAR IN SRI LANKA

Although the Sri Lankan civil war has now continued for almost two decades, the dramatic June 2000 victories of the Liberation Tigers of Tamil Eelam (LTTE), commonly known as the “Tamil Tigers,” clearly underscore the serious consequences of the failure of past Sri Lankan peace efforts. The Sri Lankan civil war is significant to the United States for three reasons. First, a failure to peacefully satisfy Tamil interests could lead to the partitioning of Sri Lanka. Second, the LTTE has become one of the world’s most effective terrorist organizations—whose signature operation is suicide bombing—with increasing resources and increasing reach. Third, a partitioning of Sri Lanka would have deleterious “demonstration effects” for peaceful reconciliation in South Asia and beyond and would be a tragic outcome for a country that has always had good relations with the United States.

Although the Sri Lankan government, under the aegis of the Norwegians, has proposed a series of constitutional reforms that call for greater devolution of power, these proposals are increasingly unlikely to win any LTTE support because they resemble present provincial arrangements that the LTTE has already rejected. Only more radical approaches to power sharing, centering on the creation of a loose confederal structure, are likely to be viable in the face of LTTE military successes, but even these would be difficult to sell to the dominant Sinhalese, and they may finally be rejected by the LTTE as well in favor of outright independence.

U.S. policy initiatives with respect to Sri Lanka should, therefore, encourage the Sri Lankan government to explore confederal alternatives in its peace proposals to encourage LTTE interest in the peace talks or, failing that, to discredit them; publicly affirm the position that the United States will not recognize an independent Tamil state; seek to more vigorously restrict LTTE fund-raising efforts in North

America and Europe in concert with U.S. allies; support Israeli efforts to equip and, more importantly, train the Sri Lankan Army while being prepared to offer similar U.S. assistance to the Sri Lankan military as well; and, finally, encourage India to support a reconciliation in Sri Lanka while simultaneously curbing LTTE activities to the extent possible in Southern India.

PRESERVING STABILITY AND DEMOCRACY IN INDONESIA

by Angel Rabasa, RAND

THE ISSUE

Indonesia is in a process of a political transformation that could change the geostrategic shape of Asia. Depending on how the process unfolds, Indonesia could evolve into a more stable and democratic state; it could revert to authoritarianism; or it could break up into its component parts—an Asian Yugoslavia but on an almost continental scale. The next six to twelve months will be a critical period in setting Indonesia's trajectory. The issue for U.S. policy is what steps it should take in the near term to influence the process of change in Indonesia and foster stability and democracy.

THE STAKES

With a population of more than 200 million, Indonesia is the world's fourth-most-populous state and the largest one with a Muslim majority. The Indonesian archipelago stretches across 3,000 miles from the Indian Ocean to the western half of New Guinea, straddling key sea lanes and straits. What is at stake for the West—or, to be accurate, for the United States, Europe, Japan, and the other Asia-Pacific members of the Organization for Economic Cooperation and Development (OECD)—is no less than the stability of the strategically critical region that stretches from the Indian Ocean to the Western Pacific. The destabilization or, in the worst case, balkanization of

Indonesia would generate widespread disorder and violence, provoke destabilizing refugee flows, depress investor confidence, and sharpen Chinese hegemonic aspirations.

Moreover, Indonesia is not the only Southeast Asian country with dissatisfied ethnic minorities and armed separatist movements. If Indonesia breaks up, there is no guarantee that balkanization will stop at its borders. There is widespread fear in the region that the example of an independent Aceh will strengthen the resolve of secessionists in the Philippines and southern Thailand and sharpen ethnic and religious divides across the region.

Aside from these geopolitical considerations, however, Indonesia's domestic struggles resonate far beyond the Southeast Asian area. How Indonesia deals with the issues of democracy and political and religious diversity, for instance, could well influence the political evolution of Asia and the larger Islamic world.

THE CHALLENGES

Indonesia is in a process of rapid and unpredictable change that presents unprecedented risks and opportunities. In this environment, the country faces four major challenges: First, Indonesia must consolidate its nascent democratic institutions while devolving power and resources from the center to the provinces. Second, it must reform the military and establish a model of democratic civil-military relations. Third, it must restart the economy, which was devastated by the economic crisis of 1997-98. Fourth and finally, it must restore order and security in the face of armed secessionist movements and widespread ethnic and religious violence.

Democratic Consolidation. Abdurrahman Wahid's selection as president marked a critical milestone in the transition from authoritarianism to a more democratic political system: Indonesia's Parliament is now more powerful and legitimate. The structure of social control constructed during the Suharto era is being dismantled. The press is among the freest in Asia. And legislation has been enacted that would devolve power and resources from the center to the provinces. Nevertheless, several factors make the transition to a stable democracy a difficult and unpredictable process. Wahid's erratic style of governance and the erosion of the coalition that brought him to

power are two of these factors. Lack of agreement within the governing coalition on problems such as the privatization of state-owned enterprises, the process of decentralization, and the future of economic and fiscal policy resulted in protracted controversies. As a result, there has been a dangerous drift in Indonesia's democratic government. At the meeting of the country's highest legislative body, the People's Consultative Assembly (MPR) in September 2000, strong criticism of Wahid's management forced him to delegate the day-to-day running of the administration to the vice president, Megawati Sukarnoputri.

Military Reform. The Indonesian armed forces suffered a severe loss of reputation as a result of their identification with the Suharto regime. They responded to the pressures for change by retreating from their traditional political role and undertaking a revision of their doctrine. So far, the changes have amounted to a revolution in civil-military relations: they include the severance of ties to the former ruling party, Golkar; the appointment of Indonesia's first civilian minister of defense and of a non-army officer as armed forces commander in chief; and an end to the practice of appointing active-duty officers to civilian positions in the government. The military is also moving from its traditional focus on internal security threats to a focus on external defense. Internal security functions are being transferred to the police, which was recently separated from the armed forces. Implementing the new doctrine will require enormous changes in the military's culture, organizational structure, and training and personnel practices.

Economic Reconstruction. Restoration of economic growth will be critical to political stability and democratic consolidation. The Indonesian economy has been recovering from the depth of crisis. The rupiah has strengthened from 14,000 per dollar in June 1998 to a range of 7,000–8,000 throughout most of 2000, although it had fallen to 8,800 by mid-October. Other macroeconomic indicators have shown signs of stabilizing. Nevertheless, the recovery remains fragile and vulnerable to both exogenous and endogenous shocks. The underlying causes of the crisis—the insolvency of a large part of the private corporate and banking sector—remain unresolved. The public sector debt had also increased alarmingly to 95 percent of gross domestic product (GDP) by the end of 1999, a four-fold increase from the precrisis level. Servicing this debt will increase pressure on a

budget already weakened by declining tax revenues and increased demands for spending on the social safety net. A new economic team composed of Wahid loyalists was put in place in the August 2000 Cabinet reshuffle. Wahid's move to consolidate his control of economic policy is a high-risk strategy that will be particularly acute if the newly reformulated economic team is unable to turn the economy around.

Restoring Order and Security. At the same time, Indonesia is facing the most serious threat to its territorial integrity since its independence 50 years ago. The separation of East Timor has encouraged secessionist movements in the far more economically and politically important provinces of Aceh, in the northern tip of Sumatra; Riau, which produces half of Indonesia's oil; and mineral-rich West Papua, formerly Irian Jaya. In an effort to mollify the Acehnese, the central government has agreed to grant Aceh wide-ranging autonomy in internal matters, including the application of Islamic law, and a split of the province's natural gas revenues. These concessions may or may not deflate the independence movement, but clearly Jakarta believes that it has no choice but to devolve control over resources to prevent the provinces' outright secession.

There has also been widespread violence between ethnic and religious groups in eastern Indonesia. The violence began in the Moluccas and subsequently spread to Sulawesi and Lombok, in central Indonesia. It began as a social conflict, pitting ethnic groups against each other and Javanese migrants against indigenous inhabitants, but it has now taken on the character of a religious war, with radical Islamic volunteers arriving from Java to fight the Christians. It is estimated that, since the violence began in 1999, about three thousand people have been killed throughout the Moluccas and more than a hundred thousand have become refugees. Indonesians fear that the violence could lead to a wider sectarian conflict that could tear Indonesia apart. There are different theories on who is behind the violence in eastern Indonesia: some blame Muslim radicals and others blame Indonesian military factions seeking to destabilize the Wahid government. Radical Muslim organizations in Java have used the violence to mobilize supporters and to attack the government for insufficient solicitude for Islamic interests.

POLICY ALTERNATIVES

Given the Jakarta government's shaky control over the country and over its own institutions, including the bureaucracy and the military, the issue for the U.S. government is to decide what combination of carrots and sticks it should employ to pursue the macro objectives of democratic consolidation, political stability, and economic reconstruction and to secure second-order political and commercial objectives.

At present, U.S. policy appears to be focused on the shortcomings of the Wahid government and on the second category of U.S. objectives. In particular, Washington's dialogue with Jakarta revolves around two issues: demands that the Jakarta government control the activities of the militias based on West Timor, and commercial disputes including those over insurance claims lodged by the U.S. Overseas Private Investment Corporation (OPIC).

Military-to-military ties were suspended in September 1999 because of the Indonesian military's role in the violence in East Timor in the wake of the independence referendum. Following Under Secretary of State Thomas Pickering's visit to Jakarta in March 2000, Washington began to take some steps to resume military cooperation. There has been a limited resumption of Indonesian participation in combined exercises. The killing of three United Nations workers in West Timor in September 2000 has precipitated a further downward movement in the bilateral relationship. According to a September 18, 2000, *New York Times* story, U.S. administration officials have decided to take a harder line toward Jakarta and have raised the threat of cutting financial support to Indonesia.

Underlying a hardline policy toward Indonesia on Timor is the assumption that the Jakarta government is in fact able to control the activities of the players in West Timor. This may be questionable. Despite the central government's efforts, it has had little success in quelling violence in the Moluccas, Sulawesi, and elsewhere. The situation in West Timor, with thousands of embittered former pro-Indonesian militiamen from East Timor, may be even less amenable to central government control.

A policy of pressure or isolation may not necessarily bring about desired results, and, moreover, it could be quite destructive of In-

Indonesia's stability. In this regard, U.S. policy toward Colombia in the mid-1990s might offer a cautionary example. U.S. efforts to isolate and drive from office the drug-tainted administration of Ernesto Samper ultimately failed, but they gravely weakened the Colombian government and economy, fostering the conditions for the explosive growth of guerrillas and associated drug traffickers in that country.

If the governing coalition falters, the democratic transition could be aborted and Indonesia could revert to authoritarian or military rule. An aborted transition could widen fissures in Indonesian society, overwhelm key institutions, and lead to a breakdown of central authority. This could involve the loss of central control over the periphery and, in the most extreme case, outright secession or attempted secession of outlying provinces. The military, which views itself as the guardian of the country's territorial integrity and political stability, might then see no option but to reinsert itself into politics. The outcome would be an Indonesia—rump or otherwise—organized on the Pakistani or Burmese model. The damage to U.S. interests in regional stability and in the expansion of democracy would be immense.

An alternative approach would involve reversing the current order of priorities. It would recognize that, from the perspectives of U.S. strategic interests in Asia, the survival of the democratic experiment in Indonesia outweighs the very real concerns about commercial disputes, Jakarta's limitations in guaranteeing security in Timor, and other problems. This approach would avoid public posturing that would inflame nationalist sentiments and provoke a backlash. It would seek to shape Indonesia's attitudes and gain its support for broader U.S. objectives. Specifically, this alternative approach would involve a series of steps that the United States can take now to advance its first-order objectives in Indonesia, as well as steps that can be taken over the longer term depending on how the Indonesian situation develops.

RECOMMENDATIONS

In the short to medium term, the United States should do six things:

1. *Understand the limits of what the Indonesian government can deliver.* In this respect, Washington should follow the Hippocratic oath:

first of all, do no harm. The United States should refrain from making unreasonable public demands of Indonesia's civilian government. Indonesia's democratic leadership is the best judge of the pace at which institutional reform, particularly in the area of civil-military relations, can proceed. The government is making a good-faith effort to meet U.S. concerns regarding, for instance, such sensitive issues as the military's responsibility for the violence on East Timor after the referendum. Wahid's dismissal of the Armed Forces Commander, General Wiranto, in February 2000 was widely viewed in Jakarta as an action taken in response to U.S. pressure. To demand more at this time, such as trials of senior officers allegedly involved in the violence, could fatally undermine the government's standing with key domestic constituencies.

2. Support Indonesia's economic recovery and territorial integrity. Without strong financial support from the international community, the Indonesian government will be unable to restore growth and alleviate social and political tensions. When Philippine President Corazon Aquino visited Washington after the fall of Ferdinand Marcos, no stone was left unturned to support her government. Nothing comparable has been done to support the government of President Wahid. The United States, as the leading power in the Pacific, needs to step up to the plate with a policy of broad engagement with Indonesia and support for Indonesia's economic recovery and territorial integrity.

3. Work with U.S. allies to do more. Of the major industrialized states, Japan has the largest economic interests at stake in economic recovery and stability in Indonesia. Japan holds 45 percent of Indonesia's external official public debt, and Japanese banks are the largest external creditors of Indonesian banks and corporations. While Japan has a creditable record in assisting Indonesia's recovery, it has both the resources and the reason to do more.

4. Engage the military. The Indonesian military will play a critical role in the process of Indonesia's democratic transformation. The United States has an opportunity to influence the thinking and evolution of the Indonesian military at a time when the Indonesian military is looking for a new model and is open to new ideas. Deeper engagement with the Indonesian military would improve the ability of the United States to promote a democratic model of military profes-

sionalism in Indonesia and to play a behind-the-scenes role in fostering defense cooperation and interoperability among the members of the Association of South East Asian Nations (ASEAN). The United States should also provide assistance to prevent the further deterioration of Indonesian defense capabilities. The escalating violence in parts of Indonesia makes the rapid deployment of troops to trouble spots a critical need, but the embargo on the transfer of military equipment and spare parts to Indonesia has affected the ability of the armed forces to transport troops to areas of violence.

5. Help restore a constructive Indonesian role in regional security. This would require helping to rehabilitate the Indonesian–Australian security relationship, which was one of the main elements in the regional security architecture until the East Timor crisis escalated. Restoration of trust may be difficult, but it is not impossible, as strategic thinkers in both countries acknowledge the importance of cooperation to ensure a secure regional environment. The issue for the United States is to try to find ways for the two sides to transcend their grievances and short-term political considerations.

A permanent solution to the East Timor problem will play a key role in rebuilding a constructive Indonesian role in regional security. Such a solution must include a stable, independent East Timor and a constructive relationship between Indonesia and independent East Timor. This would require promoting the negotiation of an arrangement that takes into account the interests of all sides. The international community should also consider organizing an international effort to train and equip an East Timorese security force capable of securing the border and protecting the East Timorese population from recalcitrant militia factions.

6. Hedge against the downside. At the same time, the United States needs to be prepared for contingencies that could be generated if the situation in Indonesia were to deteriorate further. An unstable or disintegrating Indonesia would make the regional security environment more unstable and unpredictable, create opportunities for forces seeking to subvert the regional status quo, and generate greater demands on the U.S. government and military. The United States, therefore, needs to strengthen cooperation with neighboring states, especially Singapore and the Philippines, both to contain the

effect of unfavorable developments in Indonesia and to be in a better position to respond as necessary.

These six items aside, if Indonesia were to overcome its current domestic problems in the longer term, Washington and Jakarta could further develop a cooperative defense relationship that could involve the type of access arrangements and combined training and exercises that characterized the U.S. military relationship with close friends and allies such as Singapore, the Philippines, and Thailand.

PRESIDENTIAL POLICY OPTIONS TOWARD IRAN

by Jerrold D. Green, RAND

Middle East policy is likely to figure prominently in the foreign policy considerations of the next U.S. administration, and Iran is certain to play a key role in such considerations because of the effect it can and does have on U.S. interests and those of its allies in the oil-rich, strategic Gulf region. In recent months, U.S. policy toward Iran has undergone significant changes. The U.S. policy of dual containment, in which the United States developed a security relationship with the Gulf Cooperation Council (GCC) states of the Arabian Peninsula while doing its best to keep Iran and Iraq at bay, has quietly been downgraded, at least as far as Iran is concerned. Despite this, however, legitimate U.S. suspicions about the intentions of the Islamic Republic of Iran will and should persist.

Washington's Iran policy has become less idiosyncratic than in the past. Whereas most states chose to engage Iran, the United States previously preferred instead to contain it. In contrast, Iranian diplomacy has recently been geared toward reintegrating Tehran into the world community—not an easy task in light of the well-known excesses and extremism of the postrevolutionary period. The culmination of Iran's diplomatic initiative has been the reestablishment of diplomatic ties with the United Kingdom at the ambassadorial level. Although the “contract” on the life of British writer Salman Rushdie technically remains in place, and indeed the size of the bounty has been increased, Tehran and London have been able to find a way to ignore this problem to the satisfaction of both governments.

In addition to being influenced by the British turnaround on Iran, another factor that subtly influenced U.S. thinking about Iran was Saudi Arabia. In recent years, Saudi Arabia and some of the other GCC states have been edging timorously toward improved ties with Iran. This liberalization went far enough for discussions to take place between Oman and Iran about joint security arrangements. Because of its preference for consensus over conflict, Saudi Arabia—rarely a leader, usually a follower, or at best a consensus builder—also sought to engage Tehran, and in a fashion that captured the attention of Washington. In part as a consequence of the Saudi and British rapprochements with Iran, as well as because of encouraging domestic developments in Iran that are discussed below, it became increasingly evident to Washington that the United States was out of step with the rest of the world in how it regarded the Islamic Republic.

The primary issues that have traditionally divided the Islamic Republic and the United States remain, although in a somewhat more diminished form than has been the case to date. Iran has always been criticized by the United States for its adamant opposition to the Arab-Israeli peace process. Yet, it is widely known that at the meeting of the Organization of the Islamic Conference (OIC) in Tehran, the Iranians told Palestinian Authority President Yasser Arafat that Tehran would accept any agreement that Arafat made with Israel—although it might not be happy about it. Iranian leaders have made other, sometimes very subtle, statements that have indicated a modest softening of certain views toward Israel, although the continuing odyssey of the Iranian Jews being tried for espionage continues to be a problem.

For the moment at least, it is clear that Iranian aversion to the Arab-Israeli peace process is not the sticking point that it once was in terms of a possible rapprochement between Washington and Tehran. Iran is in no way embracing the peace process, but the fact is that the peace process itself is not without its own problems—including the unproductive years under Benjamin Netanyahu's premiership, the failed meeting at Shepherdstown between Israeli Prime Minister Ehud Barak and Syrian Foreign Minister Faruq al-Shara, President Bill Clinton's disappointing meeting with the late Syrian President Hafez al-Assad in Geneva, and the recent violence in response to Ariel Sharon's visit to the Temple Mount. In short, there

are far greater challenges to the peace process than Iranian opposition to it.

The second issue that has traditionally divided Washington and Tehran—terrorism—remains less clear than in the past. Many in Washington believe that Iran has relied heavily on terror to accomplish its international goals. Nevertheless, there has been some softening on both sides, and indeed Washington pleased Tehran by placing the *Mujahedin e-Khalq*, an Iraq-based organization deeply opposed to the current Iranian political order, on its list of terrorist organizations. Although no one can guarantee that Iran has permanently abandoned the use of terrorism, it is clear that in recent years Iran has been so concerned about its public image that it has rarely resorted to such tactics.

The final area, and indeed the most serious, is Iran's continuing attempt to develop weapons of mass destruction (WMD) and the requisite missile systems to deliver them. In this realm, Iran has received significant support from Moscow, Beijing, and Pyongyang, and this issue continues to concern Washington deeply. Yet, even here, the United States appears to have tempered its opposition somewhat. Many now realize that Iran's drive to acquire nuclear weapons is motivated by its concerns about neighboring nuclear Pakistan, a rival to Tehran and supporter of the anti-Iranian Taliban in Afghanistan; by Saddam Hussein's continuing attempt to develop an Iraqi nuclear capability; by Iran's own inability to re-arm itself fully after its devastating eight-year war with Iraq; and by a variety of other motivating factors. Nonetheless, at present, the WMD issue is more likely to divide Iran and Washington than are the issues of terrorism or the peace process. Indeed, attempts by Washington to halt Iran's acquisition program have sporadically emerged as a key issue in U.S.–Russian relations.

Although the “big three” may have become the “small three,” the concerns that influence perceptions in Washington toward Iran remain legitimate and important. The next presidential administration will be unable to ignore these, although different presidents and their foreign policy establishments may give different weight to the same concerns. One can only speculate as to how the next president will view these problems, but it is clear that, as far as Iran is concerned, these issues will continue to be of significance.

The next administration is likely to formulate its policy toward Iran based on a recent and significant shift in the tone and substance of Washington's Iran policy. This modification has its roots, in recent months and years, in a subtle diminution in hostility by some in Iran toward the United States. This softening began after the democratic election of President Mohammad Khatami, who subsequently used a CNN interview to address the American people about a dialogue of civilizations. This softening continued because of Khatami's apparent moderation; his successful reintegration of Iran into the global community, in large part because of a highly successful foreign policy "charm initiative"; and the fact that Iran's primary foreign policy challenges are on its eastern border from both Afghanistan and Pakistan. Iran has worked hard to improve ties with its Arab neighbors to the south, as well as with the Europeans. It has been less successful to the east, and Iranian policymakers are deeply concerned about threats from and by Pakistan and Afghanistan. Attendant problems resulting from these poor relationships are a serious refugee problem—one of the worst in the world—as well as massive drug problems that Iran has worked mightily but without success to combat. Indeed, Iranian officials are frequently perplexed that the United States does not recognize that Iran's efforts to combat drugs are not unlike those of the United States itself.

Iran's global "charm initiative" resulted in a highly successful visit by President Khatami to Italy, where he had an audience with the pope; a subsequent presidential visit to France; a visit by Foreign Minister Kamal Kharazmi to London—the highest level visit between the two countries in many years; and a variety of other diplomatic successes that have portrayed Iran in a much more moderate light. Iran's efforts have had a U.S. corollary, highlighted by cultural and athletic engagements as well as increasing numbers of encounters between U.S. and Iranian academics, business people, and occasional government officials. The culmination of these U.S. efforts was a speech delivered in Washington by Secretary of State Madeleine Albright on March 17, 2000, in which the tone was more conciliatory toward Iran than at any time since the revolution of 1978–79.

In her speech, Albright emphasized the significance and importance of Iran, wished the Iranian people a happy Nowruz, the Iranian new year, and, on behalf of President Clinton, talked about the history of U.S.–Iranian relations in a dispassionate and reflective fashion. She

reviewed what Washington regards as its positive responses to Khatami's overtures toward the United States, highlighted certain areas in which significant differences remain between the two countries, and said "the democratic winds in Iran" are refreshing and that "many of the ideas espoused by its leaders" are encouraging. Albright then talked about the fact that Washington holds a measure of responsibility for the animosity felt by some Iranians toward the United States.

Although stopping short of an apology, Albright did talk about the excesses of the government of the shah, whom the United States heavily supported, as well as the role the United States played in the overthrow of Prime Minister Mohammad Mossadegh, noting that this "coup was clearly a setback for Iran's political development." With this stunning admission, Albright then talked about the restoration of trade ties between the United States and Iran, in which the United States would now be permitted to import Iranian carpets, caviar, and pistachios. The economic significance of this may be trivial, but it demonstrated that the United States was shifting from a policy of virtually complete containment to one of modest engagement.

One development in the wake of Albright's speech was the publication of an article in the *New York Times* on Sunday, April 16, 2000, which talked in detail about newly released Central Intelligence Agency (CIA) documents discussing the role of the United States in the 1953 overthrow of Mohammad Mossadegh and the return of the shah to Iran instigated by the United States and the United Kingdom. This publication, coming so soon after Albright's virtual apology, was an attempt to signal that the United States understands Iranian sensibilities and is trying, within limits, to forge a new era in U.S.-Iranian relations.

Overall, the tone of Albright's speech was quite positive, but it did highlight the challenge confronting U.S. policymakers in the Clinton administration as well as its successor. On one hand, if the United States appears too eager, this will be interpreted as weakness in Tehran and will undermine attempts to work toward a better relationship. On the other, if Washington completely ignores attempts by moderate elements in Tehran to seek a limited rapprochement with the United States, then there will be no reason for Iranian policy-

makers to make these gestures nor will there be incentives for them to become more moderate. Thus, the next administration will be faced with an exceedingly delicate and sensitive diplomatic task in which signals at the correct volume and intensity must be sent to Tehran at the appropriate intervals. This challenge is and will remain a serious one.

Different groups in Tehran have different views about what is the most desirable type of relationship for the Islamic Republic to have with the United States. The binary, moderate-versus-radical formulation so popular among U.S. Iran watchers is wildly oversimplified, as it can be said with some measure of accuracy that there are multiple camps in Iran. For the purposes of this analysis however, we can only focus on two of them. The best known group in the West is headed by President Khatami, and comprises the many Iranians who voted for him—younger people and women in particular—as well as those Iranians who, in the recent Majlis (parliament) elections, voted for political reform rather than political traditionalism. It is generally thought that this group believes in the utility of rapprochement with the United States and would like to reintegrate Iran into the world community. It was at this group that Albright's speech was aimed, and it is this group that will continue to be the target audience for policymakers in the next U.S. administration. Yet, questions about this group's limited power and influence persist to this very day. Many levers of power—including the military, the intelligence service, and the powerful *bonyads* (quasi-autonomous, nongovernmental economic organizations) that dominate the national economy—are beyond its grasp. Thus, America's "good guys" are also the weak ones.

At the same time, there is a parallel community that includes Supreme Leader Ayatollah Ali Khamenei; the leadership of the *bonyads*; and unknown numbers of people in the military, the intelligence community, the security services, and key segments of the religious community beyond Khatami's influence. This group is generally thought to hold more hardline views and be unsympathetic to any improvement in relations with the United States.

At present, these groups, as well as many others that are less well known, understood, or visible, are engaged in a significant conflict whose intensity seems to ebb and flow and whose duration is un-

clear. The most recent manifestation of this conflict was the closure of some 16 newspapers and other periodicals by the more extreme elements, who are opposed to the course of President Khatami and his reform movement as well as to the "capture" of the Majlis in recent elections by those reformers who support Khatami.

The growing schism in Iran places U.S. policymakers in a difficult position. It would be foolhardy to champion President Khatami's position and thus to undermine him further in the eyes of those who oppose him and who would use U.S. support as a means to question his commitment to the Islamic Republic. Suspicion about and unhappiness with the United States run deep in Iran. An affection for U.S. popular culture, technology, and education do not erase the history of perceived U.S. exploitation hinted at by Secretary Albright in her recent speech. The United States cannot adopt apathy as a policy, nor can it revert to antipathy; neither of these is acceptable. In short, U.S. policymakers, like Khatami himself, are stuck in an exceedingly difficult and delicate position.

In a recent study, a RAND team led by Zalmay Khalilzad talked about U.S. policy challenges toward China that must embody elements of engagement alongside elements of containment. To capture this apparently contradictory set of policy options, Khalilzad coined the term "congagement" which can be defined as simultaneous containment and engagement. Although carrots and sticks are hardly new foreign policy instruments, even when used simultaneously, the notion of congagement is a useful shorthand for understanding the challenges to the United States in its Iran policy. If, as some in the United States hope and believe, President Khatami and his cohort achieve political dominance, then a policy of engagement is appropriate. The Khatami group is thought to be ready and able to rekindle ties with the United States and thus it is hoped that engagement by the United States would be an appropriate instrument to accomplish this. Conversely, if President Khatami and his supporters fail, if the Iranian economy continues to weaken, if the "forces of darkness" achieve policy dominance, and if those elements antithetical to U.S. interests and values rise to even greater prominence, then a policy of containment will be appropriate.

What is more likely to be the case is that none of the groups will enjoy a clear triumph over the others; the stalemate that currently

characterizes the Iranian polity is likely to continue. What is important and often overlooked by U.S. policymakers is the overlap between the various groups in Iran and the fact that, although they share significant differences, they also share certain commonalities. Each group consists of Iranian patriots deeply devoted to the Iranian Revolution and to the concept of an Islamic Republic. Most have shown themselves to be supportive of the democratic process in some measure, although the extremists in particular have taken significant liberties in periodically abusing it. All presumably share a concern about the threats to Iran's eastern border, and they also seem to share a desire for a rapprochement with portions of the outside world. One should not forget that it was a trip to Saudi Arabia by Ali Akbar Hashemi Rafsanjani, hardly a Khatami-style moderate, that initiated the rapprochement between the two countries. The point is that the next U.S. administration must resist the temptation to overimpose the Iranian system with U.S. views and preferences. Iran has a political dynamic and life of its own, and it is one that is not well understood in the United States. It is this lack of clarity that is likely to complicate any attempts at policy innovation toward Tehran. Put differently, the range of policy options available to the next administration is likely to be both limited and determined by domestic Iranian political developments that the United States neither fully understands nor is in a position to influence.

U.S. POLICY TOWARD IRAQ

by Daniel Byman, RAND

Iraq continues to pose a threat to U.S. interests, but the level of threat has diminished since the end of the Gulf War. U.S. policy toward Iraq has faced continued challenges, including Iraqi intransigence over its weapons of mass destruction (WMD) programs; declining international support for sanctions on Iraq; an inability to remove Saddam Hussein from power; and regional discomfort with the large and visible U.S. military presence. Policymakers should recognize that renewed weapons inspections may do more harm than good and that exclusive reliance on the Iraqi opposition may lead to the collapse of containment. Instead, the next administration should focus its energies on shoring up United Nations (UN) control over Iraqi spending, redirecting its military campaign to strike elite Iraqi units and security forces, and maintaining the support of key regional allies.

THE IRAQI THREAT AND THE U.S. RESPONSE

Four worthy objectives drive U.S. policy toward Iraq: (1) preventing Iraq from gaining regional influence, particularly over the oil-rich Gulf states; (2) stopping Iraq from building WMD; (3) removing Saddam from power; and (4) preserving the stability of U.S. allies in the region.

The primary thrust of U.S. policy remains an aggressive containment of the Iraqi regime. Sanctions are used to keep Saddam from rebuilding Iraq's conventional and nonconventional military forces. Washington champions UN weapons inspections as a means of further

reducing Iraq's WMD stocks and capabilities. No-fly zones are maintained over northern and southern Iraq in order to protect Iraqi Kurds and Shi'ites, albeit only from air attacks. The large military presence in the region is designed to deter any Iraqi attacks and to maintain pressure on Iraq.

The United States has also embraced "regime change" as another major objective with regard to Iraq. Under heavy congressional pressure, the current administration has worked with a range of Iraqi opposition groups. Implementation has been fitful at best, however. The administration claims that a lack of opposition unity or planning has hindered the disbursement of congressionally approved support. Proponents of using the opposition more aggressively have questioned the administration's commitment to regime change.

The threat that Iraq poses to U.S. interests has changed considerably since Baghdad's defeat in Operation Desert Storm. Iraq's conventional forces are weak, hindering effective military operations. Ten years of sanctions have prevented Iraq from rebuilding its forces and have probably contributed to a steady decline in overall military effectiveness. During this time, U.S. allies have improved their own capabilities, though they still are unable to use effectively many of the sophisticated systems they have recently purchased. In addition, the United States has a large military presence in the region that, on average, numbers 20,000 personnel. Extensive pre-positioning and improved security ties to the Gulf states complement this presence. Moreover, political change in Iran has raised the possibility that Tehran might work more closely with Washington in containing Iraq.

CONTINUED PROBLEMS

Containment has, in general, succeeded; Iraq poses little immediate threat to U.S. allies in the region. Nevertheless, the United States and its allies face several problems:

- Saddam remains in power. Despite U.S. efforts to orchestrate a coup and U.S. support for various opposition movements, Saddam appears firmly entrenched. The Iraqi dictator probably has little support outside his immediate power base, but a heavy dose of terror, skilled security services, and perks to key supporters have prevented effective opposition.

- The scope and size of Iraq's WMD programs still are not known to a satisfactory degree of certainty. UN inspections have led to the destruction of much of Iraq's arsenal and the disruption of Iraq's efforts to build and acquire WMD. Nevertheless, inspectors have never received a satisfactory accounting of Iraq's WMD programs and, in particular, serious gaps remain in the international community's knowledge of Iraq's nuclear and biological programs.
- Iraq remains defiant regarding the return of UN arms inspectors to Iraq. Under UN Security Council Resolution 1284, UN inspectors are preparing to return to Iraq to resume inspections, which suffered significant disruptions beginning in late 1997 and were officially suspended in December 1998. Iraq, however, has refused to allow the inspectors to return.
- The international consensus on the need to contain Iraq is crumbling. France and Russia, and to a lesser extent China, have criticized U.S. air strikes on Iraq, pushed for the removal of sanctions, and otherwise championed Iraq's cause.
- The United States is currently engaged in a limited military campaign against Iraq that is producing few benefits. Since December 1998, U.S. planes have bombed Iraq an average of several times a week in response to Iraqi attacks on U.S. planes enforcing the no-fly zones. The U.S. responses, in general, have been limited in target choice and intensity of bombing, focusing mainly on destroying Iraqi air defenses. Although the continued strikes demonstrate to U.S. allies that Washington is committed to keeping Iraq contained, they are widely viewed in the region as accomplishing little. From the U.S. point of view, they also place heavy demands on military equipment, training, and personnel.
- Iraq is undergoing a humanitarian and social crisis. Most reports of the suffering—including those by the UN—exaggerate the number of deaths, using dubious Iraqi figures to support their claims. But the crisis is real. Many Iraqis are dying of disease from poor sanitation and malnutrition. Iraq's middle classes have been destroyed and Iraq's educational system has declined.
- U.S. policy toward Iraq has tarnished the image of the United States in the region. In response to the humanitarian crisis, the

United States has supported an “oil-for-food” arrangement to alleviate pressure on the Iraqi people while maintaining restrictions on the regime. Currently, Iraq is allowed to export unlimited amounts of oil, which can be used to purchase a range of humanitarian goods and to repair Iraq’s oil infrastructure. The UN must approve disbursement of money from the oil-for-food arrangement, this money also goes to the Kurds in northern Iraq, to Kuwait as part of reparations for damages during the Gulf War, and to the UN to pay for its operations. Baghdad has resisted the oil-for-food arrangement, probably as a way to increase support for the total lifting of sanctions on Iraq. Although Saddam’s regime is largely responsible for the suffering of the Iraqi people, the United States has lost the war of perceptions and is widely blamed for their suffering.

POLICY CHOICES

When weighing policy alternatives, the United States must keep in mind several key questions.

- Which goals should drive U.S. policy: containment, WMD destruction, regime change, or another objective?
- How much force is needed to keep Iraq contained? What type of military strikes will have the greatest effect on Iraq?
- What tradeoffs are required with regard to U.S. regional allies?
- How can Saddam be removed from power? Will Iraq’s military forces defect in the face of a credible opposition effort? Should the United States use its own forces to support the opposition?
- What is the best way to solve the problem of Iraqi WMD?
- How can the well-being of the people of Iraq be protected even as the United States confronts Saddam’s regime?
- Who would replace Saddam? What can the United States accept in terms of WMD, human rights, minority aspirations, and other contentious issues?

RECOMMENDATIONS

Understand that the Iraqi threat, while real, is limited. Given the improvement in Gulf state military capabilities, the decrease in Iraq's conventional capabilities, and the tremendous expansion of the U.S. presence in the region as well as improved rapid-deployment capabilities, Iraq poses far less of a threat to its neighbors than it did even in the aftermath of the Gulf War. Thus, although the Iraqi threat should not be discounted, other security concerns may take precedence.

Ensure UN control over Iraqi spending. To protect the Iraqi people from their own regime, and to prevent the regime from rebuilding Iraq's conventional forces and expanding WMD programs, the UN, not Iraq, must control money from Iraq's oil exports. This should be a priority for U.S. policy.

Recognize that renewed inspections—if they lead to the lifting of sanctions—have more benefits for Iraq than for the United States and its allies. Although the United States champions renewed weapons inspections—and, on the surface, they seem like an unalloyed good—they are likely to lead to significant problems if renewed. On the one hand, given the current political climate and the previous restrictions on inspections agreed on during the existence of the UN Special Commission on Iraq (UNSCOM), Iraq may simply make token efforts to comply and receive a passing grade. This, in turn, would lead to sanctions being lifted. On the other hand, Iraq may resist any inspections that are properly aggressive, leading to a series of standoffs (the pace of which Iraq would control) comparable to those of 1997–98, when the United States was often isolated and under criticism from both regional and international allies. Given that further inspections are not likely to uncover significant WMD assets, the benefits are few and the risks many. The current standoff, with sanctions remaining intact, is the best of the various bad alternatives.

The Iraqi opposition should be used to augment containment, but successful “rollback” is not likely to succeed. The various elements of the Iraqi opposition, particularly those organizations based outside Iraq, are fragmented and appear to have little influence on Iraq today. They share little in common beyond a desire to remove Saddam:

They disagree on how to do so and what a post-Saddam Iraq would look like. Saddam's security services have penetrated various opposition organizations. Iraqi armed forces have shown little propensity to defect en masse. Regional states are at best dubious about the opposition, and several are quite hostile to particular opposition groups. Because of this fractiousness and lack of regional support, making the opposition the centerpiece of U.S. strategy (à la "rollback") would almost certainly fail and might cause the collapse of containment. In addition, opposition military operations might inadvertently embroil the United States in a larger conflict, forcing Washington to choose between abandoning an opposition that it encouraged or using U.S. forces to rescue them. Selected use of the opposition—to gather intelligence and to press the regime should containment fail—is useful. In addition, the opposition may be valuable in a post-Saddam Iraq, giving the United States a horse to back in an uncertain situation.

When striking Iraq, hit a wide range of strategic and military targets. Current U.S. strikes on air defense systems accomplish relatively little. As long as Washington is willing to pay the political and operational costs of a continued military campaign against Iraq, it should be directed against targets that count: the forces of elite units, regime-protection assets, and suspected WMD sites.

Consider a narrower coalition of more dedicated states. The Gulf War coalition lasted for many years beyond its creation, but many of its members now openly oppose several U.S. goals. The United States should consider focusing attention on a few key states—Turkey, Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates (UAE), and the United Kingdom should head the list—to ensure that their interests are satisfied, rather than pursue a lowest-common-denominator approach that places insufficient pressure on Iraq for fear of offending one coalition member.

More high-level attention is needed to ensure that the concerns of U.S. regional allies are respected and that their burdens are manageable. One of the biggest problems facing the United States lies in ensuring the continued support of regional allies—several of which have called for ending sanctions and at times have refused to support U.S. strikes on Iraq. The continuing low-level warfare and the perceptions that the sanctions are squeezing the Iraqi people but not the regime

have led to increasing criticism of U.S. policy toward Iraq in the Gulf states. In addition, several Gulf states, including Saudi Arabia, face significant financial problems. Thus, U.S. efforts to further expand its presence and to sell the Gulf states additional weapons systems may further exacerbate these states' political and financial strains and therefore jeopardize internal stability. Washington should focus its efforts on shoring up existing capabilities rather than on pushing for additional procurement, and it should ensure that the long-term relationship remains healthy. In addition, more high-level contacts with Gulf leaders are necessary to ensure that they understand that Washington respects their concerns and their sovereignty.

CHALLENGES IN LATIN AMERICA CONFRONTING THE NEXT ADMINISTRATION

by Angel Rabasa, RAND

The next administration will be confronted by two major policy challenges in Latin America: one is the overarching challenge of shaping the future architecture of U.S.–Latin American relations; the other is how to deal with threats to democracy and stability in the Andean region, particularly the worsening crisis in Colombia. The first challenge requires a proactive U.S. policy toward Latin America, informed by the requirements of building the institutional framework for open markets and a stable democratic order in the hemisphere. The key components of this policy should be a concerted effort to extend and deepen the North American Free Trade Agreement (NAFTA), promote monetary stability, and foster the development of a hemispheric security community. The second challenge will require a coherent strategy for the Andean region to contain armed insurgencies and protect fragile democratic institutions under attack.

U.S. STRATEGIC INTERESTS IN LATIN AMERICA

The United States has a strategic interest in a stable, democratic, and free-market-oriented Latin America. Latin American democracies are an integral part of the zone of peace and democracy fostered by the end of the Cold War and are natural partners for the United States in maintaining a stable international order. In the 1990s, Latin America and the Caribbean became the fastest-growing regional market for U.S. goods and a potential partner in what could be the largest free trade area in the world, with a population of 730 million, a combined

gross domestic product (GDP) of \$10 trillion, and total exports of more than \$1 trillion.

Moreover, the geographic proximity of Latin America to the United States and close ties between the two halves of the hemisphere render the United States vulnerable to spillover of political and social convulsions south of the border. A downturn in economic and political conditions in Latin America, in addition to an adverse impact on the U.S. economy, could generate even greater problems, in the form of refugees, illegal migration, terrorism, drug smuggling, international crime, and environmental degradation. An unstable Latin America could also absorb U.S. military and economic resources that otherwise could be available for the defense of U.S. interests in other theaters.

Yet, Latin American security issues have seldom received the level of attention in the U.S. policy community that they deserve. Rather, the U.S. policy agenda for Latin America has been framed largely in terms of trade issues and of a narrowly defined counternarcotics agenda. The next administration will have an opportunity both to develop a strategic approach to Latin America and to shape a regional environment supportive of U.S. interests and values.

THREATS TO DEMOCRACY AND STABILITY

After the end of the Cold War, Latin America experienced a historic transformation. Strong continentwide trends toward democratic governance, the free market, and neoliberal economic policies reinforced each other, strengthened the role of the private sector, and eroded the influence of traditional authoritarian elements. The globalization of Latin American economies brought about greater interdependence and economic dynamism and raised the U.S. economic stake in the region. Now, however, developments are under way that may result in the waning or reversal of these favorable trends:

Faltering Hemispheric Integration

The process of hemispheric economic integration, which reached a high point with the approval of NAFTA in 1994, has stalled. The

United States has not seriously pursued an expansion of NAFTA or even the extension of NAFTA trading parity to the small, vulnerable democracies of Central America and the Caribbean. Chile and the Mercosur countries—Brazil, Argentina, Uruguay, and Paraguay—are now forging economic links among themselves and with the European Union. The danger, if the momentum of hemispheric economic integration is not regained, is the division of the hemisphere into separate and perhaps competitive trading blocs.

The Disruptive Impact of Globalization

Over the long term the opening of the Latin American economies to international trade and investment will encourage investment flows, productivity, and economic growth. Over the near term, however, these changes have disrupted traditional economic relationships, widened income inequality, and increased social tensions. The gains from globalization, moreover, have been unevenly distributed. Despite aggregate economic gains, there has been little improvement in income distribution patterns. This could prove an obstacle to the development of internal markets, more balanced economies, and robust democratic political systems.

Regression to Authoritarian Patterns

Political party-based democratic rule is in retreat in the Andean region. Boom-and-bust economic cycles, persistent inequality, and government corruption and inefficiency have discredited established political parties and institutions and have created the conditions for the rise of authoritarian leaders and radical political movements. The Peruvian model of military-backed authoritarian personal rule by an elected president is now being replicated, with populist neo-Peronist characteristics, in Venezuela. In Ecuador earlier this year, a movement of indigenous organizations and dissident military officers forced the elected president to resign. In Central America, perceived weaknesses in the civilian governments' handling of economic and social problems and the natural disasters to which the area is prone could foster a regression to authoritarian rule and the resumption of social conflict.

The Activities of Transnational Criminal Cartels

Criminal networks involved largely, but not exclusively, in the illegal drug trade have infiltrated political and social institutions such as executive agencies, legislatures, courts, and even law-enforcement and counternarcotics agencies in countries throughout the Andean region, Mexico, and the Caribbean basin. The networks operate across international borders, often command greater resources than those available to the security and law enforcement agencies, and in some cases—as in Colombia—have forged links with armed insurgent organizations.

FORMULATING A STRATEGIC U.S. APPROACH

An optimal U.S. response to the opportunities and risks posed by Latin America's transformation would require the next administration first to develop strategies to respond to the overarching challenge of building a hemispheric economic and security architecture, and, second, to set priorities and identify options to respond to challenges in specific subregions and countries. Analytically, Latin America can be divided into several subregions with distinct characteristics: Mexico, Central America, the Caribbean, the Andean region, the Southern Cone, and Brazil. Other than Mexico, the front-burner issues for the next administration will be in the Andean region. A "worst case scenario" would be an authoritarian Andean Ridge stretching from Peru through Ecuador and Colombia to Venezuela.

The U.S.–Mexico Relationship in the post-PRI Era

The first priority should be the U.S.–Mexico relationship. Given the close links between the United States and Mexico, it is difficult to overestimate the effect on the United States of Mexican domestic developments. Mexico has just undergone a historic transition from the 71-year rule of the Institutional Revolutionary Party (PRI). The election of Alliance for Change presidential candidate Vicente Fox marked the completion of Mexico's evolution over the last decade from a one-party state to a normal competitive democracy. Mexico's democratization presents both a historic opportunity to deepen the U.S.–Mexico partnership and major challenges for the new Mexican administration as it steers the country into a new political era.

The best case scenario for Mexico is one in which the new government is able to maintain social order; modernize the state's institutions; take effective steps to control drug trafficking, corruption, and subversion; and narrow the gap between winners and losers in Mexico's integration into the global economy. That said, the atrophy of the old political structures and the stresses of rapid socioeconomic change could render Mexico's future more unpredictable. Some of the conditions that have contributed to destabilizing governments and societies in the Andean region are also present in Mexico, although not nearly to the same extent. Some indicators—drug-related corruption, infiltration of the security and judicial institutions by drug cartels, levels of violence, and the activity of terrorist and insurgent groups—show deterioration and point to a diminished capacity of the state to exert control.¹

Navigating these challenges will require a high level of political skill. President-elect Fox will have to deal with a divided Mexican Congress and with a federal bureaucracy largely beholden to the PRI. If the new government is unable to deliver on promises of good governance and increased economic opportunities, social unrest could intensify, particularly in the poorer and less developed South. Under adverse circumstances, Mexico could even undergo a process of "Colombianization," with severe and negative consequences for U.S. security.

Preserving Democracy and Stability in the Andean Region

After Mexico, U.S. security interests are most directly engaged in Colombia and Venezuela because of their economic, political, and geostrategic importance and their exposure to novel threats to democracy and stability. In the rest of the region, the stakes are somewhat different, and so is the challenge to U.S. policy. In Peru, President Alberto Fujimori's authoritarian style, although it did not conform to democratic norms, did not rise to the level of a strategic threat to U.S. interests. Political turmoil in that country, however, could add another element of instability to the troubled Andean re-

¹ See Donald E. Schulz, "Between a Rock and a Hard Place: The United States, Mexico, and the Agony of National Security," SSI Special Report, U.S. Army War College, Strategic Studies Institute, June 1997.

gion. The issue for U.S. policy in confronting ambiguous threats to democracy, as manifested in the case of Peru, is how to design an effective and proportionate response that advances the U.S. interest in promoting democracy but also safeguards regional stability and hemispheric cooperation.

As a general rule, the U.S. response to this type of challenge should be predicated on two factors: first, whether there is a clear and unambiguous threat to democracy, and second, whether U.S. strategic interests are threatened. In the first instance, the overthrow or attempted overthrow of a legitimately elected government would constitute a clear threat to democracy; this would therefore facilitate the construction of a hemispheric consensus to bring into action the defense of democracy mechanism of the Organization of American States (OAS) and reduce the prospect of a nationalistic reaction to perceived U.S. interference in domestic Latin American affairs. In the second eventuality, however, the United States should be prepared to take any necessary action to thwart this threat, preferably in a coalition with others, but unilaterally if necessary.

Colombia: A Failing State?

In Colombia the next U.S. administration will confront not just a narcotics problem, but a national security problem. For more than 30 years, Colombia has faced a persistent insurgency spearheaded by two guerrilla armies, the Revolutionary Armed Forces of Colombia (FARC) and the smaller Army of National Liberation (ELN). What is new is the symbiosis of the guerrillas with drug traffickers. Income from drugs and other illegal activities enabled the Colombian guerrillas, alone among the Latin American Marxist insurgencies, to survive the end of the Cold War and to intensify their challenge to the Colombian state. The corrosive influence of guerrillas and drug traffickers has exacerbated even deeper problems in Colombian society, including the loss of central government authority, the continued deterioration of the economy, and the decay of social institutions.

In recent years, the insurgency has gained strength, and the government's control over large areas of Colombia has weakened. The FARC guerrillas have expanded their area of operation from their original base areas in inhospitable regions of Colombia to densely populated and economically strategic areas. In a bid to prompt nego-

tiations, the Colombian government of President Andres Pastrana has conceded to the FARC control of an area the size of Switzerland in southern Colombia. Critics of the government's negotiating strategy maintain that the guerrillas have little incentive to settle and are using the negotiations to strengthen their political position and expand their control of drug production areas. A key question is whether a successful peace agreement is a realistic scenario under current conditions. The history of peace agreements—for instance, in Central America—suggests that they succeed when the insurgents are essentially defeated, as in Guatemala, or the military situation develops into a stalemate and the insurgent side concludes that a seizure of power by military means is not attainable, as in El Salvador. These conditions do not appear to be present in Colombia at this stage.

The Colombian government looks to U.S. and international assistance as a kind of *deus ex machina* to extricate it from its predicament. U.S. policy toward Colombia recognizes the nexus between the guerrillas (and paramilitaries) and drug trafficking, but it does not derive the logical strategic or operational conclusions from this judgment. As a result, U.S. efforts are focused on strengthening Colombian counternarcotics capabilities while insisting that U.S. military assistance is not directed against the guerrillas. The question is whether this is a realistic approach, given the symbiotic relationship between guerrillas and narcotraffickers. In any event, in the view of Colombian security experts, U.S. assistance will ameliorate some of the armed forces' critical shortfalls, but it will not fundamentally change the balance of forces.

Regionalization of Colombia's Conflict

The worst-case scenario for Colombia, if unfavorable trends are not reversed, is continued deterioration, possibly leading to a takeover by the FARC and ELN and the possible emergence of a "narcostate." Alternatively, Colombia could fragment into regional entities controlled by competing guerrillas, militias, and criminal organizations. Either of these outcomes would have major regional repercussions.

The contraction of the Colombian government's authority has facilitated the spread of the activities of drug traffickers and guerrillas to neighboring countries, particularly in the border areas of Panama,

Venezuela, and Ecuador. Panama, which abolished its National Guard after the 1989 U.S. invasion and has now only a lightly armed security force, is in no position to control the heavily armed Colombian guerrillas operating on its territory. In unstable Ecuador, already the victim of cross-border raids from Colombia, there is fear that the Colombian guerrillas and drug traffickers could move in force across the border and perhaps join forces with local dissidents. The Venezuelan Army deploys one-third of its strength along the Colombian border to prevent infiltration by guerrillas and narcotraffickers, but Venezuelan President Hugo Chavez's sympathies for the guerrillas and his perceived attempts to interfere in the internal affairs of Colombia are unsettling to the Colombians. An intensification of the conflict in Colombia or the collapse of Bogota's authority, therefore, could easily turn the Colombian civil war into a regional conflict.

Venezuela: Democratic Revolution or Populist Authoritarianism?

The second critical Andean country is Venezuela. Not only is Venezuela the largest and historically the most dependable supplier of petroleum to the U.S. market, but it is also an important regional actor whose international and domestic policies can have a significant and possibly decisive impact on neighboring countries. Unlike Colombia, however, where the threat to democracy and stability derives from the actions of nonstate actors, Venezuela's democracy is at risk from the decay of its political institutions and the authoritarian tendencies of its president.

Under Chavez, Venezuela could follow four possible paths. The best-case scenario would be for Chavez to implement a "democratic revolution" that preserves the democratic character of Venezuelan society and meets the expectation of the Venezuelan people for less corruption and more equitable distribution of national income. A second scenario would involve the consolidation of an authoritarian political system, possibly of the Peronist populist and military variety. Third, there could be a political breakdown, if the economy takes a turn for the worse and Chavez fails to meet the expectations of his constituency among the poorest sectors of the population for eco-

nomic improvement. A fourth scenario would be a military coup, if the armed forces judge that Chavez has moved beyond acceptable limits.

None of these scenarios is preordained. While Chavez's messianic and authoritarian personality, his stated mission of reconstructing Venezuelan society, and the power vacuum created by the collapse of the established political institutions point to the second scenario as the most plausible, there are countervailing forces, including Venezuela's reliance on international debt markets, the strength of pluralistic institutions and civil society, and the Venezuelan armed forces' democratic political values. Chavez has been seeking to consolidate his control of the military and distance it from the United States, but with only partial success. Forty years of close relations have built a deep reservoir of goodwill for the United States among Venezuela's military, as well as more broadly throughout Venezuelan society.

Central America: Threats to Peace and Democracy

Central America, once at the center of Washington's Latin American policy agenda, has fallen out of the limelight since the settlement of the region's civil wars. Nevertheless, Central America's stability is important for the United States because of the area's proximity to the United States and the Central American countries' vulnerability to penetration by drug traffickers and criminal networks. Moreover, inattention on the part of the United States could jeopardize the gains registered in the consolidation of peace and democracy since the civil wars of the 1980s. The peace agreements in El Salvador, Guatemala, and Nicaragua provided for the end of the armed insurgencies in these countries, the incorporation of former insurgents into the political process, and the adjudication of issues of governance through competitive electoral systems. It is by no means certain that the remarkable progress that has been registered will be lasting, though. Inadequate or inappropriate responses by the new democratically elected governments and by the international community to the region's mounting social and economic problems could delegitimize nascent democratic institutions and encourage elements of the far left and the far right to remobilize.

Cuba: A Need for a Fresh Look

Cuba will continue to be a major policy concern for the United States, but it is an anomalous case that presents a set of challenges different from the rest of Latin America. Cuba is the only country in the hemisphere that did not partake in Latin America's political and economic modernization. As a consequence, the conditions for Cuba's integration into a democratic and free-market-oriented hemispheric community do not exist. The United States will face a difficult policy problem with regard to Cuba: how to effectively manage the consequences of the decay or ossification and possible implosion of the Cuban regime. Fidel Castro's government is motivated primarily by considerations of regime integrity and survival; economic performance is an important but subordinate consideration. Washington's ability to influence Cuba's domestic evolution with economic tools is therefore quite limited.

There is a growing view in the United States that relaxation of the economic sanctions against Cuba could foster economic and political liberalization and a "soft landing" when Castro's rule comes to an end. This may not be true. An argument could be made that, in the absence of a real private sector, the benefits of a unilateral lifting of U.S. economic sanctions could be captured by the regime and could strengthen rather than weaken the Cuban dictatorship. After all, the only period of limited economic reform in Cuba, from 1992 to 1995, was when the regime felt the greatest economic pressure.

The uncertainties regarding the consequences of lifting the trade sanctions argue for an approach that links a relaxation of the economic sanctions to a broader Cuba strategy with better-defined objectives. The new U.S. administration could regain the high ground on Cuba by enlisting Latin American and European democracies, including possibly the new Mexican administration of President Vicente Fox, in a multilateral democratic initiative toward Cuba linking economic aid and trade liberalization, including NAFTA trading parity, to meaningful steps toward democratization.

A LATIN AMERICAN POLICY AGENDA FOR THE NEXT ADMINISTRATION

Strengthening democratic institutions and free-market economies in Latin America and reversing the trends that threaten to destabilize

key countries in the region will require sustained, high-level U.S. government attention to hemispheric security broadly defined. While Latin America's transformation is being driven by powerful global and regional trends, the United States, as the most important economic and political actor and the dominant power in the hemisphere, can and should influence these processes.

The keystone of a proactive U.S. policy toward Latin America would be a serious effort to extend the arrangements negotiated in NAFTA to the rest of Latin America, beginning with the inclusion of Chile, a showcase of sound economic management and of successful transition from military dictatorship to democracy. The next administration should set as its goal the merger of an expanded NAFTA and Mercosur by the end of its first term. This would effectively establish the Free Trade Area of the Americas pledged in the 1998 Santiago Summit. NAFTA trading parity should be extended to the states of Central America and the Caribbean to expand their access to NAFTA markets and improve their prospects of economic and political stability.

With Mexico, the new administration should seriously consider Mexican President-elect Fox's proposal to negotiate arrangements that would permit more Mexicans to work legally in the United States and thereby ameliorate the problem of illegal migration. To safeguard the United States from increased narcotics flows that could result from more open borders, this arrangement should be linked to more effective action by Mexican law enforcement and judicial agencies against the illegal drug trade.

At the same time, the new U.S. administration should work with Congress to abolish the drug certification requirement. This is a deeply resented procedure incompatible with the spirit of true partnership. Moreover, because certification is made on the basis of political considerations rather than objective criteria, it has no practical effect in improving performance in the fight against illegal drugs. The United States should also encourage a decision by Mexico to move toward dollarization or to an Argentine-style currency board arrangement, setting a fixed peso-to-dollar exchange ratio. This would remove exchange rate instability as a source of Mexico's periodic financial crises.

The United States has failed to support the spontaneous movement toward dollarization in several Latin American countries. While dollarization involves the surrender of monetary policy independence and may not be suitable for every country, it would end the politicization of money and currency instability that has afflicted nearly all Latin American countries. Dollarization would lower the cost of capital, encourage fiscal discipline, reduce the transaction costs of international trade and finance, increase investor confidence, and deepen hemispheric integration. The next administration should send a positive signal to countries willing to dollarize their economies and encourage the development of a common monetary order in the hemisphere.

Economic integration should be accompanied by the development of a hemispheric security community. As the authors of a recent report by the Center for Strategic and International Studies point out, an economic agenda is too narrow to anchor the hemispheric relationship. Integrating political and security concerns is essential to the success of a long-term trade relationship.² Yet, there is no inter-American security system equivalent to the European security system, which has at its core the North Atlantic Treaty Organization (NATO) and its decision-making processes and integrated military structure. What exists, rather, is a number of imperfectly integrated parts or elements of a security system, each at different stages of adaptation to post-Cold War conditions.

The OAS has played a potentially important new role over the past decade in preventing conflict and thwarting disruptions of the democratic process in some of its smaller member countries. A series of initiatives since 1994—including the creation of the Committee on Hemispheric Security (CHS)—has given the OAS a higher profile on security issues. But the OAS and related institutions, such as the Inter-American Defense Board (IADB), are not in a position to deal effectively with such security challenges as the collapse or near-collapse of the Colombian government, the spillover of the Colombian conflict to neighboring states, the takeover of a Caribbean island

² See Center for Strategic and International Studies, *Thinking Strategically About 2005: The United States and South America* (Washington, D.C.: CSIS, December 1999).

state by forces linked to international criminal networks, or a violent endgame in Cuba.

To develop a security architecture that will keep pace with the economic integration of the hemisphere and render possible collective responses to regional security crises, the United States should seek a restructuring of the inter-American security system that gives the OAS authority to generate multinational responses to threats to hemispheric security. These new roles could be analogous to NATO's peacekeeping and crisis management roles and focus on nontraditional threats to regional security, such as the cross-border activities of narcotraffickers and guerrillas.

The IADB could be retooled by making it a standing military advisory body to the OAS, a function the board now lacks. The IADB could be given planning and operational responsibilities for multilateral operations. One such operation could be the deployment of an OAS force to Panama's border with Colombia—a proposal made last spring by the Speaker of the Panamanian Assembly.

An alternative or perhaps complementary approach to the top-down method of restructuring hemispheric security institutions is a bottom-up approach based on subregional security institutions. A great deal of this subregional institutional development has already taken place in what is currently Latin America's most stable subregion, the Southern Cone. The security dimension of Mercosur has been given substance by annual Argentine–Brazilian strategy symposia; Argentine–Brazilian naval exercises; Argentine–Chilean naval, air, and ground exercises; and sharing of technical information. Emerging patterns of cooperation can also be discerned in Central America and the Caribbean. The United States should encourage this development.

The outcome of Colombia's conflict will be a major factor shaping the future Latin American security environment. The starting points for Colombia are a new strategy aimed at reestablishing the authority of the state and a willingness to take the steps needed to contain the threat from guerrillas and other agents of violence and to create the conditions for successful peace negotiations. The United States has three basic options:

1. Minimal involvement. The premise of this approach is that the United States should not take sides in a Colombian civil war. It is argued that the risks of a deepening involvement outweigh the cost of the possible overthrow of the Colombian government. Given the devastating effects of Colombia's destabilization on regional stability, this policy makes sense only in the context of U.S. disengagement from the region.

2. The current approach: counternarcotics assistance and political support of Bogota's negotiation approach. The fundamental shortcoming of this approach is that it is driven more by the requirements of U.S. domestic politics than by the situation in Colombia. If this approach is not successful in reversing the deterioration of the Pastrana government's position, it could be susceptible to mission creep and risk the worst possible outcome: a deepening U.S. involvement in a losing conflict.

3. A new approach modeled on the U.S. policy toward the Central American insurgencies of the 1980s. The United States would provide the military and economic assistance that Colombia requires, linked to a convincing strategy to reestablish the state's authority. Further assistance will be needed, beyond the \$862 million for Colombia (of a total \$1.3 billion) in the emergency supplemental package approved by the U.S. Congress in 2000. The key lesson from El Salvador is the need to move forces out of static defense to the extent possible, and remake them into mobile units to retake the initiative from the guerrillas and progressively clear them out of economically strategic areas. This would require the development of rapid-reaction capabilities, including transport and attack helicopters, long-range reconnaissance assets, and intelligence collection and dissemination. Urgently needed military equipment should be provided on an expedited basis, from U.S. stockpiles if necessary. To minimize the U.S. domestic political downside, training should take place in the United States to the extent possible, and the number of U.S. military personnel in Colombia should be kept to a minimum.

In Colombia's case, neither of the first two options—disengagement or the status quo—suffices to protect U.S. security interests. Colombia's situation is serious enough and the stakes high enough to require the most proactive approach. If the new U.S. administration were to choose this course of action, the president should designate

a senior official to coordinate the administration's Colombia policy and to ensure both a maximum effort in support of the policy within the administration and an effective liaison with Congress.

Whatever option the United States chooses for its Colombia policy, it needs to do more to help countries such as Panama and Ecuador to regain control of their borders with Colombia. Shutting down the narcotraffickers' and guerrillas' pipeline through Panama is critical to the success of any U.S. strategy toward Colombia.

Venezuela presents U.S. policy with a more ambiguous challenge than Colombia, and it requires a more nuanced response. The new administration should take a proactive approach to strengthen Venezuela democratic and civil society elements, while avoiding actions that could allow antidemocratic elements to harness Venezuelan nationalism against alleged U.S. intervention in Venezuelan internal affairs. The United States should seek to head off the evolution of the Chavez government in an authoritarian direction through positive incentives linked to respect for democratic norms at home and acceptable international behavior. If the Chavez government still chooses to move clearly in an antidemocratic direction or interferes in the internal affairs of its neighbors, the United States should bring to bear the inter-American defense of democracy mechanisms, with Latin American democracies taking the lead. These actions should be accompanied by an international information effort, increased political and financial support of civil society actors, and development of prodemocracy networks. Nongovernmental organizations (NGOs), private organizations, and institutions such as the National Endowment for Democracy can have an important role in fostering these networks.

The United States should also strive to preserve its historically close relationship with the Venezuelan military. Despite the preferences of Chavez and his immediate circle, the military remains well disposed toward the United States. Many Venezuelan officers—including almost all of the senior officers—were trained in the United States and value close military-to-military relations. While some Venezuelan governmental actions may make it difficult, the United States should continue military-to-military contacts at all levels and approve reasonable requests for the sale of defense equipment to the Venezuelan armed forces. U.S. efforts to engage the Venezuela military will be

appreciated and will help to preserve U.S. influence with the institution over the long term.

In Central America, a relatively small investment of resources and more generous access to the U.S. market would go a long way toward ensuring that the gains painfully made at great cost over the past decade—the peace agreements and democratization—are not lost.

A number of the elements of the policies suggested above are already part of U.S. policy toward Latin America. What is needed is an overarching purpose and sustained high-level U.S. government attention to the problem of hemispheric security broadly defined. The U.S. position as the preeminent power in the hemisphere was one of the foundations of its rise to global power in the early 20th century. A far-sighted policy of enlargement and consolidation of a hemispheric community would be an investment in America's future as the preeminent global power.

U.S. FOREIGN POLICY AND SUB-SAHARAN AFRICA

by Bob Bates and Diann Painter, Mobil Corporation

At present, East Asia, Europe, and the Middle East are the regions critical to the world economy. Consequently, those regions are the focus of U.S. foreign policy. Sub-Saharan Africa and other developing regions, however, will become more critical to world economic stability in the future. Therefore, concurrent with developing and implementing U.S. policies toward today's "critical" regions, thought and planning should also be directed toward alleviating destabilizing conditions in Africa.

Recently, the World Bank reported: "Unlike other developing regions, Africa's output per capita in constant prices was lower at the end of the 1990s than 30 years before—and in some countries [it] had fallen by 50 percent."¹ Consequently, abysmally low income and consumption levels cannot sustain African societies. Many African countries are destined to implode unless rich nations assist in their rescue. There are more than 600 million people in Africa, and the World Bank estimates that 46 percent of Africa's population lives on less than one dollar a day, a standard measure of poverty across the developing world.² Africa has also become more marginalized vis-à-vis the world economy. Its share of world trade fell from about 3 per-

¹ World Bank, *Can Africa Claim the 21st Century?* (Washington, D.C.: World Bank, May 2000).

² Comparable rates for other regions for 1998 are 40 percent for South Asia, 16 percent for East Asia and the Pacific, and 15 percent for Latin America and the Caribbean. World Bank, *World Development Report 2000* (Washington, D.C.: World Bank, 2000).

cent in the 1960s and 1970s to 2 percent in the late 1990s. The continent will lose further ground if African countries do not catch up to the industrial expansions in Asia and Latin America. Predictably, Africa is not a player in the current information technology revolution.

Over the course of the last 30 years, African socioeconomic and political conditions have deteriorated owing to, *inter alia*, government mismanagement of available resources; recurrent climatic crises, notably droughts; internal and regional conflicts that affect one African in five; and falling nominal and real prices for most African exports.

On top of these problems, the spread of the human immunodeficiency virus and acquired immune deficiency syndrome (HIV/AIDS) is lowering life expectancy rates, creating shortages of skilled and professional labor, and taxing the ability of families and governments to survive. Without the application of viable and successful remedies for Africa's problems, the continent will remain marginal to the global economy. Furthermore, poverty and income inequality will breed further civil unrest, foster more legal and illegal migration out of Africa, and doom future generations to abject poverty.

The role that the major powers, African states, and the United Nations (UN) should play in handling internal and cross-border disputes in Africa is already a highly charged issue. Unfortunately, past U.S. policy toward Africa has tended to be unpredictable, inconsistent, more *ad hoc* than well thought out, and focused on leaders whose agendas were far from the standards associated with U.S. ideals of democracy and the operation of free markets. With the end of the Cold War, there is no longer the need to bolster corrupt and bankrupt states to keep them out of the Soviet and Cuban camp. Evolving U.S. policy, as embodied in the African Growth and Opportunity Act that Congress passed and the president signed into law this year, offers to help Africa become more integrated in the global economy by strengthening U.S.-African trade, investment, and aid flows. U.S. policy is placing more reliance on private investment to promote growth in Africa. Private capital flows are expected to increase as countries adopt the reforms promoted by the World Bank and the International Monetary Fund (IMF).

In the aftermath of the Mexican and Asian financial crises, the World Bank is now acknowledging that market-oriented reforms need to be preceded by or at least accompanied by building the institutional infrastructure that will allow markets to work efficiently and with less risk. With this in mind, several recommendations can be made to the next administration to improve policies and programs directed toward helping African countries to "claim the 21st century."³

U.S. policymakers should work with African governments and international institutions to develop Africa-based conflict resolution processes. They should also provide technical and military assistance to African groups charged with monitoring, policing, and implementing peace agreements. The recent U.S. assistance to train Nigerian and other West African military units to serve with UN peacekeeping forces in Sierra Leone is a step toward building more effective regional forces to handle regional civil unrest.

The United States should also join with other bilateral and multilateral donors and nongovernmental organizations (NGOs) to improve health and sanitary conditions throughout the continent. The provision of potable water would be a major victory in the fight against many of the diseases endemic to Africa. Similarly, Washington should cooperate with other donors, pharmaceutical companies, and African healthcare officials in the battle against HIV/AIDS; should give special priority to eliminating malaria; and should accelerate vaccination programs for smallpox, measles, and polio.

The next administration should encourage multilateral institutions to invest in improving Africa's educational systems. Projects that spread the availability of primary, secondary and vocational education to all Africans, including females, are especially needed. Wars and mismanagement have caused educational facilities and opportunities to deteriorate. If Africa is to join the world economy, its citizen's must have the skills to compete. The United States should also provide debt-forgiveness and increased economic and technical assistance as a reward to those African leaders who are building the institutions necessary for the proper functioning of markets and democratic government.

³ This phrase derives from the title of the World Bank study, *Can Africa Claim the 21st Century?*

Africa has abundant natural resources that, along with a better-educated and healthier labor force, would be attractive to overseas investors once its governments adopt standard international business practices. As has been seen in Asia and Latin America, private capital responds to market signals once it knows that countries are willing to play by the "rules of the game."

Section IV

INTERNATIONAL ECONOMIC ISSUES

ECONOMIC INSTRUMENTS TO SUPPORT NATIONAL SECURITY: WHAT HAS THE UNITED STATES LEARNED? WHAT DOES IT NEED?

by C. Richard Neu, RAND

Economic policies support a wide range of U.S. national interests: prosperity and tranquility at home; stability, growth, and democracy abroad; U.S. international political influence; and U.S. national security. This paper focuses on the last of the above categories of U.S. interests—national security. It asks what experience has shown about the role of economic policy and economic instruments in promoting national security and what new capabilities or instruments Washington may wish to have in coming years.

The most recent Quadrennial Defense Review (QDR) proposed a useful way of thinking about policies intended to advance U.S. security interests. In broadest terms, U.S. national security objectives are of three sorts. The United States must respond to developments that threaten its national security interests. It must prepare now to meet threats and challenges that may appear in the future. And it must shape the international environment in a way that promotes stability and security. Economic instruments are not equally effective for all three purposes. For some purposes, Washington probably cannot expect much from economic instruments. For other purposes, though, improved capabilities and instruments may make important contributions.

Each of these objectives should be considered in turn.

RESPONDING TO THREATS AND CHALLENGES

The history of the 20th century, and of all earlier centuries, for that matter, is filled with examples of nations seeking to use economic instruments—usually economic sanctions of some sort—to weaken a military opponent; to remove or reduce a security threat; or to deter, halt, or diminish the intensity of military operations. Occasionally, these economic measures have proven effective. (U.S. refusal to give Britain access to dollar credits during the Suez crisis of 1956 may be the most striking recent example.) But in many more cases, sanctions have proved ineffective in ending, containing, or reversing threatening developments once a security crisis is actually underway.¹ Recent years have seen a disappointing succession of apparent failures of economic sanctions to eliminate or to reduce security threats. Sanctions have not toppled Saddam Hussein or resulted in a clear cessation of Iraqi efforts to produce weapons of mass destruction. Years of economic isolation did not stop North Korea from seeking nuclear capabilities or from developing and exporting dangerous missile technologies. Economic sanctions against Serbia did not prevent, terminate, or obviously reduce the ruthlessness of wars in Bosnia or Kosovo. Threats of economic sanctions did not prevent India or Pakistan from developing and testing nuclear weapons.

That economic sanctions have a poor record of ending acute security crises should not be surprising. The pain caused by sanctions is typically cumulative, increasing only gradually over time. But over time, the targets of sanctions can find alternative sources of supply, ways of evading the sanctions, and other coping mechanisms. Effective sanctions also typically require broad domestic and international cooperation if they are to be effective, and the passing of time makes holding together a coalition increasingly difficult. Even if they cannot find immediate relief from the effects of sanctions, target regimes can hope that, if they hold out just a little longer, sanctions may be evaded or eased.²

¹ For a careful examination of the effectiveness of economic sanctions in international relations, see Gary Clyde Hufbauer, Jeffrey J. Schott, and Kimberly Ann Elliott, *Economic Sanctions Reconsidered: History and Current Policy* (Washington, D.C.: Institute of International Economics, 1990).

² During the Suez crisis, in contrast, the United States was able—unilaterally—to impose immediate and severe punishment on Britain by denying access to dollar

More important, U.S. policymakers are coming to realize that sanctions can sometimes be counterproductive. Too often, it is the common people who bear the brunt of broad economic sanctions against an entire country. Government officials and leaders—most often the cause of security problems in the first place—can often insulate themselves from the worst effects of sanctions. Because the national leadership controls what remains of scarce resources, its power over the common people and its ability to suppress internal opposition may actually be enhanced by sanctions. And in times of national hardship—especially when access to outside information is limited—people may rally around an otherwise unpopular national leader. In both Iraq and Serbia, it is sometimes argued, economic sanctions have served to strengthen dangerous regimes.

For both practical and moral reasons, then, sentiment in the developed world seems to be shifting away from support for broad sanctions and toward so-called “smart” sanctions that spare the general populace but target problematic leaders. Examples of such smart sanctions are prohibitions on leaders’ travel outside their own countries and attempts to block their financial transactions or to seize their financial assets.

Can the United States make better use of economic instruments in responding to acute security crises? Probably not. The most effective and acceptable economic instruments will be those that target dangerous leaders directly. But leaders have considerable capabilities to hide their affairs among those of their people, and outsiders have seldom been successful at identifying and blocking transactions that will affect only leadership interests. Continuing commercial and financial innovation and the rapid spread of strong communications encryption, which serve legitimate national and international interests as well as those of dangerous dictators and international terrorists, will make such efforts more difficult in the future. In the global economy, no one knows if you’re a dog—or a dictator.

The bottom line, then, is that economic instruments will generally be ineffective as responses to acute security crises, and what effectiveness they do have will probably be eroded in the future. Although it

credits at a time when British foreign exchange reserves were being rapidly depleted and when Britain needed foreign exchange to pay for oil imports.

will certainly remain worthwhile to pursue "smart" sanctions against dangerous leaders whenever possible, there seems little point in trying to create new capabilities or instruments for these purposes. Such capabilities—the ability by governments to delve deeply into the details of international financial transactions, for example—would bring their own dangers, which may be worse than the dangers they might help to control.

PREPARING NOW FOR FUTURE THREATS AND CHALLENGES

Although economic policies are not the most effective means to respond to current threats, they can be quite useful at preparing for future challenges. Economic policies and instruments contribute to national security by creating the broad economic capacity to support a robust military, a global political and military presence, technological superiority over potential adversaries, and sufficient domestic unity of purpose to use military interests if this should become necessary. At the moment, the U.S. economy seems supremely capable in these regards. Economic growth has been robust in recent years. And although policymakers must expect some slowing of growth in coming years, there is no reason to believe that solid growth—at rates sufficient to yield continuing meaningful improvements in living standards—cannot be sustained indefinitely. Not all Americans, of course, have shared equally in recent economic growth, but the last few years have also seen a start toward narrowing the income inequalities that emerged and grew during the 1970s and 1980s. The U.S. economy is producing technological advances at a dizzying rate, and a strong government fiscal position has allowed the U.S. military to incorporate much of this new technology into weapon systems that far surpass anything that is available to militaries elsewhere in the world.

In short, the United States seems to be doing a good job at creating the economic conditions necessary to support a robust national security posture. There is also a general consensus about what is required to maintain this happy state of affairs: fiscal policy that does not create competition for resources between a government that needs to finance a deficit and a private sector that needs to invest; low inflation and the stable planning environment that low inflation

makes possible; government involvement in economic affairs that is limited and selective—more limited and selective, policymakers are learning, than had been thought in earlier years; and avoidance of regulation and taxation that falls heavily on innovation and investment.³

More controversy surrounds the use of economic instruments to retard development of key military capabilities by potential adversaries. Recent experience demonstrates how difficult it has become—if indeed it was ever possible—to distinguish between potentially dangerous military technologies and closely related but innocent civilian technologies. Recognition that the United States maintains effective control over very few technologies anymore and that even close allies are willing to sell or otherwise transfer technologies that Washington might prefer to restrict has led to a gradual—and generally welcome—reduction of U.S. efforts to control technology exports. Moreover, because there are few effective controls today on the movements of ideas and the people who carry these ideas, any attempt to control technology transfers will amount to little more than a delaying action. The United States is also coming to realize that, in some circumstances, the best protection against foreign development of potentially troublesome technologies may be to make the services generated by such technologies easily and cheaply available. Offering global positioning, remote sensing, and space-launch services on very attractive terms may do more to slow the development of threatening capabilities abroad than will any export-control regime.

If the possibilities are limited for keeping particular technologies out of the hands of determined adversaries, then the only way to retard the development of threatening military capabilities may be to undermine a potential adversary's overall prosperity—in the hope that the adversary will simply be too poor to make use of advanced tech-

³ Although there is little reason to change the general thrust of U.S. economic policy today, policymakers must recognize that the strong performance of the U.S. economy—or at least the perception that the economy is performing strongly—is characteristic of only the last decade or so. As recently as the late 1970s, there was widespread talk of U.S. economic “malaise.” And in the 1980s, some influential observers argued that the “American model” of economic organization could not sustain robust growth and that the burdens of maintaining a large military would eventually undermine U.S. prosperity.

nologies. Many will see this approach as morally questionable, however, especially since even very poor countries—Pakistan and North Korea, for example—seem to have the resources to make themselves very dangerous indeed.

It seems, then, that Washington is already doing pretty much what it should to ensure that the U.S. economy will support future national security needs. Similarly, there seems little prospect that economic instruments can effectively slow the development of threatening military capabilities abroad.

SHAPING THE INTERNATIONAL ENVIRONMENT TO PROMOTE STABILITY AND SECURITY

The preceding sections suggest the need for no major new economic instruments or initiatives. Economic instruments have a limited utility in responding to acute crises. And Washington already has in place the economic policies necessary to prepare for future security challenges. The situation is very different, however, with regard to shaping the international environment so as to promote stability and security. Not only is there much to be done; the United States needs a thorough rethinking of how to use economic instruments for these purposes.

Since the end of World War II, few if any of the security crises that have threatened important U.S. interests have had their roots principally in failures of economic policy. (Arguably, a flawed economic development program contributed significantly in the late 1970s to the fall of the shah, the rise of an Iranian government hostile to the United States, and the taking of U.S. diplomats as hostages.) In the just the last five years, however, economic crises in Mexico, Indonesia, Korea, and Russia could easily have degenerated into serious security crises. That they did not can be attributed more to energetic “ad-hockery” and dumb luck than to any effective precrisis shaping of the international environment. Certainly, none of these countries is immune to renewed economic troubles that could threaten further turmoil and instability. Similarly, no great imagination is required to envision economic problems triggering political and possibly security problems in Turkey, Saudi Arabia, Egypt, China, Central Asia, South Asia, and much of sub-Saharan Africa.

Can economic policies or instruments contribute to future peace and stability by heading off the economic crises that can wreck governments and societies, promote conflict over limited resources, bring ethnic tensions to a boil, or tempt neighbors to aggression? Arguably, yes—if only because ineffective or inadequate international economic structures and institutions have clearly undermined stability in the past.

There is general agreement on the broad objectives of an effective shaping strategy:

- Reliable and sustainable economic growth throughout the non-industrialized world, with at least some progress toward a more equitable distribution of income and wealth.
- Integration of national economies into the larger global economy on the basis of market principles—because openness and market-orientation bring material benefits, erode isolation, and encourage political pluralism, thereby reducing the power of would-be autocrats.⁴
- Dependable flows of investment into developing economies.
- Mechanisms for coping with inevitable crises of confidence in national economic policies and prospects.

Sadly, the only consensus possible today regarding the implementation of such a shaping strategy is that current institutions and understanding about how to achieve these objectives are hopelessly inadequate. Bitter experience has eroded U.S. faith in models of economic development assistance that support large infrastructure projects or channel large volumes of resources through government entities. What is needed is a means of working through nongovernmental channels to mobilize sufficient and substantial resources to help support small-scale projects. The problem is that no fully convincing models have yet been developed to do so.

Private investment flows can be of sufficient magnitudes to bring significant changes in productivity and living standards, and such in-

⁴ These latter considerations constitute, of course, the best argument for permanent normal trade relations with China.

vestment may also bring a necessary discipline to avoid the pitfalls of political expediency and corruption that can plague government-directed development efforts. But experience has taught that private investment flows can be very volatile and that a sudden outflow of capital can be economically, politically, and socially devastating—so devastating that the yesterday's orthodoxy favoring free international capital flows is now under serious attack. The danger of sudden reversals in investor sentiment is heightened because critical information about national economic policies and conditions and about the magnitude and destination of international capital flows is unavailable or of questionable completeness or reliability. Without reliable and timely information, investors will sometimes imagine the worst or suddenly realize that the worst is really true and flee en masse.

Moreover, failures, in the eyes of many observers, to enact effective international protections for the natural environment or workers' rights and to promote equitable income distribution have undermined support for market-oriented globalization.

The magnitude of capital flight in recent financial crises has shown the inadequacy of resources available to international financial institutions, and the deployment of those resources and the conditions imposed on recipient countries in return for assistance have generated serious controversy. The International Monetary Fund (IMF) is widely seen as having misdiagnosed the Asian economic crisis in 1997 and 1998 and therefore responding counterproductively. IMF support for Russia has been characterized as perpetuating misguided economic policies and a corrupt regime and postponing necessary institutional change and true reform. Indeed, the very existence of the IMF and its implicit guarantees in times of crisis may have encouraged lenders, borrowers, investors, and governments to pursue the sorts of risky strategies that eventually led to the crises. Although few in the policy mainstream are yet calling for abolition of the IMF and the World Bank, there is a growing recognition that both institutions are in need of major reform, restructuring, and redirection. Unfortunately, no consensus has yet emerged regarding the character or the objectives of such reform.

The most pressing and dangerous gap in economic policies and instruments today, then, is the lack of effective institutions and practices for promoting sustainable economic growth and minimizing

the likelihood and the magnitude of future economic crises. In the absence of such policies and instruments, the United States must expect further economic crises. Some day, one of these economic crises is likely to boil over into a serious security crisis.

The problem is deeper than this, however. What is required is much more than that a group of well-informed, well-intentioned, and technically competent technocrats design new institutions, policies, and safeguards. Before these technocrats can go to work, economic actors, government officials, and international civil servants must arrive at a new, shared perception of how a truly global economy operates, what can go wrong, and what supports need to be built to sustain such an economy. Such a perception emerged from the Bretton Woods conference near the end of World War II, and out of this perception grew the IMF, the World Bank, and a general agreement on the importance of reducing trade barriers. Today's world is much different than the world of 1944, however, and policymakers have no similar set of guiding principles.

WHAT IS TO BE DONE?

Guiding principles will not appear magically. Fortunately, much of the difficult academic and practical work needed to understand the functioning of the modern international economy is already under way. Some pieces of the necessary institutional structure can be identified today, but many questions remain.

The most pressing need today is for enlightened leadership to create a new consensus about how to shape the international economic environment. Because of its size and dominance in this economy, the United States—and therefore the next U.S. administration—cannot escape responsibility for providing this leadership. But for all its size and dominance, the United States cannot shape the international economic environment unilaterally. The needed economic institutions and policies will be international and so, therefore, must be the actions and hence the leadership that will bring them into existence.

STRENGTHENING THE INTERNATIONAL FINANCIAL SYSTEM

by C. Richard Neu, RAND

The last 20 years have seen dramatic instances of turmoil in international financial markets: the developing country debt crisis of the 1980s; crises in European exchange-rate arrangements in 1992–93; the Mexican financial crisis of 1994–95; the Asian financial crisis of 1997–98; and the Russian financial collapse and default in 1998. Just in the 1990s, there were four episodes of international financial “contagion,” in which financial trouble in one or a few countries “infected” others. Concerns about the sustainability of exchange-rate targets spread from one European currency to another, and eventually ten members of the European Exchange Rate Mechanism devalued their currencies in 1992–93. The Mexican crisis of 1994–95 brought Argentina to the brink of financial collapse. Banking problems in Thailand eventually undermined investor confidence in other parts of Asia. And the Russian default of 1998 triggered a subsequent devaluation by Brazil.

These episodes of financial instability brought disruption, recession, uncertainty, social conflict, and sharply increased poverty. Development efforts were interrupted. In a few cases—Indonesia is the most dramatic example—financial crises toppled governments. Fortunately, the United States has avoided serious damage in these crises, although the debt crisis of the 1980s was a close call. But it would be naïve to imagine that this country or its interests are immune to the effects of financial turbulence elsewhere. As the United States becomes more connected commercially and financially to the rest of

the world, trouble abroad will have echoes—or worse—at home. And vital U.S. interests—a cohesive Europe, prosperity and democracy in Mexico, stability in Asia, market-oriented reform in Russia—have been threatened by financial crises of the last few years.

It will never be possible to eliminate financial instability completely, nationally or internationally. But steps can—and must—be taken to make crises less frequent and less severe and to manage the crises that do occur more effectively and at less cost in resources and human suffering. Doing so will require a combination of reformed national policies and more effective international institutions and arrangements. Serious work will be required to reshape and strengthen what has become known as the international financial architecture.

REFORMING NATIONAL POLICIES

At the national level, none of the victims of financial instability was blameless. Every country adversely affected by the financial crises of the last 20 years—even countries caught up in waves of contagion—were made vulnerable to crisis by their own policy lapses. Some clear lessons about national policies have emerged from the turmoil of the last two decades.

First, financial transparency is essential. If markets are to perform their main function of directing resources to the most productive uses, market players must understand the true state of affairs. Clear, comprehensive, and timely reporting on government finances, central bank operations, the condition of banking systems, and the financial position of key nonbanking concerns is essential. An unpleasant surprise about a country's financial circumstances is enough to start a panic. Further, when investor confidence in one country has been shaken, investors begin to worry about all the things they don't know about other countries.

Second, current account deficits can be sustained only if the associated capital inflows finance productive investment. An inflow of capital from abroad is the necessary counterpart of a current account deficit. It is, therefore, appropriate for emerging-market economies to run current account deficits. But foreign investors will demand returns, and foreign debts must be serviced. If the initial capital flows are put to productive uses, making the necessary payments to credi-

tors and investments will pose few problems. But if the initial capital inflows are used to pay for current consumption—financing a public-sector deficit, say—servicing the foreign debt will become increasingly burdensome and foreign investors and creditors will become reluctant to continue their financing.

Third, openness to international capital flows requires a strong banking system. Free international capital flows create many opportunities, including the opportunity to get into trouble. In particular, the freedom to incur liabilities to foreigners—particularly short-term or foreign-currency liabilities—is the freedom to incur increased risks. Banks permitted to take on higher levels of interest-rate and exchange-rate risk need closer supervision. Part of the reason that the financial crises in Mexico and Indonesia were so severe was that banks in these countries could stand neither a currency devaluation, because of their foreign-exchange exposure, nor the high interest rates necessary to defend the currency, because of their interest-rate exposure. The proper sequence of policy actions is clear: First, create a robust bank regulatory structure; *then* liberalize capital flows.

Fourth, heavy reliance by either the public or the private sector on short-term international credit is dangerous. Short-term credit is a two-edged sword. Perceiving less risk, creditors typically offer lower rates on shorter-term credits. But short-term credits must be continually rolled over. If creditor confidence is shaken, debtors may find themselves suddenly forced to make large net repayments. In recent crises, countries that have relied heavily on short-term debt—Mexico, Indonesia, Russia, and Korea (the last because of a conscious policy of encouraging short-term borrowing by the private sector)—suffered badly. Countries with policies in place to limit short-term capital inflows—such as Chile and China—fared better.

Fifth, a “fixed-but-adjustable” exchange-rate regime is an accident waiting to happen. Countries that attempt to maintain their exchange rates within specified narrow bands while reserving the right to adjust these bands at small political cost are setting themselves up to be on the wrong side of one-way bets. At the first sign of trouble, market players will short the currency. If they guess right, and the currency is devalued, they win handsomely. If they guess wrong, they simply close out their short positions, losing only some minor transactions costs. It is not hard to decide which side of such a bet to take,

and few countries command the volume of reserves necessary to combat a full-scale flight from their currency. An announced fixed rate may also lull domestic banks and enterprises into a false sense of security, encouraging them to borrow in foreign currencies without considering the consequences of a devaluation. Preferable arrangements are nearer the extremes: allowing exchanges to float in response to market forces or truly fixing the exchange rate through a currency board arrangement, monetary union, or outright dollarization.

The United States can encourage “good housekeeping” by other countries through advice and assistance, through its stance in international forums, and by exerting influence through international institutions like the International Monetary Fund (IMF) and the World Bank—more on which below. Some specific U.S. policy actions could also be helpful. Adjusting the amounts of capital that U.S. banks are required to hold, for example, to reflect the quality of banking supervision and financial reporting by the countries they lend to could constitute an incentive for borrowing nations to enact the sorts of policies that will render them less vulnerable to financial turbulence. It would also serve to reduce the vulnerability of the U.S. banking system in the event of financial trouble elsewhere. Such measures will be most effective if they are adopted not just by the United States but also by other countries with well-developed financial systems.

MORE EFFECTIVE INTERNATIONAL FINANCIAL ARRANGEMENTS

It is unreasonable to expect that international financial markets will be any more self-regulating than national markets. In all advanced countries, special agencies have been created to regulate financial markets, to counteract instability, and to meet needs not well served by purely market forces. International institutions or arrangements are required to perform the same functions for international markets. Two functions are particularly key:

- *An international lender of last resort.* History provides numerous examples of herd behavior in both national and international financial markets. From time to time, large numbers of investors flock to or flee from particular classes of assets. Perfectly sound

borrowers and financial institutions can be caught in market panics. Although their assets exceed their liabilities—when valued at sensible, noncrisis prices—borrowers and financial institutions can find themselves unable to roll over maturing debt and therefore unable to meet near-term obligations. Failure by one borrower to meet obligations can undermine the position of others. Thus, panics and defaults can spread. National central banks have long recognized an obligation to lend “as a last resort” to solvent banks that are victims of a run. The idea is to tide sound banks over until the panic subsides and they can regain more normal access to credit. Something similar is required for countries in the international arena. This should be the primary mission of the IMF.

- *A reliable source of finance for sustainable and socially responsible development.* Among the positive developments of the last 20 years is that many developing countries have gained access to international credit and capital markets and are able to borrow from private creditors to finance economic development. But not all developing countries enjoy such access. Moreover, this access can be cut off suddenly in times of financial turmoil, and private financing is difficult to come by for some key developmental needs that do not generate near-term or direct cash payoffs. Some mechanism is required to advocate for, to finance, and to provide technical advice relating to such developmental initiatives. These should be the principal functions of the World Bank and the regional development banks.

To perform these key functions effectively, though, both the IMF and the development banks will require some redirection.

REFOCUS THE IMF ON ITS PRIMARY MISSION

The central objective of the IMF should be to assist nations to regain access to private international credit markets. To achieve this objective, the IMF will need to provide short-term financing for countries that temporarily lose access to international financial markets, to encourage these countries to make the macroeconomic reforms necessary to regain market access, and when necessary to facilitate workouts between debtor countries and their creditors. Unfortunately, in

recent years the IMF has assumed or been given much broader responsibilities: managing the transformation of formerly socialist economies; encouraging far-reaching structural reform in emerging-market economies; and protecting the poor from the consequences of ill-conceived macroeconomic policies and the financial turmoil that these policies cause.

These are all, of course, laudable objectives. But in pursuing these broader objectives, the IMF has been diverted from what should be its principal task. In particular, the pursuit of extraneous objectives has required the IMF increasingly to intrude into the details of national policymaking, calling for changes in institutions, tax structures, income distributions, social safety nets, competition policy, subsidy programs, and many other matters. Because they find this level of IMF involvement in national policymaking unwelcome, some countries may delay seeking help, allowing a crisis to deepen. By demanding wide-ranging policy adjustments, the IMF may also undermine local political processes, fostering resentment of and resistance to other, quite appropriate, IMF policy recommendations, and decreasing the level of "ownership" by national governments in beneficial reforms. And worst of all, IMF prescriptions for major structural changes may turn out to be flawed. There is fair consensus about the sorts of macroeconomic policies and financial market regulation required to allow a country to regain access to international credit markets. Policies to reduce poverty, to protect the environment, or to build a market-oriented economy are much more controversial, however, and the chance for error is correspondingly greater. The IMF should limit the conditions it imposes on borrowing countries to matters that directly and immediately relate to access to international credit markets—macroeconomic policy, debt management, and regulation of and reporting on financial institutions.

Programs to achieve major structural changes in an economy also require considerable time and resources. In pursuing its broader agenda, the IMF has found itself in recent years making larger loans at longer maturities through an increasingly complex collection of credit facilities. By sticking to its primary function of providing temporary support to countries seeking to regain access to other credit markets, the IMF should be able to reduce its need for resources.

CREATE INCENTIVES FOR SOUND NATIONAL POLICIES

The IMF can strengthen incentives for national governments to adopt the sorts of policies noted above that will make their economies less vulnerable to international financial turmoil. In particular, the IMF should regularly monitor and publicly report the degree to which individual nations meet internationally accepted standards for prudent financial management, regulation of national financial systems, and transparent reporting of key economic information. Nations that meet these standards should be granted preferred access to IMF credit in the event of trouble; such access could include expedited decisions to make IMF credit available, less onerous conditions (appropriate since the policies of such countries will already be generally satisfactory), and perhaps even preferential interest rates. Conversely, IMF policy should be to refuse credit for the purpose of supporting fixed-but-adjustable exchange-rate regimes. Countries that pursue such policies should recognize that they will receive no support from the international community.

FORCE PRIVATE CREDITORS TO SHARE THE PAIN

Financial crises seldom arise purely as a result of flawed policies on the part of borrowers. The private creditors and investors behind over-large, ill-considered, or poorly used capital flows must share some of the blame. When a crisis comes, the full burden of adjustment should not fall on the citizens of the borrowing country. Neither should official lenders like the IMF and industrialized-country governments provide the credit—and assume the associated risks—so private creditors or investors can close out their positions without losses. Ways must be found to ensure that private creditors and investors participate in the resolution of financial crises.

The huge rescue packages assembled by the IMF, the World Bank, and industrialized-country governments in response to the Mexican and Asian crises have arguably encouraged reckless borrowing and lending by suggesting that official lenders can and will bail out creditors and debtors if a sufficiently large or politically significant country finds itself in trouble. Indeed, these huge packages have made governments and government-backed institutions lenders of first rather than last resort. Private creditors have hung back, avoiding

negotiations with debtors until the public-sector rescue packages are in place. In the future, the IMF should renounce extraordinary credits to individual countries, sticking to formally agreed-upon credit limits. Although IMF policies cannot limit bilateral lending by national governments, establishing clear limits on credit that will be available may help to disabuse creditors of the notion that they will be bailed out if they lend imprudently. A case might be made for extraordinary financing in the event of a broad financial contagion that poses a systemic risk to the global financial system. Clear criteria should be established in advance, however, perhaps involving some supermajority of votes from IMF members, before these extraordinary measures are implemented.

Care must also be taken to make sure that particular classes of creditors do not receive preferential treatment in a crisis. Private bondholders are particularly problematic in this regard. Today, unanimous agreement of all bondholders is usually required for any adjustment in the terms of a particular bond issue. Because there are potentially thousands of these holders, achieving the necessary unanimity is a practical impossibility. Thus, there is little chance to reschedule payments on bonds or to reduce principal amounts in response to a crisis. In recent crises, equity holders have seen their assets seriously devalued, banks have been persuaded to reschedule debts, and official creditors have provided the liquidity to avoid default on bonds. For the most part, private bondholders have emerged unscathed from these crises.¹

This situation could be ameliorated by including so-called "collective-action clauses" in new international bond issues. These clauses allow some specified subset of bondholders—perhaps those accounting for a qualified majority of the bonds outstanding—to agree to changes in terms. Negotiations with a small number of large stakeholders then become possible. The rub is that a country unilaterally attaching such clauses to its bond issue might find itself paying higher interest rates or shut out of international bond markets entirely. For precisely this reason, such clauses are rare today.

¹The exception, of course, was the Russian financial crisis, in which bondholders lost heavily.

The IMF can reduce this disincentive by including collective-action clauses among the prudent debt-management policies that qualify countries for preferential access to IMF credit. The knowledge that a country enjoys ready access to IMF credit should reassure investors and at least partially offset whatever interest premium is associated with a collective-action clause. Industrialized countries with good credit ratings might contribute to the acceptability of such clauses by adding them to their own bond issues.

In the past, private creditors have sometimes found their hands strengthened in negotiations with debtor countries by IMF policies that have required debtors to be current in their debt service to qualify for IMF credit. A preferable policy might be for the IMF to "lend into arrears" when a debtor country has adopted sound policies and is engaged in good-faith efforts to reach an accommodation with its private creditors. Private creditors should not be permitted to hold a debtor country hostage by blocking access to IMF credit.²

Finally, the IMF should not discourage efforts by debtor countries to reach accommodations with private creditors by making IMF credit too attractive. Consequently, IMF lending should be at penalty rates, rates higher than what a debtor would expect to pay to private creditors in noncrisis times.

REFOCUS THE DEVELOPMENT BANKS

Just as the IMF should stick to its primary mission, so too should the World Bank and the regional development banks focus their financial and intellectual resources on their primary missions: encouraging development initiatives that cannot be supported adequately by private-sector finance. This will mean concentrating development-bank lending in countries that do not have access to private credit markets and on programs that are essential to development but will not in the near term generate the cash flows necessary to service a private debt—social infrastructure, institution building, education, environmental protection, poverty reduction, health services, im-

²IMF "lending into arrears" during the late 1980s and early 1990s is sometimes credited with having encouraged banks to agree to debt reductions as a part of the Brady Plan.

proving the status of women, and so forth. The hallmark of development-bank lending should be reliability and dedication to long-term developmental objectives. Development bank resources, therefore, should not be raided to support short-term crisis management.

True focus on doing what private-sector credit cannot will almost certainly bring about a reallocation of development-bank lending, away from the large middle-income developing countries—China, Brazil, India, and Russia, for example—that enjoy access to private credit markets, and toward the poorer countries that do not. Also required will likely be some shifting away from conventional lending and toward concessional lending—at long terms and low interest rates, with a large grant component—of the sort undertaken by the International Development Agency. Moreover, because the private sector can now provide many of the financial resources required for development, the development banks should place increased emphasis on providing the technical assistance necessary to make good use of both private and official funds.

TRADE POLICY: A TURNING POINT

by Ted Van Dyk, Claremont Graduate University and UCLA

U.S. trade policy, from the 1930s onward, periodically has taken some detours but for the most part has moved toward liberalization of trade in goods and services—as part of a larger global trend toward ever freer movement of goods, people, and capital.

Most informed opinion credits this trend toward openness as a principal reason for the unparalleled U.S. prosperity of recent years. Yet, during this period of full employment, steady growth, and low inflation in the United States, support for traditional trade liberalization has waned. The next president will lack even the congressional authority—so-called “fast-track” negotiating authority—to conclude major trade negotiations without having every provision of a final trade deal subject to congressional revision. This absence of presidential negotiating authority, lost in 1994, has prevented the United States and its World Trade Organization (WTO) partners from even contemplating any major multilateral initiatives such as the Kennedy Round, Tokyo Round, and Uruguay Round of tariff and trade negotiations, which lowered tariff and nontariff barriers on a wide range of goods and services.

In Congress, the once bipartisan consensus on behalf of liberalized trade eroded over the course of the 1990s. Any vote for trade liberalization, as with the North American Free Trade Agreement and the 1999 vote for permanent normal trade relations (PNTR) with China, has had to be accompanied by intense horse-trading and lobbying prior to final passage. And President Bill Clinton, since losing fast-track authority in 1994, was unable to regain it.

BACKGROUND

Trade protectionism generally receives a large measure of blame for the global economic depression of the 1930s. After the election of President Franklin Roosevelt, his secretary of state, former Senator Cordell Hull of Tennessee, moved actively to shift toward liberalization. World War II interrupted normal trade among nations, but at its end, Presidents Harry Truman and Dwight Eisenhower continued the Roosevelt administration's commitment to liberalization. On the European continent, former adversaries France and Germany and their partners formed what is now the European Union (EU), dedicated to removing trade barriers within Europe and on a reciprocal basis with partners outside Europe. A major point of departure came in 1962 with the passage of President John Kennedy's historic Trade Expansion Act. This law, supported broadly by both political parties and by both business and labor, gave the president authority to undertake major new multilateral negotiations within the General Agreement on Tariffs and Trade (GATT), the WTO's predecessor. Several years later, President Lyndon Johnson successfully concluded the ensuing Kennedy Round of trade negotiations.

For two decades, other multilateral negotiations followed and were successfully concluded. In the 1990s, however, U.S. trade policy, and the domestic political climate surrounding trade policy, underwent change. President George Bush began and President Bill Clinton received congressional approval for the North American Free Trade Agreement (NAFTA). Such an agreement had been discussed for many years and had been proposed politically in the late 1970s by then-California Governor Jerry Brown, but it had never been considered seriously, or reached the stage of a national initiative, until President Bush and Mexican President Raul Salinas agreed to propose one. Canada, without enthusiasm, agreed to go along with the deal. A North American free trade area had not previously been taken seriously for two reasons: the disproportionate levels of economic development and protection among the three North American countries, and prior U.S. commitments to a global—rather than regional—model of trade liberalization in which all countries, rather than those within a single region, would lower their barriers to each other. The EU, it was agreed, would stand as a regional exception because of the movement toward political as well as economic unity

implicit in its founding. No other regional grouping of countries had proposed that it would proceed beyond traditional economic, financial, and commercial cooperation.

NAFTA, once ratified, changed the equation; various Latin and Caribbean, Asian, and African countries began to propose blocs, groupings, and preferential trade deals. Many U.S. and European leaders have also proposed a U.S.-EU free trade area. The conceptual problem with all such regional deals and groupings is that by definition they create benefits for those countries in on the deal and discriminate against those on the outside. Central American and Caribbean countries, for example, immediately sought redress against the newly formed NAFTA, from which they were excluded.

NAFTA, moreover, set a precedent for linkage between trade liberalization and other policy areas not traditionally linked to trade policy or negotiations. NAFTA's provisions for "adjustment assistance"—that is, financial assistance, job training, and retraining for industries and workers directly affected by trade deals—were accompanied, for example, by largely unenforceable side agreements addressing labor and environmental problems that might ensue from NAFTA. To secure congressional approval of NAFTA, the Clinton administration overpromised the treaty's financial and economic benefits. Then, once a favorable vote was secured, it failed to follow-up on labor, environmental, and other assurances that had been given—in particular to U.S. industries and workers who would be directly affected. Within a year of passage, the Mexican peso collapsed, the Mexican economy went into recession, and a U.S.-led bailout had to be mounted. All of these factors helped to create a new domestic climate in which domestic American unions in particular, whose workers would be affected by future trade deals, have insisted that such deals include labor, environmental, and other provisions in their main body, not in side agreements.

This issue came to a head in December 1999 at the WTO meeting in Seattle. Labor-led demonstrations were joined by environmental, "consumerist," and even anarchist groups blaming the WTO *per se* for a host of global problems generally unrelated to trade policy. The protesting groups further charged that the WTO was an undemocratic organization that was making unilateral, preemptive decisions

about the global economy. Developing-country representatives to the Seattle meeting were outraged, as they believed that demands that they meet U.S. environmental and labor standards were ill-disguised means to discriminate against their products. Advanced-country representatives were equally outraged because they knew the WTO to be among the most transparent and responsive of international bodies in which governments meet to set rules and settle disputes: Almost all WTO members have consultative procedures similar to those in the United States, where the president's trade representative must respond to labor, business, agricultural, consumer, congressional, and other advisory bodies formally constituted to give their input on issues affecting them. A few weeks later, many of the same demonstrators appeared at International Monetary Fund and World Bank meetings in Washington, D.C. It was becoming clear that, although workers and unions in specific industries had specific grievances about the dislocations caused by international trade, they had triggered a more general protest, involving a far wider spectrum of groups and interests, about the general process of economic and financial globalization.

Attempting to hold off such pressures, the Clinton administration has instituted a number of actions, such as the imposition earlier this year of punitive tariffs against foreign steel producers, which have partially satisfied domestic interests but which have exacerbated tensions with trading partners.

Thus, entering 2001, the new president will face a domestic political struggle to maintain a consensus behind liberalized trade, and he will struggle abroad to settle a number of disputes about trade, tax, investment, and other issues tabled by partners having grievances about various U.S. policies.

2001: WHAT TO DO

Needless to say, the pressures being felt in 2000 concerning issues of globalization would be felt many times over if the global and U.S. economies were to go into recession. Thus at the earliest possible moment—and before the domestic climate deteriorates further—it will be imperative that the next president send clear and unmistakable signals about his intentions and goals.

1. Rebuild Domestic Consensus

Clearly, little will be possible without domestic support for liberalized trade policies. Such support was generated for approval of NAFTA, the Uruguay Round deal, and China's trading status, but only with great difficulty. House Democrats, in particular, have become accustomed to voting against the president on such issues, as they have instead responded to constituent groups important to them in their districts. Congressional Republicans, in turn, have in some numbers made common cause with congressional Democrats on human rights-related issues which, as is the case with environmental and labor standard issues, traditionally have not introduced into trade negotiations.

A new consensus needs to be built on three suggested elements. First, new programs of education, job training and retraining, and adjustment assistance must be proposed for U.S. workers directly hurt by changing trade patterns. These must be undertaken in the knowledge that high-value, high-wage, high-tech jobs are where the United States has international comparative advantage and that low-value, low-wage, low-tech jobs inevitably will be taken by offshore competitors. The new administration must confer in particular with organized labor in designing, promoting, and enacting an action program that makes proper investments in the upgrading of the country's human and physical capital. Unions and workers should not feel that, if they are not present-day winners in globalization, they are condemned to be permanent losers.

Second, the new president actively should seek congressional reauthorization of fast-track trade-negotiating authority. Without this authority, no major new global negotiation can be undertaken. Instead, the United States will find itself a party to a series of bilateral and multilateral disputes around discrete issues such as tax subsidies and foodstuffs grown with hormones.

Third, the president must make clear that environmental practices, labor standards, antitrust policy, consumer safety, human rights practices, and other issues are important to the United States and should be addressed internationally. But he must make clear that these are not to be linked with trade negotiations per se but are to be taken up independently in other international negotiations. Other-

wise, no major multilateral negotiation can be attempted—our rich and poor partners will simply refuse to come to the table—and no progress will be possible either on non-trade issues.

2. Return to Fundamentals

U.S. trade policy, until NAFTA, was based on the durable premise that global, rather than regional or bilateral, trade liberalization was the surest and fairest way to remove barriers to trade. Since NAFTA, however, a proliferation of initiatives has been proposed outside the global system, including free-trade areas in Latin America, the Asia-Pacific, and between the United States and the EU. Preferences have been enacted for African countries and are proposed for others.

These latter initiatives, in their own way, are a form of New Protectionism. If and when an international economic downturn may come, each regional grouping could turn inward, closing its markets to other regional groupings and to those individual countries that might be on the outside entirely.

If a global economic and financial system is to be successful, its central component must be the freest possible movement of goods, services, people, and capital across national borders. There will be exceptions to that principle, of course. Rapid capital flight, based on financial speculation, may lead on occasion to the imposition of limited capital controls. Extraordinary immigration waves can be enormously destabilizing and must be controlled. Some nations lacking in capital or natural resources will have difficulty over the long term developing any meaningful comparative advantage in a global economy. Over time, the United States must seek to integrate these resource-poor countries into a broader context. Yet, these instances should be seen, after all, as exceptions to the rule of openness.

The next task of the new administration, after securing renewal of negotiating authority, should be to propose to the global community a new round of negotiations with an objective of reaching “zero protection” over time on the broadest possible range of products and services. There could then follow a new round of negotiations—involving many countries, such as China, absent in prior negotiations—to far outreach the prior rounds successfully completed in the 1960s, 1970s, and 1980s.

A new Millennium Round, combined with genuine efforts to build a skilled and upgraded domestic workforce, could engage the same commitment in 2001 that Presidents Kennedy and Johnson secured from all parts of U.S. society around the Trade Expansion Act of 1962 and in the subsequent Kennedy Round. It could provide leadership toward making globalization not the target of demonstrators fearing the future but, rather, a dynamic and positive path toward better lives for the people of all countries and regions.

A GUIDE FOR THE NEXT INTERNATIONAL ENERGY CRISIS

by James T. Bartis, RAND

INTRODUCTION

This paper is intended to serve as a strategic framework for governance during a major international energy crisis, defined as a situation in which the nation's economy is imperiled by rapid and steep rise in energy prices or unavailability of fuels or power, or both. The focus is on crises that might occur during the course of the coming year, so that the emphasis herein is on action during the crisis, as opposed to the longer-term measures that can diminish the possibility or adverse effects of an energy crisis.

Two types of energy crises can be distinguished. Most threatening to U.S. national security and the U.S. economy is an international energy crisis caused by the loss to the world petroleum market of significant supplies from one or more major producing nations. The scope of this paper is limited to these international crises. The second category consists of domestic energy crises caused by a failure of the domestic energy infrastructure. Domestic energy crises are highly likely over the next few years and could impose serious hardships on consumers and businesses in particular regions. When they occur, widespread public dissatisfaction and calls for government action will be likely. Unfortunately, the same infrastructure problems that cause domestic energy crises are likely to seriously impede the U.S. ability to respond to international energy crises.

Sometimes the United States can find itself in what is referred to as an energy pseudo-crisis, which is characterized by a rapid and steep rise in energy prices but does not threaten the economy or national security. While this paper does not address the recent pseudo-crisis, we note that it is an important problem and represents a challenge to national governance, especially when combined with a domestic energy crisis.

PETROLEUM FUNDAMENTALS

Fossil fuels—oil, gas, and coal—represent 85 percent of energy consumption within the United States.¹ For an international energy crisis, the relevant fuel is oil. In the United States, oil is the predominant fuel, representing 39 percent of total energy used and more than 97 percent of fuel used for transportation. Current oil use is at record levels, spurred by a combination of a decade of relatively low oil prices, a booming economy, population growth, and increasing demand for transportation fuels, especially gasoline. Unfortunately, oil production in the United States is not what it used to be. In the lower 48 states, crude oil production peaked in 1972. Including Alaska, total U.S. production peaked in 1985. Meanwhile, U.S. demand for oil has consistently increased, with the exception of a dramatic decrease following the Iranian oil crisis of 1979–80. Today, about 52 percent of U.S. petroleum needs are met by oil imports.² For the foreseeable future, say the next 15 to 20 years, it is difficult to conceive of a situation in which U.S. dependence on foreign supplies will not grow to between 60 and 70 percent. So while the United States now imports about 10 million barrels a day, analysts anticipate that imports will climb by about 50 percent over the next 15 to 20 years.

But from a domestic perspective, there is also some good news. The energy intensity of the U.S. economy has dropped significantly.

¹Almost all of the remaining 15 percent are accounted for by nuclear power (8 percent), hydroelectric power (3.5 percent), and wood (2.9 percent).

²Domestic petroleum production includes crude oil, lease condensate, and natural gas plant liquids, and imports include net imports of crude oil and petroleum products.

Compared to 1973, energy use per dollar of gross domestic product (GDP) has dropped by almost 40 percent, and oil use per dollar of GDP has dropped by nearly 50 percent.³ This fact explains why the petroleum price increases of 2000 are not putting the U.S. economy, nor the economies of any of the developed nations, into a tailspin.

An important indicator of the role of petroleum prices in the domestic economy is the ratio of petroleum acquisition costs—domestic wellhead costs plus import costs—to GDP. In 1980, petroleum acquisition costs represented 5.8 percent of GDP. By 1999, with average prices at about \$16 per barrel of crude, petroleum costs were only 1.2 percent of GDP. Even assuming year 2000 average petroleum acquisition costs are as high as \$32 per barrel, the acquisition cost to GDP ratio will be only 2.3 percent. Simple math shows that only when oil trades at about \$80 per barrel will petroleum acquisition costs reach the percent of GDP at which the United States will need to consider seriously the effects of oil markets on the national economy.

Both the U.S. economy and U.S. national security are dependent upon the economic health of America's major allies and trading partners. The United States is but one participant in a global economy, and oil is a global commodity. Today world consumption and production of crude oil is running at record levels: 68 million barrels per day (bpd)⁴ were produced during July 2000. For the foreseeable future, demand for petroleum will likely continue to increase, with developing nations responsible for about two-thirds of new demand. A special problem with developing countries is the high oil intensity of their economies—on average twice the oil use per dollar of GDP compared to the United States.⁵ With the exception of the few developing nations that are large oil producers, increases in world oil prices have a much larger adverse effect on developing nations.

³ These two decreases in energy intensity are measured in real dollars and thereby exclude the effects of inflation.

⁴ International Petroleum Data, Table 1.1, Energy Information Administration, U.S. Department of Energy. This refers strictly to crude oil and lease condensate. Oil production figures often also include natural gas liquids.

⁵ The United States is not the standard. The oil intensity of Western European countries averages about 30 percent lower.

The Organization of Petroleum Exporting Countries (OPEC) members⁶ produce about 40 percent of the world's oil and hold more than 77 percent of the world's proven oil reserves. Perhaps more relevant is the fact that OPEC nations are responsible for about 60 percent of world trade in crude oil and refined petroleum products. Because of the recent resurgence of petroleum demand from Asia, surplus production capacity is minimal. For example, fourth quarter 2000 surplus capacity of all OPEC members is estimated at 2.0 million bpd, with about 60 percent of this surplus controlled by Saudi Arabia.⁷

PROSPECTS FOR AN INTERNATIONAL ENERGY CRISIS

Can an international crisis occur over the next few months? Table 1 lists the 20 largest oil producing countries in the world. While this list includes a number of stable democracies, it also includes nations that are not politically stable or that openly espouse anti-Western agendas. With worldwide surplus production capacity of just over 2 million bpd, it is evident that the loss of a comparable amount of production will initiate an international energy crisis.

In the Middle East, only Saudi Arabia has sufficient exports to cause, by acting alone, a serious international energy crisis.⁸ At current production levels, Iran or Iraq can cause market turmoil, a sharp increase in prices, and plenty of angst, but acting alone, neither can yet cause a serious international energy crisis. Prices would rapidly rise, but a consequent small reduction in oil demand combined with the activation of surplus production capacity would likely reduce prices to acceptable levels—that is, under \$40 per barrel—until new production capacity could be brought on line. On the other hand, one can imagine situations in which adequate surplus production is not

⁶ OPEC members are Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates, and Venezuela.

⁷ OPEC Fact Sheet, Energy Information Administration, U.S. Department of Energy, October 2000.

⁸ Iran's domestic oil consumption is about 1.2 million bpd. No other Middle Eastern producer can currently withdraw from the international market more than 2.5 million bpd.

Table 1
Petroleum Production of the World's Largest Oil Producing Nations
(July 2000)

	bpd (000s)		bpd (000s)
1. Saudi Arabia	8,390	11. United Arab Emirates	2,320
2. Russia	6,494	12. Nigeria	2,180
3. United States	5,773	13. Kuwait	2,170
4. Iran	3,750	14. Canada	2,005
5. Norway	3,395	15. Indonesia	1,490
6. China	3,280	16. Libya	1,425
7. Venezuela	2,960	17. Algeria	1,250
8. Mexico	2,876	18. Brazil	1,120
9. Iraq	2,525	19. Oman	900
10. United Kingdom	2,510	20. Egypt	810

quickly activated or one or more other producers add to the supply shortfall by cutting back their petroleum exports.

RESPONDING TO AN INTERNATIONAL ENERGY CRISIS

Perhaps the most important consideration in developing strategic alternatives for responding to an energy crisis of international proportions is recognizing the role of the marketplace in adjusting petroleum supply and demand. The role of government then becomes a combination of accelerating the market response, assisting in adapting to higher energy prices, and appropriately responding if national security is unduly threatened. Beyond a military reaction, possible government actions fall into three categories: (1) enhancing supply, (2) reducing demand and (3) addressing economic disruptions and hardships.

Selecting response options depends on the extent of the oil supply disruption, the prospects for international cooperation, and the importance of confidence-building measures both domestically and internationally. Table 2 presents each of the response options discussed in this paper and identifies each option as essential, deserving serious consideration, or as unlikely to be available.

Table 2
Strategic Options for Responding to an International Energy Crisis

DISRUPTION SIZE	Less than 3 million bpd		More than 3 million bpd	
	Yes	No	Yes	No
OPEC COOPERATION				
SUPPLY OPTIONS				
Activate surplus production capacity	E	X	E	X
Open new OPEC production capacity	E	X	E	X
Draw on Strategic Petroleum Reserve	O	E	E	E
Open near-term non-OPEC capacity	O	E	E	E
Accelerate/enhance long-term production	O	E	O	E
DEMAND OPTIONS				
Promote fuel switching	O	E	E	E
Promote energy conservation	O	E	E	E
Accelerate long-term energy conservation	O	E	O	E
Accelerate long-term fuel switching	O	E	O	E
ECONOMIC STABILITY				
Fiscal/monetary policies	E	E	E	E
Domestic economic relief	O	E	E	E
International economic relief	O	O	E	E

Key: E—essential option, O—for serious consideration, and X—unlikely to be available.

Supply Options

Because an international energy crisis results from a sudden lack of crude supplies, the obvious first step in responding is to minimize the supply shortfall. This task becomes much easier if OPEC members and, in particular, Saudi Arabia are able and willing to cooperate fully. Within 30 to 60 days, most of the world's surplus production capacity of nearly 2.5 million bpd can be activated. Two million bpd of this total is controlled by OPEC member nations, with the Saudi share currently at 1.2 million bpd. Also, some of the Middle East OPEC member nations, especially Saudi Arabia, contain oil fields that are unique in that significant new capacity can be brought

quickly into production and delivered to the world petroleum market. These two measures alone—activating surplus capacity and quickly opening new OPEC production capacity—offer the most efficient near-term response to an international energy crisis. For a supply shortfall of less than 3 million bpd, these two measures, combined with a moderate decrease in demand in response to higher prices, may be a sufficient response. For these reasons, in responding to an international energy crisis, the highest priority should be given to securing the full cooperation of Saudi Arabia and other members of OPEC.

During prior crises, the major oil companies have demonstrated their willingness to cooperate with the U.S. government. In particular, oil producers have been able to obtain a production surge by operating their wells, albeit briefly, at levels beyond best engineering practices for long-term reservoir management. A productive government role here is to provide oil producers with timely information regarding oil supplies and demand.

The only other measure capable of having an immediate effect on petroleum supply and prices would be to draw on the strategic petroleum reserves held by the United States and other oil-importing nations of the Organization for Economic Cooperation and Development (OECD). The U.S. Strategic Petroleum Reserve (USSPR) currently contains 570 million barrels of crude oil.⁹ This reserve is stored in man-made salt caverns located along the Gulf of Mexico in Louisiana and Texas. While tempting, calling upon the USSPR should be limited to major international energy crises in which a U.S. planned release is fully coordinated with reserve releases by other OECD members. The USSPR is not designed for frequent access, which can compromise the physical integrity of the salt caverns. Moreover, calling upon petroleum reserves prematurely may leave the OECD members highly vulnerable to a major international energy crisis.

For a shortfall of less than 3 million bpd, accessing the OECD member strategic petroleum reserves should be considered as a comple-

⁹ On September 22, 2000, President Bill Clinton directed the secretary of energy to remove 30 million barrels from the reserve over a period of 30 days in response to low inventories of distillate fuels, especially heating fuel.

ment to production enhancement measures by cooperating OPEC members. For crises in which adequate OPEC cooperation is lacking or if petroleum supply shortfalls are large, accessing OECD strategic reserves is an essential measure.

Other supply options cannot be implemented quickly enough to alleviate supply shortfalls directly, but they may be useful in building confidence, stabilizing oil markets, and securing the cooperation of OPEC member states. This category includes measures to accelerate the completion of oil production capacity that is currently being developed. Here the objective is on new capacity that can be brought on line within 12 to 18 months. However, for this effort to be successful, it must extend beyond domestic U.S. production and look at opportunities worldwide, including in cooperating OPEC members.

A second, longer-term option consists of measures to accelerate and enhance non-OPEC oil production significantly. These measures include increased research and development of advanced petroleum exploration and production technologies, government actions to improve the profitability of petroleum production, increased access to potential production sites, and reduced regulatory burdens. All of these options have a long-term payoff well beyond the time span of an energy crisis.

Examples that fall into this last category are almost always raised in the context of an energy crisis, although the successful pursuit of any would have no effect on the crisis beyond building confidence and serving as a threat to OPEC members who are not cooperating. Options include such highly controversial measures as opening coastal waters and a portion of the Arctic National Wildlife Refuge to exploration and production, enhancing access to public lands in the lower 48, providing tax incentives to domestic oil production, and providing relief from environmental regulations. Some of these measures, especially research for advancing state-of-the-art practices in petroleum exploration and production, may serve to prepare the United States for future energy crises. However, what is not clear is the extent that any of the more controversial measures will have a significant effect on world oil supplies.

Demand Options

The increase in petroleum product prices during an international energy crisis will cause demand to decrease. Because of the larger role of petroleum in the economies of developing as compared to industrialized nations, the greatest immediate decrease will almost surely be from developing nations that are oil importers. At crude oil prices below \$50 per barrel, a significant, quick reduction in U.S. petroleum demand is unlikely. At prices beyond \$50 per barrel, the amount of immediate demand reduction is highly speculative.

The only quick response options are fuel switching and energy conservation. With regard to near-term fuel switching, opportunities are limited. Over the past decade, natural gas use has slowly increased despite uncertainties regarding its continued availability at competitive prices and the adequacy of the natural gas distribution system to meet growing demand.¹⁰ The backup fuel for natural gas during the winter high demand periods is distillate fuel oil, and it is unlikely that natural gas would be available for fuel switching during the home heating season. For the remainder of the year, many oil-using industrial facilities in the United States are capable of immediately switching to natural gas, but an extensive and quick switch to natural gas may push the entire natural gas production and delivery infrastructure beyond its limits.

In the electric utility sector, coal and nuclear power plants are now operating at full capacity. There is no significant excess coal- or nuclear-generating capacity that can displace natural gas from power generation and allow that displaced natural gas to substitute for petroleum. Because of the large energy inputs to alcohol fuels, switching from petroleum to alcohol fuels is unlikely to offer anything more than a trivial saving of petroleum and could result in additional pressure on tight natural gas supplies.

With regard to energy conservation, many measures can be taken, but the quick-response measures generally involve changing life-

¹⁰ The increase in demand for natural gas has been driven by superior environmental performance and, until recently, highly competitive prices as compared to either coal or petroleum.

styles and doing business differently. Examples include modifying indoor temperatures, carpooling, using public transportation, and telecommuting.

Most of the opportunities to switch fuel or conserve energy will be driven by the higher prices for petroleum and natural gas that will occur during an international energy crisis. An essential role for government will therefore be to ensure that the government itself is not unduly impeding market-driven reductions in demand. Effective means of expediting market response vary by region, and this is an area in which close cooperation between the federal and state governments is important.

In developing a demand-side response portfolio, an important consideration is the image that it projects at home and abroad. For example, if the energy crisis is politically motivated and the supply shortfall is less than 3 million bpd, it may not be in the U.S. national interest to publicly emphasize modifying lifestyles and business practices. If the crisis requires a demand-side response, a number of potential federal measures can promote fuel switching and conservation. The biggest problem is that, once adopted, some of these measures—such as tax incentives and relief from environmental regulations—may well outlast the crisis.

It is unlikely that government actions can have a significant effect on demand reduction during a crisis, beyond the natural market incentive caused by higher prices. Nevertheless, a government response may be important for rallying the nation and displaying national and international leadership.

Over a longer time horizon, there are major technical opportunities to reduce petroleum demand significantly. Government acceleration of longer-term energy-conservation or fuel-switching opportunities, including research and development, may be good energy policy and demonstrate leadership and political resolve, but such measures will not take the nation out of a major energy crisis.

Economic Stability

An international energy crisis will fundamentally alter the flow of dollars in the overall national economy. In a sense, it is as if a large

new and additional tax were suddenly placed on individuals and businesses, with different business sectors, groups, and regions paying differing amounts—and indeed, some businesses and individuals would gain. From the U.S. experience during the 1970s and early 1980s, it is evident that a sudden and large increase in energy prices can contribute to high inflation and high unemployment. Over the past 15 or so years it appears that the United States has made considerable progress in controlling both inflation and unemployment, especially through monetary policy. In any significant international energy crisis, it is essential that national economic policymakers be fully appraised of the nature of the crisis and that appropriate monetary and fiscal measures be implemented. The key here is restraint, because once a crisis hits, there will be political pressure to take measures that will be economically unwise. This happened during the 1973 crisis when price controls were placed on petroleum and natural gas. It took years of effort to remove these controls and to regain the efficiency of free markets.

A major energy crisis will cause fuel prices to rise to such an extent that consideration must be given to government relief for those individuals and families unable to pay the additional costs required for home heating or basic requirements for transportation and electric power. These problems are highly regional and seasonal and may be considerably amplified because of growing limitations within the domestic energy infrastructure. Close cooperation with state governments is required to formulate assistance policies and programs and to assure timely implementation. There will also be pressure for extensive regional and industry sector assistance that goes beyond charity or disaster relief and toward permanent subsidy.

For completeness, the United States should also consider assistance and relief for developing nations during an energy crisis. Existing multilateral aid organizations provide an infrastructure for timely action. It is also appropriate to seek participation of cooperating oil-exporting nations.

Section V

**PROLIFERATION, TERRORISM, HUMANITARIAN
INTERVENTIONS**

HUMANITARIAN INTERVENTION

by Richard N. Haass, Brookings Institution

Humanitarian intervention is here to stay as a major issue with far-reaching consequences for American foreign and defense policy. The next administration needs to assess whether and how to intervene in such situations. Determinations will inevitably be case-by-case, although the quality of decision making can be improved by asking a constant set of questions, the answers to which should provide useful guidance. The effect on U.S. forces of intervening militarily can be kept down by emphasizing early and decisive use of military force on behalf of limited objectives and by not ignoring the potential contribution of other foreign policy instruments. The burden on the United States can also be reduced by developing the capacities of other states to intervene in humanitarian crises in their regions. But the United States should resist adopting arbitrary dates for withdrawals, requiring that the United Nations (UN) Security Council authorize interventions, or creating special forces or units that only handle humanitarian crises.

THE ISSUE

Humanitarian interventions—the use of military force to save civilian lives in the absence of vital national security interests—emerged as a major and some would say defining challenge of the first post-Cold War decade. As Panama, Somalia, Bosnia, Haiti, Rwanda, Kosovo, Chechnya, East Timor, and Sierra Leone all demonstrate, such situations can arise from failed states, civil wars within states, traditional wars between states, or some mixture of the above. Al-

though a case can be made that such conflicts are likely to become somewhat less frequent, if only because several multiethnic states have already broken up and presumably experienced the worst of their violence, it is no less apparent that the next administration and Congress will confront this issue on more than one occasion over the next four years. When and, equally important, how to intervene in such situations will thus continue to constitute a major national security challenge for the United States.

Humanitarian intervention is not so much a single issue as a cluster of issues. The first and most basic involves when to intervene with military force as opposed to standing aloof or employing other tools such as diplomacy, sanctions, or covert action. A second issue involves how to intervene with military force and includes such matters as how much and what kind of force is optimal. A third issue involves the consequences of the two previous sets of questions for force structure and training. A fourth relevant issue involves the consequences for diplomacy and U.S. foreign policy more broadly.

POLICY ALTERNATIVES

There is no easy way to sketch out policy alternatives, but some of the choices that regularly need to be made include:

- When to intervene? In principle, the United States has options that run the gamut from (1) always; to (2) never; to (3) on a case-by-case basis. If the third option is selected, it necessarily raises the question of the criteria to be used for reaching decisions.
- What kinds of force should be employed? Should the United States limit itself to air power only, or should it be prepared to introduce ground forces?
- In what way should military force be used? Should it be introduced minimally at first and then increased only gradually? Or should any use of force be as intense as possible from the outset, both in scale and target coverage?
- What is the proper objective of humanitarian intervention? Should the emphasis be relatively modest, on preserving or restoring order and keeping people alive? Or should the purposes be more expansive and include considerations of justice and the

restoration of societies, objectives which could come to entail the arrest of war criminals, repatriation of individuals to their homes, and the maintenance of mixed, multiethnic populations?

- What is needed as regards force structure? Should the United States designate and create dedicated troops and units for the purpose of undertaking humanitarian interventions? Or should the military leadership draw on existing all-purpose forces for specific operations?
- What, if any, diplomatic cover should be required for humanitarian interventions? Should UN Security Council authorization be a prerequisite? Is the approval of the relevant regional organization an acceptable substitute? Should the United States be prepared to undertake humanitarian interventions with only informal support of like-minded governments? Should the United States ever undertake humanitarian interventions on a unilateral basis?

RECOMMENDATIONS

The United States should be prepared to intervene militarily on a selective basis for humanitarian purposes. U.S. foreign policy must have a moral component if it is to enjoy the support of Americans and the respect of the world. At the same time, the United States cannot intervene each time human rights or lives are threatened, lest it exhaust itself and leave itself unable to cope with contingencies involving vital national interests. The bias in favor of armed intervention should increase as (1) the likely or actual human cost of standing aloof or limiting the U.S. response to other policy instruments grows, and especially if it approaches genocide; (2) if a mission can be designed that promises to save lives without incurring substantial U.S. casualties; (3) if other countries or organizations can be counted on to assist financially and militarily; and (4) if other, more important national interests either would not be jeopardized by intervening or would be jeopardized by *not* intervening. This last set of considerations justifies the absence of humanitarian intervention in either the Chechnyan or North Korean situations—as well as the decision, given U.S. stakes in Europe and commitment to the North Atlantic Treaty Organization (NATO), to enter both Bosnia and Kosovo.

If force is to be used, it is best it not be limited to air power, that it be used early on in a crisis, and that it be employed decisively rather than gradually or incrementally. Air power can be used in a coercive fashion to influence behavior, but air power alone cannot control a situation on the ground, a fact underlined by what took place in Kosovo. As a rule of thumb, what is required for the effective use of military force tends to increase as the goals of the operation become more ambitious. The United States should avoid placing ceilings on what it is prepared to do—such as ruling out the use of ground forces—if it hopes to coerce an opponent. Experience also suggests that gradual escalation risks forfeiting the military, political, and psychological initiative and can actually result in the United States having to use more rather than less force in the final calculation.

Exit strategies should not be confused with exit dates. It is sensible for U.S. intervention to include an exit strategy, which should be linked to certain local conditions, such as the fading of the threat or the willingness and ability of non-U.S. forces to manage the task on the ground. But arbitrary dates should be avoided, as they bear no necessary correlation to the situation on the ground and could have the perverse effect of encouraging challenges as soon as the date passes and U.S. forces depart. The notion of an intervention providing a fixed amount of breathing space, after which the local people and governments are left to their own devices, is unsustainable; the United States will not be able to turn its back on a worsening humanitarian problem if practical options for doing something about it exist. It should also be pointed out that recent history suggests that even prolonged commitments tend not to stir controversy at home so long as casualties are kept to a minimum.

The United States should work to train and equip others so that they are better positioned to carry out humanitarian operations in contested environments either alone or in association with U.S. forces. U.S. forces must be available to carry out missions where vital U.S. interests are engaged and where U.S. forces alone are of sufficient quality to meet the challenge. For this same reason, humanitarian interventions should not normally be undertaken on a unilateral basis. A priority should be placed on the development of a regional force for Africa along the lines of the Africa Crisis Response Initiative. Allies in Europe and Asia should also be encouraged to develop forces suitable for intervention in situations ranging from peacekeeping to

peacemaking. Creating an international police reserve also deserves consideration. The United States should not, however, seek to create a "UN army," as the United Nations cannot be counted on to carry out missions more demanding than consensual peacekeeping. This conclusion reflects both diplomatic assessments—the difficulty of bringing about consensus in this sphere given the views of China, Russia, and others—and military judgments, as any UN army would be of uncertain capability and considerable cost.

UN Security Council authorization to conduct a humanitarian intervention should be deemed desirable but not essential. Authorization is desirable because UN backing can make it less difficult to build and sustain domestic and international support for the intervention, can help weaken the will of persons and forces on the other side, and can help mitigate the chance that the intervention will cause friction with the other major powers, notably China and Russia. Security Council authorization is not essential, however, because requiring it would effectively give China and Russia a veto, something they would likely use given their bias against intervening in what they consider to be the sovereign domain of states. When a UN blessing is unavailable because of policy differences, the United States would be wise to secure the backing of the relevant regional body—such as NATO in Europe or the Organization for African Unity (OAU) in Africa—to buttress the perceived legitimacy of the undertaking and to bolster the effort to gain support. When it proves impossible to get such formal regional backing in a timely manner, the United States should promote the creation of coalitions of those states willing and able to coalesce to meet the challenge at hand. Implicit in all of the above is a view of sovereignty that is less than absolute and of a United Nations that is less than central.

Humanitarian interventions, precisely because they do not involve the vital national interests of the country, should be designed and implemented to fulfill the basic requirement of saving lives. More ambitious objectives, such as promoting multiethnic societies or democracy, should normally be avoided. So, too, should be nation building, as it requires prolonged occupation and the disarming of a society. Separation of warring populations, partitions, and humanitarian zones and safe havens are all approaches that deserve serious consideration, but they are unlikely to solve the problem. Other policy—but

not military—tools should be used to promote such efforts as social integration and democratization.

The United States does not have the luxury of developing or maintaining a military force dedicated to humanitarian interventions. U.S. forces are already stretched too thin. Moreover, it is not clear that having such separate forces would be desirable, given that many situations can be militarily demanding, easily overwhelming troops in the process; U.S. forces are more likely to be able to prevent such situations from arising, or handling them if they do, if they can carry out a full range of military tasks. Mission-specific training tailored to the expected challenges of the contemplated deployment, along with the use of reservists, is a preferable alternative.

U.S. military forces cannot be expected to bear the full burden of U.S. humanitarian policy. Doing more to prevent such crises from materializing obviously makes sense. But this will require more in the way of diplomacy, development assistance, international military education and training (IMET), trade access to the U.S. market, and democracy promotion if the military instrument is not to be asked to do too much too often.

The next president needs to speak to the public and Congress about humanitarian intervention, including its place and importance in U.S. foreign and defense policy. He also needs to make the case for specific interventions as they arise. This set of undertakings occupies too important a place in U.S. national security to be carried out without the public and the Congress understanding both the depth and limits of the U.S. commitment.

There can be no doctrine for humanitarian intervention that will serve as a template for all situations. Case-by-case analysis is unavoidable; each situation is *sui generis*. But this is not the same as “ad-hockery” or inconsistency, as there can and should be a set of questions that can be raised in each situation and a set of considerations and guidelines that can be applied.

PROLIFERATION

by Lynn E. Davis, RAND

Weapons of mass destruction (WMD) and long-range missiles will proliferate in the coming century for a variety of reasons. Ambitions and insecurities will lead states and subnational groups, including terrorists, to seek these weapons, as will resentments arising from the globalization of the economy. Knowledge, technologies, and materials with which to develop these weapons are becoming more widely available. Controlling exports of sensitive technologies has become more difficult as their commercial uses have expanded. Governments find themselves under increasing political and economic pressures to relax export controls. Russia, China, and North Korea continue selling dangerous equipment and technologies. Moreover, states are increasingly able to produce many components of these weapons indigenously, thereby decreasing the effectiveness of traditional nonproliferation instruments: export controls, economic sanctions, and military interdiction.

U.S. nonproliferation policies and export controls diverge markedly from those of other states. Iran and Iraq are only the most dramatic cases. Other states tend to view the proliferation threat as less serious and more amenable to amelioration through political engagement with both the proliferators and those who supply the equipment and technologies. Indeed, few governments are willing to risk political relations or economic trade with other countries to promote their nonproliferation goals.

No consensus exists within the United States as to the priority to be given to nonproliferation when this goal conflicts with other political

or economic goals. This fact was demonstrated by the relaxing of economic sanctions on India and Pakistan soon after their nuclear tests. Nor does a consensus exist as to what controls should be placed on the export of weapons and dual-use technologies. Congress has recently reversed the Clinton administration policy on supercomputer exports as well as the process for reviewing licenses for commercial communications satellites. Particularly divisive is the issue of whether any U.S. controls should be unilateral. Finally, responsibility for nonproliferation policies and programs is dispersed throughout the U.S. government. No single person has the authority to coordinate the various activities or the allocation of resources. Related policies, such as counterterrorism and arms control, are not always well integrated within the U.S. decision-making process.

CURRENT NONPROLIFERATION STRATEGY

Preventing WMD and missile proliferation has many dimensions. Since the end of the Cold War, the United States has made a major effort to reduce the nuclear weapon dangers associated with the dissolution of the Soviet Union. Cooperative threat-reduction programs have sought to prevent the theft and smuggling of nuclear weapons and weapons-usable material, shrink the Russian nuclear weapons complex, help create alternative jobs for nuclear workers, build a transparency regime for Russian warhead and fissile material stockpiles, end the production of fissile material, and transform excess highly enriched uranium (HEU) and plutonium into forms no longer useable in nuclear weapons. Hundreds of millions of dollars have been spent annually in programs sponsored by the departments of Defense, Energy, and State.¹

Nevertheless, Russia has more than 1,000 tons of HEU and plutonium located in many sites and hundreds of buildings. Security remains weak, and the vast stockpiles are managed with little transparency. The nuclear complex remains oversized and underfunded. A real possibility exists that these nuclear materials and the expertise necessary to develop nuclear weapons could fall into the hands of proliferating states and terrorists.

¹ *Managing the Global Nuclear Materials Threat* (Washington, D.C.: Center for Strategic and International Studies, 2000).

Over the past decade, major steps have been taken to reinforce international norms against the spread of WMD and long-range missiles. More than 180 signatories to the Nuclear Non-Proliferation Treaty (NPT) have agreed not to acquire nuclear weapons and to accept the full scope of safeguards recommended by the International Atomic Energy Agency (IAEA). In 1995, the NPT was extended indefinitely and unconditionally. The review conference in the spring of 2000 produced "an unequivocal undertaking" on the part of the nuclear powers to eliminate totally their nuclear arsenals. More than 110 countries have signed agreements establishing nuclear-weapon-free zones in Latin America, Africa, the South Pacific, and Southeast Asia. The Chemical Weapons Convention (CWC) now has more than 130 parties. It outlaws all chemical weapons, contains elaborate verification measures, and calls for the destruction of all chemical weapon stockpiles within ten years. A consensus is also emerging on enhancing the verification provisions of the 1972 Biological Weapons Convention (BWC), which bans all biological weapons.

At the same time, the Indian and Pakistan nuclear tests in 1998 undermined the norm against the spread of nuclear weapons. The North Korean nuclear program has been frozen, but uncertainties still exist as to its past activities. Iran aspires to have a nuclear capability; Iraq has not given up its nuclear ambitions; and Israel retains a nuclear option. What the future holds for nuclear testing is most unclear. The U.S. Senate failed to ratify the Comprehensive Test Ban Treaty (CTBT). India and Pakistan show no willingness to become parties to the treaty. As members of the Conference on Disarmament (CD) with nuclear reactors, these three countries must ratify the treaty for it to come into force. The U.S. effort to promote a global treaty cutting off the production of fissile material for military purposes is stalled in the CD because nonaligned countries have linked the treaty to negotiations on a "time-bound framework" for nuclear disarmament and China has linked it to talks on the prevention of an arms race in outer space. The Central Intelligence Agency has specifically identified four nonsignatories to the CWC—Iraq, Libya, North Korea, and Syria—as now possessing or actively pursuing chemical weapons. Suspicions exist that a larger number of countries have secret biological weapons programs.

U.S. nonproliferation policy also seeks to restrict transfers of dangerous weapons and technologies through informal multilateral export

control regimes. The Nuclear Suppliers Group, composed of 30 countries, has established guidelines and controls for exports of nuclear materials, equipment, and technologies. The Australia Group is an informal arrangement of most industrialized countries that reinforces the CWC and BWC by preventing transfers of certain kinds of chemical- and biological-weapons material and dual-use technologies. The Missile Technology Control Regime (MTCR) seeks to control exports of military and dual-use equipment and technology that could contribute to the development, production, and operation of long-range missiles. To prevent buildups of destabilizing conventional weapons as occurred in Iraq, more than 30 major suppliers have joined the Wassenaar Arrangement to promote transparency and restraint in sales of conventional weapons and related technologies. Each of these regimes includes a list of weapons, equipment, and technologies that are controlled; rules governing their transfer; and a commitment to report on licenses that have been approved and denied.

Nevertheless, serious constraints exist on what these regimes are able to achieve today. Decisions on exports are based on the discretion of national governments. The activities of the regimes have become routine and highly technical. No political support exists for strengthening their controls or targeting individual countries. None have any enforcement mechanisms. Russia has joined all these regimes, but its policies diverge from those of the other suppliers. China participates in none of the regimes. Missile programs are still underway in Iran, Pakistan, and India, with outside assistance.

The United States also pursues its nonproliferation goals in policies tailored to the situation of individual countries. In the aftermath of the Gulf War, the United Nations (UN) designed a unique nonproliferation approach toward Iraq. Through the UN Special Commission on Iraq (UNSCOM), the Security Council undertook to verify and destroy Iraq's WMD and missiles. Now, with UNSCOM disbanded, the UN is seeking to put in place a monitoring regime to prevent the creation of new weapon systems. Iraq has rejected this approach, even though it included the prospect of removing economic sanctions. Under the 1994 North Korean Agreed Framework, the North Korean nuclear program remains frozen and under the auspices of the Korean Peninsula Energy Development Organization (KEDO), two light-water nuclear reactors are being constructed. These reac-

tors will not, however, be completed, until the IAEA is able to clarify how North Korea disposed of its past spent reactor fuel. Further progress in carrying out the agreed framework, including the normalization of relations and the removal of economic sanctions, has been delayed by international concern over North Korea's ballistic-missile program.

U.S. nonproliferation policy is promoted domestically through a complex system of controls on exports of munitions and dual-use equipment and technologies, administered respectively by the departments of State and Commerce. The licensing procedures in the two departments are based on separate statutes and regulations, with different standards for decision making, security, safeguards, and penalties. In most cases, licenses are required for items on the basic lists. In other cases, controls are targeted specifically to countries of proliferation concern or to end-users suspected of diverting items to proliferation-related activities. For example, the export of supercomputers is controlled through a four-tier system based on levels of computing power and the proliferation threat posed by the recipient state. Decisions are made following an interagency review, with provision for disputes to be resolved by the president, within certain specified periods of time.

An important dimension of U.S. nonproliferation policy involves economic sanctions. Congressional concern about the unwillingness of past administrations to give priority to nonproliferation produced numerous statutes mandating economic sanctions in cases involving the proliferation of nuclear, biological, or chemical weapons as well as missiles. The individual sanctions statutes differ in their provisions. Some target individuals, others the responsible government. Most cut off imports, while others also limit exports. Some include waivers, others provide for diplomatic negotiations in advance of imposing sanctions. All reflect the difficulties in designing an effective sanctions regime. Foreign companies are difficult to punish. In many cases, the sanctions hurt only U.S. commercial interests. In the case of the missile sanctions, their effects would be so devastating for U.S. trade as to make the threat of their use incredible. Sanctions against foreign governments risk broader damage to political and economic relations—hence the reluctance of administrations to impose them. Nevertheless, the prospect of sanctions was instrumental

in ending Russian missile sales to India, Chinese nuclear cooperation with Pakistan, and transfers of Chinese missiles to Pakistan and Iran.

The final two elements in the U.S. nonproliferation strategy involve Department of Defense plans and capabilities for preemption and retaliation. Systems to track the movement of weapons and technologies as well as to destroy these weapons and facilities are being developed as part of the department's counterproliferation program. The problem is that the military services have given relatively little priority to these activities.

AN OVERALL NONPROLIFERATION APPROACH

The new administration will need first to define an overall approach to preventing the proliferation of WMD and long-range missiles. This will in turn require the administration to decide whether nonproliferation policies in principle offer the prospect of success and then whether the threat is sufficiently serious to warrant giving priority to these policies and expending the political capital necessary to gain the support of other countries.

If the administration believes that nonproliferation policies will not succeed, either because of global developments or because other countries will not be prepared to cooperate, then its priority and focus should shift to measures to deter, preempt, or defend against the possible use of these weapons. If the administration believes the threat is not sufficiently serious to require giving priority to nonproliferation, either in terms of policies or high level attention, then its agenda and efforts should be similar to those currently underway. Finally, if the administration believes that proliferation is amenable to prevention, but that its prevention requires greater priority and effort, then the administration's approach should involve a series of new initiatives combined with strong U.S. leadership.

NONPROLIFERATION INITIATIVES

Should the new administration decide to undertake a series of new initiatives, the most critical areas that will need to be addressed are listed below. In most of these cases, they have not been undertaken in the past because the potential gains in terms of U.S. nonprolifera-

tion goals were not judged to be worth the political costs, either at home or abroad.

Approach to Other Suppliers

A successful nonproliferation strategy will require cooperation among the major industrial countries. For a consensus to emerge in favor of U.S. policies, these countries will need to change their assessment as to the seriousness of the proliferation threat, their confidence in strategies of political engagement, and their willingness to undertake difficult political and economic steps. If this does not happen, the new administration will face a choice with respect to its own nonproliferation goals: compromise to achieve a consensus or raise the stakes in its relations with these countries to gain their support. In the case of Russia and China, the issue will be whether to use U.S. economic carrots—loans and assistance—or economic sticks—sanctions—to end their cooperation respectively with the Iranian and Pakistani nuclear and missile programs. With these and the other industrialized countries, the issue will be whether to link any political or economic cooperation to their willingness to single out states and groups of proliferation risk for tighter export controls on dual-use technologies and to impose economic sanctions for proliferation misbehavior.

Priority Given to the Nuclear Threat

The potential proliferation of nuclear materials and nuclear weapons poses a significant challenge to the United States. Graham Allison and Sam Nunn recently called for a dramatic initiative on the part of the United States to buy all the nuclear weapons material that Russia is willing to sell, remove all potential bomb material from the most vulnerable sites in Russia, consolidate the remaining materials in secure facilities, and accelerate the blending down of HEU. These deals would be accompanied by Russia's agreement not to produce additional nuclear materials.² Such an approach on the part of a new administration would require a willingness to give priority in its relations with Russia to this goal over others and would involve a signifi-

² "Choices for a Safer World," *The Washington Post*, April 24, 2000.

cant increase in U.S. assistance, estimated to be in the billions of dollars. Congress would also need to be willing to provide funds, even while Russia continues to assist Iran's nuclear and missile programs.

The new administration will also need to decide whether to design a comprehensive nuclear nonproliferation strategy that would involve new and significant steps on the part of states with both nuclear ambitions and nuclear capabilities. One such strategy would involve negotiations at the highest levels of government with India, Pakistan, Israel, and Iran to gain their agreement not to test nuclear weapons and to limit their production of fissile materials. New initiatives would be undertaken to implement the existing frameworks aimed at eliminating the Iraqi and North Korean nuclear programs, leveraging the desire on the part of both governments for the removal of economic sanctions. These steps would be accompanied by significant reductions in the nuclear weapons of all the existing nuclear powers, improvements in the IAEA nuclear-inspection regime, and the introduction of an enforcement mechanism in the nuclear-supplier regime. To implement such a strategy, the United States would need to be prepared to expend high level attention and political capital, use both economic carrots and sticks, and put at risk important political relationships with friends around the world.

Redesign Export Controls

Export controls will serve U.S. nonproliferation goals only if they reflect global changes. The choice for the new administration will be whether to undertake the political challenge and enormous effort of working with Congress to redesign U.S. domestic export control policies and mechanisms. One possible approach would be to replace the broad lists of equipment and technologies with controls focused on exports of military capabilities and technologies that could directly affect U.S. military superiority; end users—that is, those states, groups, and companies of proliferation risk and covering all proliferating enabling equipment and technologies; and “catch-all restraints,” whereby if an exporter knows or is informed by the government that one of its exports might be used to develop a dangerous piece of equipment or weapon, a license would be required and the export denied.

Such an approach would require an expansion of checks on end-users and measures for punishing violators. To be effective, it would need to be based on the kinds of regulations, security, and safeguards associated currently with the State Department's procedures. At the same time, the burdens placed on business would be fewer, as a result of the accompanying reduction in the overall licensing requirements.

As unilateral controls will not be effective, the new administration will need to decide whether it is prepared to take the lead and expend the necessary political capital to increase the effectiveness of the multilateral supplier regimes. This would involve using the necessary incentives and disincentives to bring Russian and Chinese export policies into conformity with these regimes' guidelines and procedures. The regimes would redesign and extend their export controls in ways similar to those proposed above for the United States. In focusing on end-users of proliferation risk, the other members of the regimes would need to overcome their existing political unwillingness to target individual states and groups. The "catch-all restraints" would be combined with the already existing "no-undercut" provisions in the Nuclear Suppliers Group, Australia Group, and MTCR in such a way that, upon notification of the denial of an export, no member would be able to undercut that policy by shipping the item without agreement of the others. Steps would also be taken by the regimes to enhance transparency in transfers, share intelligence more widely, focus exchanges on substantive threat assessments, and provide for enforcement measures.

Economic Sanctions Legislation

Congressionally imposed statutes seriously limit the ways in which economic sanctions can be used today to serve U.S. nonproliferation goals. The new administration will need to consider whether it wishes to work with Congress to craft a new approach that would simplify and introduce consistency in the sanctions requirements for nuclear, chemical, and biological weapons; long range missiles; and sophisticated conventional arms. One possible way forward would be to revise the existing statutes according to the following principles: First, establish the need for a high standard of evidence before

imposing sanctions, so as not to jeopardize unnecessarily political relations with other governments. Second, specify clearly what would constitute a violation in terms of proliferation behavior. Third, provide flexibility in the imposition of sanctions by permitting their use in advance of diplomacy, but at the same time establish a high standard for waiving the sanctions, so as to enhance their credibility. Finally, tailor the sanctions to ensure that the proliferator is worse off, either economically or in other ways, for having misbehaved, but do not make the sanctions so draconian that they will not be imposed.

Revising this legislation will require a major political as well as intellectual and legal effort. The risk is that the process will exacerbate the controversy and partisanship and that the resulting statutes may be more, not less, complex and restrictive.

Terrorists with Chemical and Biological Weapons

Perhaps the most serious proliferation danger to the United States is the prospect that terrorists will use chemical or biological weapons in attacks against Americans at home. The new administration will face the choice of how to structure an approach that combines both domestic and international steps. The existing arms control treaties and multilateral export control regimes will not be sufficient, given that they were designed for a different danger and involve states, not subnational groups. One possible approach would be to focus high-level government attention on multilateral cooperation and preventive activities. These could include information sharing and crisis-management planning as well as an expansion of links among domestic law enforcement and customs agencies, intelligence agencies, and foreign ministries. This was the model used in the mid-1990s, when the group of seven (G-7) industrialized countries and Russia undertook to respond to the potential threat posed by the large amounts of nuclear fissile materials becoming available in Russia. The key to achieving success in such an approach will be to reach a common appreciation of potential threats and vulnerabilities.

RECOMMENDATION

The new administration should give much more priority and attention to the serious dangers posed by the spread of WMD and long-range missiles. While these weapons can be expected to proliferate in the coming century, U.S. policies can importantly influence how quickly this happens and with what consequences. Strategies are available to reduce these dangers, but they will be difficult to implement. Senior officials will need to be willing to give them priority when they conflict with other important goals, specifically those involving Russia and China. The administration will need to expend major political capital to gain the backing of its foreign friends and allies as well as the U.S. Congress. It will also need to convince Congress to provide significantly more funding. If the new administration is not willing to do these, it should shift its rhetoric and policies away from nonproliferation to defensive and other measures that offer the prospect of ameliorating the consequences of proliferation.

NUCLEAR STRATEGY

by Glenn Buchan, RAND

Nuclear weapons are the ultimate guarantors of a nation's security. At least, that is what countries that possess them—or would like to possess them—believe. During the Cold War, the nuclear confrontation between the Soviet Union and the United States was the central reality in world politics. With the end of the Cold War and the dissolution of the Soviet Union, the world continues to evolve toward a more complex international order, less dangerous in some ways, perhaps more dangerous in others. During the Cold War, the most important threat to U.S. security, indeed to its very existence, was the possibility of a Soviet nuclear attack. Deterring such an attack was the most important element of U.S. national security policy, and U.S. strategic nuclear forces were the primary instruments of that policy. Thus, nuclear forces were the centerpiece of U.S. national security strategy.

With the end of the Cold War, the perceived threat of a Russian nuclear attack—already considered to be very low—diminished dramatically. Since then, both U.S. and Russian nuclear forces have been reduced substantially in size and readiness and have clearly moved to the “back burner” in discussions of critical national security issues and battles for funds, attention, and so forth. There is a widespread view that nuclear issues no longer matter much for the United States. At the very least, there does not appear to be a clearly articulated view of why the United States still needs nuclear forces, what those forces need to be able to do, and what criteria an effective U.S. nuclear force needs to meet. In the meantime, owing to a

combination of momentum and relatively benign neglect, U.S. nuclear policy and strategic force structure remain relatively unchanged.

Such a policy is not sustainable indefinitely. If for no other reason, a series of decisions will be required to maintain, reduce, expand, modify, or even scrap various parts of the U.S. nuclear force. Political decisions will have to be made about formal arms control-related issues. Meanwhile, proposals to change U.S. nuclear policy are already on the table, from people whose opinions matter. These proposals cover the spectrum from outright abolition of nuclear weapons to drastic cuts in force levels and radical modification of operating procedures to much more aggressive weapons development programs and operational concepts. The stasis cannot continue unabated. Sooner or later, the United States will require a new nuclear policy to provide a rational basis for future decisions on force structure and operational practice.

NUCLEAR ISSUES: WHAT DIRECTION IN THE FUTURE?

The United States has a number of fundamental decisions to make about the future of its nuclear forces. Not all have to be made within the next few years, but some do. Moreover, even those that can be deferred need to be part of a coherent long-term U.S. strategy for dealing with nuclear forces. That strategy needs to be crafted soon. Otherwise, some options will be eliminated by default.

Specific questions the United States needs to address in developing a future nuclear strategy include the following:

- Should the United States remain a nuclear weapons state? Can it?
- If so, why and for how long?
- What political and military utility does the United States expect from its nuclear forces in the future?
- What sort of nuclear forces will the United States need to maintain? Does it still need to retain its traditional strategic “triad” of intercontinental ballistic missiles (ICBMs), submarine launched ballistic missiles (SLBMs), and long-range bombers?

- Does the United States need any new types of nuclear weapon systems?
- How should future U.S. nuclear forces be operated?
- Is the Single Integrated Operational Plan (SIOP) still appropriate as the basic U.S. nuclear war plan?
- Are more flexible targeting and more aggressive concepts for the operational use of U.S. nuclear weapons feasible and desirable?
- Is the “dealerting” of U.S. forces a better approach for the future?
- Should formal arms control continue?
- If so, what should be the U.S. objectives?
- If reductions in overall force levels continue, how low should the United States be willing to go?
- What role, if any, will ballistic missile defense play?
- Does the United States require any new nuclear warheads? And finally, if so, does that require the resumption of nuclear testing?

Driving the more global issues is a host of practical considerations. For example, if the most recent round of strategic arms reduction talks (START II) proceeds, the United States will no longer have to worry about maintaining the reliability and force level of its Peacekeeper ICBMs. However, Minuteman ICBMs will still remain in the force, and maintaining them will require a series of decisions that have some budgetary implications. Similarly, current plans involve maintaining 14 Trident missile-carrying submarines (SSBNs) and a complement of Trident D-5 SLBMs, suitably “de-MIRVed”—that is, carrying fewer multiple independently targeted reentry vehicles (MIRVs)—to comply with START II limits, if START II proceeds. Both the boats and the missiles themselves will require continuing attention and investment to maintain, and at some point, developing a next generation of sea-based systems will become an issue.

Bomber modernization is an issue as well. The bomber force has shrunk considerably in recent years and now emphasizes conventional operations. The United States no longer has short-range attack missiles (SRAMs), which are necessary for bombers to use to attack defended targets effectively with relative impunity, and would prob-

ably be the weapon of choice for many contemporary "tactical" nuclear applications. The United States still retains a few hundred nuclear advanced cruise missiles (ACMs), but its supply of nuclear air-launched cruise missiles (ALCMs) is rapidly dwindling as more and more ALCMs are converted for conventional use. The United States does advertise a "new" capability to use B-2 bombers carrying earth-penetrating gravity bombs (that is, B61-11s) to attack underground installations. However, on balance, the nuclear role of bombers has diminished dramatically, and decisions concerning the future bomber force structure and modernization may constrain the nuclear use of bombers even more. Thus, the next administration will need to make a general decision on the future importance of bombers as nuclear weapons carriers.

Nuclear warheads are also an issue. The United States is not currently planning to develop any new nuclear warheads and is focused primarily on maintaining the security and reliability of its current stockpile of nuclear warheads. That approach assumed that, (1) the United States would not need any new nuclear warhead designs; (2) the United States would ratify the Comprehensive Test Ban Treaty (CTBT), which would eliminate nuclear testing and, therefore, make developing new warheads very difficult or impossible; and (3) the United States could maintain the reliability of its current nuclear stockpile by relying solely on computer simulations and science-based experiments. The failure of the U.S. Senate to ratify the CTBT means that the United States is no longer legally obliged to refrain from testing nuclear weapons, although resuming nuclear testing would be a very serious political step. The United States needs to decide how to proceed. On paper, current U.S. nuclear warheads look very large for many actual military applications. Developing new, smaller warheads is certainly an option, at least for awhile, but it would be a most serious political and military step and would almost certainly require testing. Even maintaining confidence in the reliability of the current stockpile might require testing if the so-called science-based approach proves inadequate—and, absent testing, how is one to know? Whatever approach the United States chooses will have the most fundamental effect on its future nuclear options.

Finally, and perhaps most important, is the need to account for the nuclear "brain drain" that is occurring in the military services, the

nuclear weapons labs, and the part of the defense industry that has traditionally developed nuclear weapon systems. Regardless of national-level policy, individuals, organizations, and suborganizations are increasingly “voting with their feet” and getting out of the nuclear business or at least greatly deemphasizing it. Neither career nor financial incentives are there. More important, working on nuclear weapons does not seem as important as it once did, and the net effect is an inevitable “withering away” of U.S. nuclear capability. It is not clear whether this trend can—or even should—be reversed. In any case, future U.S. nuclear policy needs to deal with this reality.

These sorts of practical decisions will have to be made regardless of whether the United States has a coherent nuclear strategy. Indeed, they could collectively define a *de facto* strategy by foreclosing other options. Clearly, a better approach would be a “back-to-basics” reexamination of why the United States does—or does not—need nuclear weapons, and what that implies about the kinds of nuclear forces it needs to maintain and how it ought to operate them.

FUTURE OPTIONS FOR U.S. NUCLEAR STRATEGY

Why Nuclear Weapons Are Attractive

Nuclear weapons remain the ultimate guarantor of U.S. national security. Because of the massive destruction that even a single nuclear detonation could cause and the amount of explosive power that can be packed into a very small package, nuclear weapons trump all other types of weapons either as a deterrent—a threat of punishment—or as a military instrument to be used if the situation were serious enough to warrant such drastic action. Even when not actually used or overtly brandished, their mere existence in the U.S. arsenal provides a certain amount of implicit leverage in any serious crisis. They form a nuclear “umbrella” over all other U.S. military forces and instruments of policy.

... And Why They Are Not

However, nuclear weapons have significant disadvantages as well, most of which result from the same characteristics that make them potentially attractive: First, their sheer destructiveness means that

actual use of nuclear weapons, particularly on a large scale, is likely to produce damage out of all proportion to any reasonable military or political objectives. As a result, a tradition of non-use has evolved that particularly serves the interest of the United States. Second, actual battlefield use of U.S. nuclear weapons can cause headaches for field commanders—including radiation, blackout, fallout, problems obtaining release authority, and planning problems. Such problems associated with actual employment of nuclear weapons may make their use more trouble than it is worth unless the need is overwhelming. Third, because the consequences are so great, the need for safeguards to avoid accidents, incidents, unauthorized use, mistakes, or theft of nuclear weapons is overwhelming. The weight given to this factor in the equation will significantly influence the future nuclear strategy that the United States selects and how it chooses to implement that strategy. It is one of the two or three factors at the heart of the current dispute over future U.S. nuclear policy.

THE HISTORICAL LEGACY

Current U.S. nuclear policy is, in important ways, a captive of its past. The Cold War, together with U.S. experience in actually using nuclear weapons to end World War II, shaped U.S. nuclear strategy, force structure, and operational practice for decades. So far, in the wake of the Cold War, key elements of U.S. nuclear policy have been remarkably resilient. Most important are the tradition of nonuse of nuclear weapons, the strategic “triad,” the SIOP, the emphasis on striking second (although striking first has never been precluded), the focus on deterrence by threat of punishment, the roles of formal arms control in the strategic planning process, and the virtual elimination of strategic defenses. The issue for contemporary U.S. nuclear planners is whether the momentum of past policies should be maintained or whether some or all of the key elements should be modified, replaced, or discarded. To date, the status quo has withstood all direct attacks. For example, the formal Nuclear Posture Review (NPR) undertaken early in the Clinton administration was essentially a prescription for business as usual. However, more subtle pressures will make the status quo unsustainable at some point. That provides the United States with both motive and opportunity to do better in preparing for the future.

FUTURE STRATEGIC OPTIONS

As a mature and experienced nuclear power—especially one that also dominates the conventional military, economic, and even cultural arenas—the United States has a variety of choices in crafting a nuclear strategy for the future. Also, even more than in the past, the United States has an overwhelming interest in preserving its place in the world. It is both prosperous and secure, with no threat on the horizon even approaching that posed by the former Soviet Union. It needs, then, to design a national security strategy flexible enough to deal with the future however it evolves and to shape that future to the degree possible.

Deciding where nuclear weapons fit is a central part of that process. Choosing an appropriate role for U.S. nuclear weapons will require balancing some potentially competing objectives:

- extracting the appropriate value from its nuclear forces—that is, imposing its will on others in situations where it really matters;
- making nuclear weapons in general less important rather than more important in world affairs, so as to reduce the incentives for others to acquire them;
- avoiding operational practices that might appear overly provocative to other nuclear powers and prompt unfortunate responses—such as reliance on launch-on-warning or preemption; and
- operating nuclear weapons in such a way that risks of accidents, unauthorized use, and theft are minimized.

There are several general nuclear strategies that the United States might adopt. Each has different implications for force structure and operational practice. The most basic distinction is the degree to which nuclear weapons are viewed as instruments of deterrence by threat of retaliation as opposed to actual war-fighting weapons. Implementing whatever grand strategy the United States chooses could lead to dramatically disparate choices of force structure and operational practice. Options include at least the following:

- abolition of U.S. nuclear weapons;

- aggressive reductions and “dealerting”;
- “business as usual, only smaller”;
- more aggressive nuclear posture; and
- nuclear emphasis.

A Word About Abolition

There is a case to be made for the abolition of nuclear weapons, either unilaterally by the United States or in conjunction with others; strictly speaking, the Nuclear Non-Proliferation Treaty (NPT) commits the United States and other nuclear-armed signatories to the treaty to divest themselves of their nuclear weapons eventually.

If the United States were to choose to divest itself of its nuclear weapons, it would presumably be for some combination of the following reasons:

- the absence of any military or political threat to the United States serious enough to require a threat of nuclear retaliation to deter, or the existence of a threat whose specific nature is such that nuclear deterrence appears unlikely to work;
- the existence of alternatives to nuclear weapons adequate to solve any military problem that is likely to arise;
- a conclusion that the danger, trouble, expense, and political baggage associated with maintaining nuclear weapons exceeded whatever residual value they might have;
- a conclusion that nuclear weapons are not “usable” politically or militarily and that the “withering away” of U.S. nuclear forces is unavoidable; and
- a political judgment that giving up its nuclear weapons would do more to restrain nuclear proliferation than would maintaining a dominant nuclear capability.

The first two points—a lack of a compelling need for nuclear weapons and the availability of adequate alternatives—are key. The dramatic improvements in the accuracy and lethality of conventional

weapons clearly make them attractive alternatives to nuclear weapons for many applications.

Deterrence by Threat of Retaliation

The most obvious transcendent role for U.S. nuclear weapons in the current world is to continue to provide a deterrent force capable of threatening with massive destruction any nation or nonstate actor that controls territory or valuable facilities. That is what nuclear weapons are particularly well-suited to do.

The political payoff from such a strategy could be problematic, however. All deterrence and coercion strategies suffer from the common weakness that they depend for success on decisions made by enemies. Empirically, it is extraordinarily difficult to be sure what deters whom from doing what to whom. Credibility is a key issue as well. Even if the United States means a threat seriously, others may not believe it, and they may act accordingly. Then, the United States would be faced with the classic problem of needing options to act if deterrence should fail.

Still, the only real threat to U.S. existence as a functioning society remains Russia's nuclear arsenal, even if it shrinks to much lower levels as projections suggest. Even with the chilling of U.S.–Russian relations since the post–Cold War “honeymoon” ended, it is very unlikely that the Cold War nuclear standoff between the United States and Russia would return with the same force as in the old days. If it did, or if other similar threats emerged, the familiar solution of deterrence by threat of nuclear retaliation, with all its theoretical flaws, is still probably the best option for the foreseeable future. In the contemporary world, that probably requires several factors. One factor is survivable forces and adequate command and control, as in the past. A second is a force of almost any reasonable size. It should be noted that damage requirements were always largely arbitrary. In the contemporary world, there is an even less compelling need for a large force. For example, if the United States were to target Russia, what would it target? The economy and the conventional military hardly seem worth attacking with nuclear weapons. Attacking the leadership is problematical. That leaves only strategic forces, and targeting them is a separate strategic issue. It would be a supreme irony of the contemporary world if strategic forces were now the only suitable

Russian targets for U.S. nuclear weapons, particularly given that such attacks would have been ineffective and possibly counterproductive during the Cold War. A third requirement is an adequate mix of forces to hedge against technical or operational failures. SLBMs will be the major component of any such force. The key Air Force systems to ensure variety are air-breathing weapons, such as bombers and cruise missiles. The future of ICBMs is problematic at best.

An important point is that there is no need for a prompt attack. Indeed, prompt responses could be dangerous under some conditions. That means that even small, de-alerted forces could, in principle, have considerable deterrent power if they adequately solved practical problems such as survivability and force generation.

These are familiar problems from the old Cold War days with some modifications to accommodate the changes in the relationship between the United States and Russia. The contemporary world has some new wrinkles in addition to the usual elements. For one thing, identifying attackers may be harder with more players and diverse delivery options available. Moreover, a broader range of options than just nuclear weapons may be needed to deter or deal with some kinds of threats, such as terrorists who cannot be threatened directly by U.S. nuclear weapons. In some cases, no threat of punishment may be sufficient to deter some nuclear threats to the United States, such as when nations with nuclear weapons believe they have nothing left to lose. An established nuclear power coming unglued and lashing out is the worst possible threat to U.S. security for the foreseeable future, much worse than so-called "rogue nations." Something other than deterrence will be necessary to deal with such problems.

Nuclear War Fighting

A more challenging issue is the degree to which the United States wants to include actual war-fighting use of nuclear weapons in its overall strategy. The first possibility is nuclear counterforce. Ironically, nuclear counterforce, which probably would not have worked during the Cold War, might be feasible in the current world, particularly against new nuclear powers that have not yet learned how to play the game—that is, countries that have not developed high-quality mobile systems and survivable command and control. A counter-

force emphasis would provide a more quantitative basis for sizing forces than would “simple” deterrence. It would also put more of a premium on timely delivery. Also, to the degree that U.S. nuclear strategy included counterforce as a hedge against nuclear proliferation, it could be viewed as part of the “robustness” criteria—including multiple types of systems and different key components—normally associated with keeping a deterrent force effective.

The current U.S. counterforce advantage is probably fleeting. Counters are well-known. They just require resources, time, and experience to implement. Thus, there is a question about the extent to which contemporary U.S. nuclear strategy ought to emphasize counterforce. To some degree, the strategic issue is almost moot, since any nuclear force the United States maintains is likely to have considerable inherent counterforce capability if it operates more or less the way U.S. strategic forces operate currently. Interestingly, only a large-scale commitment to a counterforce-heavy strategic doctrine focused on a major nuclear power such as Russia is likely to require the “business as usual, only smaller” type of force structure recommended by the NPR and apparently accepted by the current U.S. administration. That point will not be lost on others who infer U.S. intentions from its force structure and who might react badly to what they could view as a serious U.S. threat. They will probably not be much impressed by “bureaucratic momentum” as an explanation for the United States maintaining large nuclear forces structured and operated as they were during the Cold War.

Using nuclear weapons against a broader set of military targets is a policy option as well. It is actually a more interesting possibility because it follows a broader policy logic: One of the reasons the United States maintains nuclear weapons is to deal with any emerging situation that threatens vital U.S. interests and cannot be dealt with adequately in any other manner. The real issue is the effectiveness of conventional weapons. If the United States invests adequately in advanced conventional weapons, there should be no need for nuclear weapons to be used “tactically” except for attacking deeply buried targets, if that proved to be necessary. Thus, decisions on future U.S. nuclear strategy depend critically on issues such as conventional weapons and ballistic missile defense that are not associated directly with nuclear weapons.

If the United States wanted to maintain the option to use nuclear weapons tactically if a really desperate need arose, the problems it would face are not generally related to the weapons themselves, but to planning and operational flexibility.¹ Such flexibility is the sine qua non for adapting to unforeseen circumstances. Indeed, there is a strong a priori case for developing this kind of operational flexibility for U.S. nuclear forces, precisely because the circumstances under which U.S. nuclear weapons might actually have to be used in the future are so hard to predict that they cannot be planned for in advance.

Achieving such nuclear operational flexibility would require radical changes in U.S. nuclear operational practice. It would require, at the very least, the following preparation:

- suitable planning systems such as near-real-time target planning;
- training;
- the inclusion of nuclear weapons in exercises;
- nuclear expertise on theater planning staffs;
- suitable command and control; and
- intelligence support comparable to that needed by conventional forces.

In the long term, there are other practical problems to solve if the United States is to remain a viable nuclear power. The “withering away” of U.S. nuclear operational expertise, support infrastructure, and weapons-design capability may be unavoidable, given current career incentives, fiscal constraints, political realities, and service

¹ However, some tactical applications appear to favor air-delivered weapons, particularly those requiring relatively short-range weapons. There is an extreme version of this argument that would call for a large number of very small nuclear weapons (“mini nukes”). Such an option would be difficult to support. In fact, our previous work has shown that most large-scale conflicts could be best handled with very large numbers of small (e.g., 500 lb) accurate conventional weapons and only a modest number of larger (e.g., 1,000–2,000 lb) conventional weapons. Thus, even “mini nukes” would be overkill for most applications. Still, if the United States were to take “tactical” use of nuclear weapons more seriously, a larger force of smaller warheads would be more appropriate.

priorities. Thus, U.S. nuclear capability may diminish over time whether Washington likes it or not.

A Contemporary U.S. Nuclear Strategy

In considering overall contemporary U.S. strategic options, one striking possibility is that a new strategy could simultaneously be both more “dovish” and more “hawkish.” That might involve a much smaller nuclear force intended to deter egregious behavior with threats of retaliation, but operated flexibly enough so that the weapons could actually be used if a serious enough need arose against whatever particular set of targets turned out to be important. That sort of nuclear strategy would lend itself to a succinct description along the following lines:

“The United States views nuclear weapons as the ultimate guarantor of its security. They provide a means for deterring an enemy from damaging vital U.S. interests by threatening to punish that enemy with massive damage. In particular situations, the United States might use nuclear weapons directly to resolve a crisis if vital U.S. interests were at stake and other means appeared inadequate.”

Such a nuclear strategy would also have to be supplemented by a broader spectrum of options to deal with contemporary problems that nuclear threats or use alone could not handle. In addition, working out the appropriate nuclear force structure to implement whatever strategy the United States chooses will require more detailed analysis. Ironically, force structure issues are likely to turn on relatively mundane issues, such as where the “knees” in the cost curves—that is, the particular composition of various parts of the force that appears to make the most economic sense—turn out to be and what seems sensible in terms of good operational practice. That, in turn, could affect the U.S. choice of a grand strategy.

It is a virtual certainty that any overall nuclear strategy the United States chooses will require a substantially different set of nuclear forces and operational practices than it has at present. Proving that it can overcome the massive momentum that has shaped its past nuclear strategy and force structure decisions will be a major hurdle that the U.S. nuclear bureaucracy will have to clear in moving toward a sensible future nuclear policy. The range of possible policy options

needs to be evaluated in much more detail than it has been to date for the United States to choose a sensible nuclear strategy for the future.

PRESIDENTIAL TRANSITION TEAM ISSUES: TERRORISM

by Bruce Hoffman, RAND

Much has been done over the past eight years to ensure that the United States is prepared to counter the threat of terrorism. Yet, despite budgetary increases and the many new legislative and programmatic initiatives, as well as the intense governmental concern and attention they evince, U.S. capabilities both to defend itself against the threat of terrorism and to preempt or respond to attacks arguably remain inchoate and unfocused. It is by no means certain, for example, that the United States would in fact be better able to respond today to an Oklahoma City-like bombing incident than it was five years ago.¹ The issue in constructing an effective counterterrorism policy, however, is not a question of more attention, bigger budgets and increased staff; but rather one of greater focus, a better appreciation of the problem and understanding of the threat, and, in turn, the development of a clear, cohesive strategy. The following discussion identifies the basic requirements of such a strategy.

U.S. counterterrorism policy must be anchored to a clear, comprehensive, and coherent strategy. Notwithstanding the many accomplishments in framing a counterterrorism policy during the past eight years, there still remains the conspicuous absence of an overarching strategy. As the Gilmore Commission noted in its initial report

¹ This at least was the consensus following a series of recent meetings with state and local first responders—police, fire, and emergency services personnel—in Oklahoma, Idaho, and Florida.

to the president and Congress last year, the promulgation of a succession of policy documents and presidential decision directives (PDDs)² neither equates to, nor can substitute for, a truly "comprehensive, fully coordinated national strategy."³ In this respect, the variety of federal agencies and programs concerned with counterterrorism remain fragmented and uncoordinated, have overlapping responsibilities, and lack a clear focus. The current reliance mainly on the National Security Council (NSC) working-group process, while having made significant strides in improving U.S. capabilities to counter terrorism, cannot compensate for the absence of clear, concise, and unambiguous leadership and direction from the president.

The articulation and development of such a strategy is not simply an intellectual exercise; it must be made the foundation of any effective counterterrorism policy. Failure to do so historically has undermined the counterterrorism efforts of other democratic nations and produced frustratingly ephemeral if not nugatory effects that, in some cases, proved counterproductive in actually reducing the threat.⁴ Accordingly, the continued absence of a national strategy potentially threatens to negate the progress thus far achieved in countering terrorism. Upon taking office, therefore, the new administration must first turn its attention on this issue to elucidate a comprehensive, fully coordinated strategy for the entire federal government, with specific direction provided by the president in consultation with each of his senior advisers responsible for related federal efforts. To minimize duplication and maximize coordination, this should be accompanied by a comprehensive effort that seeks to knit together more tightly, and provide greater organizational guidance and focus to, individual state and local preparedness and planning efforts.

² See, for example, the "Five Year Interagency Counter-Terrorism Plan," and PDDs 39, 62 and 63.

³ The Advisory Panel to Assess Domestic Response Capabilities for Terrorism Involving Weapons of Mass Destruction, *I. Assessing the Threat*, December 15, 1999, p. 56.

⁴ See Bruce Hoffman and Jennifer Morrison Taw, *A Strategic Framework for Countering Terrorism and Insurgency* (Santa Monica, Calif.: RAND, N-3506-DOS, 1992), pp. 136-140.

U.S. strategy must also be based firmly on a clear and sober articulation of the threat in all its dimensions. A critical first step in framing this strategy will involve a comprehensive net assessment of the terrorist threat, both foreign and domestic, as it exists today and is likely to evolve in the future. There has been no new, formal foreign terrorism net assessment for at least the past five years and, moreover, the means do not currently exist to undertake a comprehensive domestic terrorism net assessment. Terrorism is among the most dynamic of phenomena because of the multiplicity of adversaries and potential adversaries, the perennial emergence of new causes and different aims and motivations fueling the violence, the adoption and evolution of new tactics and modus operandi, and the greater access and availability of increasingly sophisticated weaponry. By embracing policies and pursuing solutions that may be not only dated but also irrelevant, the United States loses sight of current and projected trends and patterns and thereby risk inadequate or improperly targeted preparation. In this respect, the collective U.S. policy mindset in responding to terrorism remains arguably locked in a 1995–96 time frame, when the defining incidents of that period—such as the Tokyo nerve gas attack and the bombing of the Oklahoma City federal building—fundamentally shaped and influenced U.S. thinking about the terrorist threat. While the conclusions drawn then may still be valid, without ongoing, comprehensive reassessments the United States cannot be confident that the range of policies, countermeasures and defenses it adopts are the most relevant and appropriate ones. Indeed, it is clear that without a firm appreciation of the threat, it is impossible to set realistic priorities. The next president should therefore institute a process by which regular and systematic net assessments of foreign terrorist threats can be conducted at specified intervals. He should also order the development and implementation of a mechanism through which a domestic counterpart to the foreign terrorist net assessment could be undertaken. The absence of such a means to gauge and assess trends in domestic terrorism and assess their implications is a major impediment toward framing a cohesive and comprehensive strategy. At one time it was thought that the National Domestic Preparedness Organization (NDPO), within the Federal Bureau of Investigation (FBI) and Department of Justice, would undertake such an effort. The fact that this has not been done raises questions of how such a domestic net assessment should be con-

ducted and which department within what agency would have the lead in collating and articulating the domestic assessment.

Based on a firm appreciation of terrorism threats, both foreign and domestic, an overarching strategy should be developed that ensures that the United States is capable of responding across the entire technological spectrum of potential adversarial attacks. The focus of current U.S. counterterrorism policy arguably remains too weighted toward the threat of mass casualty terrorism, based mainly on planning for worst-case scenarios. On the one hand, emphasis on what even champions of this approach admit are “low-probability-but-high-consequence threats”—which in turn posit almost limitless vulnerabilities—may be the least efficacious means of setting budgetary priorities, allocating resources, and thus assuring U.S. security.⁵ This approach seems to assume that, by focusing on worst-case scenarios, any less-serious incident can be addressed simply by planning for the most catastrophic event. Such an assumption ignores the possibility that the higher-probability-but-lower-consequence⁶ events might present unique challenges of their own.

⁵ This argument has similarly been expressed by Henry L. Hinton Jr., assistant comptroller general, National Security and International Affairs Division, U.S. General Accounting Office, in testimony before the Subcommittee on National Security, Veterans Affairs, and International Relations, Committee on Government Reform, U.S. House of Representatives, in (1) “Combating Terrorism: Observation on Federal Spending to Combat Terrorism,” March 11, 1999; and (2) “Combating Terrorism: Observation on the Threat of Chemical and Biological Terrorism,” October 20, 1999; as well as by John Parachini in “Combating Terrorism: Assessing the Threat” and Brian Michael Jenkins in their respective testimony before the same House subcommittee on October 20, 1999. Hinton has also presented “Combating Terrorism: Observation on Biological Terrorism and Public Health Initiatives,” before the Senate Committee on Veterans Affairs and Labor, Health and Human Services, Education, and Related Agencies Subcommittee, Senate Committee on Appropriations, GAO/T-NSIAD-99-12, General Accounting Office Washington, D.C., March 16, 1999.

⁶ In this context, a higher-probability-but-lower-consequence event is considered to involve the use of a conventional weapon—that is, an explosive device—or the discrete, rather than massive, employment of a chemical, biological, radiological or weapon; the physical effects of such an incident would be geographically limited in both scope and actual destructiveness and would most likely be aimed at inflicting fatalities numbering in the tens or twenties rather than the thousands, although the number of injured requiring medical treatment could number in the thousands. The use of this term is meant to differentiate it from lower-probability-but-higher-consequence events whereby a larger CBNR weapon would be used with intent of causing massive damage extending over and affecting a widespread geographical area and resulting in perhaps thousands of fatalities and tens of thousands in injuries. As the former attack is regarded as perhaps relatively easier to execute in terms of the

Moreover, concentrating on these high-end threats begs the question of whether the United States is better prepared today to respond to an incident like the Oklahoma City bombing than it was five years ago. The consensus from a series of firsthand interactions in recent months with state and local "first responders" from three different regions of the United States strongly implies that this may not in fact be the case. At each of these training sessions, complaints were voiced repeatedly that state and local authorities were unable to use federal funds earmarked for the purchase of antiterrorism and counterterrorism equipment to obtain essential lifesaving equipment such as concrete cutters, glass cutters, and thermal-imaging, body-sensing devices that would aid in the rescue of victims in building collapses caused by bombings or, for that matter, other man-made or natural disasters. Apparently, these funds could be applied only to orders involving a range of paraphernalia exclusive to addressing and handling "bioterrorism" situations.⁷

Communication both among and between first responders is also still inadequate in many locations, including the District of Columbia—which federal law enforcement authorities have repeatedly cited as one of the prime terrorist targets in the United States⁸. This gap in the most basic equipment needed for effective emergency response was demonstrated by a fire that occurred on the District of Columbia subway beneath McPherson Square in April 2000. Not only did police, fire, and emergency services personnel not have compatible equipment for communicating with one another, but the equipment they did have failed to function effectively underground. Seemingly simple fixes, essentially involving the most basic equipment requirements, therefore can get lost in a preoccupation with equipping to respond to high-end threats positing worst-case scenarios of terrorists using exotic weapons. The next administration

technological knowledge and sophistication, logistical support, and organizational assets required, this is arguably the far more likely type of threat. This assumption, however, is not meant to exclude the possibility of lower-probability-but-higher-consequence incidents occurring nor to ignore the need for appropriate preparedness and emergency response measures to counter the range of potential terrorist threats across a broad spectrum of assumed severity.

⁷ Discussions held with state and local first responders in Oklahoma, April 2000; Idaho, August 2000; and Florida, August 2000.

⁸ See, for example, David A. Vise, "FBI: Area Is Top Terrorist Target: Question Is Not Whether, but When, Expert Tells Officials," *Washington Post*, October 22, 1999, p. A14.

must therefore be confident that the United States is capable of responding across the entire technological spectrum to all types of terrorist threats—from low-end conventional explosive devices constructed from readily available, commercially obtained materials⁹ to such putative high-end unconventional attacks involving biological weapons and the like. Equal emphasis must be given to the higher-probability-but-lower-consequence events, in contrast to the current planning bias.

In any event, the most likely range of terrorist threats will not include the ruthless use of some exotic weapon on a scale of mass destruction, toward which U.S. response efforts are currently focused, but the calculated terrorist use of some chemical, biological, nuclear, or radiological (CBNR) weapon to achieve far-reaching psychological effects. A limited terrorist attack involving not a weapon of mass destruction (WMD) per se, but an unconventional CBNR weapon employed on a deliberately small scale—either alone or as part of a series of smaller incidents occurring either simultaneously or sequentially in a given location—could also have disproportionately enormous consequences, generating unprecedented fear and alarm, and thus serving the terrorists' purpose just as well as a larger weapon or more ambitious attack with massive casualties could have. Hence, the most salient terrorist threat involving an unconventional weapon may likely not involve or even attempt the destruction of an entire city or some similar worst-case scenario, but the far more deliberate and delicately planned use of a CBNR agent for more discreet purposes.

⁹ In this respect, it should be recalled that the explosive device used in the 1993 bombing of New York City's World Trade Center bomb was fabricated primarily with ordinary, commercially available materials—including lawn fertilizer (urea nitrate) and diesel fuel—along with some more specialized materials obtained from chemical warehouse suppliers. Its triggering mechanism involved the simple lighting of a fuse. This device actually cost less than \$400 to construct. Indeed, it nearly succeeded in toppling one tower onto the other, killed six persons, and injured more than a 1,000 others, gouged a 180-foot wide crater six stories deep, and caused an estimated \$550 million in both damages to the structure itself and lost revenue to the businesses located there. See Richard Bernstein, "Lingering Questions on Bombing: Powerful Device, Simple Design," *New York Times*, September 14, 1994; and N.R. Kleinfeld, "Legacy of Tower Explosion: Security Improved, and Lost," *New York Times*, February 20, 1993.

Accordingly, attention needs to be paid to the psychological as well as physical effects of a terrorist attack. Nearly three-quarters of the 5,000 casualties who received medical treatment as a result of the 1995 nerve gas attack on the Tokyo subway, for example, in fact suffered from adverse psychological effects including shock, emotional upset, and psychosomatic symptoms.¹⁰ Hence, emergency services and hospital personnel must be trained not only to perform an immediate triage based on actual injury, but also to be able to make a quick determination about whether an individual is suffering from emotional rather than physical effects of an incident. Hand-in-glove with addressing the psychological effect and dimensions of such a terrorist incident is the imperative to develop a well-conceived and proactive public communications strategy and information management process that would assuage concern and aim specifically to reduce panic.

The next administration should focus attention as much on preemption and prevention as on response and recovery. Perhaps the main weakness of the policy described above, which focuses primarily on putative high-end attacks with a concomitant emphasis on response and recovery—that is, crisis management and clean-up issues—is the disproportionate and insufficient attention paid to issues of preemption and prevention of potential terrorist acts. The budget breakdowns presented in the most recent Annual Report to Congress on Combating Terrorism, for example, clearly depict this imbalance. According to the accompanying Office of Management and Budget (OMB) analysis presented in the report, while funding for combating WMD terrorism more than doubled between fiscal years 1998 and 2001, from \$645 million to \$1,555 million, the lion's share of this spending—\$1,390 million, or almost 90 percent—was in fact devoted to antiterrorism efforts that are primarily defensive in nature, such as protection against and management of consequences of a WMD terrorist act.¹¹

¹⁰ See Anthony G. Macintyre, M.D., et al., "Weapons of Mass Destruction: Events with Contaminated Casualties—Planning for Health Care Facilities, *Journal of the American Medical Association*, no. 263 (January 2000), pp. 242–249.

¹¹ Annual Report to Congress on Combating Terrorism: Including Defense against Weapons of Mass Destruction/Domestic Preparedness and Critical Infrastructure Protection, May 18, 2000, p. 12.

Not only is this inordinate emphasis on response and recovery at the expense of preemption and prevention a product of the current focus on worst-case scenario planning and preparation, but it also betrays a disregard for the supreme value of intelligence in countering terrorism.¹² Indeed, this is in fact the one key area of U.S. counterterrorism policy that appears to be functioning admirably. The U.S. intelligence community, it must be said, is doing a highly creditable job in providing the information needed to preempt and prevent terrorist attacks. This is not to suggest by any stretch of the imagination that this is an entirely foolproof science that will prevent or neutralize every single potential terrorist attack against every conceivable U.S. target everywhere in the world. But, at the same time, it is patently clear that the U.S. intelligence community has scored a string of impressive successes over the past couple of years that proves the value and importance of this singularly vital asset in the struggle against terrorism. Proof of this may be found in the fact that Usama bin Ladin and his minions have been consistently stymied for the past 26 months despite ample evidence of his and his followers' plotting and planning a succession of anti-American terrorist acts both in this country and abroad.¹³

Nonetheless, the United States cannot of course rest on past laurels and rely on previous accomplishments to safeguard its citizens in the future. In this respect, the next president needs to be absolutely confident that the U.S. intelligence community is in fact correctly configured to counter the terrorist threats of today and tomorrow. Its fundamental architecture, however, is essentially a Cold War-era artifice, created more than half a century ago to counter a specific

¹² The comment of a current senior NSC staff member responsible for counterterrorism illustrates this disregard. The current policy emphasis of focusing on worst-case scenarios was justified with the following explanation: "If I can't rely on the intelligence community to tell me that India has detonated a nuclear device, how can I expect them to tell me that terrorists are planning to carry out an attack somewhere in this country? I can't. So my job is basically to prepare for the worst, and that's what I'm doing." Discussion, June 1999.

¹³ Bin Ladin's efforts are evidenced by the arrest last December of Ahmed Ressem in Port Angeles, Washington, and subsequently of additional members belonging to a Montreal, Canada, and Brooklyn, New York-based Algerian terrorism cell, as well as the arrest of a group of terrorists that same month who have been accused of plotting to attack U.S. tourists in Jordan. These are but two of a number of incidents that have been thwarted since the August 1998 bombings of the U.S. embassies in East Africa.

threat from a specific country and alliance with a specific, single, overriding ideology. The question that needs to be asked, accordingly, is whether that structure, which has remained largely unchanged since the immediate post-World War II era and is primarily oriented toward military threats and therefore gathering military intelligence, is still relevant to the array of contemporary security challenges posed by transnational, nonstate adversaries. According to one estimate, approximately 60 percent of the intelligence community's current efforts remain focused on military intelligence pertaining to the standing armed forces of established nation-states.¹⁴ Given the emergence of a range of new adversaries, with different aims and motivations, and which operate using a more linear connection of networks rather than stove-piped, rigid command-and-control hierarchies, it is not clear that the emphasis on traditional military intelligence threats represents the most appropriate distribution of resources. Indeed, the U.S. intelligence community's roughly \$30-billion budget is already greater than the national defense budgets of all but six countries in world.¹⁵ Accordingly, a redistribution of emphasis, personnel, budgets and resources may be needed to ensure that the United States is fully capable of responding to both current and future terrorist threats. At the very minimum, funding of key elements of current U.S. counterterrorism efforts should be reoriented toward providing sustained, multiyear budgets that will encourage the development of longer-term, systematic approaches, as opposed to the current year-to-year process. The many successes in recent years scored by the Counterterrorism Center (CTC) of the Central Intelligence Agency (CIA) provide compelling evidence that the United States is indeed on the right track in the struggle against international terrorism—yet, the CTC still operates without the assurance of multiyear budgetary continuity.

Emphasis on the importance of intelligence in countering terrorism should be enhanced by the establishment of a counterterrorism version of the President's Foreign Intelligence Advisory Board (PFIAB). The succession of both presidential and congressionally appointed

¹⁴ Richard Stubbing, "Improving The Output of Intelligence Priorities, Managerial Changes and Funding," in Craig Eisendrath, ed., *National Insecurity: U.S. Intelligence After the Cold War* (Philadelphia: Temple University Press, 2000), pp. 176, 183.

¹⁵ *Ibid.*, p. 172.

commissions and panels in recent years convened to address various dimensions of the terrorist threat is evidence of the continuing need for authoritative, independent advice and analysis. At this time, however, the executive branch would likely be better served by the establishment of a version of the PFIAB that would be specifically concerned with advising the president on matters pertaining to terrorism and counterterrorism. The PFIAB mission, to provide the president with "advice concerning the quality and adequacy of intelligence collection, of analysis and estimates, of counterintelligence, and of our own intelligence activities,"¹⁶ could thus be beneficially adapted and adjusted both to reinforce the importance of intelligence in the struggle against terrorism and to strengthen further the overall U.S. strategy. The proposed counterterrorism version of the PFIAB should draw its members from the academic counterterrorism community along and from the community of senior government and military officials and the other distinguished public servants who typically serve on such committees. Indeed, one of the more striking developments that has resulted from the current debates over the likelihood of WMD terrorism and related homeland defense issues is the intellectual chasm that has emerged separating the academic and policymaking communities over this issue. Most academic terrorism analysts have been far more restrained and skeptical concerning the threat of CBNR terrorism, for example, than have many of their counterparts in government, the military, and law enforcement. The creation of a presidential intelligence advisory board on terrorism and counterterrorism would be one means through which these differences of opinion could be bridged in a manner that effectively harnesses diverse views and thereby enhances critical policy discussion and formulation in this area.

U.S. strategy in countering terrorism should embrace new means and approaches that, in particular, more actively incorporate psychological operations designed to counter support and sympathy for terrorist organizations. As noted above, the United States has long relied primarily on the use of military force and economic sanctions to counter terrorism. But these options were directed almost exclusively against, and are largely applicable only to, state sponsors of terrorism. New approaches are therefore needed to counter the challenges

¹⁶ See <http://www2.whitehouse.gov/WH/EOP/pfiab/index.html>.

posed by nonstate, transnational terrorist movements such as that of the al-Qaida movement, which is closely associated with Usama bin Ladin. U.S. counterterrorist strategy should therefore include—to a larger extent than is perhaps currently embraced—active psychological operations and communications strategy dimensions. These would be designed specifically to wean support and sympathy away from those who threaten the United States and assist in the overall formulation and execution of policies that seek to avoid producing new terrorist recruits and generating new sources of sympathy and support for terrorism. The inadvertent lionization of bin Laden himself is a case point. Bin Laden has achieved a prominence and stature in recent years partially as a result of efforts that have failed to consider additional means by which support and sympathy for him and his cause could have been deflated or deflected rather than fueled and enhanced.

The next administration must ensure that key U.S. government policies to combat terrorism are working and being enforced. Included among these is the very positive development three years ago when the State Department established a list of foreign terrorist organizations that are proscribed by the secretary of state from engaging in fundraising and other support activities in the United States. However, the next president needs to be confident that this important measure is not only adequate to countering the financing of terrorism through charitable front organizations and other entities masquerading as social welfare groups, but also that it is in fact being rigorously enforced. Recent government efforts to proscribe an alleged Hamas-front organization in Texas, as well as the uncovering of a Hezbollah cell in North Carolina funneling money derived from a variety of illicit activities back to Lebanon, illustrate the dimensions of this ongoing problem and the need for continued vigilance and enforcement. Reports on the continuing U.S. activities of other terrorist front organizations from outside the Middle East suggest, however, that this remains an issue requiring renewed vigor and attention.

Along those lines, the next administration should consider whether death penalty statutes as applied to terrorists are genuinely useful in deterring or preventing future acts of terrorism. In the case of three alleged followers of bin Laden currently awaiting trial in New York City, federal prosecutors are seeking the death penalty if the men are

convicted. In a country where convicted murderers are not infrequently put to death, the case of a terrorist convicted of killing scores of people might not seem an issue. Indeed, by raising this point, no attempt is being made to kindle a broader debate over capital punishment in this country. Rather, the point here is to consider whether such a policy might in fact prove counterproductive in the long term, inspiring new acts of revenge and retaliation against the United States, creating martyrs and political heroes out of murderers and thugs, and also, not incidentally, possibly reducing international cooperation over the extradition of terrorists to the United States because of foreign opposition to U.S. death penalty statutes. It should be noted as well that other countries that have sought to use death statutes as a means both to punish and to deter terrorists have found this policy singularly ineffective if not counterproductive, as it often spurred and inspired both more frequent and more serious acts of terrorism.¹⁷

In conclusion, the new administration must recognize from the outset that terrorism is not a problem that can be solved, much less ever completely eradicated. No society, particularly an open and democratic one such as the United States, can hope to hermetically insulate itself from any manifestation of this threat. Broad, sweeping policy pronouncements heralding new solutions in the form of either overarching bureaucratic fixes or individual "magic bullets" should therefore be qualified to reflect this reality, so public expectations are not overinflated. By the same token, the threat of terrorism itself needs to be kept in perspective. There is a thin line separating prudence and panic. Accordingly, a prerequisite to ensuring that America's formidable resources are focused where they can have the most effect is a sober and empirical understanding of the threat, coupled with a clear, comprehensive, and coherent strategy.

¹⁷ For example, the Franco regime's policy in the 1970s of executing Basque ETA terrorists in Spain produced the highest incidence of terrorist acts and the highest number of terrorist-inflicted casualties. Britain's policy of hanging terrorists during its era of colonial rule proved completely ineffective in curbing rebelliousness and indeed often had the opposite effect and unintended consequence of similarly producing an escalation of violence.

Section VI

MILITARY AND INTELLIGENCE TRANSFORMATION

NATIONAL SECURITY RESOURCES

by Gordon Adams, George Washington University

This essay explores resource and budgetary options for both international affairs and defense, as part of an overall approach to national security planning for the presidential transition. It makes several key assumptions at the policy level, on which resource priorities are based.

First, despite campaign rhetoric, the next administration will face the challenges of global leadership. Most major and many minor crises, conflicts, and disputes will inevitably involve the United States in some way. It will be important to anticipate those crises and conflicts and to think through, in advance, the range of governmental responses that will be required. Not all responses will be military; the instruments of statecraft involved cover the range of assets: diplomatic, military, economic, and intelligence.

Second, it is important that national security strategy optimize the synergy among the agencies in question. Leadership will require close coordination, through the National Security Council (NSC), of the principal national security agencies: defense, foreign policy, and intelligence. The turf battles will have to be muted through central leadership.

Third, resource planning can and should take this synergy into account, with policy attention focused on international affairs resources (budget function 150, which covers the State Department, the Agency for International Development, and the economic assistance and lending programs of other executive-branch agencies) as

well as on defense and intelligence (function 050, which covers the Department of Defense, intelligence agencies, and the nuclear and nonproliferation programs at the Department of Energy).

Two main assumptions have been made about international affairs. First, U.S. diplomatic resources have been relatively starved for the past 15 years, if not longer. The capacity for global leadership is hindered by this starvation diet. Increased funding for international affairs is an important part of ensuring continued global leadership. Second, these resources have been internally out of balance and poorly managed for the same period of time, if not longer. Management reform and rebalancing are as important as additional funding.

Finally, this essay is based on several assumptions about defense. First, the United States has a military capability that is globally dominant, whether one looks at size, force structure, training, equipment and technology, mobility, logistics, communications, overall funding, or virtually any other index of capability. Second, the military missions and deployments of the past decade, while not excessive, have stressed the forces, particularly the Army and Air Force; less so the Navy or the Marine Corps. The solution for this stress lies not in increasing force size, but through better force management. The Air Expeditionary Force (AEF) initiative in the Air Force is an imaginative approach; the Army is transforming more slowly and needs to make some tough choices about structure and flexibility.

Third, the 2001 Quadrennial Defense Review (QDR) will have to address, first and foremost, the question of mission and the force-sizing algorithm. The most critical decision concerns the two major theater war (MTW) algorithm: if it is maintained as the spine of force planning, it will be quite difficult to adapt U.S. forces to the requirements of 21st-century missions. If it is replaced by a more flexible algorithm, based on real-world threats and the missions the forces have actually been carrying out, adaptation is possible. Much will depend as well on elaborating the meaning of "full-spectrum dominance." Although *Joint Vision 2020* argues that this strategic goal applies across all missions, it is not clear that the elements of that dominance—precision engagement, dominant maneuver, full dimension protection, and focused logistics—have been thought through with respect to noncombat operations such as peacekeeping, humanitar-

ian operations, nonmilitary evacuation operations (NEOs), and emergency relief missions.

Fourth, while military readiness has been much debated, it needs to be examined analytically. While various measures—tracked in detail by the Pentagon—reveal readiness issues, a major source of the “readiness problem” lies in the definitions used, which tend to put MTW readiness requirements in direct conflict with the readiness required for noncombat operations. Forces used in the Balkans or the Gulf, which may be quite ready for such missions, tend to be treated as “unready” on their return to the United States because they have failed to meet MTW training requirements, because their equipment is necessarily in depot maintenance as a result of the operation, or because they could not be deployed for an MTW according to the planned schedule. The skills those forces develop and maintain during noncombat deployments tend not to be counted as contributing to their overall readiness. The measures and definitions need to be rethought before one can establish the funding requirements of future readiness.

Fifth, the most pressing defense budget requirement over the next decade is modernization and technology investment. The current procurement program requires both reexamination and additional resources beyond current plans. Sixth, “transformation” is said to require special attention. The assumption made here is that transformation, with respect to technology, involves primarily the application of information and communications technologies to battlefield awareness and battlefield dominance—command, control, communication, computers, intelligence, surveillance, and reconnaissance (C4ISR). This transformation is already under way and has been for more than a decade, as new developments—from joint warfighting experimentation to battlefield communications, to satellite capabilities, to precision-guided munitions, to unmanned aerial vehicles—all indicate. It is also a process that is threaded through doctrine, organization, and equipment planning; there is no “transformation program” that requires a separate investment fund, sealed off from the rest of research and development (R&D) and procurement.

A seventh critical resource problem involves “people issues.” Recruitment and retention in the services reflect both the strength of the domestic economy—there are better civilian opportunities—and

the rewards of service. Military pay is in part a problem of perception: How can the services appear to be keeping up with the civilian economy? Benefits are a fundamental problem, specifically health care for retirees. Although it is not clear that retiree health benefits are the most critical element in recruitment or retention, they are a pressing political issue. The current solution (Tricare eligibility for retirees over age 65) is costly. Housing reform requires continual work, though it is largely budgeted. Other quality-of-life issues—such as education, family services, and child care—have been well funded, but they require continuous attention.

Last, the operational support of the forces—funded through the “Operations and Maintenance” title—also requires attention. These funds provide the fiscal support for readiness. At the same time, they are the central target of management reform—the “revolution in business affairs”—and of plans for infrastructure consolidation, or base and facility closures. A significantly more targeted approach to this spending is needed, along with serious commitment to management efficiencies, consolidation, and outsourcing opportunities.

INTERNATIONAL AFFAIRS RESOURCE ISSUES

Funding for the foreign affairs agencies has declined over the past 15 years. The decline covers most areas of activity, though it has been especially evident in foreign assistance and economic support funding. What is missing today is a strategic vision of the purposes of U.S. foreign relations funding. Programs are often stitched together as situations arise—such as Russian assistance, nonproliferation programs, AIDS funding, and the Korean Peninsula Energy Development Organization (KEDO)—rather than strategically driven. In addition, scant attention has been paid to the efficiency and effectiveness of the central tool of U.S. foreign policy—its diplomacy. Policy and resource decisions, like programs, have also been driven by crises—such as the embassy bombings—rather than by strategy. When the foreign affairs agencies have sought to create a strategy, it has been additive in nature, carrying the assumption that all activities deserve equal priority.

A first priority for the new administration will be to create a strategic vision that incorporates foreign affairs programs and budgets into

national security purposes. Several issues should take priority in such a vision document.

The Diplomatic 'Platform'

The embassy is the platform on which the United States deploys its outreach abroad. As the United States becomes increasingly engaged globally, demands on embassies have grown, but funding for the platform has remained flat. In a world of asymmetric risks, diplomats and their platform are key targets. In a world of the Internet, embassy communications and information systems have a long way to go to catch up. As citizens and nongovernmental organizations (NGOs) become more involved in foreign policy, embassy public diplomacy needs greater attention. As transnational threats such as crime, drugs, and terrorism emerge, additional government agencies—such as the Federal Bureau of Investigation (FBI), the Department of Justice, the Environmental Protection Agency (EPA), and the Centers for Disease Control (CDC)—send personnel overseas, stressing embassy capabilities. As economics and global issues such as health and the environment become an integral part of diplomatic activity, too few officers have the expertise they need and too many are busy sending cables back to Washington with little effect on marginal policy issues. As the proliferation of weapons of mass destruction (WMD) emerges as a central security concern, this area receives too little attention from the foreign policy apparatus.

Additional resources are needed to address these concerns—for training, travel, embassy security and construction, communications, and information investment. Potential costs above currently budgeted amounts could be at least \$1 billion a year.

New Threats and Issues: Coping with Globalization

A central question for U.S. foreign relations in the next decade will be the hydra-headed consequences of globalization of the economy, communications, and information. While some countries appear to be beneficiaries of the global economy, some are not; within countries, moreover, the distribution of benefits can be markedly uneven, exacerbating social, political, and, ultimately, international stresses.

The leadership challenge for the United States is two-fold: how to restructure international programs so they cope better with the socio-economic disparities within and among nations, and how to handle the conflicts that may emanate from these stresses: terrorism, global crime, narcotics, cyber warfare, and WMD proliferation, to name a few. The new agenda of overseas assistance goes well beyond the needs of "economic development" in those parts of the world that remain less developed—primarily Africa and parts of Asia and Latin America. Traditional "development assistance" is reaching the end of its useful life as an approach to narrowing the gap between the richer and the poorer nations or to fighting poverty.

Health and Infectious Diseases

The spread of infectious diseases like malaria, tuberculosis (TB), and HIV and AIDS has implications for domestic and regional stability in the former Soviet Union, Asia, South Asia, and Africa. Foreign assistance planning and budgets are inadequate to handle these problems. Aid programs will need to be restructured to devote greater resources to health with additional resources rising to at least \$600 million a year above current budgets.

Environmental Protection

Protection and restoration of the global environment is a growing concern, requiring additional funding of at least \$250 million a year.

Global Information Technology Initiative

Expanding global access to information technology and the Internet is a critical element in helping emerging economies leapfrog stages of development and connect with the global economy. U.S. assistance programs could be dramatically expanded. Potential annual cost above current budget projections could be \$100 million.

Ensuring International Financial Stability

While loan funding for such institutions as the World Bank and the International Monetary Fund (IMF) appears adequate, there is a

growing requirement for grant or highly concessional funding for poorer nations confronting financial fluctuations and low commodity prices. Additional funding for the World Bank and multilateral development banks could reach \$250 million a year.

Leveraging the Private Sector

The U.S. private sector has been a critical engine for change overseas in such areas as information, health care, communications, and environmental technology. The governmental tools that support this role have been used successfully in Central Europe in particular. The Trade and Development Agency, Overseas Private Investment Corporation, and Export-Import Bank are the critical instruments of government policy, leveraging a relatively small amount of federal funding into significant private sector involvement. The potential annual cost above current budget projections is \$250 million.

Peacekeeping Readiness

The United States will continue to play a crucial role in supporting regional peacekeeping efforts. This is not a task that should be handed to the military after a crisis has hit, though the military will certainly play a role. Anticipation; intervention at an early stage; coordination of government, private sector, and international actions; and sustained training programs for regional militaries will all require a transformation of U.S. government structures to enhance institutional readiness for peacekeeping requirements. This means additional funding for interagency coordination planning and simulation exercises, standby capabilities for action, and increased funding to support international efforts—including the United Nations (UN)—that face the peacekeeping challenge. Potential additional costs, including funding for UN peacekeeping operations, could be \$500 million a year above current projections.

Leveraging Diplomacy

The sharpest decline in diplomatic resources in recent years has been funding to meet near-term security and stability challenges and to respond quickly to crises and opportunities from Haiti to the

Balkans to East Africa. Such funding has generally been drawn from economic support funds, the bulk of which are linked to the first Camp David agreement more than twenty years ago. They also include specific assistance programs for Central Europe or the former Soviet Union, peacekeeping operations other and UN-assessed operations, the relatively new "Nonproliferation, Antiterrorism, Demining, and Related Programs" account, and ad hoc programs such as Plan Colombia.

These funds have been used to deal with such problems as support for the democratic government in Haiti, counternarcotics support for Colombia, funding for KEDO, voluntary contributions to the International Atomic Energy Agency (IAEA), assisting democratic transition in Nigeria, or supporting the Iraqi opposition.

Given the multifaceted challenges of the 21st century, these programs have evolved as a patchwork quilt. Programs with strong policy and political support—such as the Middle East, former Soviet Union, and Central Europe—have received reasonably sustained funding over the past decade. Funding for others—such as those involving Haiti, Nigeria, and Central America—has been more ad hoc, scarce, and harder to obtain. These are, however, precisely the kinds of crises and situations the United States is certain to encounter in the coming decade. Strengthening the diplomatic arm of U.S. strategy so it can operate in synergy with defense and intelligence assets in anticipating and responding to such problems is vital. The annual cost of providing sufficient funding for these purposes could be an additional \$500 million per year.

DEFENSE RESOURCE ISSUES

The military arm of U.S. national security strategy is clearly strong, capable, and globally dominant today. The Department of Defense faces a series of knotty resource issues, however, including modernization and technology innovation, readiness, pay, and quality of life. With the end of the Cold War and severe pressures to eliminate the federal deficit, defense resources were held down between 1986 and 1998, falling nearly 40 percent overall in constant dollars, with defense procurement falling more than 65 percent.

Although the estimates of future overall defense funding requirements vary, there is a general consensus that funding a force of the current size, and ensuring that it can be operated and maintained at a high level of readiness while modernizing its equipment, will cost more than current projections for defense budgets provide. Projected budgets for the Department of Defense through the current Future Years Defense Plan (FYDP) provide only a small margin (0.2 percent per year) of growth above the rate of inflation.

Most analyses of defense requirements estimate that more will be required over the next decade.¹ Current discussions suggest that a growth rate of somewhere between 1 percent and 2 percent above the rate of inflation will be needed to support the current defense plan.² This would mean roughly \$150 billion to \$340 billion in resources beyond current budget projections between fiscal years 2002 and 2010. This analysis is based on the assumption that 1 percent to 2 percent real growth is roughly the right target and would provide funding adequate to address a series of budget issues the Pentagon faces.³

¹ See, among others, Daniel Gouré and Jeffrey M. Ranney, *Averting the Defense Train Wreck in the New Millennium* (Washington, D.C.: Center for Strategic and International Studies [CSIS]), which estimates the annual shortfall at roughly \$100 billion and argues that defense will need four percent of the gross domestic product. The Congressional Budget Office, *Budgeting for Defense: Maintaining Today's Forces*, puts the annual shortfall at \$50 billion to sustain the current force and reproduce its inventory one-for-one. The Center for Strategic and Budgetary Assessment (CSBA) estimates the annual shortfall at \$26 billion; see CSBA, "Cost of Defense Plan Could Exceed Available Funding By \$26 Billion a Year Over Long Run," (Washington, D.C.: CSBA, March 1998). The General Accounting Office (GAO) does not provide an aggregate total, but it notes potential shortfalls and risks in operations and maintenance and procurement accounts in the current FYDP. GAO, *Future Years Defense Program: Risks in Operation and Maintenance and Procurement Programs*, GAO-01-33 (Washington, DC: GAO, October 2000).

² Calculations provided by Steven Kosiak, CSBA.

³ The Gouré-Ranney estimate is flawed and vastly overstates future needs. It assumes a replacement cost for the current defense inventory that is roughly twice what has been historically spent to do so, overestimates the rate of growth required for procurement at more than twice the historic rate, and overstates the amount of R&D required to continue a modernization of technology. Since acquisition (procurement and R&D) account for 86 percent of their estimated shortfall in the FYDP, this overestimation is the primary source of their overall shortfall. For an excellent critique, see Steven M. Kosiak, "CSIS 'Train Wreck' Analysis of DoD's Plans—Funding Mismatch is Off-Track," CSBA *Backgrounder*, March 28, 2000. The Congressional Budget Office (CBO) estimates the cost of replacing DoD's current inventory, one-for-

Transforming the Force Structure

Assuming that the forces will continue to work toward “full-spectrum dominance,” as described in *Joint Vision 2020*, the first defense requirement is to ensure they are properly shaped and trained for a range of missions, including deterring or combating a major threat in a key region, such as the Persian Gulf or Korea; contributing to peace stabilization and peacekeeping missions; counterproliferation, anti-terrorism, and counternarcotics operations; emergency evacuations; humanitarian and disaster relief; and homeland defense against terrorism and information warfare.

To perform these missions, the forces will need to be flexibly structured and operate more jointly than they do today. This transformation is already underway, to some extent, especially in the Air Force, with the AEF, and, at an earlier stage, in the Army, with plans for interim brigades. The fiscal requirements for these transformations are not entirely clear, but they could consume a minimum of an additional \$1 billion to \$2 billion per year for each service.⁴

Force transformation will require early attention in the 2001 QDR and may need additional resources as amendments to the fiscal year 2002 budget submission, due in the spring of 2001.

Modernizing the Inventory

The most pressing defense resource issue is the modernization of the military's hardware inventory. In general, a procurement holiday has been taken since the late 1980s, leaving the services with an aging inventory and a bow wave of procurement requirements in the next decade.⁵ There is a general consensus that the coming generation of

one, to maintain its size in “steady-state” terms, which overstates the procurement shortfall. Pentagon budget plans would not replace the current inventory one-for-one, but would, rather, trade technological advance for numbers.

⁴ The Armed Services Committees added \$750 million to Army funding for transformation in the FY2001 legislation.

⁵ The holiday was not total, however. Over the past decade, Army equipment was modernized, including significant improvements in Apache helicopters (Longbow mast), and M1-A2 tanks (more than 700 modernized). The Navy began acquisition of the F/A18-E/F carrier-based attack aircraft, and slowly replaced inventory with new submarines (Seawolf), destroyers (DDG-51), and carriers. The Marines began

equipment is not adequately funded in currently projected budgets. This equipment includes the full family of combat vehicles: Army wheeled vehicles; the Comanche, F-22, and Joint Strike Fighter and precision guided munitions for the Air Force; a wide variety of ships, submarines, and aircraft for the Navy; and the Marine Corps Advance Armored Vehicle, among others. Moreover, it is generally agreed that the current generation of equipment is proving increasingly costly to maintain, as it ages and is used in current missions.⁶

It has been argued that one approach to this bow wave is to eliminate some of the future programs, opening funding for the others or for more rapid progress toward a more revolutionary generation of technology, including innovations in space, C4ISR, precision munitions, and unmanned aerial vehicles (UAVs), among other technologies.

The assumption here, however, is that such a "leapfrog" approach is unlikely. The timing of such a leap is at best uncertain and only likely to emerge system-by-system or technology-by-technology. In the interim, the existing forces will need to be equipped adequately for current missions and threats, meaning either that current generation equipment will be allowed to age further—an unattractive option—or that it needs to be equipped with at least part of the planned next generation.

More fundamentally, the leapfrog approach assumes a revolutionary rather than evolutionary approach to technological innovation. Many current and next-generation systems already incorporate advanced technologies, and the current procurement plan includes substantial acquisition of precision-guided munitions, stealthy aircraft, unmanned vehicles, and information and communications technology.

acquisition of the new V-22 Osprey aircraft. The Air Force began to acquire C-17s, finished acquisition of 21 B-2 bombers, added the Predator UAV to its inventory and moved toward production of the new F-22 advanced fighter. In addition, the services acquired growing inventories of precision-guided munitions—Tomahawk, JDAM, and JSOW to the inventory.

⁶ See CBO, "Statement of Lane Pierrot on Aging Military Equipment Before the Subcommittee on Military Procurement, Committee on Armed Services, U.S. House of Representatives," February 24, 1999.

There may be no need for a wholesale effort to leapfrog systems. This essay assumes the F-22 will be acquired in some numbers, as a next-generation air superiority fighter; that the C-17 will be produced; that the joint strike fighter (JSF) proceeds as a needed next-generation, lower-cost aircraft; that the Army transforms toward lighter, more mobile equipment; that the Marines continue to replace the aging helicopter fleet with the V-22; and that Navy shipbuilding aims to retain a 300 ship fleet.

Roughly speaking, renewing this inventory in smaller but more capable numbers, and investing in next-generation advanced technology, is not likely to require the \$90 billion in annual procurement funding projected by the Congressional Budget Office (CBO), which assumes one-for-one replacement. Procurement budgets in the mid-\$80-billion range may be needed, however, over the next decade, which is above the mid-\$70-billion range projected after the current FYDP. It would also provide for a realistic, but not overgenerous, assumption about cost growth in next-generation systems.⁷

Technology investment through the R&D budget could also rise slightly to a steady-state level, rather than fall as currently projected. This would provide roughly \$5 billion a year in additional resources, which could be invested in the more advanced technologies such as robotics, UAVs, and new sensors, among others.⁸

These additional funds could also support a reasonable investment in both national missile defense (NMD) and tactical missile defense research, beyond the funding provided under current budget projections.

Maintaining Readiness

This essay does not debate the merits of the argument over military readiness. It simply assumes that either continuing or restored high

⁷ See CSBA, above, for a discussion of the range of assumptions on weapons cost growth.

⁸ This amount would likely satisfy the proposal of the National Defense Panel (NDP) for additional funding dedicated to revolutionary technologies. National Defense Panel, *Transforming Defense: National Security in the 21st Century* (Washington, D.C.: NDP, December 1997), p. vii.

levels or readiness will require additional funding, beyond that currently projected in the FYDP. The recruiting, retention, and end-strength gains of the last two years required additional resources, which should continue to be devoted to this objective if those gains are to be sustained.⁹ More fundamentally, operations and support spending appears to rise roughly 1.5 percent to 2 percent per year, despite Department of Defense efforts to hold down such increases or to assume they will not occur in the out years, as is the case in the current FYDP.¹⁰

This essay assumes that several factors will contribute to continuing growth in readiness-related funding: a continuation of pay increases for the military above the currently budgeted employment cost index rate; continued aging of the weapons inventory, which will require additional depot maintenance and funding for spares; continued contingency operations, which will require a higher use of consumables; and the need to maintain and repair a backlog of "real property" problems in the services. Overall, these increases could add a minimum of \$5 billion to \$10 billion a year to current FYDP budget projections.

Ensuring Quality of Life

Over the past decade, there has been considerable investment made in the various activities included under the heading of Quality of Life. Dependent education, childcare, and family services have been especially targeted by these funds. In addition, the Department of Defense has undertaken a series of pilot projects pointing toward the privatization of military family housing and has increased the allowance for off-base housing, which should be fully covered by 2005. While funds for these purposes will need to be continued, there is

⁹ See Department of Defense, *Quarterly Readiness Report to the Congress, April -June 2000* (Washington, D.C.: August 2000).

¹⁰ See Dov S. Zakheim and Jeffrey M. Ranney, "Matching Defense Strategies to Resources: Challenges for the Clinton Administration," *International Security* 18, no. 1 (Summer 1993), p. 57. The growth in operations and support spending (military pay less retired pay accrual, operations and maintenance, revolving funds, military construction, and family housing) noted here has not improved substantially. See Gouré and Ranney, above, pp. 73-77, which shows an average rate of growth of 1.6 percent.

only a small scope for additional increases beyond projected budgets.

The exception to this trend has been healthcare spending. Overall healthcare receives considerable department resources, which have generally increased above budget projections for much of the past decade. These increases are due, in part, to the economy-wide increases in the costs of providing healthcare, and in part to the sizeable retiree population served by the military healthcare system. The Department of Defense and Congress have struggled over the past ten years to contain cost growth while searching for ways to meet the desires of the over-65 retiree population for full health benefits. It has been difficult to square this circle.

In 2000, Congress enacted legislation that would provide for full access for over-65 retirees to the military Tricare system. Estimated costs for this access run from \$4 billion to \$6 billion per year over the next ten years. It is not clear that this full expense will fall to the Department of Defense, however, given the proposal that retiree healthcare be funded on an accrual basis, as a mandatory program through the Treasury Department, with the Defense Department being responsible for contributions to a healthcare fund to cover future retiree benefits.

Infrastructure and Management

Some resources could be conserved internally through management reform and infrastructure closure and consolidation. It is difficult to estimate the savings that might be realized by more efficient management. A series of reforms over the past decade have promised business process efficiencies through more commercial business practices, the consolidation and outsourcing of services such as travel and finance, and the introduction of commercial information systems into the Department of Defense. Savings have been claimed, but they are slippery to estimate. It is clearly sensible to continue these processes, but it is difficult to measure the future savings that might be achieved from such measures, short of civilian personnel reductions that might result.

Consolidation of the Defense Department and service infrastructure would clearly produce measurable savings. The prior rounds of base

closures are estimated to have produced roughly \$4 billion to \$5 billion a year in operating savings. Two additional base closure rounds would produce and estimated \$3 billion a year in additional savings, once the bases and installations are fully closed.

MILITARY SCIENCE AND TECHNOLOGY

by Loren B. Thompson, The Lexington Institute

During periods of diminished danger, the greatest defense legacy a president leaves to his successors may be a well-planned military science and technology program. The current decade could be such a time. Although important security threats persist, the likelihood of war with a country of comparable military power is at its lowest level in at least three generations. However, the pattern of aggression in the 20th century suggests that major new dangers will emerge at some point during the next few decades. A coherent science and technology program today may be the most important determinant of the military's capacity to cope with new threats tomorrow.

The purpose of this essay is to describe briefly the scale and composition of the current military science and technology program, and then to identify several areas of investment that provide superior potential for enhancing U.S. military power in the next generation.

THE SCALE OF MILITARY SCIENCE AND TECHNOLOGY EFFORTS

In 2001, U.S. gross domestic product (GDP) will for the first time surpass \$10 trillion. If recent patterns persist, about 2 1/2 percent of GDP—\$250 billion—will be spent by government, industry, and academia on various forms of research and development (R&D). That amount represents roughly 40 percent of global R&D.

Federal spending will account for about one-third of national R&D expenditures, or \$85 billion, in 2001; private-sector R&D spending surpassed federal spending in 1980, and the gap widened rapidly in the 1990s. The federal R&D budget is split almost evenly between defense and nondefense programs. However, there is a marked difference in the composition of defense and non-defense R&D. Non-defense R&D funded by the federal government is heavily weighted toward basic and applied research. Most defense R&D consists of focused development of specific systems.

This disparity presumably reflects the fact that there are many private-sector enterprises eager to commercialize scientific breakthroughs in healthcare, agriculture, aeronautics and other areas of nondefense R&D. Defense products, on the other hand, are developed for a single buyer—the government—that must fund all phases of the product life-cycle. As a result, three-quarters of all defense R&D spending is allocated to the advanced development of specific systems.

The funding that remains goes toward what usually is referred to as military science and technology, or S&T. Military S&T research includes the most fundamental and conceptual forms of defense research, endeavors that may take decades to yield an operational system, if they ever do. S&T typically claims less than \$10 billion in an annual defense budget totaling nearly \$300 billion, or about two days' worth of federal spending per year. Nonetheless, the Pentagon's S&T programs—and related efforts in industry—are major drivers of the nation's future capacity to fight and win wars. It is no exaggeration to say that underfunded or poorly focused military S&T programs can potentially lead to national defeat in later years.

THE SCOPE OF MILITARY S&T RESEARCH

The military science and technology program consists of three types of activity: basic research performed mostly by universities, applied research performed mostly by Defense Department laboratories, and "advanced technology development" performed mostly by private industry. Funding for all three areas averaged around \$8 billion annually in the 1990s. Because the military services cut S&T spending during the decade while funding grew for several defensewide initia-

tives (such as missile defense), there has been a gradual shift in responsibility for S&T away from the services and into the Office of the Secretary of Defense (OSD).

The most important focus of S&T activity at the defensewide level is the Defense Advanced Research Projects Agency (DARPA). This agency was created in 1958 after the Soviet Sputnik launch, and since then it has been dedicated to pursuing high-risk technologies with revolutionary warfighting potential such as stealth, night vision, laser optics and precision targeting using global-positioning satellites. Current areas of emphasis include information warfare, biological defense, battlespace awareness, and unmanned combat vehicles, including robotics.

DARPA is highly regarded for its vision and entrepreneurial culture. Its success in developing futuristic technologies is closely related to its reliance on managers drawn from outside government, especially from academia. However, there is concern that the agency has become too focused on initiatives likely to produce near-term results. For example, it spent much of its time in the 1990s pursuing so-called "dual-use" technologies (with both military and commercial applications) and solutions to intelligence and communications shortfalls identified in the Persian Gulf War. These are important issues, but they are not revolutionary in the sense of nanoscience or biotechnology.

Some defensewide S&T research is conducted in specialized agencies such as the Defense Threat Reduction Agency, which focuses on proliferation, and the Ballistic Missile Defense Organization, which focuses on missile defense. In addition, each military service has a network of warfighting centers and laboratories that performs service-specific research. The service labs are often viewed as less effective than DARPA because civil-service rules discourage entrepreneurial behavior, funding emphasis is on incremental improvements, and physical infrastructure is too dispersed.

Most S&T activity is farmed out to industry and academia in a complex series of programs and partnerships. Although nominally guided by a director of defense research and engineering and a deputy under secretary for S&T, the system is balkanized and needs tighter oversight. That is particularly true of the service labs, which have a

less-impressive track record than either DARPA or industry in developing useful innovations.

A FRAMEWORK FOR S&T INVESTMENTS

The main problem in framing a coherent military science and technology program is the long time that passes between initial investments and usable results. As Senator Joseph Lieberman observed in a 1999 essay, "the military systems of 2020 and 2030 will be based on the science of the year 2000, just as the high-tech weapons of today are the result of investments made by our predecessors in the 1960s and 1970s." But who today can foresee with any precision what the security needs of 2020 or 2030 will be? Whatever confidence existed during the Cold War about the character of future threats is now gone.

As a result, S&T planning today is driven less by a prediction of future dangers than by the desire for new capabilities. The information revolution has spawned numerous opportunities for digitizing, networking, and otherwise enhancing military forces to address a wide range of potential challenges. Moreover, the same generic capabilities seem to have salience for all of the services. This convergence of needs is reflected in the cumbersome but widely used term, command, control, communications, computers, intelligence, surveillance, and reconnaissance (C4ISR, or "caesar"). The phrase is meant to capture most of the basic military functions that information technologies have the power to transform.

As set forth in a series of joint and service-specific vision statements, the prevailing view within the Pentagon is that by systematically applying new information technologies to traditional and emerging military missions, the United States can preserve its military superiority indefinitely. Military planners describe that superiority as "full-spectrum dominance," meaning the capacity to control outcomes at any level of conflict. Virtually every facet of the current S&T program is in some way tied to this goal and the information technologies said to enable it.

The nascent consensus concerning information-age warfare has created some confusion in determining how to organize S&T efforts. Traditional distinctions among the services and their missions based

on the use of specific weapons and doctrines—such as armored warfare, sea control, air superiority, and so forth—have been blurred by the pervasive nature of the new technology. The dividing lines between the military and intelligence communities, and between the tactical and strategic levels of warfare, have been similarly obscured.

From a presidential perspective though, the blurring of traditional military distinctions is not necessarily a bad thing. It reduces the need to address each service's requirements separately, and reflects the fact that there are some technologies so powerful as to have relevance across the entire spectrum of operations. The challenge is to identify those technologies with the highest potential for revolutionary results—technologies that transcend immediate concerns without being so embryonic as to discourage intensive investment. Technologies fitting that description should be at the core of a well-planned military S&T strategy. A brief discussion of four such technologies follows.

INFORMATION WARFARE

The common theme in all Pentagon pronouncements on military transformation is information superiority. The Joint Chiefs of Staff define information superiority as "the capability to collect, process, and disseminate an uninterrupted flow of information while exploiting or denying an adversary's ability to do the same." The Defense Department has made rapid progress in assimilating the technologies enabling information superiority in the years since the Gulf War. Although technical and funding challenges remain, in the near future U.S. military personnel will share a common picture of the battlespace, seamless communication with all friendly forces, precise targeting data for all weapons, and total asset visibility in logistics functions. These capabilities are so useful that they fully justify the heavy investment of S&T funds in information technology over the past decade.

Yet, U.S. military planners have barely begun to think about how the services will cope with adversaries who are equipped with similar technologies, or who deliberately target the information sinews of the emerging force structure. This is a worrisome oversight given how critical information superiority is becoming to all facets of military activity. The potential vulnerability of U.S. forces to information

warfare is exacerbated by the heavy reliance on commercial, "open-architecture" standards readily accessible in global commerce. A key focus of military S&T investment in the years ahead therefore should be preparation for information warfare.

Information warfare consists of two elements: active and passive *defensive* measures to protect friendly capabilities, and lethal and nonlethal *offensive* measures to counter hostile capabilities. The defensive measures must be adequate to protect not only the information resources of military forces, but also the commercial telecommunications infrastructure that provides much of the information backbone for military operations. The Defense Department and other federal agencies have begun research on various "information assurance" techniques such as firewalls, advanced encryption and malicious-code detection, but this is only the beginning of a long-term S&T thrust that must continuously keep pace with new breakthroughs.

On the offensive side, U.S. information-warfare capabilities suffer from doctrinal confusion and bureaucratic balkanization. Some initiatives for suppressing or exploiting enemy information flows are progressing nicely, while others have been neglected. For example, much of the nation's "low-density/high-demand" fleet of electronic-warfare and eavesdropping planes is overworked and obsolete. The failure to address emerging requirements in a timely fashion has created unnecessary vulnerabilities in U.S. forces. While some near-term remedies are available, the long-term needs of U.S. forces in waging offensive information warfare merit more focused attention in the S&T program.

SPACE SUPERIORITY

The military's attainment of information superiority over the long term will depend heavily on its continued mastery of space. All of the basic military functions that the information revolution is supposed to transform—including command, control, communications, intelligence, surveillance, and reconnaissance—have already migrated in varying degrees to space, and that trend is expected to continue. Here too, however, the military has given relatively little thought to how it would counter future adversaries who are equipped with similar technology, or who deliberately target the nation's space assets.

Those are not hypothetical dangers, because numerous states are orbiting communications and reconnaissance satellites, and U.S. intelligence agencies have noted the efforts of some adversaries to compromise U.S. space capabilities.

The current military S&T program does not adequately address future challenges to U.S. preeminence in space. During the 1990s, DARPA largely abandoned space research owing to congressional opposition. That effort needs to be revitalized through better communication with Congress and closer cooperation with the National Aeronautics and Space Administration (NASA) and the intelligence community.

The biggest single obstacle to utilizing space effectively is the high cost of getting there. In the words of the defense secretary's most recent annual report, "U.S. space-launch systems differ only slightly from the ballistic missiles developed during the 1950s and 1960s, and [they] are increasingly costly to use."¹ The Department of Defense is funding a program to evolve existing launch technology that will make access to space more affordable. But the long-anticipated leap forward to an easily reusable launch vehicle has been repeatedly delayed. NASA has the lead on that program since it is viewed as a successor to the space shuttle. However, the advantages of easier, cheaper access to space are so important to the military that it needs to consider making new launch technology a major thrust of its S&T program.

A second important shortfall in space plans is the absence of serious efforts to develop a means of moving spacecraft among various orbital regimes. This oversight is inexplicable in light of the frequency with which costly satellites are declared useless because of their placement in inappropriate orbits. An unmanned orbital transfer vehicle would enable the military to reposition satellites quickly, service existing constellations, and interdict hostile spacecraft. The capability is overdue and merits closer attention in the S&T program.

A third shortfall has less to do with gaps in the military S&T program than with congressional oversight of that program. Space planners in

¹ Secretary of Defense William S. Cohen, "2000 Annual Report to the President and the Congress" (Washington, D.C.: Department of Defense, February 2000), p. 96.

both the military and intelligence communities are nearly unanimous in their support for developing space-based radars that can track the movement of ground forces. The military already has aircraft that can accomplish that mission, but these aircraft are subject to performance limitations. A space-based capability would permit continuous monitoring of ground maneuvers anywhere on earth, greatly enhancing the military's global awareness. Policymakers need to do a better job of explaining this potential to Congress, so S&T efforts can progress.

Finally, military S&T planning for space needs to reflect a more systematic review of options for tapping commercial technology and sources. Although reliance on the commercial sector has become commonplace in much of the military's information-technology development, there has been some hesitancy to trust private-sector sources in the exploitation of spacecraft and the information flows they generate. Resistance to market solutions for imagery, electronic intelligence-gathering, and the like needs to be minimized so that scarce S&T monies can be deployed in the most efficient manner.

ROBOTIC VEHICLES

Space may eventually become the preferred medium through which most military missions are accomplished. That epoch is at least a generation away, however, and probably further in the case of strike—or attack—operations. In the meantime, military S&T efforts must ensure the continued dominance of U.S. forces in other mediums. One of the most important trends in pursuit of that goal is the growing interest in unmanned, “robotic” combat vehicles.

DARPA is cosponsoring with the service labs a series of projects to develop unmanned land, sea, and air vehicles that can autonomously accomplish critical military missions. The first generation of these vehicles, now operational with the services, consists of reconnaissance drones that collect various forms of tactical intelligence. More recently, DARPA and the services have begun funding research on unmanned aircraft that can carry out air-to-air and air-to-ground engagements without continuous human intervention. The Navy is also continuing a long-standing effort to develop unmanned undersea vehicles, while the Army is investigating the feasibility of robotic battlefield systems. In a sense, this research is sim-

ply an evolution of work on earlier "one-way" robotic vehicles such as cruise missiles and smart torpedoes. However, the prospect of reusable vehicles that can precisely accomplish complex combat missions is genuinely revolutionary, and it is yet another benefit of the information revolution.

Much of the cost associated with existing combat systems results from the need to accommodate on-board human operators. If a combination of machine intelligence and digital links to remote operators could permit removal of people from the systems, huge benefits might follow. For example, aircraft could maneuver in ways currently precluded by the fragility of their occupants. Ground vehicles could take risks in recovering wounded or in assaulting enemy positions today considered too likely to produce friendly casualties. Costs to acquire and sustain combat systems might decline sharply. Over time, the entire character of warfare would change as human beings are progressively removed from the combat zone.

As a result of progress made in DARPA's Joint Robotics Program and related efforts, the vision of robotic warfare no longer belongs to the realm of science fiction. A senior defense official recently opined that all of the military aircraft in the U.S. arsenal would be unmanned by 2050, and the National Research Council has suggested that unmanned ground vehicles might play a role in the Army's 21st-century operations comparable to that played by tanks in the 20th century.²

The Air Force recently approved for fielding an unmanned reconnaissance aircraft that can stay aloft for 36 hours, continuously relaying battlefield intelligence from multiple sensors. The Navy is exploring an unmanned, stealthy attack aircraft that may not require aircraft carriers for launching at sea. And DARPA is funding research on "micro-electromechanical" drones no bigger than a bird that could covertly collect battlefield information. Although it is too soon to say how these projects might one day transform warfare, it is clear that such work should continue to be a core feature of the military S&T program.

² National Research Council Board of Army Science and Technology, *STAR21: Strategic Technologies for the Twenty-First Century* (Washington, D.C.: National Academy Press, 1992), p. 119.

HIGH-ENERGY LASERS

Another futuristic warfighting concept that has made rapid progress in recent years is high-energy laser weapons. Lasers are tightly focused beams of light that, when coupled to appropriate energy sources and optics, can instantly deliver lethal power over great distances. The military services long ago operationalized low-power lasers for tasks such as target designation, but it is only in the last several years that the feasibility of using such devices as weapons has been demonstrated.

Lasers have several potential advantages over traditional munitions. First, they reach their destination at the speed of light, reducing accuracy problems associated with the movement of targets over time. Second, their cost per shot is less than conventional munitions, as the kill mechanism is pure energy rather than a missile. Third, they minimize collateral damage by depositing energy solely on the intended target. Fourth, they are versatile—the same system can be used on many different threats. Finally, they are “tunable” in that their intensity can be adjusted to cause less-than-lethal effects.

Lasers are particularly well-suited to attacking remote, fast-moving targets such as long-range ballistic missiles. A panel of technical experts convened by the Department of Defense reported in March 2000 that high-energy lasers “are ready for some of today’s most challenging weapons applications, both offensive and defensive.”³ The department is funding several demonstration projects that will verify this finding, most notably the airborne laser. The same panel recommended a more broadly-based S&T effort for high-energy lasers to explore the full military potential of the technology. That seems to make sense in light of the warfighting edge laser weapons could confer on future U.S. forces.

CONCLUSION

Numerous other technologies might one day have a transformative effect on U.S. military capabilities. Nanotechnology—involving the

³ Report of the High Energy Laser Executive Review Panel, Department of Defense Laser Master Plan (Washington, D.C.: Deputy Under Secretary of Defense for Science and Technology, March 24, 2000), p. ii.

manipulation of molecular structures—might produce novel materials or devices. Genetic engineering could provide solutions to the threat of biological warfare. The spectrum of possibilities is vast and growing daily. America's best hope for preserving global military supremacy resides in continuing to lead the world in science and technology. But without a well-planned military S&T program, much of the potential latent in new innovations for bolstering national security will never be realized.

TRANSFORMING MILITARY FORCES

by Paul K. Davis, RAND

The next president and his secretary of defense will want a short list of priority defense objectives. One item for that list will likely be “getting on with” the process of transforming U.S. forces for the needs of emerging military challenges. The principal defense legacy of most administrations is the set of capabilities available to future presidents and combatant commanders a number of years later. New capabilities do not come about naturally or overnight. Instead, they are the result of sustained and determined efforts—often undertaken against resistance, long before an immediate need is widely recognized. Historical examples include the development of aircraft carriers in the 1920s and 1930s, at a time when battleships reigned supreme, and the development in the early 1980s of the Rapid Deployment Joint Task Force, which became the U.S. Central Forces Command (CENTCOM) that was pivotal in the 1991 Gulf War. This essay is about transformation needs of the current era and strategies for bringing about the needed changes.

The new president and defense secretary will discover an abundance of ideas and technological potentials. They will find that good ground-laying—such as the creation of U.S. Joint Forces Command—has been accomplished organizationally and in broad guidance documents. However, they will also discover a shortage of coherent, hard-nosed, output-oriented management actions with near- to mid-term effects, and they will find many disconnects between ideas mentioned in briefings and changes actually taking place. As a result, they will have a remarkable opportunity to help make changes become real.

They will have key military and civilian allies, but they will also face many obstacles. To succeed, they will need to reshape Department of Defense processes so as to encourage and demand transformation—starting now rather than “eventually.”

BACKGROUND

Why Transformation Is Needed

Military transformation is not an end in itself, but rather something needed for reasons of both opportunity and necessity. Figure 1 provides a useful framework for discussing these matters. It distinguishes between Era A (roughly until 2010) and Era B (after 2010).

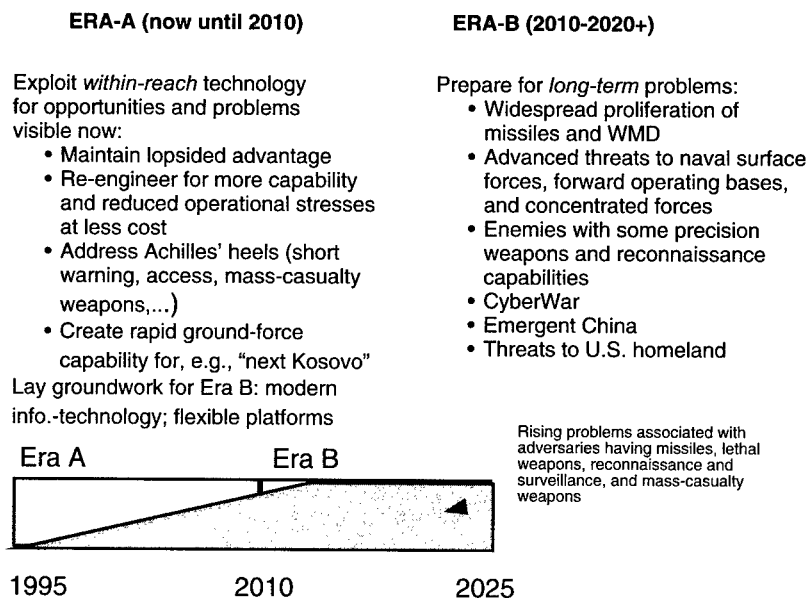


Figure 1—A Two-Era Framework for Discussing Change

Era A

Era A—an extended version of “near to mid term”—is largely an era of opportunity, but with certain classes of problems developing (the shaded portion of the figure). Within Era A, transformation should mean exploiting within-reach technology for several purposes: to maintain U.S. overmatching of opponents; to reengineer U.S. forces to achieve more capabilities and reduced operational stresses at a lower cost; and to deal with problems that might be called Achilles’ heels because they involve second-rate but dangerous adversaries exploiting obvious U.S. weaknesses. Currently, the United States has difficulty responding to short-warning attacks, has delayed access to regional ports and airfields, is vulnerable to the use of mass-casualty weapons and missiles, and has difficulty undertaking urban operations. Such problems may be less imminent than they seemed even a year or so ago, but it is predictable—not just plausible—that this situation will change quickly at some point in the years to come. By Era B they may be widespread. Evident already is the current U.S. inability to deal quickly and effectively with actions of dispersed forces in complex environments. Had the United States had the capability and willingness to employ a joint task force with appropriate ground-force capability within two to seven days of a decision, NATO would probably have been able to stop the ethnic cleansing in Kosovo quickly. But U.S. forces had no such capability. Developing a suitable joint strike force is a clear Era-A issue; studies indicate that it need not wait for next-decade technologies.

An even more certain near- and mid-term problem is economic. U.S. military commitments are even greater now than they were in the Cold War, and U.S. forces and personnel are stretched severely. However, even in the event of an increased defense budget, the Department of Defense will not be able to afford one-for-one replacement of current systems and personnel. The reasons are several. First, the program has been chronically underfunded and the bow-wave of block obsolescence is approaching for many systems. A recent report by the Congressional Budget Office (CBO) indicates that the level of underfunding is substantially higher than had previously been discussed. To make things worse, there are new claimants for any extra defense dollars, including higher salaries for personnel because of the need to compete better with private-sector opportunities; considerable expenditures to redress readiness problems, which

have evolved over some years owing to the high tempo of operations; theater and perhaps national missile defense; the likelihood that at least some of the systems that continue to be given life extensions will be found to have serious flaws requiring replacement; and the increased environmental costs of doing business. Moreover, there are powerful pressures to channel such extra dollars as may materialize to various congressional regions for reasons other than high-priority investment.

In this context, Era A's opportunity for reengineering U.S. forces is immense. Again, reengineering is possible with concepts and systems that are already available or within reach. If accomplished, it will make U.S. forces substantially more effective than they are now, and—for some missions—it will do so with smaller units, fewer platforms, and a modern, flexible, support structure. That, in turn, will lead to reduced operational stresses. This is not a pie-in-the-sky prediction. To the contrary, it is clear from experience in the civilian world what such reengineering can accomplish.

Finally, Era A's reengineering is also essential for laying the groundwork for Era B. The essence of Era-A work should be the exploitation of information technology in all of its manifestations—including, particularly, rapidly adaptive command and control—and the procurement of new platforms with the flexibility to accommodate frequent changes of weapons, avionics, and operational doctrines. Platforms can last decades; systems no longer do.

Caveats on the Opportunity Theme. This said, there are distinct limits seldom mentioned by technology enthusiasts or cost cutters. In particular, many missions, such as combat or even peacekeeping in urbanized areas or forested areas, will continue to be very manpower-intensive: technology can help, but only on the margin. Moreover, while concentrated operations such as air strikes on high-value targets can be accomplished with dramatically fewer systems than was previously the case, sustained operations against a responsive and difficult enemy continue to demand sheer numbers. This was evident in Kosovo; it has also been apparent in long-term efforts to enforce quarantine zones.

It follows that transformation of U.S. forces presents great opportunities, but they should not be exaggerated or used to rationalize

mindless cuts in force structure. The subtlety is that changes in force structure are badly needed, and in some cases smaller units will be able to accomplish more than current-day larger ones. But the number of major building-block formations needs to be as great as or greater than today's because the demands on U.S. forces are so great. And, for some purposes, there is still no substitute for large quantities of people and equipment.

Era B

In the short run, then, the case for transformation is largely about opportunity and coping with known problems. In the longer run of Era B, however, U.S. adversaries will also use aspects of the new technology. After all, much of the high-leverage technology—such as precision navigation, precision weapons, and internet-like communications—is available today commercially. Because very few nations have been investing heavily in armaments in recent years, this reality has not gotten much attention. Nonetheless, persuasive studies of the type that have been prescient in the past strongly suggest that the United States will in the future face major problems from even moderately competent adversaries—unless U.S. forces preemptively adapt to the new military realities.

This need not seem abstract. It comes down to facts such as the extreme vulnerability of fixed targets and concentrations of forces or logistics. Just as machine guns forced changes in military organization and doctrine, so also are changes now mandated by the emergence of inexpensive, accurate missiles with area munitions, including weapons of mass destruction (WMD)] and inexpensive mechanisms for surveillance and communications. The era of massed armies in assembly areas, massed air forces on a few airfields, and massed ships is coming to an end—at least for the early phases of conflict. It is already at an end for anyone confronting U.S. forces, but the mechanisms are available to others as well.

A sobering observation here is that U.S. power-projection forces will not be able to deploy massively into one or two ports and airfields, build up an enormous and concentrated logistics base, and then conduct deliberate massed operations as in Operation Desert Storm—much less hide the famous “left hook.” To the contrary, any such concentrations near to the front will probably be quite vulner-

able to attack. As a result, even U.S. ground forces must plan on dispersed operations with greatly reduced logistical footprints, and they must plan to defend themselves from missiles with area munitions and even WMD. Although some observers claim that such weapons can be dealt with because the active agents evaporate and protective suits can be worn, optimism seems imprudent—especially with regard to newer biological weapons and in light of U.S. casualty aversion. Even third-rate powers or terrorist groups could seriously damage concentrations of U.S. forces. Ground forces, then, will sometimes have to operate from distant staging bases and be superb at rapid concentration and subsequent dispersion. U.S. tactical air forces will sometimes need to operate from more distant and less developed regional air bases or aircraft carriers. The United States will likely need new long-range, stealthy, loitering bombers and new classes of unmanned aircraft for reconnaissance, surveillance, and weapon delivery. Satellites will also be needed for some of these functions.

In the longer run, it is not clear how the measure-countermeasure race will play out. Aircraft and ships will become stealthier, but remotely piloted aircraft and space-based surveillance will improve, as will missiles to attack those aircraft and ships. Surface ships may have difficulties. Active defenses will improve, but they will be subject to countermeasures and rather easily saturated. New forms of active defenses, such as beam weapons, will perhaps be less prone to saturation, but they will have their own shortcomings. The war in cyberspace will likely be increasingly important. And so on, with no end in sight.

Implications: Change is Required

With this combination of near-term opportunity and daunting longer-term challenges, there should be little question about the need for major changes. Interestingly, there is no conflict between Era-A and Era-B actions except, importantly, that the size of some Era-A platform purchases can be reduced to provide time and elbow room to refine developments for Era B as needs become clearer. The point of such reduced purchases, then, would be strategic adaptability rather than marginal dollar savings.

Relationship to the Revolution in Military Affairs

Some of these changes are often discussed in terms of the recent revolution in military affairs (RMA). There have been many RMAs over the millennia, including those associated with the crossbow, gunpowder, Napoleon's innovations, carrier aviation, blitzkrieg, and nuclear weapons. The challenges discussed above suggest that one or more RMAs are or will be occurring in the next several decades.

This said, the next administration should be cautious in relating transformation to RMAs. On the one hand, the language of revolutionary change is sometimes quite helpful: it excites imaginations, encourages "outside the box" thinking, and raises enthusiasm. However, it can also encourage hype and a certain degree of nonsense. Most important, it should be recalled that historical scientific, cultural, and even military revolutions have not been sharp events, but rather the result of multiyear periods of vigorous evolution—with many experiments, failures, and new starts. Seldom have people gotten it right initially. Moreover, overfocusing on the "revolution" can make the fuzzily imagined best become the mortal enemy of the clearly achievable better.

The second point is a serious practical matter, because some of the strongest congressional supporters of defense are suspicious and even negative about anything real enough to be given a name, program, and budget. Such systems may be declared dinosaurs, as in, "But that's just another ship, airplane, helicopter, or bomb." Other supporters, in contrast, will urge such large purchases of platforms as to leave no funds for major advancements in weapons, command and control, and new kinds of forces. Thus, the administration will need a nuanced and balanced strategy. After reviewing recent developments, this essay sketches such a two-track strategy.

RECENT MOVES TO TRANSFORM THE FORCE

History

The Department of Defense emphasis on transformation began with the Quadrennial Defense Review (QDR) and Joint Vision 2010. It was further encouraged by the National Defense Panel commissioned by Congress. The department's initial treatment was essentially rhetor-

ical, with no immediate influence on programs or budgets, but much of the groundwork has subsequently been laid for turning that rhetoric into substance. Depending on choices made early in the next administration, events of the next three to ten years may indeed prove transformative.

Creation of the U.S. Joint Forces Command

The jury is still out on transformation, but a good deal of groundwork has been laid in the last two years. Most important, what was previously U.S. Atlantic Command has been redesignated as the U.S. Joint Forces Command (USJFCOM) and has been reoriented heavily toward transformation.

USJFCOM has the roles of joint trainer, integrator, and provider. Perhaps most relevant, it has been given primary responsibility for "joint experimentation," an umbrella rubric used for many transformation-related activities. Many important details are still evolving and many issues remain, such as how much funding USJFCOM should have, and for what purposes. Even with today's responsibilities and authorities, however, the commander in chief of USJFCOM (CINC USJFCOM) has a great deal of opportunity to move the transformation effort forward. His success depends on the strong support of the chairman of the Joint Chiefs of Staff and the secretary of defense, but the first CINC USJFCOM, Adm. Harold Gehman, had that support. Admiral Gehman retired in September 2000 and was replaced by Gen. William Kernan, previously commander of the Army's XVIII Corps, which includes the 82nd airborne and 101st air mobile and air assault divisions.

USJFCOM's work on joint experimentation is now gaining momentum after a fairly lengthy period of startup during which it was ill-staffed for its new mission and deluged by a *mountainous miscellany of expressed needs*, such as the Pentagon's lists of Desired Operational Capabilities (DOCs). It has now focused its work considerably and organized accordingly. Its focus areas include theater air and missile defense; command and control; intelligence, surveillance, and reconnaissance; attack operations against critical mobile targets; and deep strike and battlefield interdiction.

The focus areas are all quintessentially joint. Moreover, they relate to relatively high-level functions. This is not accidental, because the first commander of JFCOM was careful to focus his energies on these matters, rather than define his tasks at too low a level or attack problems already being pursued by the individual services. There are many reasons to believe that the greatest leverage in increased jointness, as well as exploitation of modern technology, is in the higher-level functions of particular concern to CINCs, joint task force commanders, and their immediate subordinate commanders.

In a welcome development, USJFCOM's joint experimentation work is now organized around what amount to two large integrating concepts, which draw on work from all of the focus areas. The two integrating concepts are the need for rapid decisive operations, which is closely related to the joint strike force concept, and attack operations against critical mobile targets. Closely associated with these are such subordinate subjects as rapidly adaptive joint command and control; assuring that commanders have a common relevant operational picture; information operations; focused logistics; forcible entry operations; and strategic deployment.

In summary, USJFCOM has been established, funded, and anointed to lead the transformation effort. This effort is now well under way and significant accomplishments may be seen over the next few years. But much depends on how the new administration decides to use USJFCOM.

The Crucial Role of the Services

Although transformation is often seen as a joint matter, and thereby tied to USJFCOM, the vast majority of changes in a successful transformation will in fact be accomplished within the separate services. The U.S. military system is built around the services, and it is in the services that one finds not only long traditions but also depth of expertise in matters ranging from research and development on systems to current doctrine and potential innovations. Moreover, the services have been vigorous in recent years. The Navy's emphasis on network-centric operations, the Air Force's moves toward becoming an expeditionary air force, the Marines' continuing experiments with new doctrinal concepts such as Desert Warrior and Urban Warrior, and, most recently, the Army's announced effort to develop

medium-sized brigades with increased responsiveness and flexibility are all important activities that will be at the core of transformation—if these efforts bear fruit as intended. Although there is basis for skepticism, and although many initiatives over the years have petered out, such as the Navy's arsenal ship and the Army's strike force, guarded optimism is reasonable: Not only are there many talented, vigorous, and forward-looking people at work in the services, but the great accomplishments in private industry—driven by transformational strategies—are a constant motivator. Two things have been missing, however: an appropriate framework for requiring, developing, and acquiring future joint capabilities, and a management system in which service chiefs and the commander in chief of USJFCOM work together as a team, rather than existing in separate fiefdoms.

A NEXT-PHASE STRATEGY FOR TRANSFORMATION

U.S. difficulties in mounting and executing a successful transformation strategy are considerable. The Department of Defense lacks such "advantages," in this context, as an imminent threat or bankruptcy, a recent debacle, or operational and budgetary slack. Wisely, the department has come to focus on a great strength that it does possess: the professionalism of its officer corps. Members of the U.S. military know well from their daily lives how dramatic the influence of modern information technology can be. Moreover, they consciously see themselves in learning organizations, and as examples of lifelong personal learning. The Department of Defense also benefits from having many change-oriented organizations to help stimulate innovation. As a result, there is no shortage of good ideas, initiatives, and motivations for change. The obstacles lie elsewhere. Despite these obstacles, transformation is quite feasible with the right leadership. As demonstrated by industry, even large and ponderous organizations can change.

Keys to Transformation Strategy

There are several keys to a successful transformation strategy, which shall be discussed in more detail below. For one thing, appropriate top-down visions must be embraced throughout the defense establishment and endorsed strongly by the president himself. Moreover, the strategy must have "teeth" in the form of more specific joint ob-

jectives and joint requirements, but with maximal room for bottom-up and distributed problem-solving. A third and fourth key are the existence of suitable organizational responsibilities and authorities and of incentive structures that reward the individual and organizational innovators. Furthermore, there must be funding for innovative research, including experiments, with an eye to both the mid- and long term, and in the midterm, there must be results in the mainstream military—both for their own sake and to assure that change processes are real and have momentum. Finally, transformation-related modifications—that is, changes in program categories, measures of effectiveness, incentives, and competition—must be made to the department's routinized planning, programming, and budgeting system (PPBS).

This effort is still a work in progress. A priority for the new secretary of defense will be to identify where his personal leadership and department oversight are necessary, where presidential clout is needed, and where what is needed is instead encouragement of more distributed and bottom-up efforts throughout the services and joint organizations. Some suggestions follow.

The Need for a Two-Track Approach

The two-era model of Figure 1 suggests a two-track approach, as suggested in Table 1. The reason is that the kind of planning, activity, and management needed for Era-A and Era-B work are significantly different. Indeed, the efforts can even be in opposition unless carefully protected from each other.

Era-A Needs. Era-A work lends itself to “revolution by vigorous evolution” driven by well-defined and relatively tightly managed programs that can be organized around discrete “operational challenges” that are particularly important, enduring, stressful enough to demand use of new technology and a rethinking of doctrine and organization, and unequivocally output oriented. Two examples of challenges from the secretary of defense might be to develop the capability to halt an armored invasion within days, thus rendering obsolete the classic 20th-century route to conquest, and to develop the capability for rapid and decisive interventions in relatively small-scale conflicts, using only the small forces that could realistically be

Table 1
Differences Between Planning for Era A and Era B

Planning for Era A and the start of Era B (2000-2010)	Planning for the Longer Run in Era B (2011-2020 and beyond)
<p>Although surprises are likely,</p> <ul style="list-style-type: none"> • outcomes and outputs can be “reasonably” visualized; • operational challenges can be sharply posed and decomposed; • responsibilities can be assigned and success assessed; • valuable mid-term measures can set stage for longer term; and • mainstream organizations can and should make them work. 	<p>The nature of long-run changes is such that</p> <ul style="list-style-type: none"> • fresh, outside-the-box thinking is essential; • much “discovery” is needed; • outcomes are at best dimly understood; • highly structured management is counterproductive; • major surprises and changes of technology and concept are likely; and • mainstream organizations are likely to actively oppose them.

made available within the first two to seven days, followed by reinforcements in subsequent weeks.

Such missions or operational challenges are very useful, as illustrated by the recent emphasis by USJFCOM on rapid decisive operations and attacks on critical mobile targets.

Such operational challenges can be understood by the organization as a whole and can be used pragmatically by senior military leaders, who can decompose the challenges into subordinate requirements for building-block capabilities and the rapidly adaptive command and control to integrate those capabilities as needed (Figure 2). Responsibilities, authorities, and technical requirements can be established, and tests can be accomplished as the capabilities emerge after research, experiments, and iteration. Today, however, no individual is in charge of overseeing progress on the “system” capabilities for operational challenges.

Of particular importance is the fact that Era-A activities are well-suited for the enthusiasms and talents of mainstream organizations

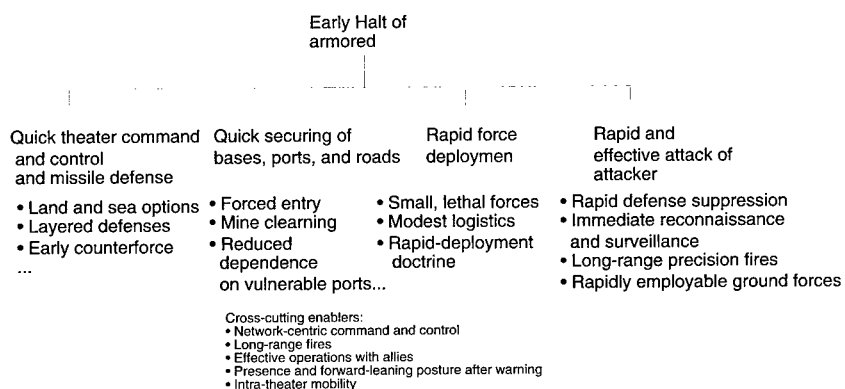


Figure 2—Decomposing an Operational Challenge to Define the Elements of System Capability

and their leaders, who consciously seek ways to “make a difference” to the nation during their relatively brief tours in senior positions. Again, the U.S. officer corps is the key to change, not the obstacle.

In connection with this, a remarkable feature of the landscape highlighted in the two-era-with-building-threat model (Figure 1) is that because the beginnings of Era B problems are already visible and troublesome in their theaters, current regional commanders in chief, such as those in the Pacific and in Europe, can be expected to support—and even demand—changes that might otherwise not occur for many years. That is, such regional commanders can be engines of change. This is historically unusual, and defense planners have often believed with some reason that such commanders were so occupied with current-day problems as to be disinterested in or opposed to changes in technology and doctrine. That is precisely the wrong view for the current challenge.

With proper organization and top-level leadership to set direction and reward doers appropriately, then, the Department of Defense can reasonably hope to have the services and joint organizations working together vigorously on Era-A developments. If this vigorous evolution-to-revolution succeeds, it will be quite a tribute to the department.

In recent years, the department has indeed identified operational challenges and exhorted innovation. However, these efforts have suffered from several problems. First, the guidance provided has been too vague to bring about organizational change. This has been partly because the guidance has been written from the strategy side of the department rather than from the force-building side, and because the force-building side has not yet gotten into the spirit of transformation. It has continued to use old-fashioned analysis methods and planning cases that are better designed for protecting programs than for serving as well conceived “forcing functions” of change. As a result, good high-level guidance has sometimes been undercut in practice by business-as-usual in large studies and program reviews.

A second problem has been that challenges by the Office of the Secretary of Defense (OSD) have sometimes come across as “this year’s fad,” rather than as identifying fundamental challenges to guide multiyear activities. Yet a third problem has been a vacuum of military and civilian leadership at the level where broad challenges should be translated and decomposed into operationally meaningful requirements that are the basis for developing and honing new joint capabilities. Moreover, the system has suffered from an often dysfunctional relationship between the services and the joint organizations. Service chiefs of staff need to be at the core of efforts to develop future joint capabilities, along with CINC USJFCOM, and Department of Defense leaders. Finally, responsibility and authority for transformation-related matters need to be more explicitly delegated to CINC USJFCOM, in large part to move things outside of the Pentagon, as Pentagon staffs are not noted for their ability actually to build capabilities and systems.

Preparing for Era B. As Table 1 suggests, Era-B work requires a different style of work and a different style of management and financial support. It needs to be more exploratory with multiple paths, multiple knowledge-building experiments, and more “failures” than in Era-A work. The time scale must necessarily be greater than the tours of typical military leaders or even defense secretaries. Work for Era B will require supporting and protecting certain people—so-called worriers and conceivers—perhaps in a number of “skunk works” devoted to exploration and advanced development and given unusual latitude and independence. As illustrated by the way in

which carrier aviation was developed, path-breaking work must go beyond studies to include experiments and prototypes with which to discover and learn—not just to demonstrate or verify

Conventional wisdom has it that the Department of Defense invests lavishly in advanced concepts and systems and that its research and development is broad-based and immensely rich. This is true in many respects. At the same time, it is a cause for concern that the routinization and tight management of defense planning over the last several decades has dramatically reduced the number of advanced concepts developed to the point of prototypes or other field experiments. As a result, although technology is driving drastic changes in military affairs, it is by no means clear that the United States will have the appropriate range of innovative concepts from which to choose.

One factor in a revitalization of advanced-concept work should probably be a strengthening of the OSD's Director of Research and Engineering, so as to ensure that innovations by the services are facilitated and not limited to those that are organizationally nonthreatening. Examples of subjects that deserve much more vigorous exploration than would likely occur naturally are (1) submarine alternatives to surface-ship capital groups, (2) unmanned platforms for both surveillance and weapon delivery, (3) robotic operations on the battlefield, (4) applications of nanotechnology to surveillance and reconnaissance, (5) significantly new approaches to missile defense, and (6) applications of biotechnology

All of these are under study, but the vigor of their exploration is questionable. Moreover, study is not sufficient. The history of the development and fielding of carrier aviation, among other programs, suggests that for new concepts to emerge in the force, an unusual and vigorous partnership of institutions is needed, one involving a fairly lengthy but dynamic partnership between conceivers and experimenters, operators, developers, and acquirers. This type of partnership is familiar to private-sector innovators concerned not just with technology and new ideas, but with actually bringing to market such products as will prove appropriate and attractive. U.S. Joint Forces Command has a major role to play here, but it may be that it should be partnered with technology organizations such as the

Defense Advanced Research Projects Agency (DARPA) and premier service-supported laboratories, study houses, and businesses.

NEXT STEPS FOR THE UNITED STATES

The U.S. administration taking office in January 2001 will have a historic opportunity. If “getting on with” military transformation is on the administration’s short-list, and if the many stars in the heavens are properly aligned, then significant progress can be made within three to ten years. The secretary of defense may wish to work with Congress in reviewing the Goldwater–Nichols legislation to ensure that all the necessary legislative powers exist for conceiving, developing, and fielding future joint capabilities that are more than the stitching together of what the services provide on their own. However, waiting for conclusions on these matters appears unnecessary, given that the secretary has great power for change under existing legislation—if he chooses to be an activist in this regard, and if he has presidential interest and support.

One priority, mostly for Era-A progress, should be to reverse the tendency for transformation due dates to slip substantially from year to year. The secretary should insist on near- and mid-term progress in the “real force,” not just briefing charts about the future. This should include solving major problems faced by the combatant commanders in chief related to interoperability and fielding and iterating provisional forces. Another priority should be to review and refine a core set of multiyear operational challenges to focus transformation efforts, building on the rapid-decisive-operation and attack-of-critical-mobile-target initiatives at JFCOM, and on related joint strike force guidance from OSD.

The secretary should also sharpen defense planning guidance and the less-formal guidance used to drive Department of Defense studies and other aspects of the PPBS and acquisition processes. This guidance should ensure that options are evaluated with appropriate emphasis placed on transformational objectives and, related to that, planning for adaptiveness, flexibility, and robustness, rather than on “optimization” for organizationally convenient case scenarios.

In this connection, the new administration should place special emphasis on achieving and integrating quick-response capability—as-

suming that strategic warning will be obtained and used intelligently, but that usable tactical warning will sometimes come late. Figure 3 illustrates an expression of the approach. It notes, on the left side, that unless threats are small or there is plenty of time to deploy, the U.S. capability to intervene effectively in many scenarios is quite poor. The challenge is to develop new capabilities, such as a joint strike force, that could make short-warning actions feasible and effective—at least in cases in which the United States gets some favorable breaks. This depiction of capabilities-based planning stands in contrast to planning improvements in the ability to cope with some very specific scenario involving a well-defined threat, ample warning time and so forth. This depiction of challenge would be a forcing function for change..

To continue with the priorities, the secretary should ensure that clear lines of responsibility and authority exist for addressing operational challenges. He should focus on outputs—military capability to accomplish missions—rather than on bean counts. He should also insist that the services refine the building-block forces—the “tokens”—that determine U.S. and coalitional military capabilities. For example, the Army should probably move from a division-centric to a more brigade-centric structure with resized brigades that are substantially smaller but more capable—for most missions—than are current brigades.

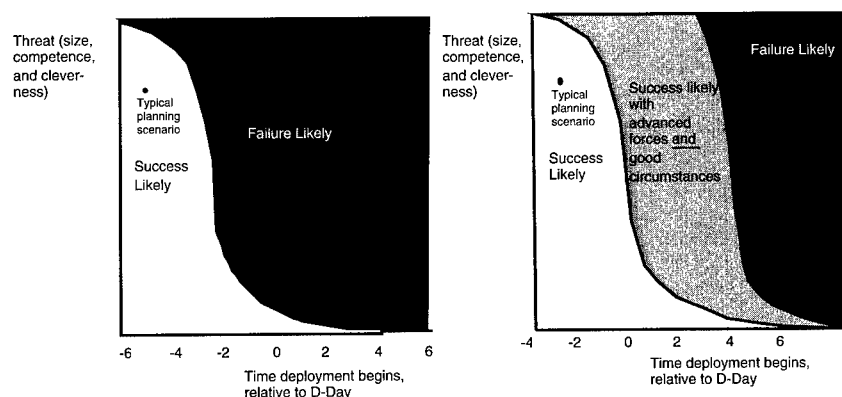


Figure 3—Measuring Capability for a Range of Cases Rather Than a Scenario

Consistent with the above items, the new administration should impose a "mission-system view" in conceiving, evaluating, and implementing programs. This will require substantial changes in how the planning, programming, and budgeting system (PPBS) is conducted. As suggested by Figure 2, missions can fail even if one has most of the requisite capabilities; having most is not good enough. System thinking, which cuts across platforms, services, and tasks, is essential.

A further priority would be to require all services to field initial versions of new building-block forces in the mid-term and begin the lengthy process of perfecting them and transitioning the force structure, personnel systems, and doctrine. In addition to several initiatives already underway, which need secretarial encouragement, one example of what is needed here is a joint strike force.

Additional recommendations include the following: implement network-focused operations, with all the implications that has for rapidly adaptive command and control and for the acquisition processes of defense planning; consider fast-track authority and funding to permit USJFCOM to develop and acquire certain high-priority capabilities related primarily to joint command and control software; and, finally, develop and implement a management strategy to assure a robust set of activities in preparation for Era B. This will likely involve partnership arrangements involving, for example, USJFCOM, the services, and premier research-and-development organizations, plus arrangements for funding sufficient to permit vigorous "day-to-day" experimentation, as distinct from occasional demonstrations. The Department of the Navy's structures and processes in the development of carrier aviation during the 1920s and 1930s may be a good model for what is needed here.

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GETTING THE QUADRENNIAL DEFENSE REVIEW RIGHT

by David Ochmanek, RAND

One of the first and most important tasks to befall the new administration is to review and reshape the U.S. defense program. A new defense budget submission will be built over the summer of 2001 and those thousands of individuals who are building that proposed budget will need authoritative guidance about the size and types of forces to be fielded, which major new systems will be funded or cut, how much to spend on training and readiness, and so forth. For many, the last two such reviews have been, in some ways, unsatisfying. Both the 1993 and 1997 reviews clearly spelled out the roles that military forces are to play in U.S. national security and pointed the way toward the development of some new and relevant military capabilities. But both bequeathed defense programs that later proved to be unbalanced: Funds for readiness have proven insufficient, some politically controversial decisions have been punted, and the pace of modernizing and recapitalizing aging forces has lagged behind both need and opportunity.

Fairness demands that all of this be kept in perspective. After all, U.S. military forces remain the envy of every other country on earth. And, arguably, U.S. forces have not lost a battle since Vietnam. But challenges loom, both in adversary camps and within U.S. forces, and much depends upon the ability of the U.S. military to retain its clear-cut superiority over potential enemies. If the United States fails to make wise choices now about the capabilities it fields or the training

and support it provides to its forces, important U.S. and allied national interests will be increasingly at risk. The purpose of this essay is to highlight some issues that, if not handled properly, can lead to a less-than-satisfactory outcome to the next administration's defense review. More important, the paper suggests some general ways to help ensure that it be done well.

Specifically, this essay reviews the overall demands of U.S. national security strategy; suggests that large-scale power projection is, properly, the centerpiece of U.S. defense planning; argues for the adoption of a wider range of scenarios against which to evaluate current and programmed forces; and points to deficiencies in the Department of Defense's ability to assess the capabilities of its forces, and suggests ways to improve assessments.

FORCES FOR WHAT?

The starting point is to define the purposes for which the United States fields military forces. The question is not as easy as it might seem. Ask most professional military officers this question and the reply is likely to sound like it was learned by rote, namely, "to fight and win the nation's wars." This answer is not wrong so much as it is incomplete. U.S. forces during the Cold War never fought "the big one" against the forces of the Soviet Union, but this does not mean that they failed to fulfill their purpose. Far from it: deterring wars is generally a higher mark of success than winning them. A better starting point, then, is that the purpose of the armed forces of the United States is to be prepared to accomplish the full range of missions that might be assigned to them, so as to minimize the chances that they will have to fight.

This, of course, begs the question, "What are the missions that might be assigned to U.S. armed forces?" Equally important, the force planner must have an appreciation for the conditions under which those missions might have to be carried out. An examination of U.S. security strategy, the international environment that motivates the strategy, and the roles that the strategy assigns to U.S. armed forces can prove instrumental in providing insights.

U.S. NATIONAL SECURITY STRATEGY

U.S. strategy is ambitious. It begins with an appreciation of the reality of global interdependence. That is, the United States government cannot fulfill its most fundamental responsibilities to the people—protecting their personal safety, maintaining their liberties and institutions, and ensuring their material well-being—unless it can influence developments and decisions well beyond our own borders. Not only must the United States be able to project power and influence unilaterally; it must also be able to secure the cooperation of a host of other international actors—national governments, international institutions, transnational entities, and subnational groups—in the pursuit of common objectives if it is to advance its national agenda. Even the “world’s only superpower”—a misleading characterization of the U.S. role in the world—needs the cooperation of many others if it is to impede the proliferation of threatening technologies, enforce equitable trade practices, protect the global environment, defeat terrorism, or fruitfully address any of a number of other challenges to national security and well-being.

In light of these considerations, the United States pursues a strategy characterized by three major themes:

- *Engagement.* Since World War II, when the United States abandoned a general foreign policy of isolation, it has worked actively and fairly consistently to resolve problems that originate abroad before they become crises. This activist approach has led the United States to establish and maintain close relationships with other government and international institutions.
- *Alliance Leadership.* U.S. alliance relationships are an invaluable legacy of the Cold War: Most of the world’s “movers and shapers” are tied to the United States by mutual security treaties and, more important, by decades of interactions that have produced mutual trust and habits of cooperation. Sustaining and adapting these relationships is crucial to being able to influence events beyond U.S. borders.
- *Enlargement.* The collapse of Soviet power and communist ideology has provided unique opportunities to expand the circle of democratically governed nations. Where local conditions are favorable—such as in central and eastern Europe and the Baltics—

the United States and its allies have supported democratic trends, recognizing that pluralistically governed nations make better neighbors and partners.

MISSIONS OF THE ARMED FORCES

This strategy calls on U.S. military forces to provide capabilities in support of an extremely wide range of missions. Figure 1, which lists these missions, also suggests which of these missions figure most prominently in decisions about the size and shape of U.S. forces. Naturally, U.S. forces are charged with defending the United States itself against attack. The growing possibility of attacks with weapons of mass destruction (WMD) is a particular source of concern in this regard. As potential enemies—both nation states and, conceivably, terrorist groups—acquire the ability of to directly attack U.S. territory and population centers, the United States will devote greater resources to deterring and defeating such threats. However, the bulk of

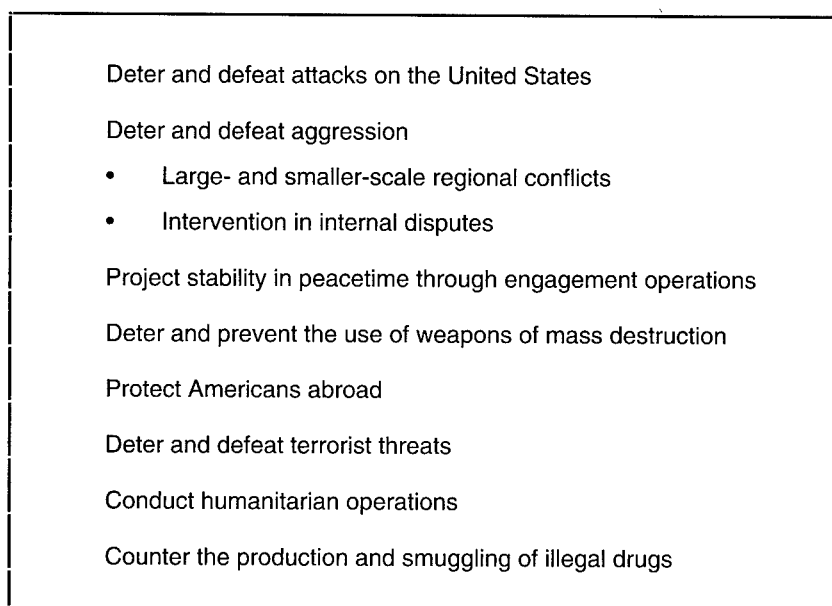


Figure 1—Missions of the Armed Forces of the United States

U.S. force structure is devoted to fielding forces for two overlapping missions: deterring and defeating aggression through power projection, and fostering regional stability through peacetime engagement operations. Because of the importance of these missions for U.S. national security, and because of the demanding nature of these missions, they rightly lay claim to the lion's share of the nation's defense resources.

THE CHALLENGE OF POWER PROJECTION

The United States is unique in its ability to conduct large-scale military operations at great distances from its home territory—that is, to project and sustain power. It fields this capability because many of its most important national interests lie in Eurasia, as do the most serious threats to those interests. Having dominant power projection capabilities allows the United States to “export stability” by redressing endemic imbalances in military power in key regions of the world. And because no other country today possesses similar capabilities, the United States is uniquely attractive as a security partner. In short, the viability of U.S. alliances—and the web of political, economic, and security relationships that has grown up around them—depends crucially on the continued U.S. ability to prevail in conflicts against regional powers that might threaten U.S. and allied interests abroad.

Fighting and winning wars, whether large or small, in other nations' “back yards” has never been easy. With the proliferation of longer-range, more lethal attack systems into the hands of regional adversaries, expeditionary operations are becoming more challenging. The challenge is complicated by the fact that the enemy generally gets to choose the time and place of the initial attack. Given that U.S. forces cannot be routinely deployed everywhere in large numbers, this puts a premium on forces that can deploy quickly to theaters where conflict is occurring and quickly seize the initiative, even when fighting outnumbered. Add to these factors the reality that the costs and risks of military operations—denominated foremost in terms of friendly and U.S. casualties—must be kept proportionate to the interests at stake, and one begins to appreciate the demanding nature of power-projection missions.

WHY 'TWO' IS THE RIGHT NUMBER

The ability to conduct, more or less simultaneously, two large-scale military operations against regional adversaries, such as Iraq or North Korea, has been a staple of U.S. defense planning for a decade, and it had antecedents during the Cold War. This objective should remain at the center of U.S. force planning for the indefinite future for one simple reason: The United States must not allow itself to be in a position in which it is unable to deter or defeat aggression in one theater when its forces are engaged in a major operation elsewhere. To do so would raise the probability of having to confront such a challenge and would undermine the viability of U.S. alliances. No nation could afford to rely on a U.S. security guarantee if it perceived that the aggregate forces available to make good on that guarantee were only sufficient to fight in one place at a time.

So "two" (at least) will remain the right number of operations that U.S. forces should be able to conduct, as long as (1) the United States has important interests and allies abroad, (2) adversaries with the military means to do so are challenging these interests and allies, and (3) no other power or powers with interests parallel to those of the United States have the ability to defend them if the United States does not.

TWO OF WHAT?

This should not, however, be taken to mean that the types and number of forces the United States fields today are the only ones capable of meeting the demands of the defense strategy. Indeed, changing threats and opportunities emerging from technological developments mandate revisions to U.S. force structure and investment priorities. Much of what has been wrong with defense planning and resource allocation over the past decade can be traced to inadequacies both in defining reasonable scenarios against which to measure U.S. forces, and in evaluating forces needed to deal with those scenarios.

Picking Scenarios. The scenarios that have played the greatest role in shaping U.S. general-purpose forces are hypothetical attacks by North Korea on South Korea, and by Iraq on Kuwait and Saudi Arabia. To be sure, both scenarios are plausible and worthy of examination: They involve real threats to important U.S. interests and allies.

Hence, defense planners would be remiss in not ensuring that U.S. forces can deal with them. But, in and of themselves, these two scenarios are insufficient as yardsticks of current or future power-projection capabilities. For one thing, because of their straightened economic circumstances, North Korea and Iraq are modernizing their forces at a rate that lags behind other potential adversaries (such as China). For another, the Department of Defense has attached some peculiar assumptions to each scenario, including the assumption of a fairly lengthy build-up of forces on both sides prior to the outbreak of hostilities. The net effect of these factors has been to produce scenarios that skew somewhat the demand for U.S. military capabilities in favor of larger forces at the expense of more modern equipment and new operational concepts. Moreover, while defeating armored land invasions is important, adversaries may increasingly choose to challenge U.S. interests in other ways, such as through the threat of attacks with long-range ballistic and cruise missiles, or through smaller-scale attacks by light infantry forces.

In short, a richer set of scenarios is called for. Useful candidates would include

- Chinese threats against Taiwan, including missile and air attacks, harassment of commercial shipping, and a possible amphibious invasion;
- Iranian threats against the Gulf Cooperation Council (GCC) states, using the same general approaches as China in the above scenario; and
- the need to counter Serbian atrocities in Montenegro and to dislodge Serbian forces from the country by coercion or compulsion or both, while risking few friendly or civilian casualties.

Doubtless others could be added, but the objective here is not to proliferate scenarios. Rather, it is to ensure that the scenarios that are actually used for evaluating forces represent, to the degree possible, the most important rather than the most frequent missions likely to be assigned to U.S. forces, as well as the conditions and constraints under which those missions might have to be carried out.

Assessing Forces. The problems associated with using a stilted set of scenarios are compounded by the use of analytical tools that reflect

only vaguely some important aspects of modern military operations. The assessment tools most commonly used in the Department of Defense are theater-level simulation models that attempt to capture every major aspect of a joint campaign. Such simulations are needed to inform choices about allocations of resources that cut across mission areas, but because of their breadth, they lack fidelity and therefore generally do a poor job of providing insights about modernization decisions. They are also opaque: It is quite difficult to trace through the models the relationship between inputs and outcomes.

These drawbacks of theater-level simulations are especially debilitating today because they inhibit the Department of Defense from gaining a better understanding of perhaps the most dynamic elements of its portfolio of capabilities: guided weapons and advanced systems to gather and process information. The combination of these types of systems has the potential to transform military operations. Increasingly, if an enemy unit moves, it can be detected; if it is detected, it can be promptly struck; and if struck, it will likely be damaged or destroyed. Under such conditions, modern forces can be many times more effective than they were in the past, but most analyses conducted with accepted theater-level simulation models to date have failed to reflect these improvements. As a result, the Defense Department's leadership has found it difficult to adjust the defense program to take full account of these emerging capabilities.

A higher-fidelity assessment of the contribution of advanced systems for surveillance, control, engagement, and attack is a prerequisite to better decisions about the allocation of defense resources. If combined with a relevant defense strategy, a broader range of scenarios, and capable and courageous leadership, the result could be a set of military forces and capabilities that are far better suited to the demands of a challenging future.

NUCLEAR WEAPON INITIATIVES FOR THE NEXT ADMINISTRATION

by David McGarvey, RAND

The next administration will be challenged to make several watershed decisions on national security early in its term of service. Pressure for decisions on national missile defense (NMD), the Anti-Ballistic Missile (ABM) Treaty, and strategic offensive force reductions, by treaty or unilaterally, create both a need and an opportunity for taking initiatives on U.S. policy concerning nuclear weapons. Even if these major decisions were not on the horizon, other factors create a need for the reevaluation of U.S. doctrine on both "strategic" and "tactical" offensive nuclear weapons and defensive systems. These factors include changing technology, including dramatic advances in precision guidance and image acquisition and processing; the changing nature of the military threat, including the proliferation of weapons of mass destruction (WMD) and the means of their delivery, as well as the decline of Russian and growth of Chinese forces; and the changing nature of the military challenge—that is, the deterrence of a Warsaw Pact invasion of Western Europe has been replaced by a multitude of regional deterrence and coercion challenges worldwide and the anticipated emergence of China as a major regional and world power.

This paper focuses on the two key policy issues that the next administration will need to deal with in making these decisions: the need by the United States and Russia for a massive retaliatory capability against the other, and U.S. nuclear weapon and defense requirements for dealing with China over the next 10–20 years. This paper

also discusses the limitations of deterrence through punishment with massive retaliation versus defense through denial, and it argues that the latter is strongly preferable, when possible.

U.S. and Russian needs for a capability to retaliate against the other are sharply reduced over those of the Cold War. Failing to acknowledge and follow through on this seriously hampers and distorts defense efforts and arms control negotiations. Although U.S. NMD deployments will significantly alter the dynamics of U.S.–Russian arms limitation negotiations, that alone is not a sufficient reason to fore-swear defenses needed for threats from other nations.

The emergence of China poses the biggest potential challenge for future U.S. nuclear weapons forces. This challenge is better met by strategies of deterrence through denial than by strategies of deterrence through threat of massive retaliation. Nonnuclear weapons will, of course, play the dominant role in U.S. regional strategies. However, nuclear weapons will be needed for deterrence of the use of WMD and as a final hedge to prevent a very few extreme acts of aggression, such as a sudden invasion of Taiwan. Both theater and national missile defense systems sized to deal with Chinese forces should be included in the menu of force options considered without doctrinaire exclusions. They are neither more destabilizing nor more aggressive than offensive weaponry.

Based on these observations, the United States should do several things. First, it should establish in due time the right to deploy defensive systems without qualitative or numerical limits. Second, it should tailor U.S. nuclear offensive weapons programs to implement strategies of denial in regional contingencies, as supplements to a principal reliance on conventional forces. Third, it should reduce emphasis on the ability to inflict massive destruction to Russia and China. Finally, it should adopt these linked goals unilaterally while attempting to secure international agreements that further them.

Emphasis on deterring China rather than Russia and emphasis on deterrence by denial rather than by punishment do not necessarily call for smaller numbers of nuclear offensive weapons, but they would call for smaller numbers of high-yield weapons and larger numbers of low-yield, highly accurate ones. U.S. leaders and coali-

tion partners would find the resulting forces much more suitable if an extreme situation called for their employment.

THE U.S. AND RUSSIAN NEED FOR MASSIVE RETALIATION

Debate over NMD has brought to the fore the argument that it would be undesirable for the United States to carry out actions that significantly reduced the ability of Russia to inflict massive damage on the United States. The United States accepted a condition of mutual assured destruction (MAD) with the Soviet Union in the 1960s when it became apparent that it was not feasible—with any combination of offensive and defensive forces within acceptable budgets—for either side to deny the assured destruction capability of the other. Some claim that the ABM Treaty formalized a MAD relationship between the United States and the Soviet Union.

Ironically, contrary to the situation in the 1960s, Russia's strategic offensive forces are now expected to decline to the point that some believe a U.S. NMD would threaten Russia's capability to inflict sufficient damage on the United States in retaliation for a U.S. attack on Russia, even though that is not an objective of proposed U.S. NMD deployments. Proponents of NMD hope to finesse this problem by keeping it strictly limited in numbers and capability. While this tactic may buy time, these limits are likely to be so severe that, in the future, the resulting NMD will not adequately handle threats from other powers. For an NMD system to be viable it must be possible to adapt it to the changes in threats from countries of concern. Hence, it is necessary to address head-on the question of whether the United States should accept the MAD doctrine that it is desirable or necessary to allow Russia the capability to inflict massive damage on the United States.

Historically, the U.S. requirement for an ability to inflict massive damage on the Soviet Union came from the need to deter Soviet attack on the United States, as well as from the need to defend Western Europe from a Warsaw Pact invasion. The second reason has disappeared. Even if a hostile militant regime develops in Russia, it is unlikely that any actions it could take—short of a direct nuclear attack on the United States—would warrant massive retaliation by the United States. It is hard to imagine a situation in which Russia would be provoked to launch such an attack. Nor does Russia really need a

capability to inflict massive damage on the United States. There are frictions and tensions between the two nations, but these do not remotely rise to the level at which a major conflict between the two is plausible. This does not mean, however, that either or both countries should reduce their nuclear offensive forces to zero or near zero. There are other countries of concern to each for which these forces may be needed.

It is other countries of concern that provide a principal rationale for NMD. Legitimate needs to defend against these other threats should not be ignored because of the legacy of MAD. To be sure, deployment of an NMD would substantially alter the negotiations on arms control, and Russia is likely to continue to speak out against any U.S. NMD deployment. Even if, as a consequence of U.S. NMD, it became necessary to settle for larger Russian offensive forces—either in treaty or in fact—the result should still be a net gain for protection of the United States.

Should the Russian economy recover to the point at which Moscow could contemplate its own NMD, a “mutual assured survival” agreement might be contemplated, although the problem of other countries of concern might make the requisite offensive force limitations unpalatable.

DEALING WITH CHINA

Some opponents to NMD have suggested that a U.S. NMD would be provocative to China and the July 18, 2000, joint statement of Russian President Vladimir Putin and Chinese President Jiang Zemin certainly supports this view. China has also expressed concern over any possible missile defense for Taiwan. However, there is nothing that makes U.S. missile defense more threatening to China than are other U.S. military forces, so these objections should be discounted.

The United States has never formalized a MAD relationship with China, and there is no reason to do so. It may be that in the future it will be infeasible for the United States to defend itself from attack by China, but that prospect is far in the future, and there is no reason to hasten its arrival by unilaterally limiting missile defense now. How relations with China will develop over the next few decades is, of course, a source for much study and concern. It is clear that China

will become much stronger and will likely want to exert much greater influence in Asia, but no one can predict how aggressive and confrontational Beijing will actually be.

From a nuclear weapons perspective, the possible need to defend Taiwan is the primary scenario of concern. Many other sources of tension and conflict are possible, and probably much more likely, but none appear to be of such clear significance and challenge to the United States that the use of nuclear weapons would be contemplated, except to counter the use of WMD.

DETERRENCE THROUGH PUNISHMENT AND DETERRENCE THROUGH DENIAL

U.S. and, presumably, Russian plans for retaliating against each other with nuclear weapons are perhaps the ultimate examples of deterrence through the threat of punishment, although many of the targets are chosen to deny their use in any further conflict. Such deterrence through threats of massive retaliation seems appropriate when the act to be deterred is a large-scale attack on one's homeland. However, for regional deterrence—to deter acts of aggression far from one's homeland—massive punishment seems inappropriate and could in fact be ineffective as a deterrent, if the aggressor believes it to be a bluff.

Deterrence through punishment is very limited in its suitability and effectiveness, especially when the intent of the enemy is not clear and when it is difficult to punish the enemy rulers directly rather than the assets of the country they control. Deterrence through denial of success is, of course, far preferable, when it is possible. How to tailor military forces to this task is an enormously complex and situation-specific task, certainly not to be attempted here. Nonetheless, in the case of nuclear weapons, it is clear that, in most such situations, low-yield, precise weapons are far more preferable than larger-yield weapons.

CONCLUSION

The next administration should establish in due time the right to deploy defensive systems without qualitative or numerical limits.

This does not mean hastily scrapping the ABM Treaty. The very limited initial NMD deployments contemplated provide time for extended discussion and review. Modifications to the treaty made to permit these very limited initial deployments should be made with the understanding that eventually they may have to be further modified or abandoned. The United States should follow the policy that neither the United States nor Russia needs the ability to inflict massive destruction on the other and that the U.S. nuclear weapon arsenal is being retained and modernized to serve other needs.

Based on the cost, effectiveness, and nature of the threat, the United States should be willing to build defenses capable of handling the forces of its most plausible and challenging potential adversaries, including China. There is no doctrinal reason to treat defenses any differently than other systems in this regard. Concurrently, the United States should begin to tailor its nuclear offensive weapon programs to implement strategies of denial in regional contingencies, as supplements to a principal reliance on conventional forces. In so doing, Washington should reduce the emphasis on the ability to inflict massive destruction on Russia and China. In brief, this means going for lower yields and higher accuracy, but it does not necessarily mean fewer weapons. In fact, it is likely that defense architects would call for smaller numbers of high-yield weapons and larger numbers of low-yield, highly accurate ones. U.S. leaders and coalition partners would find the resulting forces much more useful if an extreme situation called for their employment.

Admittedly, deploying an NMD and adopting the view that MAD is not a country's right will present challenges to the existing system of arms control agreements, but international agreements are as subject to obsolescence and the need for reevaluation and adaptation as are force postures. The United States should pursue the modernization of its international agreements as vigorously as it pursues force posture modernization.

FORMULATING STRATEGIES FOR INTERNATIONAL COLLABORATION IN DEVELOPING AND PRODUCING DEFENSE SYSTEMS

by John Birkler, Mark Lorell, and Michael Rich, RAND

For decades, policymakers in the United States and Europe have advocated greater international weapon-procurement collaboration among allies as a means of controlling burgeoning development and production costs and achieving equipment rationalization and standardization. Advocates argue that, by sharing research and development (R&D) costs for common systems, pooling R&D resources, rationally dividing up work tasks, and taking advantage of extended production runs, international collaboration can significantly reduce the costs of common weapon systems for each participating government. In addition, collaborative programs have often been advanced as a means of attaining greater operational integration of allied forces and greater political integration through shared training and doctrine based on common equipment.

As the first section of this paper demonstrates, it is historically unclear whether international procurement collaboration can deliver these benefits without unacceptable costs. Some say that new trends render the Cold War experience irrelevant and lend new promise to collaboration. But we believe these trends—with one exception—do not warrant such hope, as the second section illustrates. The one valid motivation for further international collaboration is to advance broad foreign policy objectives. In the third section of the paper, we propose some strategies for fulfilling that goal while minimizing col-

laboration's inevitable costs. In the final section, we summarize our conclusions.

This essay was originally written as a RAND Issue Paper because there was significant interest among our clients in having our views on international collaboration. It draws on RAND inputs to the Defense Science Board's Task Force on International Arms Cooperation¹ and is part of RAND's continuing efforts to synthesize the results of previous research for issues being debated within the defense community. This paper was written within the Acquisition and Technology Policy Center of RAND's National Defense Research Institute, a federally funded research and development center sponsored by the Office of the Secretary of Defense, the Joint Staff, and the defense agencies. It is included in this anthology because we believe it may prove useful to the next president and his administration.

A DISMAL RECORD

Despite a long record of international procurement collaboration among European partners and between the United States and its allies, the outcomes of past programs have been, at best, rather mixed. Attaining many, if not most, of the potential economic, operational, and political benefits that theoretically should flow from joint R&D and production programs has proven difficult, as the following examples show:

- Some French officials claim that the French share of the cost of the collaboratively developed Anglo-French Jaguar fighter/attack aircraft was greater than the total development costs of the Dassault Mirage F1-C, a more complex all-French fighter developed at about the same time.
- The cooperatively developed and produced Japanese F-2 single-engine fighter (FS-X) has performance capabilities roughly comparable to those of the U.S. F-16 but costs more than two times

¹ This task force was chaired by Dr. Jacques Gansler; one of the authors, Michael Rich, was a member. The task force's final report, entitled *International Armaments Cooperation in an Era of Coalition Security*, was published by the Department of Defense, Washington, D.C., in August 1996.

as much, about the same as the larger two-engine F-15 developed by the United States and produced under license in the same Japanese facility as the F-2 (FS-X).

- Collaboration does not necessarily mean standardization and interoperability. National versions of collaboratively developed aircraft—older programs such as the Jaguar, and newer programs such as the Tornado and EF-2000, both fighter/attack aircraft collaboratively developed by the British, Germans, and Italians²—often differ significantly in subsystems and equipment. At other times, one or more participants have been forced to compromise dramatically on their original national performance requirements to make collaboration on a single system possible—this was the case, for example, with the Franco-German Transall tactical transport and the Anglo-German-Italian Tornado fighter bomber.
- Most past programs have not led to an economically rational division of work tasks or R&D assets. Almost all past and current programs, from the earliest such as the Transall to the most current such as the EF-2000 and the F-2, have inefficient multiple production lines, multiple test facilities, and other economic redundancies.
- Many collaboration programs have caused severe political friction among participating allied governments. Examples include the FS-X/F-2 program, the Advanced Short Range Air-to-Air Missile (ASRAAM) program, and the EF-2000 program.

These examples are not isolated cases. Despite a long history of such programs, “studies of historical cases indicate that—in all programs studied—the joint programs have cost more and taken longer than they would have if each country had individually pursued the effort.”³

² The Spanish are also partners in the EF-2000.

³ Jacques S. Gansler, *A Transatlantic Defense Industrial Capability Model for the 21st Century* (Arlington, Va.: U.S.-CREST [Center for Research and Education on Strategy and Technology], March 1995). Also see Mark Lorell and Julia Lowell, *Pros and Cons of International Weapons Procurement Collaboration* (Santa Monica, Calif.: RAND, MR-565-OSD, 1995).

NEW ERA—NEW PROMISE?

Most U.S. experience with collaboration dates from the Cold War. Since then, the world's economic, strategic, and military orders have changed significantly. Have these changes had the effect of making international collaboration potentially more desirable? Some observers believe so. They cite such factors as

- dramatically lower R&D and procurement budgets, requiring the United States to seek partners to share ever-growing system R&D and procurement costs;
- the globalization of advanced technology, requiring the United States to acquire critical dual-use technologies from foreign partners; and
- the continued political need to fortify important U.S. security relationships with key allies.

However, these are just assumptions and need careful evaluation with regard to budget, technology, and international politics.

Budget

Does the significant decline in U.S. R&D and procurement imply that the United States must seek and rely on foreign partners for critical defense needs? Of course not. The U.S. defense community must creatively think through such alternative strategies as radical reform of procurement regulations and approaches, greater dependence on the commercial sector, and more civil-military integration of technologies and capital assets. More international collaboration is only one possible avenue to explore; it may not be the most cost-effective means of achieving U.S. policy goals, given the mixed outcomes in cost, schedule, and performance registered by past programs.

Technology

The United States clearly no longer leads the world in all advanced technologies that may be used in future U.S. weapon systems. Some observers believe that collaboration is a means for the United States to gain access to superior foreign technology. Yet the more important

questions are these: Does the United States still lead in those technologies that are critical for its national defense? If so, should those technologies be shared with allies? Is the development of any such technology being led by the civilian sector? If so, which country has the advantage?⁴ Where the United States no longer has the advantage, what can be done to regain it? Is a military collaboration program necessary to gain access to commercially available technology?

Little definitive research has been done on most of these questions, and the long-term security implications for the United States are not well understood. What is known from hard experience, however, is that genuine access to important foreign technologies, and diffusion of those technologies to the relevant U.S. industries, can be very difficult to achieve in the real world through international collaboration programs.⁵

Perhaps the commercial industrial base has indeed become internationalized, and perhaps it is true that important critical dual-use technologies will emerge only from the commercial sector. Even so, more-efficient access to such technologies for U.S. defense purposes might be gained through greater integration of the U.S. military and commercial industrial bases, rather than through government-initiated international collaboration programs.

Politics

The United States may, however, find international collaboration to be a useful tool for advancing broad foreign policy objectives.⁶ In the post-Cold War environment, those objectives are likely to include engagement and alliance leadership and management. The U.S.

⁴ There is also the perspective that commercial and military technology thrusts are diverging rather than converging; stealth technology is one example.

⁵ See Mark Lorell, *Troubled Partnership: A History of U.S.-Japan Collaboration on the FS-X Fighter* (New Brunswick, N.J.: Transaction Press, 1996). This RAND book publishes the results of an extensive research project on international collaboration.

⁶ See President Bill Clinton, *A National Security Strategy of Engagement and Enlargement* (Washington, D.C.: The White House, February 1996), for a discussion of the high priority the current administration places on fostering and enhancing active U.S. engagement abroad and its strong commitment to those activities.

government cannot fulfill its responsibilities without influencing events and decisions beyond its borders, such as by underwriting balance and stability in those regions where the most important U.S. interests are at stake; therefore, engagement is essential. Moreover, the United States and its allies together constitute most of the world's economic, political, and military power. Sustaining, strengthening, and adapting the framework of relationships among the world's leading democracies will remain the key to advancing U.S. interests; therefore, the need for alliance leadership and management.

It is in the context of these objectives that international collaboration may be of greater importance and benefit to the United States than it was during the Cold War. Historical evidence suggests that it is in the area of alliance building that weapon collaboration has shown its only real successes. For example, Franco-German political reconciliation after World War II benefited from an extensive series of collaborative weapon-development programs.

The criteria for U.S. involvement in international collaboration programs for military procurement, we believe, should be viewed within the context of these broader foreign policy goals. The U.S. government should be prepared to accept possible penalties in cost and schedule, as well as compromises in system requirements, for the sake of advancing broader security objectives such as those listed above. Expectations of significant cost savings or the acquisition of important foreign technologies may be unrealistic. Disappointment over the failure to achieve such objectives could cause friction with partners and could undermine the central foreign policy objectives motivating collaboration programs.

EASING THE PAIN

Thus, without an appropriate framework for policies and practices, the U.S. government may have to accept potentially large penalties in cost and schedule, as well as compromises in system requirements, for the sake of advancing broader security objectives. However, important mitigating actions can be taken, particularly in three areas: program selection, requirements generation, and program structuring. Where possible, the Department of Defense (DoD) should attempt the following:

- Avoid government-negotiated collaborative development on large programs or critical systems.
- Seek cooperative modification, licensed production, or coproduction of U.S. systems, as opposed to equal-partner development and production of new systems.
- Consider alternatives to R&D and procurement collaboration, such as maintenance or support contracts.

Whether these objectives can be met or not, penalties in system cost, schedule, and performance should be mitigated if DoD selects and structures collaboration programs in accord with the following principles:

- Ensure mutuality and equivalence of interests on both sides.
- Move as much program structuring and decision making as possible down to the industry level.
- Guarantee competition.

We now expand on these guidelines to illustrate the concrete specifics of how they might work.

Program Selection: The Importance of Mutuality

First, the U.S. government must establish and define a clear set of criteria for selecting collaboration programs in which to participate. Key selection criteria should focus on mission priorities, context, and support. Thus, collaboration programs should be linked to shared military missions that are high-priority, are likely to be undertaken within an alliance, and are supported by the military and defense industrial sectors in the participating countries.

For example, a crucial U.S. and European NATO mission is to underwrite and foster regional stability in Europe, and possibly elsewhere. Such peacekeeping entails a wide variety of military tasks that must be performed in an alliance context, including enforcing no-fly zones, resupplying civilians, identifying and disarming combatants, avoiding and clearing mines, and maintaining surveillance of selected areas. High collaboration priority should be attached to procurement programs that develop equipment for directly enhancing

the capabilities of alliance partners to cooperatively carry out these types of missions.

The Requirements Process: The Locus of Decision Making

Second, the U.S. government should modify and reform the requirements process for international programs. Once mission areas of mutual high interest are identified, requirements should be stated in terms of mission need, not in terms of technical minutiae that limit the flexibility of those involved. Such a focus on mission requirements has often been advocated by procurement reformers—and was actually carried out on the highly successful Lightweight Fighter program, which produced the YF-16 and YF-17 (F/A-18). It provides industry with far more latitude for conceptual and technical innovation, enterprising organizational structures, and substantial cost savings.

Thus, using the examples cited above, alliance partners might select avoiding and clearing mines as an important military mission to serve as the basis for collaborative hardware development, procurement, and support. Interested governments could then establish a joint program office. Participants would generate a common requirement based on a detailed mission statement, but they would exclude any specific technical hardware requirements or descriptions. The collaborative program office would set broad program objectives, such as general performance goals and unit costs. Industry teams would then be invited to develop proposals in response to the mission statement. Using this new paradigm, which “tells the contractors what is wanted, not how to do it,” the participating firms would work out the necessary hardware designs.

Program Structure

Industry participants would also work out the program structure. The available evidence clearly indicates that collaboration programs based on voluntary-cooperation arrangements, negotiated at the industry level, are the most likely to succeed in terms of traditional measures of procurement efficiency—that is, they will be delivered on time, within cost, and meeting performance specifications. Thus,

the only inflexible requirement imposed on industry by the participating governments would be that teams be made up of at least one leading firm from each of the sponsoring countries.

The interested governments would propose a recommended range of work-share percentages based on the anticipated government financial contribution to R&D and the likely scale of procurement. But the specific structure of each teaming arrangement—including the details of allocating specific work tasks and work percentages—would be left entirely to the firms. The participating governments would agree to these conditions before the proposal process began.

Overhaul, repair, and other issues of logistics-support requirements should also be addressed collaboratively by the firms, especially since the support function will probably continue for decades, unlike the development and production phases, which have much shorter time horizons. Overhaul, repair, and other logistics areas, which have often been overlooked in collaborative efforts, could also be important tools for providing economic and technological equity to team members—furnishing the participating countries' firms with an enduring business base, modern facilities, and access to the latest management techniques and process technologies. But, again, the specifics of such arrangements would be negotiated on the industry level in accordance with best business practices.

Competition

Lastly, several international teams would form and generate proposals for equipment concepts and designs, as well as for program structure and teaming arrangements. Competition among the proposals would lead to the selection of more than one team to demonstrate the concept, and the winner of the concept-demonstration phase would be given the final production contract. Selection criteria would be derived as much as possible from traditional measures of merit and recognized concepts of best business practices. On the basis of the work task allocation as determined by the winning industry team participants, each country would contribute an R&D funding share equal to the percentage of the work performed by that country's firms.

CONCLUSION

We conclude that international collaboration remains a risky procurement strategy for DoD. There are few indications that the historic impediments to cost-effective collaboration have declined significantly in the post-Cold War environment. Unless conditions change dramatically, U.S. participation in future collaboration programs is likely to lead to penalties in cost and schedule, as well as to compromises in system requirements. In terms of the traditional measures of procurement efficiency and cost effectiveness, DoD interests would probably be best served by avoiding collaboration programs altogether, especially those having a large dollar value or deemed critical to national defense.

However, the decision to participate in international programs is not likely to be dictated solely or even primarily by questions of cost effectiveness or efficiency. U.S. national security strategy in the post-Cold War environment will be guided by several major objectives, two of the most important of which are engagement, and alliance leadership and management. Equipment collaboration with allies is one of many possible tools available to U.S. policymakers that is likely to be used to help accomplish these goals. Therefore, to help lessen the likely cost, schedule, and performance penalties that have characterized most earlier programs, DoD, the services, and industry need to prepare new strategies now.

The strategy set out above generates new concepts to perform a needed military task, forces the involvement of firms from multiple nations, maintains competitive forces, and has each country financially supporting the share of the work performed by its industry. A paradigm such as this, based on the principles of mutuality of alliance interests, competition, and industry-level innovation, may represent the best path toward minimizing the inevitable penalties inherent in international procurement collaboration.

INTELLIGENCE ISSUES FOR THE NEW ADMINISTRATION

by Abram Shulsky, RAND

In recent years, the Intelligence Community (IC) has suffered a number of embarrassing failures. Among them are the failure to anticipate the Indian nuclear tests in 1998, the penetration by Iraqi intelligence of various efforts directed against Saddam Hussein, and the National Intelligence Estimate (NIE) on the future ballistic missile threat to the U.S.—subsequently demolished by the Rumsfeld Commission report¹—that argued *inter alia* that North Korea could not produce an intercontinental-range ballistic missile for more than a decade. The causes of these failures were varied and cannot be explored in detail here.² Nevertheless, they suggest that it is important to review many of the standard assumptions and procedures of the intelligence business, to see if they are consonant with the new age, both political and technological, in which the IC has been feeling its way since the end of the Cold War.

¹ *Report of the Commission to Assess the Ballistic Missile Threat to the United States* (Rumsfeld Commission) (Washington: Government Printing Office, July 1998)

² Weakness in counterintelligence, which contributed to the failure of the efforts at fomenting a coup in Iraq, has been a longstanding problem. The Indian nuclear tests failure is attributable most likely to not applying counterdeception methodologies to a situation which required them. Several years previously, the United States had applied pressure on India to keep it from testing; in doing this, the United States would have demonstrated its awareness of the test preparations, thereby inadvertently providing India a roadmap for hiding those preparations. The NIE failure is probably an example of politicization, an illness for which any structural cure is likely to be worse than the disease, since the typical organizational antidote to politicization—independence—runs the risk of making intelligence untrusted and irrelevant.

The political changes are well known and require little discussion: the closed societies with which intelligence has to deal are fewer in number and, in general, less important—although one, North Korea, remains of great military and political significance. Even the relatively closed societies that remain, such as China, are vastly more open than was the Soviet Union.

The disappearance of the Soviet threat has meant that intelligence efforts are spread more equally across a much larger number of targets. This makes planning harder and requires much greater flexibility; various schemes, such as the proposed “intelligence reserve” of area and language experts that could be used on a temporary basis, may be needed to enable the IC to shift focus rapidly as events warrant.

At the same time, concerns related to transnational terrorism, including terrorism using weapons of mass destruction (WMD), and to transnational criminal organizations imply that nonstate actors are likely to become more important targets of intelligence collection. These organizations are likely to lack the type of large, fixed facilities that technical intelligence collection capabilities can most easily target.

The effect of this change, in intelligence terms, is that open source and human intelligence collection can be expected to become relatively more important. This only emphasizes the importance of fixing some of the longstanding problems in the human intelligence collection area, such as the weakness of the counterintelligence function.³

Technologically, the IC is, of course, affected by the tremendous progress made in the various areas that define the “information age.” These new technologies have important implications, both positive and negative, for intelligence. On the one hand, many new overt sources of information are available, and there is easier access to many existing overt sources. Aside from the various information sources on the Internet, the growth of commercial satellite photography with one-meter resolution capabilities represents an entirely

³ The lack of operational security concerning the various efforts to promote a coup against Saddam Husayn highlights this counterintelligence failing.

new open source that the IC can use. On the other hand, new communication technology introduces tremendous new complications and difficulties for intelligence collection. For example, relatively high-grade encryption is both readily available and easy to use; massive increases in the volume of communication complicate targeting; reliance on terrestrial microwave transmissions has diminished; and new methods of communication, such as fiber optic cable and cellular phones, are harder to intercept.

Together, these political and technological trends suggest a number of issues that must be addressed if the IC is to transition successfully into the new era. The remainder of this paper discusses three of the most important of those issues. An additional point—the need for a “tracking system”—is not particularly connected with these changes, but rather derives from a comparison of intelligence and military practice.

RATIONALIZATION OF THE USE OF INFORMATION

If it is a truism that we have entered the “information age” and that we are awash in a vast sea of information, then an important question is whether the ultimate consumer of that information—policy-maker or warfighter—is being well-served by the methods used to collate, analyze, and make that information available to him or her.

For the policymaker, the basic issue derives from the fact that intelligence can “add value” in two different ways. First, by virtue of its specialized techniques (the “ints,” such as human intelligence collection, or “humint,” and technical intelligence collection, or “tech-int”) it can provide “secret” information that the policymaker could not have obtained in any other way. Second, it can fuse and analyze that information, along with information publicly available from open sources or perhaps from the policymakers themselves—such as reports of diplomatic exchanges between U.S. and foreign officials—and produce a comprehensive assessment or picture of a given situation. Intelligence may also provide answers to specific questions posed by the policymaker, thus acting as the executive branch’s counterpart to the Congressional Research Service of the Library of Congress.

It is the second function that has been most affected by the information age. The amount of available open source information has grown by leaps and bounds, and it can come to the policymaker via multiple channels. When one reads about high-level U.S. policymakers at the beginning of World War II, it seems that their knowledge of the outside world came from relatively few sources: diplomatic cables, the *New York Times* and *Herald Tribune*, and the occasional intelligence report, such as an intercepted Japanese diplomatic cable. What made this workable was that the policymakers were focused on relatively few countries, with which, quite often, they were already familiar from travel or business dealings. Today's policymakers are in a different situation: to do their job, they must try to make use of a much wider variety of information sources, many of them open, and they may find themselves dealing with countries of whose existence they had only the faintest idea before entering government. Hence, this second function becomes more important and more visible.

The IC has laid claim to both of the functions discussed above, although one could envisage an alternative system that confined intelligence to the first task and assigned to some other institution the task of "fusing" secret and open source information and analyzing it. Such an arrangement would have some advantages—easier communication between the analytic unit and other parts of the society, such as academia, and greater "clout" for open source collection—and some disadvantages, including greater bureaucratic distance between analysts and collectors.

Many of the traditional policy–intelligence spats have their origin in the fact that it is rarely clear to the policymakers to what extent intelligence's comprehensive assessment of a situation derives from "secret" information of which the policymakers are otherwise unaware, and to what extent it reflects the analyst's interpretation of facts also known to the policymakers. Thus, policymakers often cannot know, when their views differ from the analyst's, whether they should adopt the latter's view as being based on superior evidence, or whether it is reasonable for them to dispute it.⁴

⁴ The intelligence response could be that, even in the absence of "hard nuggets" of fact known only to the analysts, the analysts' interpretation is to be preferred on the ground that they spend full time studying the subject, whereas policymakers obviously cannot. On the other hand, policymakers may be more experienced in dealing with

Even more important, policymakers may not be in a position to understand how much reliance should be put on any assessment. In particular, they are unlikely to know what should be made of statements to the effect that "there is no evidence" that—to take an old example—the Soviet Union was behind the papal assassination attempt in 1981. Does that mean that it is unlikely that the Soviet Union was behind it, because, if it were, intelligence would have picked up indications of it? Or is it possible that the Soviets were indeed behind the assassination attempt, but that information relating to such an operation, if it existed, would be so closely held that intelligence would be unlikely to pick it up?⁵ Finally, the analyst's assessment of the future course of events may make certain—typically unstated⁶—assumptions about present or future U.S. policy, which of course is often one of the biggest determinants of how a situation will evolve; since the policymakers' understanding of U.S. policy is likely to be better than the analyst's, they may misunderstand the actual import of the analyst's conclusions. Thus, the analyst's conclusion that "Freedonia" will not take a certain action—an interpretation based on the belief that Freedonia would fear the U.S. reaction—becomes the basis of a relaxed U.S. stance which, in turn, emboldens Freedonia to take that very action.

This suggests that "consuming" intelligence cannot be a passive activity; policymakers must be constantly willing to probe to find out what kinds of information form the basis of the assessments, what kinds of information one would or would not expect to collect under certain circumstances, what assumptions about U.S. actions or capabilities are built into the assessments, and so forth. The problem, of course, is that this is a time-consuming task under the best of circumstances, but it is made even more difficult by the opaqueness of so much intelligence activity and the typical policymaker's un-

the issue or country at hand and may have had more personal contact with relevant foreign officials.

⁵ In early December 1941, a naval intelligence officer informed Admiral Husband E. Kimmel that intelligence did not know where the Japanese carriers were. Kimmel responded with the right question—Does that mean they could be rounding Diamond Head at this minute without our knowing it?—but it appears that he too easily accepted the intelligence officer's vague assurance that he would hope that they would be picked up before that.

⁶ Unstated because of the intelligence taboo on dealing with "blue" information—that is, information concerning U.S. policy, military capabilities, and so forth.

familiarity with the intelligence world. Various solutions are possible, such as the formation of special analytic units in closer contact with policymakers or the inclusion on the policymaker's staff of an "intelligence assistant" whose job it would be to assist the policymaker in understanding and using intelligence information.

This latter solution would bring the civilian apparatus closer to that which exists in the military, where intelligence comes to the commander not from an "independent" intelligence organization but from the "J-2" (or service equivalent)—that is, from a member of the commander's own staff. In principle, then, the commander has an intelligence expert who can handle the types of problems discussed above. If the commander of an army division has his own "G-2," then there is no reason why assistant secretaries of state and defense should not have, on their own staffs, officers whose experience with the intelligence business would enable them to probe the IC for information their bosses need, to guide their bosses in the understanding and use of that information, and to organize the flow of both intelligence and open source information in a manner responding to the assistant secretary's needs.

A related issue that affects the military is the question of ensuring that tactical intelligence is made available to the warfighter on a timely basis and in a manner that facilitates its use. In some cases, the relevant timeframe is a matter of seconds, such as alerting a pilot to the fact that an air defense radar is tracking the plane. In this case, the problem is readily solved—at least from an organizational point of view—as the sensor is already on board the plane.

As sensor technology and telecommunication capabilities expand, however, the information may be collected by sensors based elsewhere, even in space. The problem then becomes one of "architecture," or ensuring that the sensors and shooters are wired together in such a way that the right information gets transmitted to the shooters in time and is displayed to the warfighter in the most usable manner. Current initiatives in the IC are addressing this question in the context of integrating the various "ints" mentioned above, but it remains an open question who should have the ultimate responsibility for ensuring that the warfighter's needs are optimally met. In particular, it is not clear whether it is better for this responsibility to

remain in the IC or to be transferred to the operators—in other words, the warfighters of the various military services..⁷

Within the IC, the problem has been that the traditional “stove-pipes”—organizations, such as National Security Agency (NSA), that collect, analyze, and disseminate one type of intelligence—have been reluctant to work together to produce a common infrastructure for tasking, processing, exploitation, and dissemination (TPED). In addition, the IC lacks the operational expertise to assess exactly what the warfighter’s requirements are, and one might be concerned that the IC’s tendency would be to accord a higher priority to “national” consumers—high-level policymakers in Washington—as opposed to “tactical” intelligence. The operators, on the other hand, lack expertise and familiarity with the intelligence collection systems, and, although they are the beneficiaries of the TPED system, many warfighters worry that the tendency of the military services, if they were given this responsibility, would be to accord it too low a priority in relation to weapons systems.

The challenge for the next years is to ensure that at all levels—from fighter pilot and tank driver up to division and squadron commander—the intelligence architecture works to provide warfighters with a tailored display of the information they need, in the timeframe in which they need it. The model would be types of displays that currently exist in an airplane, except that the information displayed can come from any intelligence collection sensor, on any platform. The likelihood is that, for a whole host of reasons, intelligence and operations will become more and more closely integrated in future warfare.⁸ Thus, sooner or later, it would seem necessary that the TPED function would come under the budgetary and programmatic control of the operators; the answer is not to retreat to the old stove-

⁷ This responsibility currently rests with the National Imagery and Mapping Agency (NIMA); its task is to develop a common infrastructure for handling imagery derived from various sources, including commercial imagery, which would then be expanded to handle information from other types of sensors. The ultimate goal is known as a multi-int (i.e., involving multiple “ints” or intelligence collection methods) TPED system.

⁸ Among the reasons for closer integration: the requirement to hit mobile targets, which requires that the sensor to shooter link operate as quickly as possible; the detailed types of intelligence required for some weapons systems; and the short timelines involved in ballistic missile defense operations.

pipes, but rather to force the operators to take on, and pay adequate attention to, a mission for which they will eventually have to assume responsibility and which, indeed, will become increasingly central to the way in which they fight.

COUNTERINTELLIGENCE AND COUNTERDECEPTION

Counterintelligence (CI) has been an ongoing weakness of the IC. In the aftermath of the Aldrich Ames case, various steps have been taken to improve security procedures, but overall CI remains poor. This fact is illustrated, for example, by Iraq's ability to penetrate U.S. Central Intelligence Agency (CIA) operations directed against Saddam Hussein.⁹ Because of the controversial career of James Jesus Angleton, the long-time head of the CIA's CI staff, CI is still a sensitive subject at the CIA, and opposition to the creation of a powerful CI staff remains strong. But the record indicates that operational security is still a problem and that a strong CI capability is necessary.

It is of course true that a powerful CI staff, if it becomes too paranoid (a certain degree of paranoia being required for the work), can shut down intelligence activities altogether; some have claimed that something of this sort actually occurred in the past. Nevertheless, the alternative view that a strong CI staff is not required because "every officer is his own CI officer" is deficient as well; the incentive structure is such that the operational officer will have every reason to try to explain away any evidence that suggests that one of his sources is tainted. Finding the right balance is of course difficult, but the evidence strongly suggests that, in the past two and a half decades, CI has been too weak rather than too strong.

A related problem has been the development of a counterdeception capability. Concern with the possibility of foreign deception of the United States and its intelligence agencies has been episodic; most recently, the failure to predict the Indian nuclear tests of 1998 caused some to wonder whether U.S. intelligence had in fact been successfully deceived. One might wonder whether, if the United States, in the course of averting a potential nuclear test several years earlier,

⁹ See Marie Colvin, "CIA's Bungled Iraqi Coup," *Sunday Times*, April 2, 2000.

had not presented New Delhi with evidence it had that India was in fact preparing to test a nuclear weapon, New Delhi would not have had an understanding of the relevant U.S. intelligence capabilities on which to base its deception planning.

While counterdeception ought to be a component of any intelligence system, the advent of the "information age" may make the need for it more urgent. As the promoters of the notion that we are now all awash in a sea of information make clear by their very enthusiasm, there is a strong tendency to believe that these new technologies mean that everything can and will become known to everyone. In other words, the possibility that these same new devices and methods can be used to deceive is easily overlooked.

Counterdeception, like CI itself, can, taken to an extreme, do more harm than good: If one distrusts all one's evidence, one has effectively shut down one's intelligence system more completely than an adversary could ever have hoped to do. Nevertheless, the record suggests the need for a counterdeception office or staff that could assess the possibility of deception in a systematic fashion. Such an office would develop a checklist of questions to be considered, such as, Does the adversary have a compelling motive to engage in deception? How many independent sources of intelligence do we have with respect to the question? What does the adversary know about U.S. intelligence capabilities in general and about these particular sources? Can the adversary determine whether or not we are being successfully deceived? What evidence would allow us to determine whether or not a deception campaign was being waged? What collection capabilities—preferably unknown to the adversary—do we have that would enable us to collect that evidence?

Obviously, such an analysis would be too time-consuming to be conducted with respect to every intelligence question of interest to the United States. Specific issues would have to be chosen on the basis of their overall importance and the degree of harm that a successful deception effort would inflict on the United States. Again, although it is true that every intelligence analyst should be alert to the possibility that he or she is being deceived, the incentive structure and the bureaucratic pressures to produce finished intelligence suggest that it would be unwise to do without the insight that an independent counterdeception capability could provide.

REORIENTATION OF TECHNICAL INTELLIGENCE

The development of U.S. technical intelligence collection systems, especially space-borne systems, has been a story of dazzling technological achievement. Nevertheless, there is reason to believe that the old procedure of building the best possible systems can no longer be sustained. Not only have costs escalated, but the inflexibility and vulnerability caused by the resulting decrease in the number of systems must be considered as well. In addition, changes in adversary behavior—whether adopted as countermeasures, such as camouflage, tunneling, or encryption, or for economic reasons, such as the replacement of terrestrial microwave with fiber optic transmission—have decreased the effectiveness of many of these systems.

A rethinking of many of the patterns of technical intelligence collection is thus necessary and is indeed underway, in some respects. In many areas of the world, unmanned aerial vehicles (UAVs) can replace satellite-based surveillance, providing cost-savings, increased coverage, and enhanced flexibility and unpredictability. As overhead collection becomes more useful for tactical intelligence, it may be advisable to build greater numbers of systems even if their individual capabilities are less than the technological maximum.

In a world in which the orbits of satellites are available freely, it may be too dangerous to rely on a small handful of systems; multiplying the numbers makes it harder for adversaries to track their orbits or, even if they can, to make sure that sensitive equipment or activities are out of view when U.S. satellites are in range.

The problems that technological advances pose for communications intelligence capabilities may require new approaches in this area as well. In some cases, miniaturized sensors that can be introduced covertly may replace remotely operating systems. The internet itself may open up collection capabilities that do not require large, state-of-the-art collection systems.

Finally, the proliferation of commercial overhead photoreconnaissance systems provides a new source of information that must be integrated into current systems. It may be possible to use these commercial systems to meet some of the more routine, “bread and butter” requirements, such as wide-area surveillance, thus freeing the intelligence systems for more specialized tasks.

Amrom Katz, who played a major role in the development of photoreconnaissance, recounts how, several years after the end of World War II, he was asked to specify the requirements—in terms of area coverage, ground resolution distance, and so forth—for a new photoreconnaissance system. He admits that he did not take the assignment seriously, but instead submitted requirements so stringent that he believed they could not possibly be met. His point is that the greater the coverage and the finer the resolution, the better: “Give me the best product you can, and I’ll find a way to make good use of it.”

It would appear that technology has progressed to the point that this “technology push” approach is no longer satisfactory. It must be replaced by a “demand pull” approach that can choose among the technological possibilities while keeping various operational requirements in mind.

CREATION OF A ‘TRACKING’ SYSTEM

Military organizations are known for conducting “lessons-learned” studies following major campaigns or exercises. Even if the action is a success, the assumption is that something must have been done wrong, and if that can be identified and understood, performance can be improved in the future. Of course, if the action failed, the need to study the causes of that failure and discover remedies for it is all the more urgent.

While the IC has conducted some “post mortems,” they are conducted on an ad hoc basis and not as a usual procedure. Thus, it is often the case that the critique is seen as politically motivated.¹⁰ If, instead, “post mortems” and reviews were conducted routinely, this problem could be more easily avoided.

CONCLUSION

During the Cold War, the IC became used to a certain way of doing business that responded to the major features of that era: a long-

¹⁰ The most famous instance of a critique being seen as politically motivated was the “A Team–B Team” exercise on Soviet strategic nuclear forces in 1975–76. Had it been a more usual procedure to do critiques of past estimates, some of the political and ideological acrimony that surrounded this exercise might have been avoided.

term strategic competition with a closed, but cumbersome, society. Technical intelligence collection was necessary to penetrate the "iron curtain," and the information could be processed relatively slowly back in Washington, as it related primarily to the longer-term strategic aspects of the competition—for example, whether or not to build MX. As long as the technical intelligence collection means were understood as invulnerable to deception,¹¹ CI and counterdeception could be relegated to the province of human intelligence collection where, for a variety of reasons,¹² it could get lost in a "wilderness of mirrors."¹³

Both the political and technological features of that age have changed and the IC must change with them. "Information age" technologies and the ways in which the business world has adopted them will have relevance for the IC as well; at the same time, CI and counterdeception—which are in a sense the core of intelligence, seen not merely as a system for gathering and analyzing information, but rather as a way of defeating an adversary on the information battlefield—will have to be given their proper place within the IC.

¹¹ The notion that the Soviets might be trying to deceive us despite our overhead reconnaissance capabilities was met with the response that, after all, "seeing is believing."

¹² These reasons include Soviet skill in deception and the unique personality of James Jesus Angleton, the CIA's long-term CI guru.

¹³ The phrase is taken from David C. Martin's book of the same name (New York: Harper & Row, 1980), which discusses the difficulties the CIA encountered in trying to establish which Soviet defectors were legitimate and which were double agents.

Section VII

NATIONAL SECURITY POLICY PROCESSES

FIXING THREE NATIONAL SECURITY DEFICITS: PURPOSE, STRUCTURE, AND PEOPLE

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It takes time to ruin a nation. But time is all it takes . . .

— Fontelle

For any entity or social grouping to succeed, at least three ingredients are essential: a recognized and accepted purpose for the entity, an organization and structure that permits and facilitates achieving the purpose or purposes, and, most important, the people to act in concert to accomplish the necessary aims. When each of these ingredients is in place, an environment of mutual trust, confidence, and respect is established and reaffirmed within the entity. When they are not, trust, confidence, and respect erode and the smooth or even necessary functioning of the entity cannot be ensured.

As will be shown, regarding U.S. security, there are severe and growing deficits in the categories of national purpose, organization and structure, and people. The symptoms of these deficits are unmistakable and are reflected in the highly partisan rancor that afflicts the government and leads to uneven performance in dealing with security. Unless or until these three deficits are closed, the task of assuring the nation's future security will be compromised.

By most measures and to most Americans, the United States is the most powerful and prosperous country in the world. Its economy is

unrivaled. It controls the largest share of the world's wealth commensurate with an exceedingly high standard of living. It faces no threat to its existence and few challenges to its preeminence. Aside from occasional scares from terrorists or the actions of what used to be known as "rogue" states, few Americans worry much about defending the nation from external attack.

Without an enemy or some external catastrophe to challenge the aphorism that "all politics is local," security issues have little or no political traction in the national consciousness. Unfortunately, until these deficits are confronted, the nation's security will remain at risk for reasons that challenge the good health of any entity. "Good" people can keep a "bad" institution afloat, but only for a limited time. No activity or institution can rise above flaws or deficits in overall purpose, structure, and people, at least if it is to survive and thrive.

Regarding national security, "national purpose" applies to the process and system for identifying clear, realistic, and relevant national security objectives, translating them into effective action, and providing the ethos for service that attracts the "best and brightest." "Organization and structure" apply to how the nation is organized to ensure its security; and "people and personnel" apply to the process for attracting and retaining sufficient numbers of able citizens in government service. For reasons that follow, it will become clearer that each category is in severe deficit.

To be sure, deficits in money and resources or in technical prowess can be fatal. For the United States, neither of these potential gaps is currently the source of major problems. For one of the few times in history, the amount of money that could be available for security is not a limiting factor, and the United States certainly has the technical capacity to invent or produce virtually any system essential to ensuring the nation's security.

The first deficit is one of national purpose, and it cuts across the boundaries of interests, politics, and threats in identifying and then translating objectives and aims into lucid and effective actions and policies; it also provides the ethos and incentives for public service. Clearly, with the end of the Soviet Union, the United States and its friends for the first time since 1940 face no danger to their existence.

In this happy circumstance however, setting a viable purpose or series of purposes for safeguarding the nation's security is made more difficult by the absence of clear and present danger.

Gen. George C. Marshall put this predicament in perspective six decades ago. He noted that if one got the objectives right, "a lieutenant" could write the strategy. But what are today's objectives regarding the nation's security? Protecting and keeping the country safe from harm is too vague a term on which to take definitive action. Ensuring U.S. supremacy and dominance likewise sounds good, but how is that sentiment translated into action and into objective policy criteria? The absence of clear and useful objectives means that defining a viable and credible national purpose will be elusive if not impossible. The prospect for drafting an effective strategy is thus at best guarded and perhaps bleak. Perhaps that will not matter; but suppose it does?

The U.S. system of governance and politics exacerbates this deficit. Government is divided with checks and balances; Congress and the presidency share and apportion responsibilities and authority for conducting national security, creating an intended centrifugal quality to the nation's politics. In the past, when it came to national security, many of these centrifugal and political differences stopped at the water's edge. But if either of these inherently centrifugal or partisan political forces cannot be constrained by some broader objective or purpose, then seeking any consensus—let alone agreement—on future direction becomes problematic and even unobtainable. Partisanship will substitute for consensus on issues of genuine national security importance to the entire country. Quite naturally, politics takes hold. The result is not always good for the country.

Regarding national security, this means that the lowest common denominator all too likely will determine future direction. It also means that, as long as there is no looming threat or crisis to force consensus, this deficit in purpose may never be remedied. Aside from adding to waste, the real danger is that the United States will embark on the wrong path particularly in important issues such as national missile defense (NMD) and relations with China and Russia. If mistakes occur, there are no obvious self-righting forces to compensate. Trust and confidence in U.S. policy and competence become victims. U.S. credibility and legitimacy are undermined. This, of course, happened

during the Vietnam War. However, the presence of a rival superpower then still provided a powerful and credible basis for national security.

A further characteristic of this deficit and the state of the political process is the increasingly negative reaction to public service. As noted in the people deficit, there are clear disincentives, beyond financial compensation, that are demeaning and discouraging. Part of the deficit in national purpose is this building negative ethos toward national public service. After all, young people flock to sometimes dangerous positions with nongovernmental organizations and work in nasty places abroad or at home in inner cities. Furthermore, there appears to be no shortage of people applying to work in emergency services. Yet these same people would balk at the idea of working directly for the U.S. government.

The second national security deficit is in organization and structure. Put simply, the security structure of the United States is still very much organized as it has been for more than the past half-century. But the world has changed rather dramatically since the end of World War II. The demise of the Soviet threat is the most obvious of these changes. The instantaneous nature of global communications and commerce, powered by the information revolution, is another difference. Further, the transformation of the meaning of security to include and reflect more economic, law enforcement, social, and humanitarian issues continues to alter the strategic, geopolitical, and sociocultural landscapes.

The structure and organization for U.S. national security rest on the original National Security Act of 1947 and a view of the world conditioned both by the hot war against Japan and Germany and the cold war that was starting against the Soviet Union. The original act, amended since but still largely intact, established a national security council system headed by the president. The Department of Defense and a new Central Intelligence Agency (CIA) were created and, along with the State Department and a structure for economic mobilization and production, these were the foundations for the security organization. The principal purpose was to deter and contain the Soviet Union. Clearly, as the nature of the Soviet Union and the world changed, modifications, usually on the margin, were made to organization and structure.

But the world of today and tomorrow are fundamentally different than the Cold War world. No one expects or believes that national security can be handled as if each problem was neatly organized vertically and could be assigned to an individual department. The issues are crosscutting and horizontal and reach across many jurisdictions and departments with both national and international responsibilities. But the old divisions of authority and responsibility used in the 1947 National Security Act no longer fit the broader and more ambiguous security boundaries. Revised divisions of labor are needed to redress the mismatch between the present vertical organization and the crosscutting, horizontal nature of the challenges that reflect the changed security environment.

For example, as requirements for countering terrorism, drugs, and weapons of mass destruction (WMD) have replaced the need to counter equivalent threats once posed by the old Soviet Union, the overlap increases between federal law enforcement agencies such as the Federal Bureau of Investigation (FBI) and the Drug Enforcement Agency (DEA), and intelligence agencies such as CIA and National Security Agency (NSA). Indeed, there is also growing overlap among federal, state, and local law enforcement responsibilities.

Similarly, as military forces are used increasingly for nonwarfighting tasks—principally humanitarian and peacekeeping interventions as well as antidrug surveillance—the traditional bases and rationale for each, defined under the old organizational scheme embodied by the National Security Act, become less relevant. Indeed, a symptom of this trend toward overlapping responsibilities is surprisingly apparent in the design of local police forces. With well-equipped SWAT teams that use armored vehicles and advanced weapons to counter better-armed criminals and even terrorists, police increasingly resemble military formations.

To what extent are peacekeeping-related military tasks going to replace the warfighting missions on which the National Security Act was based? Ultimately, without a foreseeable threat of major war, this question must be answered to determine how U.S. forces are trained, operated, and used.

The other branch of government charged with national security responsibilities, the U.S. Congress, also suffers from organizational and

structural deficits. In part, this organizational deficit has been inherent in Congress since the Constitution was adopted more than 200 years ago. Congress is a legislative and not an executive branch, but that does not mean that there should be no attempt to introduce change that can limit or mitigate the excesses of partisanship and divided government. Nor should organizational change that serves to integrate the two branches and respond to the profoundly changing international security environment be dismissed or not addressed. It is interesting to observe that Congress still produces thirteen separate appropriations bills as it has done for decades, regardless of whether those are the right categories for spending the nation's money.

The third and probably most severe national security deficit is one of people and personnel. It is simply becoming more difficult to attract and retain sufficient numbers of able people into government service in general and the security fields in particular. This applies to all levels other than perhaps the very top cabinet and appointed positions. There are many reasons for this deficit. A strong economy and the lure of great success in the private sector are obvious incentives for able and ambitious people. But, in addition to the compensation issues, government service is being demeaned by a number of negative trends.

First, government service requires people to conform to government rules that are becoming increasingly invasive and confining. Disclosure of assets, a clearance process that often seems endless, and a confirmation process for Senate approval that strips away privacy are among some of the more demeaning features. The criminalization of political differences or genuine errors is another factor that discourages service. Further, postemployment limitations, particularly after service in the executive branch, are not designed to attract the best people.

Second, while the size of government and number of government employees is decreasing, the number of political appointees in the executive branch has swelled. President John Kennedy made about 400 senior political appointments in 1961, from cabinet head to assistant secretary. The next president will appoint about 4,000. In many cases, the qualifications for appointment rest on a spoils system to reward political contributions and labor or to ensure political

loyalty to the particular administration from within the bureaucracies. The result is that nonpolitical people are discouraged from serving.

Third, compensation is not keeping pace with the private sector, and much of the work is becoming more demeaning, more tedious, and less rewarding. Under those circumstances, what is the attraction of public service?

There is much in the way of anecdotal and other analysis to support the growing people deficit. The State Department is finding it exceedingly difficult to fill entry classes of Foreign Service Officers. Not only is the career seen as less attractive, but the department is also literally broke and desperately in need of money. Staffing at reduced levels increases workloads. Because of a scarcity in funds, embassies abroad are generally not well-maintained with modern telecommunications and other systems, and aspiring Foreign Service Officers know it. In other agencies, a generation of senior executive and civil service officers across government will reach retirement age or will take early retirement. Because the numbers of retirees will be so large, there are insufficient replacements in the pipeline. Thus, a huge gap in senior civil service levels and experience will be created.

Within the Department of Defense and the four military services, there are growing signs of people drain. With a uniformed military of 1.4 million, this quiet crisis has not received the attention that it merits. But, on balance, many service personnel are simply not happy with or rewarded by the value of service, especially when, in their view, they are required to spend so much time away from home on missions that are not seen as important to the defense of the nation. Retaining the most qualified officers, especially pilots and submariners, is growing increasingly more difficult.

A last example of this people deficit extends to Congress. The number of members and staffers with a national security background, regardless of sector, is shrinking. Fewer members have any real interest in the area and fewer have had any military service. Thus, for concerned citizens or members of the executive branch, where does one go to have even a discussion of genuine national security issues? The points of contact and interest for this type of discourse and exchange are diminishing.

One current issue in particular underscores the dilemmas and deficits facing the nation's security and the likely inability of the process to deal with them. It is national missile defense. Both presidential candidates agreed that some form of NMD is needed, but their differences appeared to lie in the system's "robustness"—that is, the size of the program and how many interceptors are needed—rather than on basic strategy and purpose.

Reasons for the popularity of NMD are more political than strategic and had their public genesis in the Republican Contract for America issued by then-Speaker of the House Newt Gingrich. The Contract for America in 1994 called for missile defense, and a growing fear within the United States has since been kindled that a former rogue state, now termed a "state of concern," could acquire an intercontinental ballistic missile and nuclear weapons and use them to threaten or to attack the United States. A 1998 congressionally mandated study concluded that it was technically feasible for a state such as Iran, Iraq, or North Korea to obtain this capability by 2003. The commission did not predict or conclude that such an event would occur, only that it was possible.

As a result, conservative Republicans in Congress have made the requirement for NMD both into a law signed by President Bill Clinton in 1999 and a political litmus test for loyalty. The Clinton administration, in part to deal with the law and the potential missile threat, and in part to preempt and to mollify members of Congress, embarked on a plan for developing a limited missile defense system based in the United States. Originally, plans called for a decision to deploy NMD to be made this autumn. That decision was sensibly deferred for the new president. Contributing factors included the very strong opposition to the system on the part of Russia, China, and European allies in NATO; the consequences for the Anti-Ballistic Missile (ABM) Treaty; and several failed tests that challenged NMD technology. But the question that has never been fully asked and answered publicly is what purpose does missile defense serve?

If the objective is to prevent a third party from attacking or threatening the United States using ballistic missiles, are there operational alternatives to a land-based system—such as a sea-based form of boost intercept to attack the missiles as they are first launched—or strategic options to use friends and other states to prevent unstable

or untrustworthy states from obtaining this capacity? Indeed, what happens if the prospect of this type of threat from North Korea, the state of principal NMD concern, evaporates or diminishes?

As noted, the Russians and Chinese, along with some European members of NATO, are extremely concerned about the strategic consequences of an NMD deployment in the United States. Indeed, the Clinton administration did not fully consult with its allies in Europe on this particular deployment decision, even though the United Kingdom and Denmark must agree to base detection radars without which NMD cannot work. Both Russia and China are almost certain to respond to U.S. deployment decisions by bolstering nuclear capability, China perhaps more dramatically than Russia given that its current force of only 20 or 30 intercontinental ballistic missiles (ICBMs) is relatively small.

But, in this process of decision, little public attention has been given to engaging the Russians and Chinese in achieving the ostensible strategic and political purposes of NMD through restraining former rogues from fielding the capability that the United States seems to fear so much. As a result, a U.S. misstep and wrong decision in deploying NMD has the very likely prospect of dislocating and upsetting much of the strategic balance and achieving little in its current form in defending the nation.

WHAT THEN?

These three deficits must be addressed and closed if the next president wants to enhance the nation's security with a likelihood of longer-term success. There are no easy or immediate solutions. Fortunately, there are no wolves close to the door—yet. However, that good news should not be allowed to obstruct or defer change or to ignore the warnings that have arisen.

One aim of remedial action must be to rebuild trust and confidence in the process by closing the deficits in purpose, structure, and people. Of the three, the first deficit will be the most difficult. Overcoming the inherently partisan and centrifugal tendencies of the U.S. system of government may not be possible without an overarching threat or consensus-forcing crisis to mitigate the basic sources of divergence. Logic and reason, without the motivation of fear and dan-

ger, may not suffice. However, the other two deficits are more prone to solution and correction, and the inherent difficulties cannot be allowed to discourage action.

To create sufficient public attention and action, the president should propose several new laws to deal with these deficits. Although each of the proposed pieces of legislation is aimed at a principal deficit, clearly, each law will have some effect on the other deficits. Indeed, correcting the purpose deficit may well require that the other two are closed first. Legislation is also the only way to impose the necessary change for dealing with the national security realities of the new century.

To correct the organizational and structural deficit, a new or amended National Security Act should be proposed. The basis for this act is would be to deal with the security environment of the 21st century, rather than that of the long-gone Cold War. The major conceptual design would be to recognize that the nature of security has been transformed and broadened. Defense can no longer be the surrogate for security. The agencies and departments must be organized and empowered in accordance with this newer definition of security.

A key part of this legislation should deal with the branch that was untouched by the original act, the Congress. A congressional national security council system to parallel that of the executive branch would be established. The membership of the "CNSC" would be determined by Congress and probably include, at the least, the majority and minority leaders of both Houses, the Speaker of the House, the Vice President of the United States in his capacity as President of the Senate, and key committee chairmen.

The primary purpose of the CNSC would be to provide a better organizational scheme and discipline within Congress regarding the topic of national security. A second purpose would be to integrate better the two branches of government and provide a better means for interaction. A further purpose would be to mitigate or reduce some of the partisan excesses that have too frequently arisen, by having a better structure for conducting business between the two branches.

A second part of the act would rebalance the organization of the executive branch and the assignment of responsibility and authority among its agencies, in keeping with the expanded needs of security.

The key conceptual aim would be to recognize the new nature and definition of security and the increasing importance of law enforcement and humanitarian and economic issues. This could lead to substantial reallocation of authority and responsibility.

A second proposed law could be called the Public Service Act; its purpose would be to close the people deficit. First, it would establish a special commission to qualify and certify citizens for public appointed office. Individuals could apply directly or be nominated for possible appointments. The commission would preapprove or recommend these individuals for a range of appointed offices across government and in terms of seniority as well. In a sense, this would proceed as the Civil Service Commission and other selection boards.

When an administration had to fill an appointment, potential nominees could come from a list of qualified individuals submitted to the White House by this commission. The list could be updated as appropriate. The administration would be free to follow the recommendation or appoint its own nominee. One advantage would be to reduce political patronage while allowing the president the freedom to appoint whomever he or she wanted. Another would be to remove the tedious clearance process from the list of White House responsibilities. Thus, if an appointee were found to be wanting due to a faulty background check, the political fallout would be far less. The commission and not the White House would be responsible.

Part of this law, or other legislation, would be a consolidation and reduction of the rules and regulations regarding government service. The more onerous and unnecessary ones would be removed, particularly regarding clearances, privacy, and even postgovernment employment restrictions. A separate commission would best do this perhaps with oversight from a board of nonpartisan "elder statesmen" and citizens both with and without government experience but with reputations for integrity and candor.

A further and more provocative part of the proposed law would be to establish government-supported national security academies. These would be similar to the current service academies, providing both a university education and training for those who would then serve in government for a specified period of four or five years. Indeed, the current service academies might be expanded in size so that a certain

number of graduates, still granted a reserve commission, could serve in other, related national security areas of government. The concept here is that to make the broader area of national security more conducive for service, basic incentives are needed. Additionally, means for lateral entry of older citizens must be devised and put in place.

Closing the organizational and structural gaps will go a long way to reducing the purpose deficit. However, it is foolish to believe that purpose and comity can be legislated. At best, the atmosphere can be made more conducive and healthier for the other reforms to take hold.

FUTURE PROSPECTS

That the United States will remain the world's most powerful country is likely to be true for some time. That the United States will act wisely and judiciously to ensure its future security and interests is more questionable. Fortunately, the absence of real danger is one of the strongest security advantages a nation can possess. How long this condition will last and what unintended damage flawed or misdirected policy actions can produce in the meantime are unknowable.

During this period of U.S. dominance and relative security calm, the nation must recognize its weaknesses and embark on remedial steps before those options are foreclosed. This is not the best action slogan or the most stirring political rallying cry. Yet, it is an accurate assessment of what must be done.

The security of the nation is unlikely to rest on how ready the nation's military forces are or what type of weapons systems are bought and developed—although, as mentioned before, a wrong decision on missile defense could be catastrophic. Instead, focus should be placed on correcting these three systemic deficits. No organization or entity can be expected to succeed if its purpose is in doubt. No entity can do well if it is poorly organized or dysfunctional. And, above all, any entity is dependent upon its most crucial resource—its people. The United States has within its reach the ability to deal with these deficits. Whether it will is another matter.

THE INFRASTRUCTURE OF AMERICAN DIPLOMACY

*by William C. Harrop, former U.S. Ambassador and
former Inspector General, Department of State*

The next president of the United States, the first to take office in the 21st century, will be more dependent upon diplomacy than his predecessors. In the global era, the world's major power and largest trading nation has no choice but to be engaged. The question is not whether but how the United States will interact with the rest of the world. The international agenda has been transformed since the dissolution of the Soviet Union, and most new issues require collective rather than unilateral action. These changes have magnified the importance of communication and persuasion among governments and peoples.

Perversely, however, the United States since 1992 has systematically *reduced* its appropriations for the conduct of foreign relations. American diplomatic readiness has been eroded, and continuing budget reductions projected by both Congress and the administration will further hollow out U.S. capabilities. The new president should place high priority upon reversing this dangerous slide. In the absence of a conspicuous external threat such as existed during the Cold War, only the president's sustained leadership can marshal the needed public and congressional support.

Fundamental reforms are required to equip the U.S. diplomatic system for the challenges of the 21st century. These reforms have recently been specified and analyzed in three perceptive (and compat-

ible) studies prepared by distinguished American U.S. leaders.¹ The failure of a resistant administration and bureaucracy to implement these important recommendations, and to place appropriate emphasis upon diplomacy, has understandably contributed to the reluctance of Congress to provide more resources. Congress seldom appropriates more than the executive requests.

THE COMPONENTS OF NATIONAL SECURITY

Our national security, reliant upon the dynamism of the American U.S. economy, is buttressed by three elements of the federal government: intelligence, diplomacy, and the armed forces. Their interlocking functions make up a system analogous to the meshing of the land, air and sea components of the armed forces. Diplomacy is prevention, the first line of defense. If the United States can exploit opportunities and resolve international differences through discussion and negotiation, it does not need to risk the lives of American servicemen and women. If diplomacy is weak, or ineffectual, troops may have to be deployed prematurely.

Yet, the international affairs budget that pays for diplomatic efforts, also known as the 150 Account, is addressed viewed by Congress as a domestic appropriation, part of "discretionary spending." Appropriations for the departments of State, Justice, and Commerce are debated in a single bill, such that diplomacy must compete directly for resources with the domestic political constituencies of small business, the census, the judiciary, law enforcement, the war on drugs, and so forth. Diplomacy lacks a domestic constituency. By contrast, appropriations to support defense and intelligence, the 050 Account, are addressed quite properly by Congress as national security: they are protected from diversion behind a national security "firewall."

¹ Frank Carlucci et al., *Equipped for the Future* (Washington, D.C.: Henry L. Stimson Center, October 1998); Overseas Presence Advisory Panel, Lewis B. Kaden, chairman, *America's Overseas Presence in the Twenty-First Century* (Washington, D.C.: U.S. Department of State, November, 1999); Richard Burt and Olin Robison et al., *Reinventing Diplomacy in the Information Age* (Washington, D.C.: Center for Strategic and International Studies, October, 1998).

Small wonder, in the absence of the sort of life-and-death threat posed by the Soviet Union, and in the absence of vigorous presidential leadership, that appropriations for the conduct of diplomacy have plummeted since 1992. In the 1960s, the international affairs account made up about 4 percent of the federal budget. By the early 1990s, it was down to 1.5 percent. Now, the congressional budget resolution agreed upon in mid-April 2000 fixed the allocation for fiscal year 2001 at \$19.8 billion, just 1 percent of the proposed federal budget and \$3.5 billion less than total appropriations for this function for fiscal year 2000. Since the end of the Cold War, the administration, as again this year, has consistently requested too little for the 150 Account, and Congress has consistently further reduced these already inadequate requests. The budget for foreign affairs, in constant dollars, is today 41 percent below its level in the mid-1980s.

AMERICA'S NEW INTERNATIONAL AGENDA

At the same time as U.S. funding for diplomatic efforts has been decreasing, the world has grown increasingly interdependent. Diplomacy is as involved with economic and social issues, notably export promotion and business support, as it is with national security. Financial markets are intertwined. The United States is the world's largest trading nation. Exports account for a third of U.S. economic growth and have provided a million new jobs in recent years. Overseas markets are pivotal for U.S. agriculture.

So the timing is bad for a decline in America's diplomatic readiness. U.S. foreign policy now seems more complicated, less manageable, than it was during the Cold War. Then, the Soviet threat was a yardstick against which to measure each issue. Whether the challenge arose in the Congo, Cuba, Central America, Afghanistan, Vietnam, the Middle East or Angola, the United States knew what it had to do. Advanced American technology and American military and economic power were relevant to the task. The United States sought, but was rarely dependent upon, the assistance of allies.

How has the international agenda of the United States changed? A new list of issues and problems has replaced the nuclear stand-off of the Cold War. These include the proliferation of weapons of mass destruction, and their delivery systems; the enforcement of trading rules, including intellectual property rights, dumping, and non-tariff

barriers; terrorism; international crime, especially drug trafficking; regional conflicts, often ethnic or religious, causing refugee displacements and, frequently, enormous bloodshed and human suffering; the world environment, including population growth, global warming, pollution, and the exhaustion of natural resources; the maintenance of international financial and economic stability; democracy and human rights, including the status of women and minorities; and, finally, the regulation of hundreds of international activities in the age of globalization, including telecommunications frequencies, air traffic control, food and drug standards, health, immigration, and taxation, to name a few.

Such issues seem rather more complex than the decision to deploy U.S. economic and military strength to block Soviet expansion. The new problems cannot be solved by one nation, even by the only global power. They demand communication, building coalitions of concerned governments and organizations, and working together with others to address issues that ignore national borders. In short, they demand diplomacy. Other nations tend to hang back, expecting leadership from the superpower .

THE HOLLOWING OUT OF U.S. DIPLOMATIC READINESS

How has the denial of resources affected America's ability to defend its national security and to promote its expanded international agenda?

A global power should support its interests through representation in essentially all world capitals (although embassies in small countries need comprise only a few people). There is no telling when a vote in the United Nations may prove critical, where key minerals may unexpectedly be discovered, where terrorists may find a haven, when access to a particular airfield may become essential, when an American tourist or company may desperately need help. The cost of such representation is minimal. Yet, at the millennium, there has been retraction in official U.S. presence abroad. Since 1992, the United States has closed nearly 40 of its overseas embassies and consulates.

U.S. embassies and the State Department, although information is the bread-and-butter of their work, operate with outdated, needlessly complex, and dysfunctional information management and

communications systems. In fact, there are currently four separate information technology systems in use, none of which provides full service or an internet connection to the World Wide Web. In fairness, it must be said that this lamentable state of affairs is attributable to poor management as well as inadequate resources.

The State Department has revealed that in the year 2000 there are 200 fewer mid-level Foreign Service officers than there are positions around the world to be manned. In the mid-1990s, the dearth of appropriations led the department to suspend its Foreign Service entry examination and to reduce drastically both the intake of junior career officers and the promotion of those already in the service. Unlike the Department of Defense, the State Department, when requesting appropriations, makes inadequate work force provision for the personnel requirements of travel, leave, and training. Thus, the actual deficit in the Foreign Service is closer to 700 officers, or about 15 percent of requirements.

A result of this situation, beyond persistent staffing shortfalls and tasks only partially accomplished, has been a contraction in professional training, including language study; it has been difficult to spare overworked diplomats for training. The inadequacy of funds has also obliged the Department of State to limit U.S. representation at international meetings and conferences.

The physical state of many American embassies, and the working conditions for overseas staff, are shameful. In late 1999, the Overseas Presence Advisory Panel found that "the overseas facilities of the wealthiest nation in history are often overcrowded, deteriorating, even shabby." With regard to the inadequacy of funding for security at overseas posts, the panel noted that "thousands of Americans representing our nation abroad still face an unacceptable level of risk from terrorist attacks and other threats." Morale has inevitably suffered under these circumstances.

MODERNIZATION AND REFORM

Reforms are essential to adapt a diplomatic system effective during the Cold War to the very different new environment. Some of these needed changes are closely related to the current lack of resources—almost creating a vicious circle—while others could be implemented

by the State Department (or, if several agencies are involved, by the president) without need for additional resources. While implementation of three major recommendations—revamping information technology, managing overseas buildings, and enhancing security—require new spending authority, others should realize economies.

Attitudinal change will be necessary. Reform must always overcome bureaucratic resistance, and this requires determined leadership. The Foreign Service has a powerful, inner-directed culture; this is an institutional strength—except that such a culture resists change.

The three studies cited earlier reach very similar conclusions about the changes urgently needed to equip American diplomacy for the circumstances of the 21st century.

The Stimson Center Report, under a senior steering committee chaired by Frank Carlucci, was launched in an effort to replicate for diplomacy the experience in the 1980s of the Laird–Goodpaster–Odeen Commission, which contributed importantly to passage of the landmark Goldwater–Nichols Act to reform the Department of Defense.

The CSIS Report, under an advisory panel of 63 distinguished Americans, was designed to review the conduct of diplomacy with a focus on the information revolution, the widening participation of publics in international relations, and the concurrent revolutions in global business and finance.

The Overseas Presence Advisory Panel (OPAP), composed of 25 leaders from business, politics, government, labor, and defense, was appointed by Secretary of State Madeleine Albright following the report of Admiral William Crowe's Accountability Review Boards on the bombing of U.S. embassies in East Africa in August 1998. Its broad mandate was to consider the future of America's overseas presence.

While the State Department has begun to implement some of the OPAP report, the administration failed to request and to justify to Congress a level of funding adequate to pursue the most basic major recommendations. The department apparently does not intend to pursue a number of the urgently recommended reforms. It is critical

that the next administration vigorously carry out the modernization of its diplomatic infrastructure. The studies named above provide a clear blueprint for action, which can be distilled under ten headings:

1. Security of U.S. Embassies and Consulates

Budget approximately \$1.4 billion for security annually for ten years, in appropriations additional to and separate from appropriations for normal operating expenses, to upgrade barriers, windows, and warning systems in overseas properties; to construct new overseas office buildings to agreed criteria where necessary; to procure modern equipment, employ more and better trained security specialists, enlarge cooperation with host governments, and expand training in security awareness and procedures for all overseas staff; and to reinforce lines of authority and accountability.

2. Information Technology

Consolidate the State Department's four systems into two, classified and unclassified, that can provide both access to the internet and the ability to communicate internally; build a system linking together all government agencies that have overseas interests; upgrade the department's current information technology capability using commercial off-the-shelf technology wherever possible; establish a working capital fund of approximately \$400 million to finance the costs of acquiring outside consultants, equipment, and additional bandwidth, retraining information technology staff, hiring and retaining additional technicians, and modernizing the systems in the future as new technologies become available; establish a working-capital fund, which could be replenished as necessary by contributions of agencies utilizing the systems, outside the functional 150 Account, as the expenditures will benefit a large and growing number of agencies now operating overseas in addition to the traditional foreign affairs agencies.

3. 'Right Sizing' of Embassies

Better adapt the staffing of U.S. embassies to actual U.S. interests country by country through a comprehensive review, under specific

presidential authority, of the overseas presence of all agencies; while it is assumed that such a review will lead to substantial reduction in staffing, particularly at smaller posts that should need only two or three persons, maintain U.S. representation in nearly all world capitals; increase flexibility and adaptability of representation through development of "magnet embassies" with functional specialization, a surge capacity to reinforce small embassies in times of crisis, and revival and expansion of a foreign service reserve system to be tapped as needed.

4. Managing Overseas Buildings

Create a federally chartered government corporation, an Overseas Facilities Authority (OFA), responsible for building, renovating, maintaining, and managing the federal government's overseas civilian office and residential facilities, replacing the State Department's Foreign Buildings Office and with more authority, more flexibility and increased participation by other U.S. government agencies with significant overseas presence.

5. Relations with Congress

Establish a State Department Congressional Liaison Office on Capitol Hill patterned after the successful Capitol Hill offices long maintained by the armed services; provide incentives for middle and senior grade personnel to serve in the department's legislative bureau.

6. Public Diplomacy

Seek repeal of those portions of the Smith-Mundt Act of 1948 which prohibit the domestic dissemination of programs designed for foreign publics, and of the Zorinsky amendment, which prohibits the use of appropriated funds to influence public opinion in the United States; expand State Department and embassy relations, consulting and contracting with nongovernmental organizations and the academic community; encourage ambassadors to engage in active dialogue with the media and public.

7. State Department Workforce Planning

Undertake a comprehensive workforce review to identify the diplomatic and technical skills required in the 21st century, then recruit and train accordingly; provide for and seek funding for expanded training in languages, regional and functional expertise, management and leadership competence; match skills to needs; improve the quality of life for overseas employees and families.

8. Commercial Diplomacy

Establish a tripartite State Department–Congressional–Business Community Forum to discuss issues affecting business and government in specific foreign nations and markets, and to develop procedures and policies for more effective advocacy of U.S. business interests; distinguish between the very different needs of big business and those of small and medium-sized companies; revive the business exchange program under which foreign service officers work for a tour in a private firm; institute user fees for services to business.

9. Decentralization—and Its Implications

Delegate the implementation of policies determined in Washington and the management of country strategies to ambassadors in the field; look to ambassadors to coordinate the programs of the various agency representatives under their authority, and to set priorities among American purposes, which in the local context are often complex and not always consistent; require ambassadors to act as the president's representative and chairperson of an interagency team, not just as officials of the State Department; given the responsibilities placed upon them, select ambassadors carefully for judgement, experience, and leadership capability, and see that they receive thorough training.

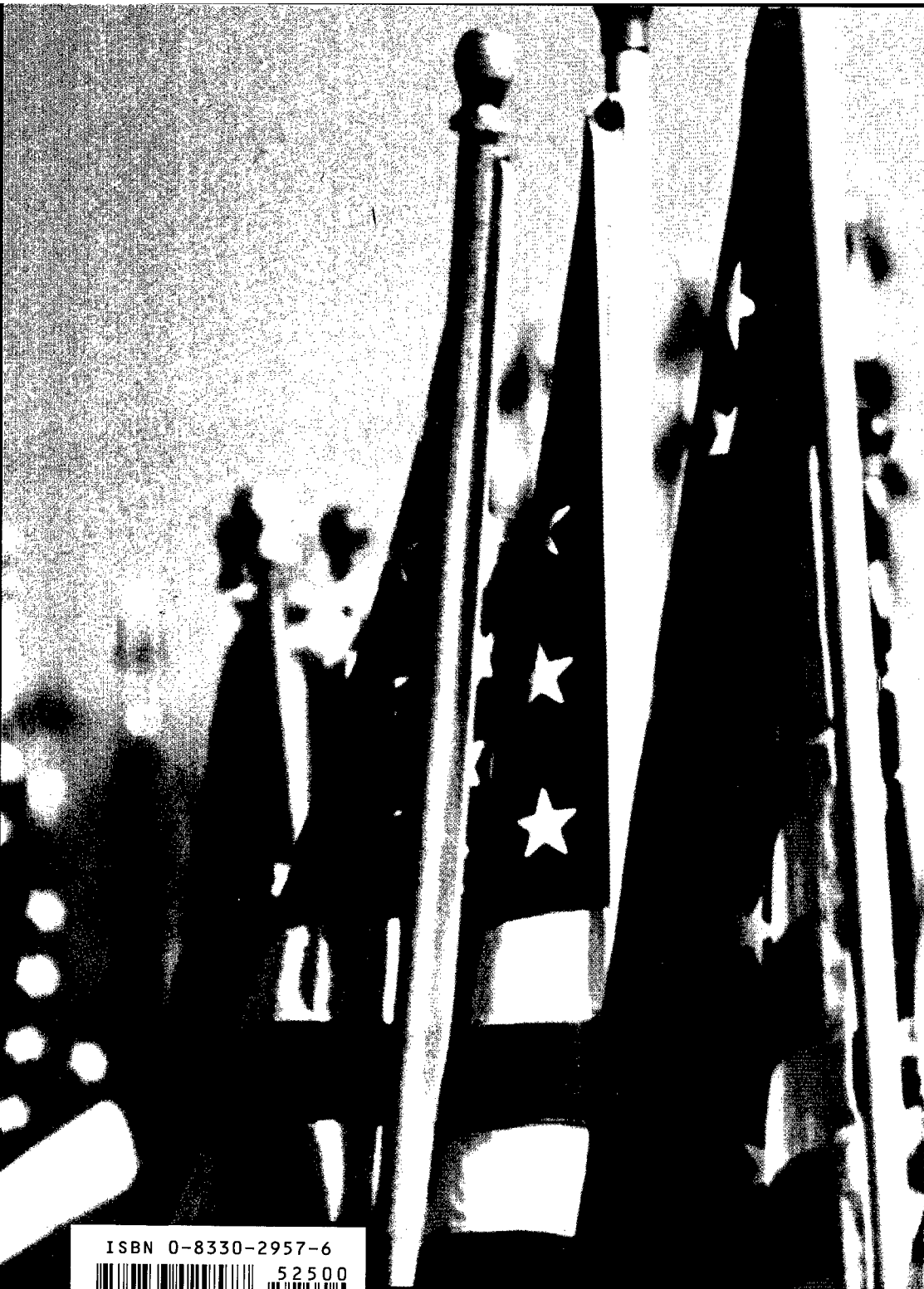
10. Interagency Coordination

Utilize to the greatest advantage the National Security Council system, which, despite human frailties, has stood the test of 53 years; make greater use of interagency coordination mechanisms for international trade, monetary, environmental, and law enforcement

questions; look to ambassadors for coordination in the field; strengthen the link between the departments of Defense and State, especially between ambassadors and their staffs and regional military commanders in chief and their staffs, including periodic regional crisis simulations, and in expanded exchanges of personnel between the departments

CONCLUSION

All three of these reports, while proposing remedies for managerial and institutional flaws they found in the diplomatic system, urged early restoration of adequate resources for the conduct of U.S. international relations. The next president must exert personal energy and leadership to obtain both the necessary reforms and the essential appropriations.



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