

# STRATEGIC ASSESSMENT

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**Priorities for a Turbulent World**



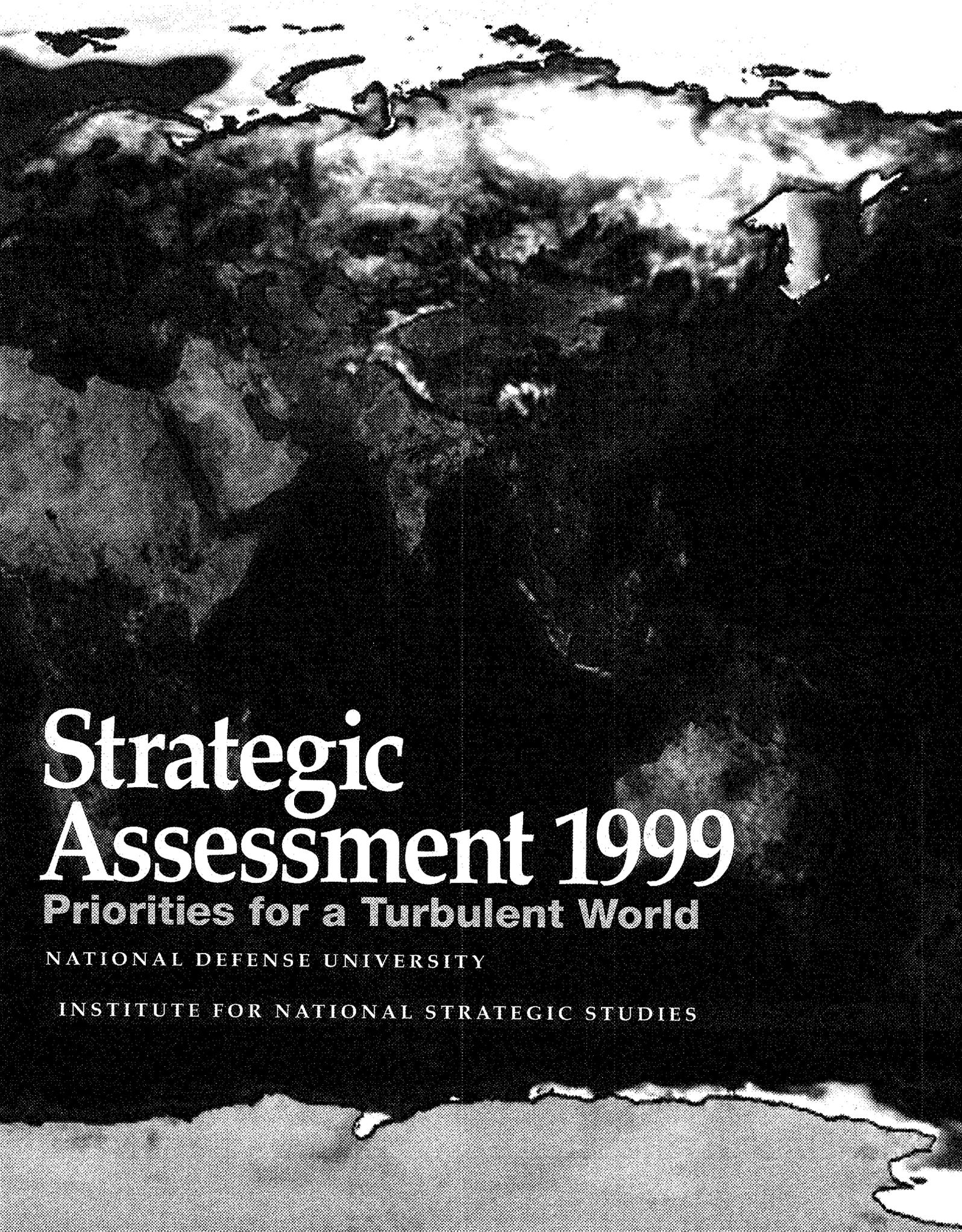
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# Strategic Assessment 1999

**Priorities for a Turbulent World**

NATIONAL DEFENSE UNIVERSITY

INSTITUTE FOR NATIONAL STRATEGIC STUDIES

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# Preface

By LIEUTENANT GENERAL RICHARD A. CHILCOAT, U.S. ARMY  
President, National Defense University

**T**he past year has seen many thresholds crossed and turning points reached in the international security environment. With events like the NATO intervention in Kosovo, tension between India and Pakistan, more failing states, and rising access to dangerous weapons and delivery systems, the job for Department of Defense planners has not become easier. The National Defense University contributes to an ongoing dialogue with the Department of Defense through *Strategic Assessment*, an annual publication that applies the expertise of this institution through the leadership of its interdisciplinary research arm, the Institute for National Strategic Studies, with the assistance of specialists from elsewhere in government and academe. Offering such analyses, in both general and particular areas of interest to the national security community, is an important aspect of the NDU mission. This volume examines trends, U.S. interests, and consequences for U.S. policy, followed by a net assessment for each key area.

The international security situation is clearly changed from 1 year ago. The nebulous multipolar environment has been stressed by forces of polarization in recent months. Yet, transition states still cooperate with the Western democratic core states on important issues. As the world continues the process of transformation, we need to properly assess our priorities.

*Strategic Assessment 1999: Priorities for a Turbulent World* should prove useful beyond the defense establishment, to all readers with an interest in national security affairs. We emphasize that this report is not a statement of official policy, nor does it represent the views of the Department of Defense or the Joint Chiefs of Staff. Rather than to state policy, the role of National Defense University is to stimulate discussion and research among both policymakers and analysts.

*Strategic Assessment 1999* is neither a statement nor a critique of U.S. Government policy. The opinions, conclusions, and recommendations, either expressed or implied, are solely those of the contributors. They do not necessarily reflect the views of the National Defense University, the Department of Defense, or any other agency of the U.S. Government.

Research and writing for *Strategic Assessment 1999* was completed in spring 1999 and revised to include developments through the end of June 1999.

IN MEMORIAM

**Paul Kreisberg**

1929–1999

Paul Kreisberg was a valued friend of the Institute for National Strategic Studies and the author of the South Asian chapter of this year's *Strategic Assessment*. He had a distinguished career as a Foreign Service Officer and scholar. We will remember him not only for his many intellectual contributions, but also for his inquiring mind and his keen wit. We will miss him greatly.

# Foreword

By HANS BINNENDIJK and RICHARD KUGLER

**W**here is the world headed, and what are the consequences for U.S. national security policy? This critical question is the subject of *Strategic Assessment 1999*. Four years ago, *Strategic Assessment 1995* was optimistic about the future. At the time, the world seemed headed toward peace, marred by modest troubles on the fringe of an enlarging democratic community. Since then, global trends have changed in worrisome ways.

During the past year, violence in the Balkans engaged U.S. forces in combat operations, U.S. relations with China declined significantly, Russia continued its drift away from integration with the West, Asia's economic problems caused political unrest and spread to two other continents, India and Pakistan detonated nuclear devices, rogue states tested new delivery systems for weapons of mass destruction, and tribal conflicts continued unabated in Africa.

The four sections and twenty chapters of *Strategic Assessment 1999* offer an updated examination of global trends and their consequences for U.S. interests and policies. They do not lay down a fixed blueprint or advocate particular policy responses but instead seek to analyze the critical issues in what we hope are insightful and balanced ways. Their aim is to make readers better informed, so they can make their own independent judgment.

*Strategic Assessment 1999* articulates the central theme that, because the world is becoming murkier and more dangerous, the United States will need to continue with an energetic policy of engagement. This theme has two components. The first is that recent negative events should be kept in perspective. While the future may be more tumultuous than had been expected, the world is not irretrievably headed toward a global free-fall of chaos and conflict. Instead, the future is seen as "up for grabs"—capable of evolving toward good, or ill, or most likely, in between. It will be shaped by the interplay of integrative and disintegrative dynamics. Above all, it can be influenced by the United States and its allies.

The second component is that, owing to rapid changes ahead, the United States probably faces a growing challenge to its national security. That challenge will require the nation to retain a high level of defense preparedness, and to continually review its strategic priorities. U.S. security functions—shaping, responding, and preparing—may need to be conducted differently than today. They may lead to policy departures in key regions and new tasks confronting the United States and its allies.

This volume was edited with intellectual guidance and management from Kori Schake and Charles Shotwell. Its chapters were written by members of the Institute for National Strategic Studies and outside experts. The editors and authors express their appreciation for the many military officers, civilian officials, and other analysts who provided thoughtful comments.

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# Key Findings

**A** few years ago, the strategic challenge facing the United States seemed to be handling isolated regional tensions while guiding the world as it progressed toward stability and greater integration. Since then, key trends indicate the world is becoming murkier and more dangerous. As a result, *Strategic Assessment 1999* is less optimistic than earlier volumes.

In examining the impact of emerging trends on U.S. interests and policies, however, *Strategic Assessment 1999* does not judge that global affairs are irretrievably headed downward. Today's negative trends are highly visible, but, in less noticeable ways, positive trends are having an impact of their own. Owing to this interaction, the future is "up for grabs." It is capable of moving in several different directions—for good or ill—depending upon how events play out.

In major ways, the future can be influenced by how the United States and its key allies act. For them, the new strategic challenge is to prepare for a rapidly changing world with numerous dangers, while encouraging progress and establishing powerful barriers to prevent any steep descent into global turmoil. Provided they craft sound policies and implement them effectively, they will enhance their prospects for success. Doing so, however, will itself be a difficult challenge.

This section summarizes major judgments; details are provided in the accompanying 20 chapters.

## Key Trends

The past year has witnessed multiple negative events, including the Asian economic crisis, increased assertiveness by Iraq and North Korea, tension with China, failed reforms in Russia, nuclear and missile tests in South Asia, mounting fear of proliferation elsewhere, and war in the Balkans. U.S. forces have conducted combat operations in both the Persian Gulf and the

Balkans. *Strategic Assessment 1999* reports on these and other recent events. But it also presents a deeper probing analysis of underlying political, economic, and military trends that powerfully influence international affairs.

A comprehensive review of these trends and their uncertainties suggests that a decade or so from now, the future could unfold in one of three different ways, all posing challenges of their own. Assuming the United States and its allies act effectively, the most likely scenario is a future of major changes in which some of today's dangers worsen but others lessen. The overall magnitude of danger and opportunity might be similar to now. Even so, this scenario could compel changes in U.S. policy and strategy in order to address the changing dangers. The second scenario is that of a rapid plunge into global turmoil in which the overall level of instability and danger increases greatly. Although this scenario is not inevitable, its plausibility has increased as a result of recent negative trends, and it now must be guarded against more firmly than in the past. The third scenario is rapid progress toward greater stability and peace. It is now less likely than a few years ago, but in some places, it remains a viable goal. Together, these three scenarios help ease concern that a dark future necessarily lies ahead. But their multiple dimensions make clear that future U.S. strategic tasks will be complicated and demanding.

## Forces Buffeting the International System

International politics today is producing a series of bewildering surprises, good and bad, that often catch the United States and its allies off guard. These events, however, are not random. Rather, they reflect underlying patterns at work. When the Cold War ended, hopes soared that democracy's rapid spread, market economies, and cooperation would sweep away stressful global security issues. The reality is that today, contemporary international politics is occurring

in an amorphous security system that lacks the bipolar structure and ideological clarity of the Cold War. Within the market democracies of Europe and Northeast Asia, a high degree of peaceful integration exists. In the vast regions outside this community, the situation is fragmented, fluid, and often unstable.

*In such turbulent regions as Eurasia, the Greater Middle East, South Asia, and parts of Asia, disintegrative trends work against integrative trends, and the outcome is in doubt.* One risk is that disintegrative trends may intensify and compound each other. Signs of this development are already emerging. A bigger risk is that a global coalition of regional rogues and local troublemakers might emerge, perhaps under Russian or Chinese sponsorship, to challenge the United States. Even short of this, regional conflicts, ethnic tensions, terrorism, proliferation, and clashes over scarce resources will be principal threats to U.S. interests and potential sources of war.

Economic globalization, prosperity, and the information age are powerful integrative mechanisms for overcoming these menacing trends. Contributing to their impact has been the steady expansion of international trade, investment, and finance, accompanied by the growth of international institutions and rules. These developments, coupled with the ongoing spread of democracy in some places, are likely to exert long-term positive effects. Yet, the recent Asian economic flu raises doubts about growing prosperity and integration in the near term. A byproduct of globalization, the Asian crisis began when the flawed policies of several countries triggered speculative currency flows that contracted those economies. When the international community intervened, the initial effect exacerbated the crisis. The shockwaves then began spreading to other regions.

Current events suggest the crisis may now be contained, but the route back to prosperity will be long and difficult, requiring reform in national and international policies. Once steady economic growth returns, the already-strong Western countries may experience the principal gains. Countries with weak market economies and troubled governments may experience fewer gains or lose ground. They could be left frustrated and angry at Western values that they regard as exploitative.

Energy and natural resources also face a mixed forecast. Oil and gas supplies seem adequate to meet the world's growing demands in

the future, but up to two-thirds of these supplies will come from the turbulent regions of the Persian Gulf and the Caspian basin. In the Middle East, struggles over scarce water supplies could exacerbate local political conflicts. Free markets and international cooperation provide the best mechanisms to distribute resources. The risk is that politics once again will intrude in a manner that interferes with distribution and produces conflict.

## Regional Prospects

Historically, Europe has been a source of global conflict. Today, *Europe is uniting on the principles of democracy, market economics, and multinational institutions.* Both NATO and the European Union (EU) are adapting internally while enlarging eastward. While they face tough agendas, their long-term prospects for success are good. A principal issue will be whether the European countries can surmount their internal preoccupations to work with the United States and NATO to project stability outward, in Europe and beyond. The future is in doubt, but progress at the Washington Summit of 1999 is a good sign, provided key initiatives are implemented. Benefiting from Western enlargement, Northcentral Europe is making strides toward democracy, stability, and prosperity. Three new members have joined NATO, and other countries have applied. As shown by the Bosnia and Kosovo crises, however, Southeastern Europe and the Balkans remain unstable, facing a troubled future—capable of greater war. In addition, tensions over Cyprus and concern about Turkey's orientation further trouble Europe's new-found tranquility.

*The future for Russia and its Eurasian neighbors is also troubled.* In Russia, reforms aimed at instituting market democracy have fallen short. Russia has adopted some important features of democracy, but its transformation is far from complete, owing to a host of problems. Its economy is in shambles, organized crime has taken hold, its government is not effective, its society is becoming disillusioned, and regional fragmentation is growing. Whereas Ukraine remains independent but struggling, the countries of the Caucasus and Central Asia suffer from deep tensions, even as they try to keep their distance from Russia. In Russia and elsewhere, the reappearance of communism or a different extreme ideology seems

unlikely, but the entire region could become an unstable geopolitical ghetto, creating anti-Western attitudes and internal dangers of its own.

*Asia's future may be the most uncertain of all, and capable of wide variations.* Today the Korean peninsula remains the region's principal flashpoint, but tensions remain high over Taiwan. Most countries are focused inward, but the region's security structure suffers from a troubled history, enduring rivalries, and a lack of collective security practices. The Asian economic woes have not only damaged many economies, but raised the prospect of further political turmoil in Indonesia, Malaysia, and elsewhere. China faces major internal problems, and Japan continues to encounter trouble in re-igniting its economy, which no longer serves as the region's powerhouse and safety valve. If Asia recovers its economic energy, prospects will improve. In the long term, the emergence of China as a world power and the reactions of Japan and other countries will be key. If China integrates into the Western community, regional stability will be enhanced. If not, China could become a major security problem and eventual military threat in ways that affect the entire region, as well as U.S. relationships with key allies.

*The futures of the Middle East and the Persian Gulf seem menacing.* There, democracy has few footholds, economies are not prospering, and Islamic fundamentalism is gaining ground. The improvement in prospects for Arab-Israeli peace negotiations is one bright spot in this otherwise difficult picture. The United States has friendly relations with Israel, Egypt, Saudi Arabia, and a few other countries, but many countries are suspicious of the Western community. Almost everywhere, local political conflicts are festering, even though most governments currently are coping with their internal problems. Regime changes are either taking place or impending. Shifting diplomacy is underway as many countries return to traditional security strategies, including greater emphasis on Arab and Muslim solidarity and, in the Persian Gulf, more use of dollar diplomacy. Interest is growing in engaging Iran, if it returns to responsible participation in regional affairs.

Such rogues as Iraq and Iran are gaining strength as the U.S. strategy of dual containment becomes harder to carry out. Proliferation of weapons of mass destruction (WMD) is poised to accelerate, as evidenced by nuclear tests in South Asia, removal of UN inspectors from Iraq, and Iran's military programs. The Western community is vulnerable to these events, because it

depends heavily upon Persian Gulf oil and its adversaries there are stronger than its friends. The West is also vulnerable to events in South Asia, not only because of the mounting danger to regional stability, but also because of the ripple effects elsewhere. There, India and Pakistan are not only falling into nuclear competition, but remain in conflict over Kashmir and face internal extremism, which further stresses their external relations. Across this entire huge zone, from the Middle East to South Asia, the prospect of growing trouble poses serious implications for U.S. interests.

*Sub-Saharan Africa is making slow progress toward modernity, but multiple problems are constraining its emergence.* On this huge continent of 54 countries and over 600 million people, democracy has gained a foothold in some countries, but others remain undemocratic. Africa is beset by ineffective governments, unsettled societies, and widespread poverty. In some places, dictatorships have passed from the scene, but local violence has accompanied the opening of governments to multiparty elections. In Rwanda and elsewhere, larger violence has marked ethnic and interstate relations. More fundamentally, existing state boundaries sometimes do not reflect underlying social, economic, and geographic realities. Recent economic growth has been uneven but, over the long term, can be an engine of progress, as can further democratization and multilateral cooperation. Western economic investment, imports, and exports also can help. Africa's future will depend upon how Nigeria, South Africa, and other key countries evolve. But the sheer size and diversity of Africa mean that the future will take several different forms, some good, others dispiriting.

*Latin America's future seems bright, especially compared to a decade ago.* Democracy has made rapid strides, replacing authoritarianism and militarism. Economies have been expanding, hemispheric interdependence is growing, and multilateral cooperation is taking shape. Civil wars and border disputes have been settled to the point where Latin America is now one of the most peaceful regions on the globe, and it is gaining autonomy in world affairs. Yet, serious troubles remain. Economic change has perpetuated long-standing social inequalities and sometimes worsened them. Population growth and urbanization have created growing

strains. Criminal organizations and drug exporters have planted roots. Guerrillas and local violence remain a problem in some places. Ineffective governments, even when democratic, have produced growing public disillusionment and electoral turmoil. An example is Venezuela's recent election to the presidency of Hugo Chavez, a former coup leader and critic of traditionalism. Mexico and Brazil, totaling more than one-half of the region's 460 million people, will continue dominating the landscape. For all countries, the future will be influenced by whether economic progress can elevate annual per capita income, which generally today ranges from \$4,000 to \$9,000. For the United States, Latin America's growth opens trade and investment opportunities, but the inflow of drugs from Colombia and other countries is a continuing problem. In the Caribbean, Castro still rules Cuba, but once he departs, a different future may open up.

## Key Actors

Led by the United States, the community of *market democracies* will remain a powerful actor on the global stage. The great question is whether it will project its values and strengths outward into endangered regions. The spread of democracy is uncertain. Today, over one-half of the world's nearly 200 countries are democratic to some degree. Yet, many are only in the early stages of democracy. Moreover, the democratic process in some cases has been a disintegrative force when civil society is not prepared. Democratic enlargement faces a struggle in the coming years. Regardless of how this process unfolds, the United States will face the equally important challenge of persuading current allies to make greater contributions to new missions, many of which will lie outside their borders.

The key *transition states* are Russia, China, and India. They are pursuing foreign policies anchored in state interests and seek to establish themselves as leading powers on the world scene. Each seeks a revision of the status quo that will increase its influence at the expense of the United States. Only China has the potential to become a global power, but Russia and India will remain regionally influential. U.S. relations with all three countries have suffered during the past year, but all three have incentives to avoid further deterioration.

*A primary cause of future conflicts probably will be rogue states.* Rogues such as Iraq, Iran, North Korea—and recently Serbia—have proven to be surprisingly durable and increasingly assertive. In most cases, the conventional military capabilities of rogue states have declined in the past decade. In response, several now seek to compensate by accelerating their programs for acquiring WMD. If they acquire these weapons in the coming years, plus strengthen their conventional forces, their capacity for troublemaking will increase. In addition, several other countries might join the ranks of assertive rogue states in the next few years. The problems posed by rogues could become even more difficult if the United States and other Western states fail to develop common policies toward them.

*Troubled states* facing major internal instabilities, such as Bosnia and Rwanda, are consuming a disproportionately large amount of U.S. and allied resources. They are distinguished by their failure to sustain such essential conditions as social order, economic stability, and public health. The reason for U.S. and Western involvement with their problems has generally been humanitarian in nature, rather than strategic. The record of this involvement has been mixed, because the troubles of these states often defy easy solution. The problems posed by troubled states will continue and perhaps grow. The question will be whether the United States will be prepared to continue being involved in their internal affairs. When this is the case, efforts to mount an effective response will require the integration of civil and military assets.

Troubled states help breed the conditions that create growing threats by *transnational actors*, such as terrorists, drug traffickers, organized crime, and refugees. Many of these threats affect U.S. interests, and some pose a menace to the U.S. homeland. Terrorists increasingly lack political ideals and are often driven by religious motives and nihilism. Organized crime has grown recently, and drug trafficking has become a hugely profitable business. To a degree, these threats are merging through cooperation and are taking hold in some governments as a principal determinant of state behavior. Owing to the new focus on homeland defense, U.S. forces may be used increasingly in dealing with them.

## Evolving Military Trends

*The ongoing proliferation of WMD already is having a destabilizing impact and may accelerate. Proliferation's effects are contagious.*

When one country acquires WMD systems, it poses a threat to its neighbors, which react with WMD systems and other measures of their own. For example, India's nuclear tests triggered Pakistan to do the same. North Korea's testing of missiles has sent shockwaves across Asia. If Iraq or Iran acquires WMD systems, they will threaten not only each other, but the entire Persian Gulf and Middle East. The looming threat of WMD proliferation, coupled with its aftershocks and counterbalancing steps, could destabilize the huge southern geographic zone stretching from the Balkans to Asia. WMD systems, of course, could also threaten key Western nations and the United States itself.

Conventional military trends, especially those resulting from the revolution in military affairs (RMA), are also noteworthy. Qualitative improvements, rather than quantity increases, may be the chief metric of military competition in the future. Although the United States will remain militarily superior, several countries will become stronger as they acquire modern technology and information systems. Advanced weaponry will better enable forces to strike at long distances, inflict great damage with limited assets, and conduct a widening spectrum of offensive actions, including surprise attacks. *A key risk is that rogues may acquire enough strike power to attack their neighbors and contest U.S. intervention.*

Control of space and the oceans is also growing in importance. Not only is the United States increasingly using space for intelligence gathering and communications, but so are other countries. In the future, control of space and cyberspace will be key factors in determining power balances and the outcomes of wars. At sea, the United States no longer faces serious blue-water threats. But control of key straits, transit lanes, and offshore areas may be challenged as countries develop better assets for littoral operations.

Arms control negotiations will remain a key hope for alleviating dangerous military trends ahead. At issue is whether they will continue to be successful. Over the last decade, the Strategic Arms Reduction Treaty (START) and the Conventional Forces in Europe (CFE) treaty have contributed greatly to lessening military confrontations left over from the Cold War. The uncertain future of START will depend heavily upon U.S.-Russian relations. The forums for addressing new-era problems have been the Non-Proliferation Treaty, the Missile Technology Control Regime, the chemical and biological

weapons conventions, and control of fissile materials. Progress has been made there, too, but the past year has witnessed a series of frustrating setbacks owing to accelerating proliferation in several regions. Current arms control agreements doubtless will continue to function as global accords and may be strengthened. The principal challenge will be employing them to constrain mounting proliferation dynamics in key individual regions. Meeting these regional challenges will require not only well-focused arms control strategies, but also policies that address the underlying geopolitical causes of instability. Recent events suggest that carrying out this agenda will be as difficult as it is important.

## Consequences for U.S. Interests and Policies

These emerging trends, both good and bad, pose major consequences for how the United States forges future policies to advance its interests. For the past 50 years, the United States believed that its interests required sustained involvement in global security affairs. Since the Cold War ended, these interests have been expanding as a result of the enlarging Western community, the global economy, and the information age's increasing interdependency. In contrast to a few years ago, the United States is now less able to rely on a peaceful international system to shore up its interests. Recent disintegrative trends already have damaged U.S. interests. The risk is that the damage could grow in the future.

*The United States will need to set priorities in defining how far its expanding interests extend.* Some new interests may be vital, but others may be less important in ways that call for selective involvements and limited efforts to bolster them. Even though the United States will need to act in prudent ways, it also will need to determine how it can best advance those interests important enough to merit firm protecting. One of the key dilemmas facing the United States will be that of balancing its enlarging interests and growing involvements with its need to avoid overcommitments and entangling involvements in unresolvable situations.

Regardless of how specific interests are defined, they will remain global, and the United States will face a difficult strategic agenda ahead. Dangers can be readily handled if they unfold in single dimension ways that permit a single-minded U.S. response. The future's dangers promise to be multidimensional in ways that require a more complex response. More basically, the United States will be pursuing multiple strategic objectives on a worldwide scale, aimed not only at meeting dangers but also at alleviating their causes and achieving progress toward stability. These multiple objectives will require the coordination of multiple policy instruments—often a difficult task. Sometimes, pursuit of one objective can complicate other goals. In several theaters, for example, efforts to reassure long-standing allies of their security complicates measures to engage neighboring powers, and vice-versa. These and other complexities underscore the paramount importance of developing a balanced and prioritized U.S. national security strategy. In the coming years, they also promise to make the act a truly difficult one.

Because international change is coming, a change in U.S. policies and programs may lie ahead. Especially if negative trends worsen, U.S. policies will need to be more vigilant. Adapting to new conditions will be a key factor in the future success of U.S. policies. The Cold War demanded continuity in U.S. policy and strategy. The coming era likely will demand fresh thinking and regular innovation. It will also demand adequate resources and a wise setting of priorities, so that policy and strategy can be carried out effectively. Furthermore, the future will demand the careful blending of foreign policy, international economic policy, and defense strategy, so that all three components work closely together—not at cross purposes or in separate domains.

## Engaging Globally

Current trends reinforce the need for the United States to stay engaged abroad, rather than retreat into isolationism. The key issue is how and where to engage. Even though the United States is the world's sole superpower, it cannot succeed if it acts unilaterally. A strategy that combines U.S. leadership with multilateral activities is needed, for strong support from allies and friends will be critical to meeting future challenges. For multilateralism to work, U.S. and allied policies will need to be harmonized.

*An effective engagement strategy likely will require a major shift in how the three core goals*

*of security, economic prosperity, and democracy are pursued.* Owing to changing and perhaps growing dangers, security likely will require higher priority than we had hoped, with more attention given to controlling regional and other political conflicts that may gain intensity in the coming years. Economic goals will still be important and can be pursued by policies that foster greater trade liberalization, better integrate the world economy, and ensure access to energy supplies. Likewise, democracy can still be advanced and consolidated in key places, despite recent setbacks. But if the world becomes a more dangerous place, security will have to be assured before these other two goals can be attained in ways that promote their integrative effects.

*In pursuing security, changes also may be needed in how the "shape, respond, and prepare" functions of current U.S. strategy are carried out.* In the future, environment shaping may need to shift from promoting integration to preventing instability and conflict. The respond function will need to handle an ever-wider range of contingencies. The prepare function must extend beyond military modernization to focus on creating a flexible defense posture that anticipates adversary asymmetric strategies, and on adapting the full spectrum of U.S. national security resources to a turbulent, changing era ahead. The overall effect could be to endow all three functions with different and greater demands than now. Especially because they work together, all three will have to be carried out with considerable energy and creativity, in ways that respond to changing requirements.

*A revised engagement strategy must have a truly global focus.* A few years ago, popular opinion held that Europe was no longer endangered. Kosovo shows that Europe's periphery remains vulnerable to war, along with the Greater Middle East and Asia. Consequently, U.S. strategy will need to handle the turbulent security affairs of all three regions, while advancing U.S. interests in Africa and Latin America. Moreover, future U.S. strategy will no longer be able to view these regions as fundamentally separate from each other. Growing interdependency means that political and economic events in one theater have strong ripple effects in other theaters. Also, opponents of U.S. interests in different theaters are beginning to cooperate with each other. The need for the United States often to draw upon forces and resources from one theater

to meet requirements arising in another further necessitates a global focus.

U.S. global strategy must be anchored in integrated policies toward key actors. U.S. policy will need to focus on updating the Western Alliance system so that it can help perform new missions, while retaining necessary assets for old missions. In dealing with such transition states as Russia, China, and India, an updated U.S. policy should aim to integrate them further into the Western community. If this is not possible, the United States should cooperate with them when mutual interests permit, but react firmly when legitimate U.S. interests are opposed by them. At a minimum, U.S. policy should prevent them from becoming adversaries of U.S. interests and leaders of a new anti-Western global coalition.

Dealing with WMD-armed rogues will be a principal challenge. Fresh thinking may be needed, because the old Cold War doctrines of containment, deterrence, flexible response, and negotiations may not work. New doctrines should not only view each rogue on its individual merits, but also recognize how U.S. actions in one region will affect rogue behavior in other regions. Although the goal should be to avoid warfare, U.S. military doctrine will need to be prepared to employ decisive force against rogues that may be increasingly prepared to commit aggression, especially if they acquire WMD systems.

U.S. policy cannot hope to resolve the problems of all troubled states, but it can focus on alleviating critical situations where practical steps will succeed. An effective U.S. strategy will focus on averting collapse of key troubled states, mitigating humanitarian disasters, carrying out necessary peacekeeping missions, and building effective governmental institutions over the long haul.

Handling transnational threats will need to be upgraded in U.S. strategy and pursued in systematic ways, for these threats are not only growing in themselves, but also are starting to affect larger patterns of interstate relations. An even stronger U.S. interagency effort focused on assembling coordinated policies toward terrorism, organized crime, and drug trafficking will be needed.

## Creating a "Southern" Focus

*A change in the U.S. geostrategic focus seems impending.* During the Cold War's last decades, U.S. strategy had a "northern" emphasis in the sense of focusing heavily on the endangered strategic arc stretching from Europe, across the Soviet Union, and into Northeast Asia.

Owing to continuing Western efforts, this northern arc is now becoming more stable, despite lingering problems in Russia and Korea. In the coming years, the newly endangered zone likely will encompass a great "southern" arc that will begin in the Balkans, pass through the Greater Middle East and Persian Gulf, cross South Asia, and continue along the Asian crescent from Southeast Asia to Taiwan.

Dealing with this entire southern arc, with its huge size and great diversity, could become key to future U.S. national security strategy. The United States has multiple interests and commitments at stake and will need to take special care in deciding where to intervene and how to do so. Compared to its assets in Europe and Northeast Asia, the United States currently does not possess comparable overseas-stationed forces, alliances, and collective security mechanisms in the southern arc. The combination of mounting troubles and weaker assets spells significant challenges in creating an effective strategic response. A southern strategy likely will be more maritime and less continental than the earlier northern strategy. It will require a flexible capacity to respond in shifting places at different times, rather than a fixed, positional focus. It will mandate emphasis on improved U.S. power projection and other instruments, greater contributions from traditional allies in Europe and Asia, and better partnerships with local countries.

## Forging Regional Strategies

*The United States will need to forge northern and southern strategies that are interlocked with each other.* Its northern strategy should focus not only on integrating the relevant regions, but also on drawing upon their assets to assist in the south. Its southern strategy will need to focus on the more limited but essential aim of stabilizing the turbulent dynamics at work there.

The need for mutually supporting northern and southern strategies establishes the framework for creating strategies in each individual region. A combination of old and new policies will be needed in ways reflecting the coming era's problems and priorities. A sensible U.S. strategic concept will aim at: (1) consolidating peaceful stability in Europe and its neighborhood; (2) dealing with mounting challenges in the Greater Middle East, South Asia, and Asia;

and (3) ensuring that the increasingly important regions of Africa and Latin America do not slip to the backwaters.

Managing European security is key to a successful global strategy, because, if Europe is stabilized, the United States will be freed to deal with other theaters, with European allies by its side. U.S. policy will need to adapt NATO to perform new missions, upgrade European military forces, and guide the European Security and Defense Identity in directions that preserve the transatlantic bond and enhance NATO. It also will need to continue integrating Northeastern Europe while engaging Russia, even as NATO enlarges, and promoting stability and integration in Southeastern Europe and the Balkans. This demanding agenda promises to make U.S. strategy difficult, even though Europe is unlikely to face a restored military threat. The recent NATO summit in Washington has pointed the Alliance in the right direction, but implementation of new initiatives will be key.

In Russia and its neighborhood, faltering progress calls for new U.S. policies that pursue a realistic and effective transition toward market democracy, while adjusting pragmatically to setbacks. U.S. policy also should continue aspiring to maintain strict government controls over nuclear weapons and fissile materials, preserve Ukraine's independence, and enhance stability in the Caucasus and Central Asia. A major change in U.S. policy will be needed only in the unlikely event that Russia drifts into open hostility toward the United States and NATO. Even absent such a wholesale deterioration, the coming U.S. policy agenda likely will be long lasting and, at times, frustrating.

In the Greater Middle East, current U.S. policy is wearing thin, and a comprehensive approach aimed at handling the increasingly dangerous situation will be needed. U.S. policies will need to focus on protecting access to Persian Gulf oil, dampening WMD proliferation, refining dual containment if Iraq becomes more intransigent but Iran moderates, getting the Arab-Israeli peace process back on track, lessening the dangers posed by regime changes and religious extremism, and preserving the Western coalition for possible intervention in the Persian Gulf. If rapid WMD proliferation occurs, U.S. policy changes will be needed to reflect the new, greatly endangered strategic setting. Even short of this, the act of pursuing the full spectrum of U.S. goals in this turbulent region promises to be difficult. The local situation defies easy solution,

and U.S. efforts to remedy some problems often come at the expense of intensifying others.

In Asia and the Pacific, the murky future calls for U.S. policies that not only aim for economic progress, but also recognize the importance of regional security affairs and healthy national governments. Such policies should be anchored in a continuing U.S. leadership role as a key stabilizer and power balancer. While updating bilateral alliances, U.S. policy will need to manage the delicate situation on the Korean peninsula by being prepared for both crisis and unification, and to approach China with a combination of firmness and restraint that respects its legitimate interests but opposes destabilizing endeavors. A new containment strategy could be needed if a stronger China seeks hegemony in Asia. Conversely, a broader emphasis on collective security may be possible if China becomes a cooperative partner. Only time will tell where Asia is headed, but at the moment, the coming U.S. strategic agenda seems feasible—provided effective policies are pursued.

South Asia's emerging nuclear geopolitics mandate that this region's importance be elevated in U.S. strategy. The nuclear genie cannot be put back into the bottle, but U.S. policies can aspire to pursue a dialogue aimed at stabilizing the India-Pakistan nuclear balance, dampening further proliferation, and controlling ripple effects in other regions. The United States also should determine how it can best respond in the event of war there.

In Africa, U.S. policy cannot hope to transform this entire huge continent into a market democracy. But, provided adequate resources are made available, it can realistically aspire to more limited aims, including lessening armed conflicts, encouraging democracy where possible, and gradually improving economic conditions. An effective U.S. strategy will be anchored in partnerships with pro-Western nations, while working with multilateral organizations and strengthening subregional bodies and nonstate actors.

In Latin America, U.S. policy can aim at consolidating democracy's widespread success, promoting economic progress, fostering multilateral cooperation, and stemming drug trafficking. A new focal point will be Colombia, a troubled state with powerful criminal syndicates that have a profound impact on U.S. interests. Once Castro departs, a new U.S. strategy toward Cuba will be needed.

## Maintaining U.S. Defense Preparedness

*The prospect of rapidly changing and more turbulent global security affairs underscores the judgment that the United States will need a high level of defense preparedness.* The United States will need a defense strategy and force posture that are coherent in their own right and interlocked with U.S. foreign policy and global strategic priorities. U.S. forces capable of overseas engagement and power projection will be needed, and they must be capable of performing new and unexpected missions. U.S. forces stationed overseas will need to be capable of operating in a variety of new places that are distant from current bases. CONUS-based forces will need to be able to project power to these places as fast as, or faster than now.

The recent decision to increase defense spending responds to these strategic changes, and will better enable the Department of Defense to pursue key goals in the future. DOD may need to alter its current planning framework of preparing for two major theater wars (MTWs). If so, the purpose will be to acquire greater flexibility and adaptability so that future requirements in all three major theaters can be met. Kosovo suggests that a coming challenge will be to prepare for medium-sized but intense conflicts, not just peacekeeping and big regional wars in one or two places. One possible model would be a force capable of fighting one larger MTW and two medium conflicts. Such a posture would be as large as, or even larger than, today's. Regardless, joint forces and operations will remain key to carrying out U.S. military doctrine.

Future U.S. defense requirements will depend on which of the three previously discussed scenarios unfolds. If the world becomes more dangerous in major ways, U.S. military requirements could increase significantly. Even short of this, stronger U.S. forces will be needed to deal with the new military and strategic environment. The prospect of weapons of mass destruction proliferating into the hands of rogues could require new strike forces and defense assets. Adversary forces developing better conventional forces will make it harder for U.S. forces to win regional wars at low cost. Consequently, the importance of the RMA will increase, as will the importance of mobility, readiness, sustainment, and modern weapons. Strong U.S. forces will be

needed to carry out decisive operations against well-armed opponents conducting asymmetric strategies. Small-scale contingencies, including peace operations and sizeable crisis interventions, will pose additional requirements for special defense capabilities. Homeland defense, especially against WMD threats, also will be a growing requirement.

The 1997 *Quadrennial Defense Review* charted a course of maintaining current force structure and high readiness, while modernizing at a moderate rate to achieve the RMA and *Joint Vision 2010*. In 2001, a similar review will be conducted. However, with a new era of global affairs arriving, a different debate seems required. The previous debate focused on how to get the most mileage out of the existing defense budget. The new debate will address how much to increase the defense budget and how to allocate the increases in ways that acquire new technologies and meet increasing strategic requirements. This debate is likely to identify dilemmas. Even with a larger budget, the United States will face difficulty in meeting all its defense needs. The issue of priorities will have to be addressed again. Resolving it will be key to ensuring that the United States maintains sufficient military preparedness in a coming decade of change and, perhaps, greater trouble. Equally important will be gaining greater allied contributions for new missions and combined operations.

## Organizing for National Security

Because the international system already is changing rapidly, the United States may have a short window of opportunity to make a critical difference. The danger lies not only in the adverse trends abroad, but also in the risk that the U.S. Government may not be able to react quickly and effectively. The current U.S. interagency process was created to handle the national security problems of the Cold War. *New strategic problems may mandate new organizational solutions for performing the central task of weaving foreign policy, international economic policy, and defense strategy into a seamless web of strong, mutually reinforcing actions.*

The future will require strategic vision and sound assessments, coupled with an interagency process that can implement new policies. Previously separate overseas problems likely will merge in ways that prohibit addressing them individually on their own merits. For example, policies toward troubled states and

transnational threats will have to take into account relations with allies, neutrals, and rogues. This will require a greater degree of government-wide policy coordination than before and perhaps new people with new skills. Also, many U.S. policies will need to be merged with those of other countries and international institutions. Prescribing a solution lies beyond this analysis, but recognizing the problem is the first step toward solving it.

## **Net Assessment**

The United States will need to continually adapt its strategic priorities in order to meet the multidimensional challenges of the 21<sup>st</sup> century. The recent disturbing global trends are not yet

cause for alarm, because positive trends are also at work. But they are a sobering reminder that the world can become more dangerous, or at least change appreciably, in the future. They will need to be taken seriously in developing new U.S. policies. As the world's sole superpower and leader of the Western community, the United States faces the daunting challenge of dealing with mounting dangers and still-growing opportunities in several key theaters. It will need to act strongly and wisely on its own, but it also will need the help of many allies and partners. Forging this unilateral and multilateral capability will be key to handling the future, as it was in the past. In this sense, the positive lessons of the Cold War—strength, partnership, and wise diplomacy—still endure.

# Global Political Trends: *Integration or Disintegration?*

**T**oday's international system is in transition, a process that began a decade ago and likely will take several years until a new pattern congeals. A sense of perspective is needed. Compared to the Cold War and earlier periods during this century, the world today is less endangered and more peaceful. Democracy and capitalism have emerged as admired values and serve as a beacon for others to follow. Today, a strong market economy is a better means of gaining national power and prestige than military power and aggression. Current challengers to market democracy are few, disunited, and weak. Above all, no organized global coalition challenges the security of the Western democratic core states. For the United States and its close democratic allies, these are undeniably good times.

Less clear is whether this favorable strategic situation is temporary or permanent. The negative events of the past months are worrisome because they may foretell more dangerous developments. Historically, periods of tranquility have proven ephemeral. Much depends on future major power relations, regional developments, and cross-regional trends in such areas as economics and security affairs.

## Key Trends

### An Amorphous Political System and Greater Uncertainty

The current international system remains dominated by many nation-states. They act primarily on their own interests, albeit within multilateral institutions and transnational trends. These limit their sovereignty in important ways. As countless scholars state, the nation-state system has its own disorder. The Cold War created a sense of order. Much of the world was divided into two competing blocs—democratic and communist. This bipolar order has now disappeared, leaving the still-united Western bloc peering outward at several critical regions that have no apparent order of their own. How these amorphous, often-troubled regions will evolve is the looming issue of the coming two decades.

The future is clouded in part because the global community lacks consensus regarding political values and ideology. Liberal democracy and market capitalism remain the West's dominant values, and their spread is the principal hope for a peaceful 21<sup>st</sup> century. Although prospects are good in many areas, their adoption everywhere is less certain. Many cultures neither

accept Western values nor benefit from the underlying conditions that allow these values to develop. In many places, authoritarianism persists, even though it lacks a compelling rationale. Some fear that raw-boned statism, abusive nationalism, corporate fascism, and anti-Western cultures are gaining strength. The underlying reality is that, for many countries, pursuit of national interests is the primary way to define their identities. Yet, the global community lacks an identity of its own.

How should national interests be interpreted? Some observers judge that, in today's world, economic agendas dominate. They assume that peace and cooperation will emerge, because prosperity in today's global economy depends on countries seeking both. This is a key trend, but whether it is a compelling one is another matter. History shows that economics have caused countries to wage war, not embrace peace. More fundamentally, human beings are influenced by the full range of emotions and pathologies. A vibrant world economy does not resolve many countries' strategic dilemmas that are the result of their geography and neighbors. Indeed, economic progress can exacerbate problems if it enables rogues and troublemakers to gain power. As a result, traditional security interests remain valid.

For many countries, the pursuit of traditional security interests is not inimical to peace.

The Western community discovered that cooperation is the best way to enhance individual as well as collective interests. In the future, other countries in amorphous regions may discover the same. Yet, cooperation and integration are achievable only when countries overcome age-old disputes.

In many of today's amorphous regions, such favorable conditions do not exist. Historical disputes linger and sometimes flare. In some places,

genuine rogues exist, and their conduct fosters war rather than peace. In other places, suspicion prevails rather than trust. Many countries fear that multilateral cooperation means that rival neighbors will gain advantage.

Many countries reside in fast-changing regions. They are hard pressed to handle domestic

agendas, much less the turbulent regional environment around them. For some, change promises progress. But for others it brings uncomfortable uncertainties and new dangers.

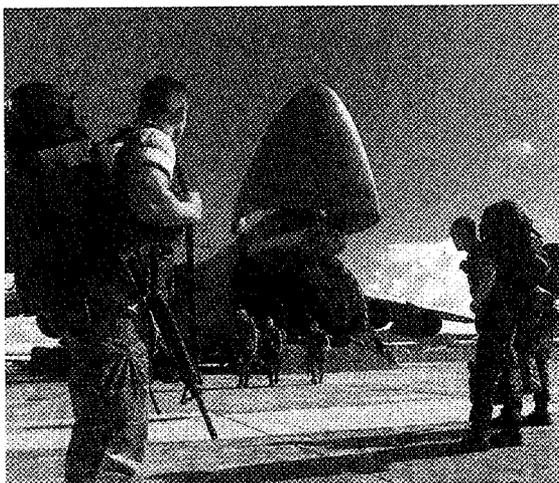
Regardless of change or continuity, instability has a variety of origins. Failing states can collapse into ethnic warfare that spreads to neighboring countries, as occurred in the Balkans. Ambitious rogues can aggressively attack neighbors, such as Iraq's invasion of Kuwait in 1990. Geopolitical competition unintentionally triggered World War I. No major country wanted war, but short-sighted policies led to it.

Today's world has seen the first two kinds of instability, but not the third. Some claim that major geopolitical rivalry will never occur in an information-age world economy, where military power and diplomatic maneuvering are obsolete. The validity of this judgment has yet to be demonstrated. Geopolitical competition tends to unfold slowly over decades. Although times have changed, the major powers still occupy the same geostrategic positions that produced past rivalries.

The consequence is a mixed setting. The potential for cooperation exists in some places but is lacking in others. Areas are still experiencing ongoing deep-seated conflicts or have the potential for new ones. This checkered pattern, in a fast-changing world that lacks sound security relationships, contributes to a murky international system and uncertain future.

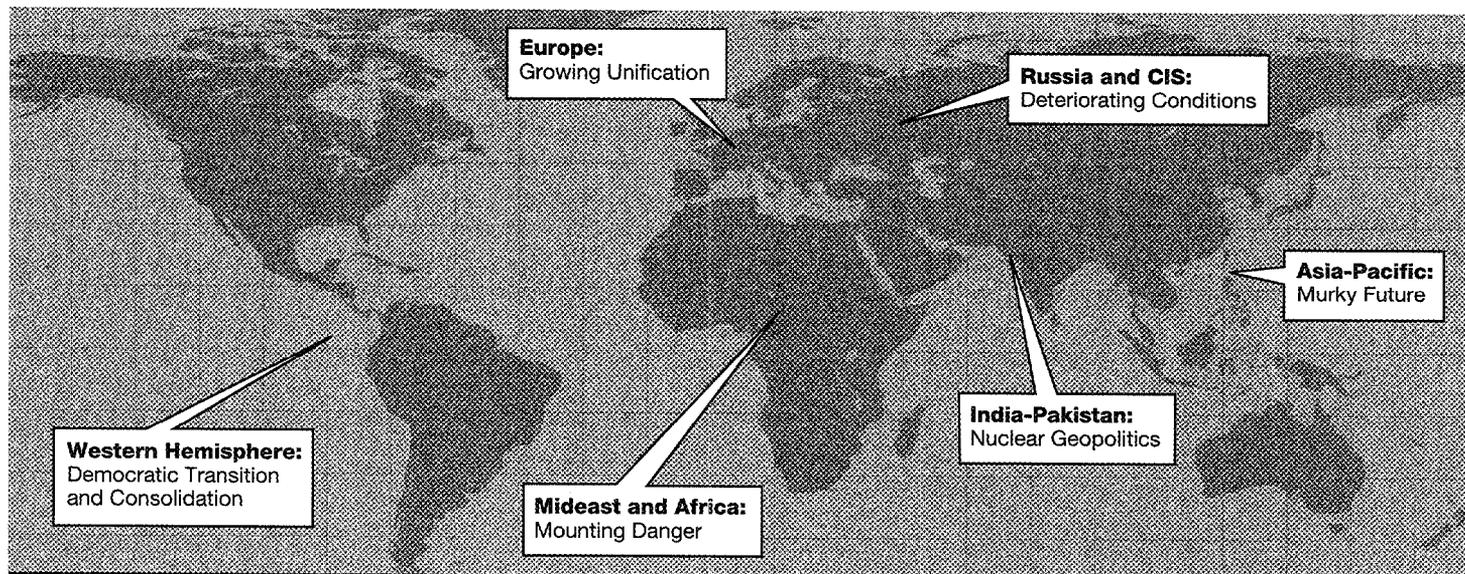
## Clearer Strategic Identities Complicating World Affairs

Principal countries are acquiring clearer strategic identities that will complicate international affairs. Four years ago, *Strategic Assessment 1995* portrayed the global system as divided into four groups of countries: the Western democratic core, transition states, rogue states, and failing states. Although this concept remains valid, its simplicity is being challenged. Several countries are defining their identities in ways that defy categorization. This can be seen within the Western democratic community. By one count, 118 countries have democratic governments. Democracy's rapid expansion in recent years has resulted in a highly differentiated community. The Western industrial countries—roughly twenty in North America, Europe, and Asia—are the "core." As a result of



**Marines enroute to Puerto Rico to provide humanitarian relief in the wake of Hurricane Georges**

## Global Trends



close security and economic ties during the Cold War, these countries are bonded in cooperative relations today, even though they do not always agree on new-era security issues.

By contrast, the "outer core" is composed of the remaining democracies. They have varying degrees of closeness with the core states and show varying degrees of constitutional practice. Some countries may join the democratic core in the near to long term. Others may not join at all, cooperating with the democratic core only in limited circumstances. Still others distrust the democratic core and may oppose it. This does not reduce the importance of democracy's enlargement, but it does mean that some states will not easily support cooperative efforts regarding global security and economic issues.

A similar trend is occurring in the "transition states"—Russia, China, and India. A few years ago, these were seen as moving toward market democracies and participating in the Western community. This category also included a number of other countries. They were not democracies, but they were not rogues or failing states, either.

Today, the strategic identities of the three key transition countries have become clearer than before. Russia is a struggling democracy. India is a full democracy. China still has an authoritarian regime. However, each pursues foreign policies anchored in national interests. None is a rogue, but none seems likely to join the Western democratic core anytime soon. All three seem willing to oppose some U.S. policies occasionally,

while cooperating on others. The same applies to many other countries undergoing transition. The rise of genuinely neutral but internationally active states, capable of moving in one direction or the other, may become a feature on the international terrain.

The category of "rogues" seems clear and enduring. While the definition of a rogue state is difficult to pin down, it correlates closely to those states that support aggression and terrorism. A rogue state is an outlaw country capable of instigating conflict with the United States and its allies. Iraq and North Korea are examples. Just as common criminals vary in degree of unlawful conduct, rogues do also. Serbia seems to be a part-time rogue, and Iran may be moving from full-time to part-time rogue. The future may witness more gray-area rogues, making them harder to deal with.

A similar conclusion applies to "failing states." A few years ago, many worried that other countries might go the way of Bosnia and Rwanda, consumed by ethnic violence that weak governments cannot control. This fear has not been fully realized, although many candidates exist. Yet, many countries clearly fall into a new category of "troubled and not succeeding." They have weak governments and societies and cannot compete in the global economy. They are vulnerable to the kind of internal disorders that could have a destabilizing impact on regional security affairs.

These clearer but more diverse strategic identities are contributing to a more complicated world. This prospect could mean an international security environment that is less reassuring than today and harder to manage.

Key functional trends are both integrative and disintegrative, and, while international institutions can moderate global political strife, they cannot eliminate it.

A "functional trend" cuts across several regions, affecting all of them. Two such trends are the spread of information technology and the growth of the world economy. They reflect growing globalization, whereby all regions and countries are being drawn into closer relations and interdependency. Previously, the principal hope was that these functional trends would lead to closer cooperation among countries. Recent experience suggests a more guarded appraisal. In some ways, these trends are having an integrative effect. But many of the same trends are also having disintegrative effects.

The countervailing effects of functional trends are already evident. The information era makes communications global and nearly instantaneous. Consequently, cultures and regions are more aware of each other, but local crises can quickly become global in this environment. Modern communications speed global finances, but they can quickly exacerbate the impact of local bank failures and loan defaults. Economic globalization can increase trade and produce greater prosperity for countries, but as the Asian economic crisis shows, globalization can quickly transmit economic troubles from a few countries to many. The dynamic world economy creates losers as well as winners in ways that can motivate the losers to act disruptively in security affairs. Likewise, the need for access to oil, gas, and other resources creates reasons for countries to cooperate in order to gain adequate supplies for all. But it can also give rise to serious conflicts when resources are scarce, or when a few countries control supplies and are unwilling to share them fairly with other users.

Global military trends are similarly complicated. Widespread military downsizing is enhancing stability. So are existing multilateral arms control agreements. Yet, the proliferation of weapons of mass destruction (WMD) is having the opposite effect. Conventional force modernization may give rogues broader latitude for aggression. Transnational trends have the same dual effect. The need to control global warming

and environmental erosion gives many countries a reason to work together. But the growing menace posed by transnational terrorism, drugs, and organized crime enhances the dangers and turbulence of the modern era.

Today's multilateral institutions produce stabilizing and integrative effects, but they do not fully eliminate the anarchy of the nation-state system. Multilateral institutions, such as the European Union, the North Atlantic Free Trade Agreement, the Asia-Pacific Economic Cooperation organization, and the ASEAN Regional Forum, help countries coordinate their economic policies, but do not forestall conflicts when recessions occur or trade barriers cannot be eliminated. Today's arms control accords, like the Non-Proliferation Treaty, the Missile Technology Control Regime, and the Strategic Arms Reduction Treaty, have a moderating effect but are not producing global disarmament or denying rogues the weapons they seek.

## Accelerating WMD Proliferation

The proliferation of WMD has always been a threat, but for a long time it occurred more slowly than many expected. Now it is accelerating. India and Pakistan's nuclear detonations were the most dramatic events. North Korea has launched extended-range missiles. Iraq may be hiding WMD systems, and Iran is assembling weapons and delivery vehicles. Previously, many believed that rogues would acquire WMD systems and delivery vehicles after 2010. Now this seems likely within the coming decade.

The Western community is attempting to stem the tide and may succeed. But if it fails, the consequences could be incalculable. Rogues with WMD systems will be emboldened, perhaps committing aggression under the guise of deterring a Western response. Endangered countries may seek their own WMD systems. The United States and its key allies will face pressures to protect themselves, along with other countries and regions. Regional affairs will become less stable, and a climate of fear and uncertainty will emerge. South Asia is one obvious example, but other regions may be affected as well.

## Evolving Key Regions

The key regions are evolving in different ways, and the interrelations between them are becoming more pronounced. Europe is headed toward stability and unity. NATO and the EU are enlarging eastward, while Russia struggles to influence the process in ways reflecting its interests.

The greatest dangers to Europe likely will come from the south, in the Balkans and the geostrategic arc stretching from North Africa, through Turkey, to the Persian Gulf. The central question facing Europe is whether it will focus only on its consolidation, or look outward to regions where common Western interests are endangered.

In Eurasia, the struggle to build democracy and market economies continues toward an unclear destination. Despite the gains since 1992, progress has slowed and Russia seems to be losing its grip on its own evolution. Whether Russia is finished as a great power is yet to be seen, but it is unlikely to regain its major power status in the coming years. A weak Russia poses no major conventional military threat to Europe. However, Russian power has always held much of Eurasia together. Russia and the Commonwealth of Independent States could become a geopolitical ghetto marked by economic turmoil, weak governments, organized crime, social instability, and residual military power. Such regional chaos may be a new menace to Europe, as it would be a natural breeding ground for authoritarianism, even fascism.

In Asia, the only near-term threat of war is on the Korean peninsula. Elsewhere, Asia's strength is growing, even though its economic prospects are cloudy. Democracy has a firmer foothold in Asia owing to changes in such key countries as South Korea and Taiwan. The current economic crisis could mean more democracy and market economies in Southeast Asia. What Asia lacks is collective security mechanisms. Today, security is achieved through a network of bilateral ties between Asian countries and the United States. The Asian countries themselves are cooperating in economic but not security affairs.

Asia is a classic multipolar system, but does not appear to mirror the traditionally troubled history of such systems. The Korean peninsula aside, Asia lacks the inflamed animosities and widespread rivalries that create imminent explosiveness. Although many countries distrust each other, they are not preparing for war, and their information-age economies are slowly drawing them together. In the future, China's evolution will be key. Its power grows even as it clings to authoritarian rule. If China becomes a cooperative partner of the West, Asia's future will likely be stable. If it emerges as an intimidating country with assertive geopolitical aims, growing instability could be the result. China and Japan could become rivals, making Northeast Asia more tense. A struggle could ensue over control of critical sea lines of communication along the Asian crescent

from Southeast Asia to Japan. This negative development may not be likely, but it is possible, if security affairs are mishandled. Today, Asia is capable of moving in several directions.

The most explosive region is the vast zone encompassing the Middle East, Persian Gulf, and South Asia. The principal democracies are Israel and Turkey in the Middle East, and India and Pakistan in South Asia. Elsewhere, democracy is not developing, nor are market economies taking hold. Danger lies in polarized politics, rampant poverty, fundamentalism, terrorism, WMD proliferation, and the potential vulnerability of pro-Western governments, like Saudi Arabia and Egypt. The region contains three dangerous rogue states: Iraq, Iran, and Syria. Iran shows signs of diplomatic moderation. Iraq remains defiant to the West, which continues to have vital interests at stake in the Persian Gulf, including access to 40 percent of the world's oil supplies.

If WMD proliferation accelerates, Iraq and Iran could be more troublesome. Israel and other pro-Western countries would be less secure than now. India and Pakistan could move closer to nuclear confrontation. What occurs in this region will depend heavily on three issues: the Arab-Israeli peace process, Gulf security affairs, and the India-Pakistan standoff. Most seasoned observers are more pessimistic than hopeful.

Sub-Saharan Africa and Latin America have been regarded as the backwaters of global security affairs, yet both are large and important regions, and Western interests are at stake in both regions. Sub-Saharan Africa is progressing toward democracy and economic improvement. Yet, some governments behave as rogues, poverty dominates, and the potential for savage ethnic violence exists. Africa will make slow progress, but with numerous setbacks. Central and South America are advancing toward democracy and multinational cooperation. But, some countries are vulnerable to political instability and social strife. Mexico and Cuba are especially important to U.S. interests.

Recent experience suggests that these key regions are affecting each other. For example, Europe's enlargement closer to Russia and Eurasia will eliminate the "neutral" zone between them. Europe and the Greater Middle East are interacting in ways suggesting that that they are becoming closely connected. Russia and China are pursuing cooperation. Both are asserting



**President Clinton issuing a warning to Saddam Hussein, flanked by Vice President Al Gore, Secretary of Defense William Cohen, and Chairman of the Joint Chiefs of Staff General Henry Shelton**

themselves in Middle Eastern and Persian Gulf affairs to counter U.S. policies. Oil and gas in the Caspian basin are entangling the interests of many powerful actors—Russia, China, Turkey, Iran, India, Europe, and the United States. Big power relations in Asia are being influenced by the political climate in other regions, including the Greater Middle East. Asia will influence the political climate in Europe, Eurasia, and the Middle East.

A new global geostrategic dynamic is emerging. It suggests the need for a global focus in U.S. strategy, rather than maintaining a regional focus. After all, globalization is making the world a single entity.

The world could become more stable and peaceful, if today's integrative trends succeed. This does not mean that conflict and strife will disappear everywhere. It does mean that the level of danger will decline appreciably. For example, Europe may unify, Eurasia may become fully democratic, and Asia may become stable. The West's strategic dilemmas would be eased, allowing it to focus on a still-troubled Greater

Middle East. Such an outcome is not foreordained, and it may no longer be probable. The central challenge lies in getting it to take hold and grow in a troubled setting.

Unfavorable scenarios should also be considered. A highly unlikely one is a new superpower challenging a unified military alliance in the West. The second possible scenario might be more failed states, local violence, and organized crime. It could also include the emergence of more regional rogue states armed with WMD. A third possible scenario would be geopolitical conflict with Russia and/or China. These scenarios are not mutually exclusive and could alternate over time.

A major concern would be coalitions composed of disaffected groups, regional rogues, and major power rivals united by common interests rather than ideology. Previously, such a coalition seemed improbable. Signs indicate it may be emerging. Some big powers have already supported regional rogues. This trend could gain

momentum, as recalcitrant groups and states realize that they can better advance common interests through a cooperative effort, rather than separately. This also may be a natural geostrategic dynamic. Historically, international security systems typically began as loose, amorphous, and multipolar. But they often have coalesced into two opposing camps that become susceptible to war and other political conflicts.

Today's global security structure could follow this trend. It is characterized by a large U.S.-led Western community facing numerous regions lacking order and structure. It may enlarge, incorporating more countries and isolating others. Those countries that do not join the Western community could form an opposing order. This development is far from inevitable, but its occurrence would not defy history or logic.

Probabilities cannot be assigned to these futures. They will be the result of multiple, interacting events that include the choices of key countries and how they decide to interact with each other. The question is, how will these countries decide to act?

## Potential Dangers and Threats

Previously, popular opinion held that the leading democracies control the future shape of the international system. However, the world is stubbornly resistant to any overall design. Yet the opposite conclusion—of Western impotency and irrelevancy—is equally wrong. The United States and its allies are not canoeists caught in a raging global torrent, with only tiny paddles to keep them from capsizing and drowning. Their democratic values and strategic assets can substantially influence economic and security trends. They cannot dictate how the world evolves, but they can steer themselves in the right directions, in ways that support their economic and security interests.

Influencing the future requires sustained allied and U.S. engagement. Although the United States is a superpower, it is not capable of managing all the security requirements for the major regions. However, the task becomes more manageable with allied participation. The likely consequences of U.S. and allied isolationism illustrate the importance of engagement. Rogues would have greater latitude to commit aggression. Threatened countries would feel compelled to build military forces and be more assertive of their interests. The spirit of cooperation that is prevalent among many nations today would diminish. Global tensions would

increase. The world economy would become less prosperous. Democracy would become endangered in many places.

Effective engagement requires policies aimed at promoting integration and peaceful cooperation. It also requires policies aimed at preventing disintegration, conflict, and other negative trends. Both are equally important. Negative events over the past few months underscore the importance of preventive measures. If this trend continues, the United States and its allies will have compelling reasons to forge integrated strategies to prevent them. In fact, preventing negative trends may be a prerequisite for promoting integration and cooperation. More specifically, maintaining a climate of stability and security will be needed, if the Western allies are to continue spreading democracy, building a prosperous world economy and encouraging peaceful multilateralism. As a result, emerging conditions support the judgment that realism and idealism are becoming two sides of the same coin, rather than opposing approaches for making policies.

Preventive measures must consider those developments that could have destabilizing effects. The following is a list of potential threats and dangers:

- Aggression by current rogues, and emergence of new rogues
- Increasing ethnic warfare and violence from failed states
  - Accelerating proliferation of weapons of mass destruction and missiles
- Spreading terrorism, organized crime, and drug trafficking
- Military developments that erode U.S. superiority and encourage regional aggression
  - Authoritarian rule in Russia or other major countries, coupled with militarism and imperialism
  - An anti-Western global coalition of rogues and malcontents
    - Clashes over resources, or a global economic collapse that produces widespread frustration and less political cooperation
    - Geopolitical rivalry with Russia and/or China
    - Emergence of a strong Islamic alliance in the Greater Middle East that seriously challenges Western interests
    - Disintegration of the Western Alliance system and renewed nationalism.

How serious are these dangers and threats? The first five already exist and may be intensifying. The remainder are not imminent, but they would be likely if global events take a downturn. The past century has demonstrated that the United States has interests that demand sustained peacetime engagement. In the first half of the century, the United States remained aloof

## The World Order

A decade after the Berlin Wall was torn down and a new international system was born, the nature of that new system is not yet clear. It is a fluid and complex system in evolution. But evolution toward what? History shows that the fluidity in today's world has precedents in the early stages of each of the past five international systems. Each of those previous systems had a life cycle: there was a tendency for fluidity and multipolarity to turn into rigidity and bipolarity, with that bipolarity in turn resulting in large-scale conflict (or a Cold War) and the demise of the existing international system. There are signs that history may repeat itself and that our current international system may be moving into a more bipolar and more dangerous stage. It is the role of the statesman to recognize this potential danger and deal with it in a timely fashion.

### Five Previous International Systems

- The international system of 1776 had been multipolar for decades, but the American Revolution was part of a broader process that eventually formed loose bipolar arrangements focused on Great Britain and France.

As Napoleon's power grew at the turn of the century, he was still able to form fluid alliances on the Continent to isolate and defeat his enemies. The system became tightly bipolar when Britain, Russia, and their allies united against an aggressive and republican France. This clash culminated in the battles of Borodino, Leipzig, and Waterloo, where the first system ended.

- A new Concert of Europe was born in Vienna in 1815 ushering in the second international system, which was based upon a balance of power designed to prevent a hegemon from arising again on the continent. Great Britain acted independently as the balancer, contributing to the fluidity of the system. The Concert system kept the peace for much of the first half of the 19<sup>th</sup> century, with most of the conflict recorded between Russia and Turkey on the periphery. The Revolutions of 1848, however, began to erode legitimacy and the antihegemonic cohesion that made the system work. Conservative Russia's interference in the internal affairs of Balkan states proved unacceptable to liberal Britain and France. The second system thus ended with the Crimean War.

- The period between the Crimean War and World War I best illustrates the turn toward bipolarity in the evolution of an international system. This third system also began in a multipolar and very fluid fashion. Prussia's Otto von Bismarck was a master manipulator and used the diplomatic freedom allowed by the new system to unify Germany. In preparing for war with Denmark over Schleswig and Holstein, Bismarck first secured the support of Austria. In preparing for war with Austria, he secured France's neutrality. In preparing for war with France, he convinced Russia to deploy forces in such a way as to insure Austria's neutrality. Bismarck's successful "realpolitik" continued until 1890, when Kaiser Wilhelm II replaced him. Without Bismarck, Germany was unable to manage the informal and complex alliance system. The formation of the Triple Entente and the Central Powers Alliance in the early 1900s created a more rigid bipolar system, in which each cluster of allies drew closer together for fear of isolation. Commitments were reinforced, armies were strengthened, war plans were made more automatic, and conflict became almost inevitable.

- World War I and the collapse of monarchies throughout much of Europe led the Allies to create in 1919 a more formal, global version of a

basic collective security structure that had brought a degree of peace to Europe in the early 19<sup>th</sup> century. Instead of an informal Concert system with a semi-independent balancer, they created a League of Nations under which states agreed to provide for collective security by aligning themselves against a potential aggressor. The point is that a fluid arrangement was created which sought to provide security without rigid alliances. The League experiment with collective security failed because countries like the United States, the Soviet Union, and, until 1926, Germany were not members, and because strict enforcement measures proposed by the French were not adopted. During the 1930s, the world polarized into two rigid camps of Axis dictatorships and Allied democracies. Weakness in the Allied camp plus a shift in the bipolar balance due to the Nazi-Soviet Non-Aggression Pact were enough to convince Hitler that achieving victory through aggression would work. World War II ended the fourth system.

- The postwar security system, formed in part at the Dumbarton Oaks and San Francisco Conferences, was the creation of the United States and its Allies, who were determined to use their "second chance" to get it right. They created a new global collective security system embodied in the United Nations that once again relied for the maintenance of security not on rigid alliances but on the fluid alignment of nations in the Security Council. Its failing was the requirement for Big Five unanimity for any military action, and its saving grace was Article 51 of the Charter, which reinforced the right to individual and collective self-defense. The early multipolarity of this fifth system lasted only a few years as the United States moved to counter Soviet aggression. By April 1949 the North Atlantic Treaty Organization (NATO) was created consistent with Article 51. Bipolarity was formalized in 1955 with West Germany's incorporation into NATO and the formation of the Warsaw Pact. It lasted until 1989.

### Lessons from this History

Some lessons from this history may provide guidance for diplomacy today. International systems tend to last two to three generations. They are both created and destroyed by large-scale conflict. Like complex biological systems, international systems appear to go through life cycles with birth, flexibility in youth, more rigidity as the system matures, and demise. Each of these five systems was initially multipolar rather than bipolar. Multipolarity made them more complex; movement in the system was relatively fluid, and state diplomacy could be flexible. As each of the five previous systems matured, a degree of bipolarity set in. This was most prominent in the 20<sup>th</sup> century, with the rigid sets of alignments that eventually resulted in World Wars I and II and with the bipolarity of the Cold War. But a similar phenomenon occurred when major powers aligned against France early in the 19<sup>th</sup> century and again against Russia at midcentury.

In at least four of the five systems, bipolarity had ideological underpinnings. Common interests and common fears bound the parties in all cases. The systems became more rigid either as a result of political turmoil or because of the use of force by either alliance.

In some cases, the rigidly bipolar phase occurred late in the system's life cycle. That was particularly true for the first two historical systems. In the case of the Cold War, it occurred early and lasted for decades. In every case it led to confrontation, and in all but the last it resulted in a system-changing war. Bipolarity was not the only factor that

produced major conflict, but it provided a structure for it and appears to have made conflict more likely.

### Back to Bipolarity?

The first decade of the sixth system repeats the early pattern in which relations among the major actors are once again more fluid. Its characteristics have been difficult to describe simply, and so far it still bears the title "post-Cold War era." Indeed, it will be difficult to give our current system a proper title until the system matures and its longer term characteristics become evident.

This sixth system has had five categories of actors and at least four dominant trends, with each trend affecting these actors in different ways. This accounts for much of the complexity apparent in the new system. The most dominant actors are the *market democracies*. Their ideology has become the global model, and by the end of the decade more than half the world's nations are characterized as democracies. States in *transition* constitute a second group that hopefully are moving toward market democracies. The most important of these transition states are China, Russia, and India. Their ultimate orientation may be the most important determinant of how the more mature system will look.

The third category of states consists of the so-called *rogues* or *rejectionist* states: notably Iraq, Iran, North Korea, Libya, the Sudan, Cuba, and now Serbia. Containing their activities became the prime focus of U.S. defense policy for most of the sixth system's first decade, and defeating two of them nearly simultaneously became the sizing function for U.S. military forces. A fourth category includes the *falling states*: Bosnia, Rwanda, Cambodia, Algeria, Somalia, and Haiti, to name just a few. Managing humanitarian disasters inherent in their failure has occupied most of America's foreign policy attention during the decade. Finally, nonstate actors have begun to take on many state characteristics. Some support the market democracies, such as global companies; some prey on them, like international crime syndicates; and some seek to bring the market democracies down, for example terrorist organizations. The last two might be called *transnational outlaws*.

Four worldwide trends have had both positive and negative effects on these five categories of actors. The effect has been to pull some together and push others apart. The net result has been increasing polarization in international politics, which is leading to a degree of systemic bipolarity.

Rapid *globalization*, the first of these worldwide trends, is based on new information technology and has increased the pace of events in economics, politics, military affairs, and communications. Economic globalization has brought unprecedented wealth to most market democracies (the Asian downturn notwithstanding). It attracts the transition states and can empower transnational outlaws. Rogue states tend to reject the political, cultural, and some economic aspects of globalization, while the falling states are not reaping its benefits at all and are falling further behind.

*Democratization*, the second trend, has had a similar effect. It can provide for peaceful transfers of power and attracts transition states, such as India, Russia, and South Africa. But it has deepened fissures within many failing states as ethnic, tribal, or religious groups simply vote with their group.

The third trend, *fragmentation*, ironically has been stimulated by globalization as groups seek to differentiate themselves in a globalized world and to maximize power at the local level. This devolution of power is

a phenomenon found nearly everywhere in the world today, but it has a very different impact on different actors. In market democracies, it has led to generally positive outcomes, such as greater power sharing with state governments in the United States and the concept of "subsidiarity" (decisions made at the lowest possible level) in the European Union. In some market democracies with particularly difficult ethnic balances—Canada, Belgium, and Spain—the democratic process has provided safeguards for minorities and the means to resolve disputes. However, in the most important transition states—Russia, China, and India—fragmentation has led to armed conflict, as in Chechnya, Xinjiang, and Kashmir. These conflicts have in turn led to additional political problems between these transition states and the market democracies. Fragmentation along ethnic lines is now the leading cause of state failure. It provides new opportunities for transnational criminal and terrorist organizations.

Preventing and countering the fourth trend, *proliferation* of weapons of mass destruction, has been a national priority for the United States throughout the early years of this sixth international system. Many of the other market democracies are only now awakening to its serious dangers. Proliferation gives rogue states and even some non-governmental groups the potential to threaten and undermine U.S. policies. It is no surprise that the issue has dominated U.S. relations with North Korea and Iraq. The impact of proliferation on the large transition states has been mixed, because China and Russia both supply technology and are also threatened by it.

A look at recent relations among the major powers tends to confirm a trend toward bipolarity.

The United States is successfully adapting and reinforcing its security alliances with Europe and Japan. At the same time, U.S. security relations with both Russia and China have been badly frayed during the past year. There are major differences with Russia over NATO enlargement, missile defense, WMD proliferation, and Caspian Sea oil. There are also major differences with China over Taiwan, Tibet, human rights, theater missile defense, espionage, and economic policy. The war between NATO and Serbia, the accidental bombing of the Chinese embassy in Belgrade, and the concept of "humanitarian intervention" significantly increased these tensions earlier this year.

As a result, China and Russia are strengthening their security relationship with each other in spite of strong countervailing factors which might otherwise prevent a closer collaboration. The attraction of globalization that draws both states to the West risks being overwhelmed by policy differences with the West. Strengthened Sino-Russian ties are based on growing suspicions of the West, increasingly common interests, a natural arms sales relationship, and resolution of most of their Cold War ideological and border differences. Former Russian Prime Minister Primakov even conceived of a somewhat fanciful Russian-Chinese-Indian alliance directed against Western dominance. At the same time, rogue states like Iraq, Serbia, Iran, and North Korea are cooperating with each other through technology transfers and tactics that try to thwart the market democracies. There are also indications of increased Russian and Chinese cooperation with the rogue states.

The concern is that nations that have strong policy differences with the West will form informal cooperative relationships that eventually will lead to a new and dangerous bipolarity.

See also Hans Binnendijk, "Back to Bipolarity?" *Washington Quarterly*, 22, no. 4.

from international affairs. In its absence, the world degenerated into global conflicts that eventually involved the United States. During the Cold War, the United States became engaged on the world scene. As a result, Western interests were protected, global war was avoided, and democracy emerged triumphant. Since then, the United States has remained engaged, containing new dangers while promoting peace, prosperity, and democracy.

Continued engagement is imperative in the future. U.S. interests are being affected by the integrative and disintegrative trends abroad. Engagement is especially needed to keep emerging threats and dangers under control.

## **Globalization—Enlarging U.S. Interests and Complicating U.S. Policies**

During the Cold War, the United States had interests in the defense of Western Europe, North-east Asia, and the Greater Middle East. The rest of the Eurasian landmass lay beyond Western influence. Globalization is changing that. It is compelling the United States and its allies to look beyond old geostrategic perimeters. The spread of democracy, the information age, and the global economy are expanding Western interests into new regions.

Today, the United States and its allies have critical interests in Eastern Europe, Russia and its neighbors, and the Asian mainland, especially China. Their interests in the Greater Middle East, Persian Gulf, and South Asia are also enlarging. The menace of WMD proliferation requires them to deter rogues. The dynamic world economy also requires a broad perspective. Economic crisis in Asia affects not only global prosperity, but also U.S. and Western economies. Such transnational threats as terrorism, organized crime, drug trafficking, and environmental erosion cross all international boundaries.

Protecting Western interests and achieving goals is more complicated than before. Although it required great resources, protecting Western interests during the Cold War was a straightforward task that required persistence rather than strategic agility. This simplicity is gone. The challenge now is how to effectively pursue multiple goals. Although the world is now less dangerous than during the Cold War, devising a U.S. national security strategy for it has become more complicated.

## **U.S. Interests**

Only a few years ago, U.S. overseas interests seemed largely intact. Many believed that global security affairs had stabilized, and dangers and threats were mostly peripheral to order. This situation appears to be changing. Although disintegrative trends are not yet overcoming integrative trends, they are no longer marginal. They directly threaten global stability and security, today and tomorrow.

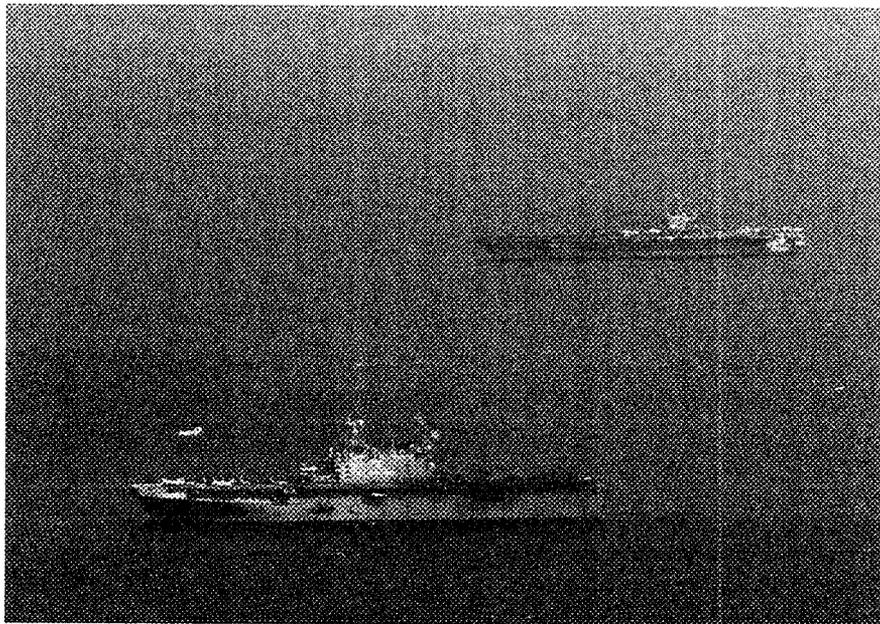
Recent negative events have challenged U.S. policies. In a period of only a few months, they dealt setbacks to all three key U.S. strategic goals—democratic enlargement, economic prosperity, and global stability. To date, the setbacks are not severe, and some are being corrected. The greater concern is that they may be forerunners of more serious things to come. Building a peaceful security environment will likely be more difficult than was previously expected.

As the world's sole superpower, the United States has great assets, but it also has global involvements, including those in new places that stretch it thin. While it leads large alliances in Europe and Asia, it continually must exert leadership to energize them, further stressing its resources. Additionally, a growing number of countries outside its alliances are showing resentment of the United States for its superpower status, especially when it asserts power for humanitarian intervention. This makes it harder for the United States to protect its interests and leaves them more vulnerable to the menacing trends now underway.

## **Rogues**

Previously, many hoped that rogues would become weaker, and more isolated. However, they are showing surprising endurance. Iraq, North Korea, and Serbia have demonstrated an ability to manipulate Western policy and achieve their ends. Iraq and North Korea will gain greater advantage if they succeed at developing weapons of mass destruction and delivery vehicles. The internal stability of all three countries is uncertain. However, as long as they are led by aggressive and militarized regimes, they will be problematic for the United States and its allies.

Current rogues could become more active and menacing. In recent years, Iran and Syria have refrained from asserting their military power



The amphibious assault ship U.S.S. *Belleau Wood* (foreground) and the aircraft carrier U.S.S. *Carl Vinson* in the Persian Gulf

in the Greater Middle East. If they become stronger militarily, their conduct could become more aggressive. They will be a key variable in how the Greater Middle East evolves. Other rogues may not directly confront Western interests militarily, but they might seek to engage in terrorism, organized crime, and related activities. Also, they may receive help from other countries, thereby making them more difficult to manage.

## WMD Proliferation

Various conditions are enabling the acceleration of WMD proliferation. Even though Western policies seek to prevent it, the outcome remains uncertain. If WMD proliferation accelerates, it will pose serious threats to U.S. and Western interests, directly endangering U.S. and allied homelands. Additionally, key regions where U.S. and allied interests are at stake could become more unstable.

WMD proliferation could be racing democratic integration. Many observers had hoped that by 2010 democratization and integration would have spread and reduced the likelihood of proliferation and its risks. However, proliferation in an unstable political setting is likely to have grave consequences.

## Key Transition States

Transition countries are unlikely to advance U.S. interests and goals in the coming years. Russia, China, and India are unlikely to become adversaries of the United States. Each will have its

own economic and security agendas and will focus primarily on its surrounding regions. Sometimes their agendas will serve U.S. interests, but not always. If U.S. interests are to be advanced, it will require interacting with these countries on equitable terms.

## Failed States and Transnational Threats

Bosnia, Kosovo, and Rwanda will not be the last failing states; the conditions exist for more. These include growing populations, immigration, and economic stagnation. Likewise, transnational threats can be expected to continue. Terrorism, organized crime, and drug trafficking may even grow.

Failed states and transnational threats will menace U.S. and Western interests. This will be the case even if they remain confined to their local regions and functional areas. If they become instruments of rogue states, they could be even greater threats.

## Democracy and Economic Prosperity

Democratic enlargement and a prosperous world economy represent the principal hopes for a stable, peaceful world in the long term. But the near term is another matter. Democratic enlargement appears to be slowing and encountering difficulty in places where it already has been attempted. Likewise, the world economy has suffered at least a temporary setback, and recovery may require time. In the Middle East and other turbulent regions, democratization and economic globalization are not even taking hold.

Consequently, unstable internal situations and precarious external relations dictate the situation in many countries and regions. The security issues will have to be resolved before democracy and economic prosperity can be pursued. Additionally, energetic security policies will be required to protect U.S. and allied interests in the years ahead.

## Key Regions

Key regions are evolving in ways that pose differing implications for U.S. and Western interests.

The quest for democratic unity in Europe serves U.S. interests. The situation in Russia and

## Current U.S. National Security Strategy

Current U.S. strategy has these features:

**Strategy's Title:** *Engagement—To Handle Challenges and Capitalize on Opportunities*

**Core Goals:** *Promoting Security, Prosperity, Spread of Democracy*

**Key Security Concepts:** *Shape the International Environment, Respond to Threats and Crises, Prepare Now for an Uncertain Future*

**Regional Policies:** *Integrated Regional Approaches Composed of Multiple Policy Instruments*

**Defense Dimension:** *Overseas Presence and Power Projection, plus Alliances, Coalitions, and Partnerships*

**Defense Program:** *Balanced Transformation that Preserves Readiness While Modernizing With New Doctrine*

Eurasia is precarious in the near term, albeit hopeful in the long term. In Asia, basic U.S. and Western interests are currently being safeguarded, but the future is murky. Even though market democracy is gaining hold, core security relationships have not yet been stabilized. In the Greater Middle East, U.S. and Western interests are seriously endangered, and may be even more so in the future.

These regions have varying impacts on U.S. and Western interests. In some areas, U.S. interests are being significantly advanced while undergoing damage in others. This differs sharply from only a decade ago, when all three regions faced major military threats. If the past decade could produce changes of such startling magnitude, the coming decade could produce other surprises as well. Regardless of the outcome, these regions will likely continue affecting U.S. and Western interests in dissimilar ways. Specially tailored policies and priorities will be required for each.

for an uncertain future. The overall strategy relies on military forces, as well as diplomacy, economic assistance, alliances, and other instruments. It maintains a global network of institutions and arrangements that advance U.S. interests and goals, and an integrated strategy tailored to each region is employed. For example, U.S. strategy relies on NATO enlargement in Europe, dual containment of Iraq and Iran in the Persian Gulf, and engagement plus bilateral alliances in Asia.

This framework reflects the maturing of U.S. strategy in recent years. As this strategy matured, it has become more sophisticated. Although its guiding theme is global engagement, it is a combination of multiple goals, multiple instruments, for multiple regions. Yet, its strategic purpose is clear: to consolidate democracy's victory in the Cold War by creating a peaceful and prosperous global environment in which U.S. and allied interests are fully safeguarded.

Overall, the emerging international trends do not make this strategy invalid. In many ways, they reaffirm it. Yet, these trends affect how this strategy will be implemented in the coming years. They demand continued evolution of the strategy to meet the near- and long-term effects of these trends.

This section further analyzes how newly emerging U.S. strategy challenges can be approached. Its intent is not to be critical. Several of its proposals are already being contemplated or carried out. Nor does it try to create a fixed blueprint for future policies. Instead, its aim is to identify broad issues and alternatives that likely will shape U.S. strategy in the coming era of international change and turbulence.

## Portraying Engagement

U.S. strategy continues to be one of "engagement." It implies a rejection of isolationism. This concept is now almost commonplace. However, the term alone does not indicate how this strategy will be conducted. A "U.S. engagement strategy of leadership and multilateral response" might be more illuminating. This suggests that the United States intends to continue engaging as a superpower leader and work closely with other countries and institutions, whenever possible.

The question is not whether to stay engaged but how to do so effectively. As the engagement strategy matures, it must address this issue in ways that respond to the changing environment.

## Constraints on the Democratic Core

The democratic core could possibly weaken, with negative consequences for the international security environment. This development is highly improbable, but could occur with flawed policies. Any decision by Germany and Japan to break loose from alliance frameworks could result in a multipolar system and geopolitical maneuvering that destroyed global order early in the 20<sup>th</sup> century. The more realistic concern is that the democratic core states might not muster the consensus and combined policies needed to meet the dangerous security problems outside their borders, especially in the Greater Middle East.

## Consequences for U.S. Policy

The current U.S. national security strategy pursues three strategic goals: international security and stability, U.S. economic prosperity anchored in a growing world economy, and democratic enlargement. The security component of this strategy seeks to shape the global environment, respond to crises and wars, and prepare

Today, the United States is required to exercise its leadership and power, not only to ensure that U.S. interests and goals are served, but also to mobilize cooperation from allies, partners, and friends. U.S. leadership must also be inclusive. The most effective policies will be the ones that enjoy wide support. Superpower leadership and multilateralism work in tandem in U.S. strategy.

### Establishing Strategic Priorities

Of the three U.S. strategic goals—security, economic prosperity, and democracy—the last two have received considerable emphasis in recent years. This pattern reflects a belief that global security affairs have been stable enough to permit an emphasis on the world economy and democratic enlargement. Dangerous international trends now suggest that managing security affairs will need to be given attention and priority in the coming years. Pursuing economic progress and democracy will be difficult, unless security goals are first attained.

These international trends call for new approaches to shaping, responding, and preparing. While “environment shaping” properly focuses on achieving favorable outcomes, emerging trends create reasons for preventing and deterring unfavorable outcomes. Whereas the “respond” component focuses on likely near-term missions and crises, emerging trends suggest U.S. strategy must focus on a wide range of contingencies in the long term. While the “prepare” concept primarily means military modernization and related force developments, emerging trends imply preparing all U.S. policy instruments for a different strategic environment. These trends also imply that that U.S. forces and other assets should have the flexibility and adaptiveness to react swiftly to fast-moving global changes.

If a stronger U.S. security effort proves necessary, determining the level of resources needed would be a critical issue. Already, near-term readiness and long-term modernization are stretching the U.S. defense budget, and as modernization intensifies, the budget will be stretched even more. A more dangerous world could create added pressures, increasing the need for readiness, high operational tempo, and regular crisis missions in the coming years. The same applies to areas of U.S. diplomacy that are underfunded and face serious shortfalls if global conditions worsen. The U.S. defense budget already is rising, but how far is uncertain, as is the

level of resources devoted to other policy instruments. Determining the proper response—whether more resources, or different priorities, or a combination of the two—lies beyond the scope of this analysis. The point here is that the issue will have to be addressed.

### Preparing for Several Futures

The United States cannot assume that international affairs are heading in only one direction. The future’s uncertainty requires a strategic focus that can influence determinants of several scenarios. U.S. policy should address the challenges and opportunities posed by the current global system, while preparing to handle likely changes. It should encourage factors contributing to a favorable scenario, while not assuming that it is a predestined outcome. Likewise, it should endeavor to prevent unfavorable outcomes from evolving, especially a steep descent into chaos and instability.

The emerging dangers of today’s world emphasize the need for prevention. Promoting a prosperous world economy and democratic enlargement is important, but it mostly capitalizes on the opportunities ahead, rather than directly counters dangers and threats.

### Shaping the Environment

In U.S. strategy, environment shaping involves three activities: (1) promoting stability, integration, and cooperation; (2) preventing instability, geopolitical competition, coercion, and conflict; and (3) deterring aggressive behavior. During periods of regional stability, environment shaping can focus primarily on the first activity. For example, today’s situation in Europe permits U.S. policy to emphasize such integrative measures as NATO enlargement, Partnership for Peace, the Euro-Atlantic Partnership Council, and the Permanent Joint Council relationship with Russia. These steps are aimed at promoting peaceful unification rather than containing dangerous conflicts. But when key regions are unstable, policy emphasis shifts to preventing conflict and deterring aggression. Such is the case in the Persian Gulf, where U.S. policy is mostly focused on preventing conflict and deterring rogues from committing aggression.

If dangerous trends intensify, U.S. policy must shift toward preventing and deterring in affected regions. Such activities are aimed at rogues, but they can also be aimed at controlling regional rivalries between countries intent on protecting themselves and intimidating neighbors through military buildups. When China

## Role of Overseas Military Presence in U.S. National Security Strategy

The military component of U.S. national security strategy is carried out through a combination of power projection forces based in the continental United States and overseas military presence. Today's overseas presence totals about 230,000 troops, plus additional forces that rotate overseas temporarily. This amounts roughly to 17 percent of the active U.S. force posture. The various U.S. regional postures are about as follows: 109,000 troops in Europe; 93,000 in Asia; 15,000 in the Persian Gulf; and 12,000 in the Western Hemisphere.

In all three major theaters, the United States maintains a joint posture of ground, air, and naval forces. Maritime assets in each theater routinely include a carrier battle group and an amphibious ready group. In Europe, U.S. forces include 4 brigades and 2.3 fighter wing equivalents (FWEs). In Asia, U.S. forces include 4 brigades and 3.2 FWEs. In addition to these combat forces, the U.S. overseas presence also includes important C<sup>4</sup>I units, logistic support assets, bases and facilities, and pre-positioned stocks. Security assistance and foreign military interactions (FMI), including training, visitations, and partnership activities, also are important parts of overseas presence.

During the Cold War, the primary mission of overseas forces was defense against major threats. Today, U.S. forces still defend in places where threats remain, such as Korea. But they also are performing the new missions of shaping the peacetime environment and responding to a wide spectrum of contingencies short of major war, including peacekeeping and crisis interventions. The importance of these missions seems likely to grow in future years and to create new challenges for the U.S. overseas presence. In each theater, accordingly, the Department of Defense is developing a "theater engagement plan" to determine how assets can best be employed to help attain U.S. objectives.

launched missiles in the vicinity of Taiwan in 1996, U.S. naval forces were deployed to the region. This was an exercise in traditional U.S. defense diplomacy aimed at stabilizing a delicate geopolitical situation. The future may witness more activities aimed at deterring rogues and preventing regional rivalries.

### A Widening Range of Military Operations

In recent years, U.S. defense strategy has emphasized preparing for a broad spectrum of conflicts. It warrants added emphasis because of emerging international trends. If these trends intensify, conflicts at the low end of the spectrum may multiply. Peacekeeping operations and interventions in low-level crises are likely to increase. Rogue states may cause regional crises more often. Enemies may employ asymmetric strategies aimed at disrupting U.S. military operations. The risk of major theater wars overlapping will increase. Some conflicts may involve weapons of mass destruction.

Theoretically, U.S. forces can handle a wide spectrum of future operations. Yet, the need to perform multiple peacekeeping operations and low-level crises, while remaining prepared for two major theater wars, is already straining our force level of 1.3 million active-duty personnel. Demands on U.S. forces will intensify if low-level operations increase.

### Broadening the "Prepare" Concept

Compared to shaping and responding, the "prepare" concept has received less attention. It has been defined mostly in terms of modernization, the revolution in military affairs, and *Joint Vision 2010*. If dangerous trends intensify, they will create greater emphasis on elaborating this concept.

Preparing for greater and more diverse dangers will require more than military modernization. The full spectrum of policy instruments will require revision; this includes the interagency process, the conduct of diplomacy, the pursuit of economic goals, the distribution of security assistance, and the formation of alliances. It will also require new approaches to integrated regional strategies.

U.S. forces and other assets must be as flexible and adaptive as possible so that they can handle ever-changing challenges and opportunities. U.S. military forces are already flexible and adaptive. However, future defense requirements may necessitate a more modular posture, capable of being assembled and reassembled to respond to changing situations.

### Doctrines for WMD Proliferation

Rogue states, coupled with accelerating proliferation of WMD, could produce a very dangerous future for the United States and its allies. Within a few years, the United States may face the worrisome dilemma of rogue states armed with conventional forces and WMD, plus a willingness to use them.

Preventing this development will remain a top strategic priority, but how will the United States and its allies respond if it occurs? Will old doctrines of nuclear containment, extended deterrence, forward defense, and flexible response work in dealing with rogue regimes as compared to the Soviet Union during the Cold War? Should the United States and its allies militarily intervene before aspiring rogues actually acquire

Secretary of State  
Madeleine Albright at  
Tuzla Air Base, Bosnia



## Role of Alliances and Partnerships in U.S. National Security Strategy

As was true during the Cold War, alliances continue to play an important role in U.S. national security strategy. They are instrumental not only in providing local defense against aggression, but also in shaping the peacetime environment. Without them, the United States would be hard pressed to achieve its core security goals.

In Europe, NATO has existed since 1949, and it recently has been enlarged to 19 countries by adding Poland, the Czech Republic, and Hungary. The Washington Summit of 1999 not only marked enlargement, but also adopted a new strategic concept and defense capability initiative aimed at improving NATO forces for new missions. In Asia, the United States has major security alliances with Japan and the Republic of Korea, plus bilateral security treaties with other countries, including Australia, the Philippines, and Thailand. In the Persian Gulf, the United States primarily relies on coalition arrangements with such friendly countries as Saudi Arabia, Kuwait, and the United Arab Emirates.

Recent years have seen the rapid growth of partnership activities with new nations. This trend is true especially in Europe, where the NATO "Partnership for Peace" includes a large number of countries not belonging to NATO. U.S. forces carry on important partnership activities with Russia, Ukraine, and China. This is also true across Asia, the Middle East, and the Persian Gulf, where bilateral military relations with numerous countries are key to pursuing U.S. security goals. The coming years likely will witness growing roles for partnerships and coalition activities in U.S. strategy.

weapons of mass destruction? Or should diplomatic engagement be attempted with these countries? Is engagement possible without sacrificing U.S. and allied interests? Should a combination of these measures be employed as U.S. doctrine?

These questions must be addressed in forging U.S. strategy for the future. They already are being addressed regarding North Korea and Iraq. Sooner or later, broadening their scope may be necessary. The problem of proliferation may be here to stay. Irrespective of specific policy choices for each proliferating rogue, the United States will need a coherent overall doctrine for the full spectrum of situations. Without such a doctrine, the United States will rely on ad hoc approaches in situations where improvisation may be the biggest danger of all.

## Russia, China, and Democratic Enlargement

In these arenas, recent U.S. policy has been influenced by a large dose of idealism. Many hoped that Russia and China could become close partners of the United States, and that democratic enlargement would sweep away security problems in turbulent regions. This may be achievable in the long term, but recent events suggest that pragmatic approaches may be needed in the near term.

Russia and China present different strategic challenges and opportunities. Russia's strategic power is declining, while China's is growing. Inevitably, the two countries will act differently. A democratizing Russia will seek to prevent decline. A still authoritarian China may seek to expand its influence beyond its borders. The United States has pragmatic reasons for establishing limited partnerships with these countries in areas of mutual interest, while using diplomacy to ensure their legitimate interests are respected. Such engagement will help reduce the risks of these countries becoming adversaries. At the same time, the United States must safeguard the interests of allies and friends that feel threatened by Russia and China. Striking this balance will be a principal challenge confronting U.S. policy.

A similar pragmatism will be needed in democratic enlargement. Democratic enlargement may be slowing as it confronts tougher challenges. Some recently created democracies are faltering and may suffer temporary reversals. Other democracies are demonstrating illiberal internal and external conduct. Still others are not enthused about joining the Western democratic core states and supporting U.S. policies. These developments do not mean that the United States should abandon democratic enlargement. They do mean that democratic enlargement should be seen as producing important but checkered progress that does not immediately cure all international security problems.

### Creating a "Southern Strategy"

One of the principal challenges facing the United States will be to create a "southern strategy" for handling the mounting global dangers ahead. During the Cold War and immediately afterward, U.S. strategy had a "northern" emphasis largely focused on the geostrategic arc stretching from Central Europe, across Russia, and into Northeast Asia. Korea aside, this arc is now becoming more stable and is now no longer threatened by major war. By contrast, new dangers are arising in the vast southern arc stretching from the Balkans, across the Middle East and the Persian Gulf, through South Asia, and along the Asian crescent from Southeast Asia to Japan. The dangers in this arc are multiple, interactive, and growing. If unchecked, they have the potential to cause great global instability and to inflict serious damage on Western interests.

Developing a coherent southern strategy for this arc promises to be challenging for reasons that go beyond the complexity of the problems being encountered. In contrast to Europe and Northeast Asia, the United States does not have large military forces stationed there, nor does it benefit from established military alliances. Local political conditions, coupled with the absence of large resources for diplomacy and aid, limit the instruments at the disposal of U.S. policy.

Preserving maritime control of the seas clearly will be a key feature of future U.S. military strategy for the southern arc. Maritime control will be needed not only to defend U.S. interests, but also to ensure speedy access to troubled zones. Provided this is the case, future U.S. strategy likely will continue being one of power projection while working with coalitions of the willing. Perhaps improved capabilities can be developed by transforming U.S. bases in Europe and Northeast Asia into hubs for southward power projection, while encouraging Alliance partners to develop similar assets of their own. Meanwhile, diplomacy and other instruments can be employed to build better partnership relations with friendly countries in the southern arc, while ameliorating troubled conditions there. Changes like these can help, but even so, handling southern dangers promises to be a difficult task. The outcome will heavily determine the stability, or instability, of the coming era.

### Developing a Global Strategy

U.S. policy already pursues integrated regional strategies tailored to Europe, Asia, and the Greater Middle East. Recent trends indicate that all three regions will likely experience great change, and the differences between regions may widen. If so, the challenge will be to forge new integrated strategies.

A decade from now, U.S. policy in Europe may be faced with orchestrating a united Europe's relationship with a decaying Eurasia and an unstable Middle East. In Asia, U.S. policy may no longer be fixated on Korean defense issues, but on establishing regional security frameworks for all of Asia, including protecting vital sea lines of communication. In the Greater Middle East and Persian Gulf, U.S. policy may be contending with hostile fundamentalist regimes and rogues armed with WMD, while protecting friends and its own access to Gulf oil. If these or other changes occur, they will demand different U.S. regional policies, as well as different approaches in implementation.

A global perspective will be needed. Previously, many believed that with the Cold War over, U.S. strategy should adopt a more regional focus. To a degree, this still holds true. No global threat to U.S. interests is on the horizon. Yet, in a period of globalization, a purely regional strategy could cause the United States to view the world in segments rather than as a whole. The emerging reality is that the whole will be greater than the sum of its parts. These regions will be interacting. Developments within one region will affect the other regions. Additionally, the United States will have global interests and involvements. Policies in one region will be affected by policies in others. The United States will be unable to establish priorities in any single region without an overall sense of priorities for all. Even though a global military threat no longer exists, the need for a global U.S. strategy has not gone away. Indeed, it is growing stronger because of globalization.

### Greater Contributions from Allies

The need to reform U.S. military alliances was identified in the President's strategy report for 1998. It points out the U.S. efforts to encourage NATO to develop new military capabilities for new missions, and also to adjust the U.S.-Japanese alliance for new responsibilities in Asia. Efforts also are underway to develop new partners in Europe and elsewhere that can contribute to common missions. The process of alliance reform thus has begun. The question is, where should it be headed and how fast?

Emerging international trends provide an answer. The central strategic challenge ahead will be to protect common interests against threats beyond the borders of allies and friends and in distant regions. Alliance reform should consider developing better power projection capabilities.

Threats are developing faster than expected. Alliance efforts should be accelerated so that new capabilities and effective strategies can meet new threats, which include stronger conventional forces and WMD. Additionally, allied forces must remain interoperable with U.S. forces, which are pursuing the revolution in military affairs and *Joint Vision 2010*.

A case can be made for a multitiered U.S. strategy. The first tier involves creating common strategic motives and operational visions for

using military forces in the coming era. The second tier would involve allied forces capable of rapid power projection and working closely with U.S. forces in decisive operations, including strike missions. The third tier would ensure that U.S. and allied forces acquire the sophisticated information systems, sensors, and munitions needed in future combined operations. The fourth tier would require the government and defense industry, to include the information industry, to coordinate the development of these capabilities.

These four tiers would be a demanding but feasible strategic agenda for alliance reform. Most allies already possess the necessary combat forces. This strategy does not require quantity but rather quality in such areas as mobility, logistic support, communications systems, sensors, and smart munitions. Most allied budgets are large enough to afford qualitative improvements, if savings are generated by eliminating unnecessary forces. The Western Alliance system has overcome more demanding challenges. The question is, can it do so in the absence of military threats to common borders, but when threats to common interests are emerging? To some degree, the future of U.S. strategy and allied interests hangs in the balance.

### Organizing for National Security

Because the international system is already in the midst of a fast-paced transition whose outcome could produce growing instability and conflict, the United States may have a short window of opportunity to make a difference in the ultimate outcome. Creating effective response mechanisms within the U.S. Government, especially in the executive branch, will be key. The future will require strategic vision and sound assessments, coupled with an interagency process that can implement these policies effectively. Moreover, many U.S. policy actions will need to be merged with those of other countries and international institutions.

Whether the current policymaking process is capable of handling the future is an issue meriting careful thought. This process was originally created to handle the Cold War and has been altered only marginally since then. The danger ahead lies not only in the adverse international trends that are unfolding, but also in the risk that the U.S. Government may not understand them. It might not be able to perceive them or react fast enough to make a difference.

The coming challenges will be too complex and interconnected to be separated into different clusters that can be handled by individual government agencies acting on their own. For example, international economic policy and security policy will be too intertwined to be separated into different domains. Regional military threats will merge with destabilizing transnational trends and larger global changes in hardware and doctrine. Individual nation-states will act in fluid settings that affect their priorities and freedom of choice. Their challenges will mandate a greater degree of governmentwide policy coordination than in the past, and they may also require new kinds of people, with new skills. Prescribing a solution lies beyond the scope this analysis, but recognizing the problem can be the first step toward creating a solution.

## Net Assessment

The future is "up for grabs." Recent negative events are warning of future possibilities. They do not necessarily presage a steep slide into global chaos, yet they do indicate how the underlying international structure is being buffeted by integrative and disintegrative forces. These dynamics threaten not only stability and progress, but ultimately U.S. and allied interests. They validate the current U.S. strategy of engagement, but they also create reasons for new, strong policies that will ensure effective continued engagement. Meeting this challenge will likely dominate the U.S. national security agenda in the coming years.

# Economic Globalization: *Stability or Conflict?*

**W**hat are the implications of economic globalization for international security and U.S. foreign policy? Is it making the world more prosperous, democratic, and stable, or more polarized and prone to conflict? What trends and perspectives do U.S. policymakers need to understand?

The theme of this chapter is that economic globalization is broadly consistent with U.S. international security and foreign policy interests. It facilitates integration, promotes openness, encourages institutional reform, and fosters a nascent international civil society. But shocks associated with rapid globalization, especially short-term financial flows, can exacerbate political and social problems, foment instability, incite anti-Americanism, and widen gaps within and between countries. U.S. policy must sift and weigh these opportunities and dangers.

## The New Challenge

“Globalization” means a process of making something worldwide in scope. Limited versions of it have existed since ancient times. Means of transmission have included trade, conquest,

study of the classics, and religious zeal. In the last two decades, however, globalization has intensified and accelerated social, political, economic, and cultural change in ways that add up to a difference in kind.

This chapter focuses on economic globalization and its relationship to national security. Economic globalization is spreading at an uneven pace, but wherever it develops, it has important security implications. It blurs national boundaries and erodes the power of nation-states, even as it extends their sovereignty into new areas. It changes regional and international power relationships, shifts the mixture of interests at stake, and redefines long-standing alliances and conflicts. It will greatly influence the shape, content, and legitimacy of the future global security order. For these reasons, the U.S. national security community has an important stake in U.S. international economic policy.

Several potential threats described in *Strategic Assessment 1995* have not come to pass and are unlikely to do so. Closed regional blocs have not emerged. Zero-sum rivalry in high technology, if it exists at all in a global economy, has clearly shown the United States to be a successful competitor and beneficiary. Foreign investment in key U.S. industries has not opened the door to threats and blackmail.

## Economic Globalization

"Globalization" means the process of making something worldwide in scope and application. It most commonly refers to the stunning increase in the number and variety of transnational transactions, dimly foreshadowed in the years leading up to World War I, that has marked the last two decades.

The process of adapting to global conditions requires adjustments on the part of both producers and consumers. Economic columnist Robert Samuelson defines globalization as "the worldwide convergence of supply and demand." Similarly, financial guru George Soros refers to the global economy as a "gigantic circulatory system." This convergence or system takes many forms:

- Trade (goods, services)
- Finance (banking, investment, foreign exchange, capital movements)
- Communication (information, education, technology)
- Governance (institutions, regulations, norms, threats)
- Culture (art, music, entertainment) and
- Work and leisure (labor, migration, tourism)

Economic globalization refers primarily to the first two, but it both influences and is influenced by all the others.

At the same time, forces associated with economic globalization have threatened near-term stability in several key countries, aggravated social and economic tensions, and increased the potential for backlash against globalization at home and abroad. Certain entire regions—with their high concentration of "rogue" regimes and troubled states—seemingly lack the ability to compete in the global economy and may lapse or relapse into hostility and sporadic aggression.

This combination of benefits and risks bursts into full view in what is clearly the most dramatic international economic event in the last 4 years—the Asian economic crisis. Financial markets torpedoed short-term economic prospects in a region that had been experiencing 6 to 8 percent annual growth. Within 3 months after the collapse of the Thai baht in July 1997, the currencies of Thailand and Indonesia fell 30 percent against the dollar. Those of the Philippines and Malaysia fell 20 percent. By 1998, the Indonesian rupiah had lost 75 percent of its value against the dollar. Private capital flows to the region, which soared during the 1990s, suddenly plummeted, while interest rates skyrocketed. The near collapse of the Asian economies triggered riots, bank failures, real wage reductions, and unemployment. Meanwhile, in August 1998, Russia defaulted on debt payments, setting off another crisis. The global attack of nerves triggered by the further collapse of the ruble caused markets to tumble in Latin

America, prompting the preparation of an emergency International Monetary Fund (IMF) loan package for Brazil as a pre-emptive measure.

Asian currencies have stabilized, and investment is slowly returning. As of mid-1999, however, currency values are still below their precrisis level, and equity prices have not recovered. Virtually every country in the region except China is in recession or near recession. The crisis has boosted the U.S. trade deficit with Asia to levels that threaten political and security cooperation.

The Asian drama is the first real crisis of globalization. It is a clash between the new realities of globalization and old ways of doing business. The disturbing aspect of this crisis was that Asian countries had been following the doctor's orders. They had opened up their economies (albeit relatively recently) and were seeking closer integration with the international economic order. They enjoyed relatively good political and security relations with the United States. What, then, are the lessons to be learned?

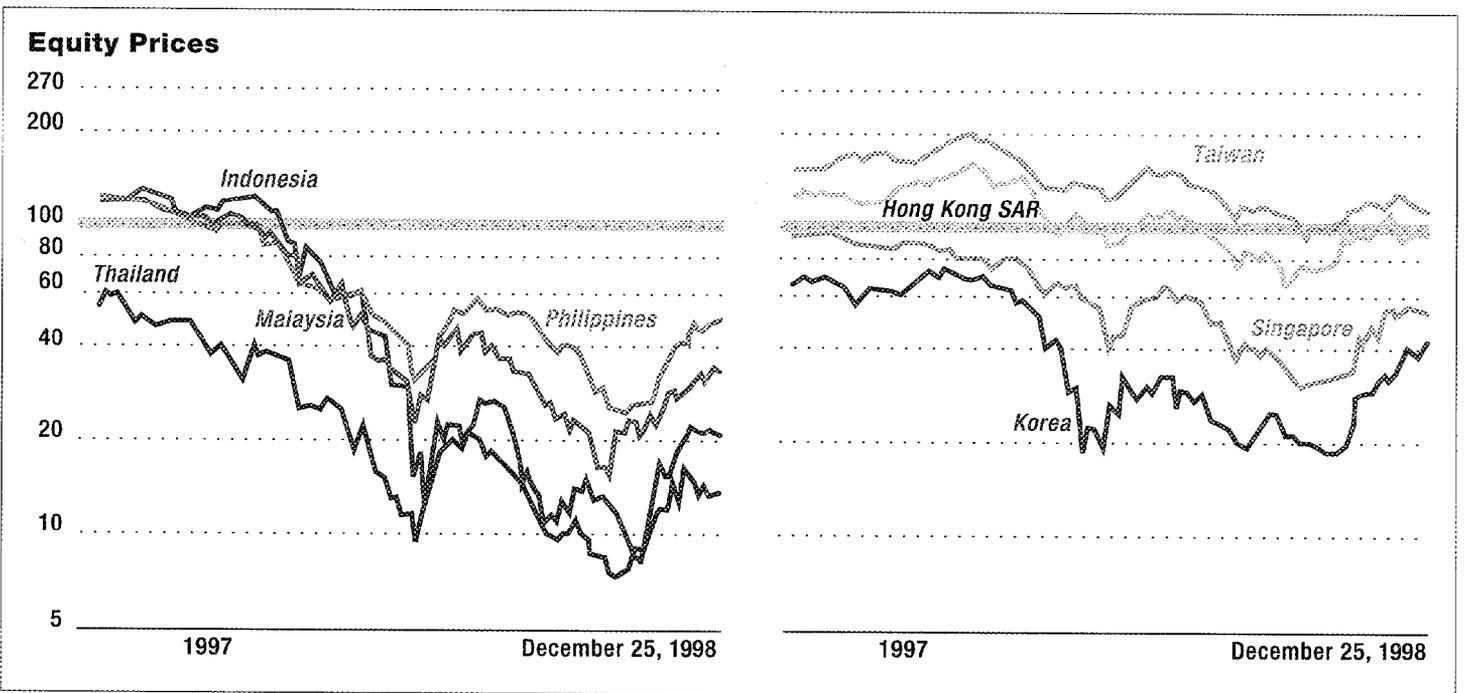
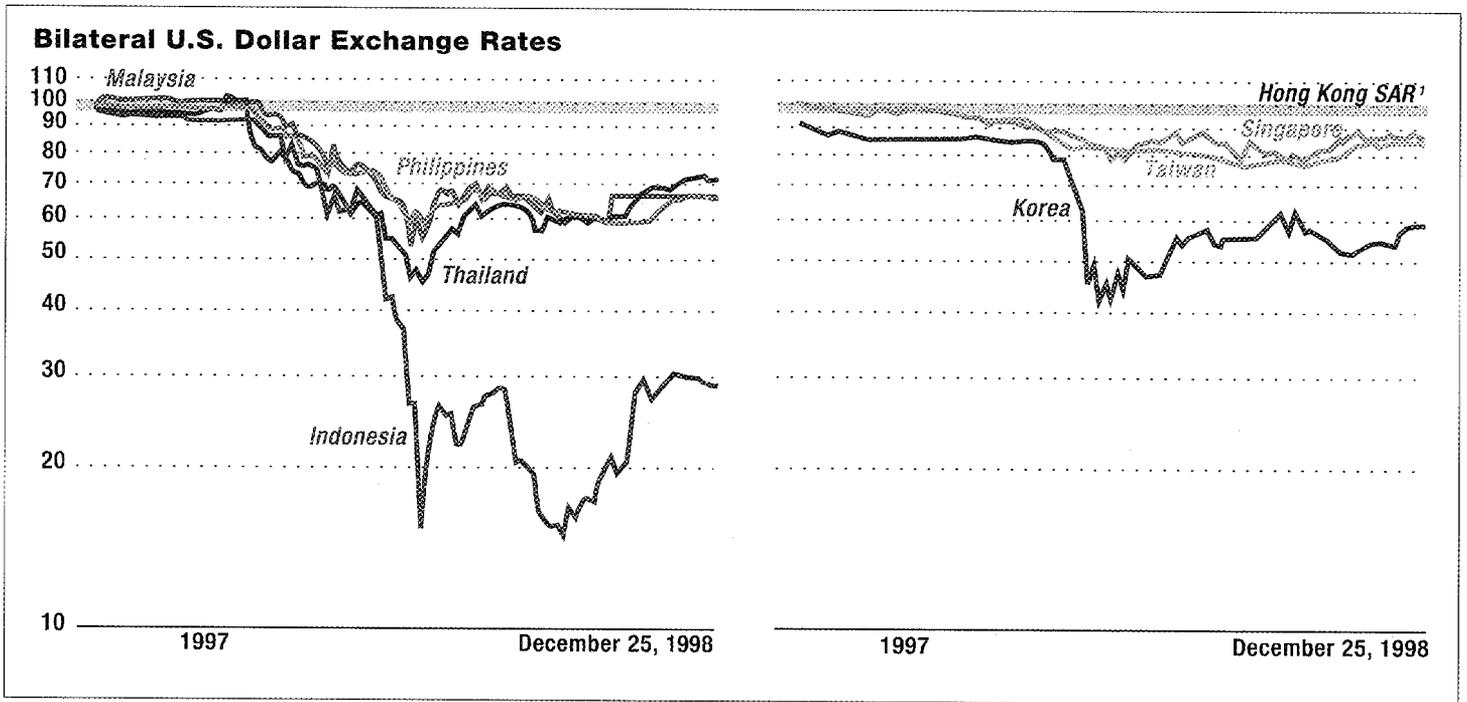
Asia's economic and political turmoil stems primarily from domestic political and structural weaknesses, but globalization subjected those weaknesses to unprecedented strains. While globalization spurred high growth rates in most of the region, it facilitated waves of short-term borrowing and investment in dubious projects. The financial sector was particularly weak and poorly regulated, and social safety nets were wholly inadequate to deal with the crisis. But the international community's reactions made the situation worse. Unwise investors panicked and fled, and the IMF initially imposed unduly harsh policies.

Drawing on this experience, the United States should attempt to channel economic globalization in ways that minimize pain and maximize stability. This chapter seeks to identify defining trends, U.S. interests at stake, and ways of coping with globalization more strategically and effectively.

## Key Trends

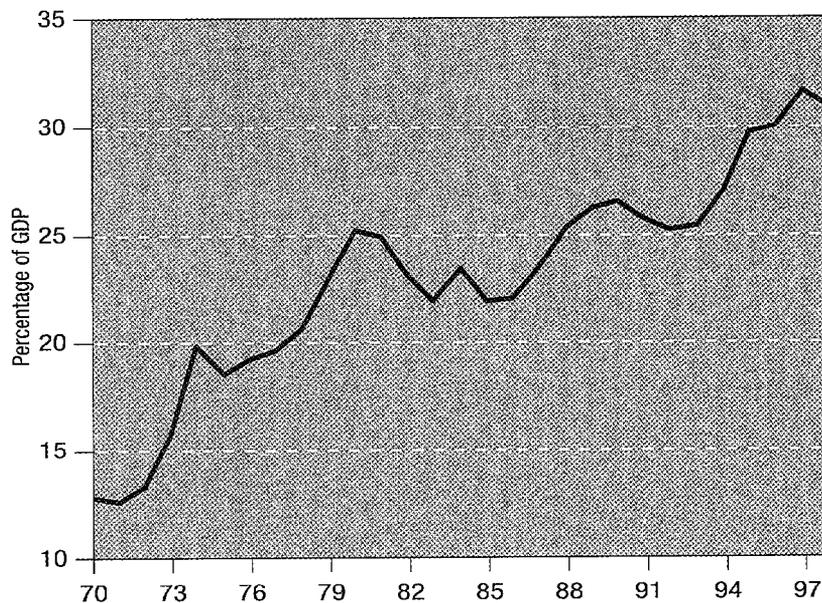
During the Cold War, the United States consciously pursued its own version of globalization. It sought to integrate and expand the democratic, market-oriented, Western or pro-Western community of nations. This community-building strategy encompassed both security and economics. The security component created a Western alliance system anchored in containment, deterrence, and collective defense. The economic

**Selected Asian Economies: Bilateral U.S. Dollar Exchange Rates and Equity Prices**



<sup>1</sup> Pegged to U.S. dollar.  
 Source: Bloomberg Financial Markets, LP; International Finance Corporation; and Reuters.

## Growing Importance of Trade in the U.S. Economy



Note: Earnings on foreign investment are considered trade because they are conceptually the payment made to foreign residents for the service rendered by use of foreign capital.

Source: Office of the U.S. Trade Representative, derived from U.S. Department of Commerce data.

component established a cooperative, rules-based trading system that rejected protectionism and lowered trade and investment barriers. Both components encouraged the notion that cooperation serves national interests better than conflict. Both stimulated greater efficiency, which freed up military and economic resources for more productive investment.

In the post-Cold War era, this dual policy of expanding economic and security cooperation remains the main U.S. policy instrument for building a just, stable, and prosperous world order. Global economic opportunities are fostering several positive trends. These include the further development of rules and institutions and the emergence of an international civil society. However, rapid economic integration can also foment short-term political instability, stir up hostility toward globalization, and fuel anti-Americanism, all of which threaten U.S. national security interests.

## Globalization of Trade and Investment

The current integration of markets stems from a new pattern of global business. Liberated by breakthroughs in transportation and information technology, companies are increasingly dispersing their operations around the world. By some measures, such investment is more important than trade. According to the most recent data (1995), local sales of overseas affiliates of U.S.-based firms exceeded U.S. exports. Financial services companies have made a similar transition. This dispersal of the various phases of the product or service cycle among different countries encourages economies of scale and permits adaptation to local markets. At the same time, it increasingly gives rise to world-class standards of performance, quality, and efficiency.

Since 1970, U.S. trade and investment have grown more than twice as fast the gross domestic product (GDP). In this period, such flows have mushroomed from the equivalent of 13 percent of GDP to over 30 percent. Since 1992, exports have accounted for at least one-third of economic growth and two-fifths of new jobs. Productivity in the export sector is about 20 percent higher than the U.S. average, and firms that export are less likely to fail. Both investment from abroad and U.S. investment overseas are closely linked with trade and employment. European investment alone supports 12 percent of U.S. manufacturing jobs.

A parallel aspect of globalization is the increased opening of domestic markets to forces of international supply and demand. The need to compete in a global economy is forcing governments to open their markets, undertake wide-ranging deregulation, and privatize state-owned enterprises. Many governments that were previously anti-Western are now competing for foreign investment. The only exceptions are "rogue" governments whose policies violate international norms and whose economies are correspondingly barren.

## Global and Regional Trade Institutions and Rules

Along with the globalization of business, trade institutions and rules are becoming stronger, and their scope has expanded well beyond tariffs and quotas. Broadly defined, trade rules encompass not only imports and exports of

goods and services but also such areas as trade-related investment, intellectual property protection, subsidies, and other domestic policies affecting market access. Worker rights, environmental protection, and competition policy are also being discussed in trade fora. Economic integration is creating new rules, norms, and expectations.

The central institution of the global trading system is the World Trade Organization (WTO) in Geneva. Created as a successor to the General Agreement on Tariffs and Trade (GATT), the WTO now includes over 130 members, with some 25 (including Russia and China) waiting to join. Current WTO rules and levels of liberalization are the result of a series of prior multilateral negotiations, known as "rounds." The most recent was the Uruguay Round, which significantly broadened the scope of trade rules. Concluded in 1993, the Uruguay Round further reduced tariff and nontariff barriers, established meaningful disciplines on agricultural trade, set down modest limits on trade-related investment measures, and defined for the first time agreements to govern services and trade and protect intellectual property.

Uruguay Round negotiators also committed themselves to a so-called "built-in agenda"—a set of discussions scheduled for 1999 and 2000 that will review progress in many of the important sectoral and functional areas. Another comprehensive round of multilateral trade negotiations will be launched after the turn of the century. Such rounds are needed to balance the interests of all WTO members and facilitate trade-offs among issues and sectors.

From a national security perspective, the most important achievement of the Uruguay Round was a much stronger dispute settlement system. Under the new rules, a country accused of nullifying another country's rights under the WTO cannot delay an investigative finding by an independent panel of experts. The country found to be in the wrong can appeal, but if the finding is sustained it must withdraw the offending barrier or offer compensation.

Below the WTO, a large and growing network of regional trade agreements has sprung up. Roughly two-thirds of world trade now takes place within free trade areas or among countries committed to free trade and investment by a certain date.

Regional trade agreements have become an important geopolitical expression of postwar relations among states. They combine the logic of geography (contiguous territories or a shared body of water facilitating trade) with common political interests. Possibly for that reason, trade within these regions has expanded beyond what size and distance would predict. Major examples include the European Union (EU), the North American Free Trade Agreement (NAFTA), the Association of Southeast Asian Nations (ASEAN), the Asia-Pacific Economic Cooperation forum (APEC), and MERCOSUR (the Southern Cone Common Market, comprising Brazil, Argentina, Uruguay, and Paraguay, with Chile and Bolivia as associate members). The same pattern is likely to occur in the proposed Free Trade Areas of the Americas (FTAA). The United States is geographically well positioned to participate in three of the most important regional trade agreements, NAFTA, APEC, and the FTAA.

In some cases, regional trade agreements also represent a conscious effort to overcome political tensions, reduce the likelihood of military conflict, and initiate or strengthen security ties. For example, the creation of the former European Economic Community (now the EU) was intended to preclude war between France and Germany. APEC includes China and Taiwan as well as Vietnam. ASEAN has established a regional forum to discuss security issues with the major powers.

The one challenge to U.S. influence is MERCOSUR. Brazil, the unofficial leader of the group, is attempting to strengthen MERCOSUR as an alternative to the U.S.-dominated NAFTA, possibly to the detriment of the FTAA. MERCOSUR also plans to sign trade-expanding agreements with Andean nations and the European Union, both of which would discriminate against U.S. exports. The first summit between Latin American nations and the European Union is scheduled for 1999.

The United States is not currently in a good negotiating position to counter these geopolitical and commercial developments, because Congress has refused to grant the Clinton administration's request for renewed trade agreement authority known as "fast track." Nevertheless, future trade relations between the United States and MERCOSUR are likely, on balance, to be positive. This conclusion is based on the size of the U.S. market, the ongoing Brazilian reform process, the imperatives of economic integration, and the demonstrated MERCOSUR commitment to democracy.

The missing link is a transatlantic trade agreement. Since the transatlantic trade agenda is



Bank of China advertisement for the euro

increasingly global, however, such a preferential transatlantic free trade agreement or "TAFTA" would not make sense. The "Transatlantic Marketplace" announced at the 1995 U.S.-EU summit in Madrid initiated a modest but practical set of measures, particularly a package of regulatory agreements designed to eliminate duplicative test and certification requirements. In 1998, a more ambitious proposal advanced by European Commission Vice President Sir Leon Brittan was vetoed by the French. However, a limited version of the proposal is being pursued under the heading, "Transatlantic Economic Partnership."

Concern has arisen that regional trade agreements will have a disintegrative effect on the world economy and slow momentum for global free trade through the WTO. Thus far, however, such agreements have stimulated free trade, enhanced liberalization, and challenged other regions to follow suit. Far from detracting from the WTO, regional trade agreements have raised the sights of the global trade community.

## Integrated and Responsive Financial Markets

The globalization of finance differs from globalization of trade and investment in at least three ways. First, its fluidity and speed are unprecedented. Second, it can be destabilizing in the near term, thus undermining established political patterns and interests. Third, it often has a

"contagion effect" on other countries. U.S. Federal Reserve Chairman Alan Greenspan acknowledges that this effect increases systemic risk, because one country's mistakes tend to "ricochet" through the entire global financial system.

The volume of money washing around the world is enormous. New financial instruments set up to attract and guide these flows have proliferated. One such instrument is a hedge fund. Thirty years ago, no more than \$2 billion were invested in hedge funds. Today, hedge funds contain \$200 to \$300 billion. Compared to the estimated \$3 trillion in mutual funds, these numbers seem small, but hedge funds, which are unregulated, can be destabilizing because they borrow far more than they can buy (that is, they "leverage their capital"). They also trade in options and futures contracts. One of the largest, Long-Term Capital Management, had investments that may have amounted to several hundred billion dollars. Its near-collapse in summer 1998 prompted the Federal Reserve to mobilize private support to save it.

A related instrument is derivatives, the buying and selling of options to protect against risks. Standardized derivative contracts are regulated, but many other contracts are tailored for specific parties and are not regulated. The paper value of the underlying financial products used to create privately traded derivatives contracts is estimated to be \$37 trillion, up from \$865 billion in 1987.

Global financial markets can be extremely punitive. They propel huge amounts of capital around the world and withdraw support from unstable currencies and economies without warning. According to the World Bank, indirect evidence links capital inflow surges with subsequent banking and/or currency crises (e.g., Argentina, Brazil, Chile, Mexico, and Venezuela, as well as the current sufferers in Asia). No one can predict exactly when investors suddenly lose confidence, but when they do, they stampede as a herd. Once panic sets in, people living at or near the margin face misery and near-ruin. The middle class suffers sudden loss of income and unfulfilled expectations.

This destabilization stems in part from sheer speed in financial markets. Flashes of data around the world intensify the volatility of currency movements and can send stock markets spiraling within minutes. Currencies can be withdrawn nearly instantaneously, and flows can be large enough to overwhelm government policies. Except perhaps for energy sources, no other commodity can affect a nation the way the

## The IMF Debate

The IMF response to the economic crises in Asia and Russia has stirred up controversy and debate. Defenders of the IMF assert that the combination of major loan packages and strict conditions has stabilized currencies and promoted recovery. Critics have put forward a variety of perspectives. Some believe that large rescue packages encourage irresponsible behavior on the part of governments and bail out reckless private investors (what economists call "moral hazard"). Others believe that the stringency of IMF loan terms has imposed undue hardship, is culturally or politically unsuitable, and will trigger an anti-West backlash.

Massachusetts Institute of Technology economist Paul Krugman has criticized the IMF for what he calls a "gratuitous deflationary policy" that worsened the recession in Asia. He favors what he calls "Plan B"—imposing temporary foreign exchange controls and cutting domestic interest rates to restore growth. Jeffrey Sachs of Harvard has also argued that IMF insistence on higher interest rates has unnecessarily prolonged hardship in Asia. A real-life example of this "soft-money" school is Prime Minister Dato Mahathir of Malaysia, who has imposed highly controversial capital controls.

Several economists and former U.S. Cabinet officials ranging from Milton Friedman to George Shultz favor abolishing the IMF altogether. They believe it has become irrelevant in a world in which private capital flows are dominant. Martin Feldstein does not go that far, but he would have the IMF focus exclusively on liquidity and access to capital markets rather than force structural and institutional reform. Allan Meltzer of Carnegie Mellon University would transfer the IMF "lender of last resort" function to the Bank for International Settlements in Basle, Switzerland. Sebastian Edwards of UCLA would replace the IMF with three smaller institutions: one to provide information on countries' financial health, one to help prevent crises by providing contingent credit lines to "good" countries, and the third to deal with restructuring and cleaning up after a crisis has hit.

Other economists favor complementing the IMF with new or partially transformed international bodies. Financier Henry Kaufman urges the creation of a new international institution to oversee and set standards for bank capital, accounting, training, reporting, and disclosure. Economist Alice Rivlin of the Federal Reserve has proposed a new certification system by an independent international organization. This body would rate the quality of bank supervision, bankruptcy administration, and the conditions of financial institutions in various countries to signal the degree of risk.

Still others advocate reforms within the existing system rather than new or revised institutions. The Institute of International Finance, a global association of financial institutions, has called for greater "transparency" (openness) in IMF operations, a collaborative surveillance mechanism to prevent crises, a clearer division of responsibilities with the World Bank, and greater communication and cooperation with the private financial community. Economist and former IMF official Morris Goldstein of the Institute for International Economics urges the IMF to require countries to implement and enforce higher capital standards for their banks, to adopt the Basle Committee's Core Principles for Effective Banking Supervision, to introduce an effective bankruptcy system, to establish deposit insurance systems that give priority to small depositors, and to adopt various other reforms.

The IMF itself has responded vigorously to these charges. It has conceded that it failed to foresee the scale of the financial contagion that followed the Thai crisis, and it admits to serious failure in Russia. It has also modified some of its more austere requirements, especially those affecting the poor. But it strongly defends its effort to help countries maintain access to international capital markets by implementing essential macroeconomic and structural reforms. It denies the charge that its policies have shielded private investors from loss. It has called for improvements in six major areas: (1) more effective surveillance over countries' economic policies and practices, facilitated by fuller disclosure of all relevant data; (2) financial sector reform, including better regulation and supervision; (3) ensuring that the process of opening economies to inward and outward flows of private capital is orderly and properly sequenced; (4) promoting regional surveillance; (5) a worldwide effort to promote governance and fight corruption; and (6) more effective approaches to debt restructuring, including better bankruptcy laws and closer collaboration with private sector creditors.

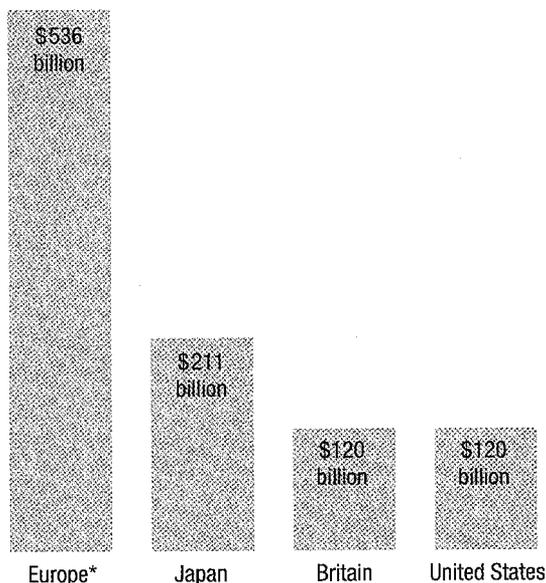
flow of money can. Goods can be substituted, stockpiled, or even seized, but financial confidence can never be totally controlled or replaced.

Not all sudden financial swings are politically destabilizing. They only undermine medium- and long-term stability when latent political weaknesses are exposed and seen as creating undue risk. Ministers may resign, but no amount of currency speculation can overthrow a government that has legitimacy in the eyes of its people and pursues policies in line with its resources. Elected leaders, such as President Fernando Cardoso of Brazil and President Kim Dae Jung of South Korea, face enormous problems, but they are in a better position to push through

reforms than handpicked oligarchs, who lack democratic legitimacy and popular support.

In the wake of the Asian crisis, the IMF is under heavy attack for its seeming indifference to the social consequences of its austerity policies and its failure to cope effectively with Russia. The IMF admits that it was unprepared for the magnitude and spread of the Asian crisis. It also concedes that funds provided to Moscow were largely wasted. While it has softened its demand for certain austerity measures, it defends measures to stabilize currencies and points out that severe inflation is devastating for the poor.

### Where the Money Comes From . . . Loans to Emerging Markets



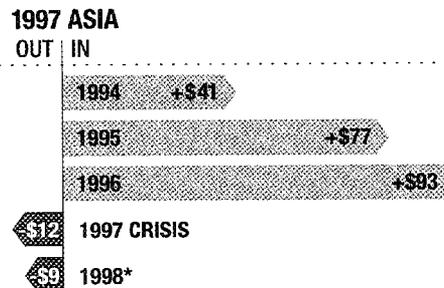
\* The 11 European nations that have adopted the euro: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal, and Spain.  
Sources: Bank for International Settlements; Institute of International Finance; International Monetary Fund.

Regardless of real or perceived IMF mistakes, it is clear that IMF willingness to stand behind national governments promotes stability by reassuring investors. If the IMF did not exist, it would have to be invented. For the United States in particular, the IMF presents one of the few remaining opportunities to pursue foreign policy initiatives without undue political interference. But the Asian crisis suggests that the IMF and the World Bank will have to pay more attention to such factors as the institutional health of the banking sector, political stability, and social safety nets than they have in the past.

### Trade and Financial Recovery

Over time, the two primary manifestations of economic globalization—the global and regional trading system and the international financial system—reinforce each other in beneficial ways. The reforms demanded by each are mutually supporting and often overlapping. The rewards of good performance are closely related. Correcting financial problems benefits trade and investment prospects, restores confidence, and places exchange rates on a sounder footing. Free-trade agreements can limit damage and accelerate recovery from financial crises.

### . . . And What Happens When It Dries Up (Billions \$)



\* The 13 hardest-hit countries: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Ivory Coast, Nigeria, Mexico, Morocco, Paraguay, Peru, and Venezuela. Estimated.  
Sources: Bank for International Settlements; Institute of International Finance; International Monetary Fund.

In the case of Mexico, NAFTA accelerated recovery from the 1994–95 peso crisis. It restored investor confidence and helped justify the U.S. assistance package to critics in the Congress and elsewhere. Mexico upheld its NAFTA obligations, thus protecting U.S. commercial interests. After a similar crisis in 1982, it took 7 years for U.S. exports to regain their previous level. This time U.S. exports recovered in just 19 months.

Similarly, the trading system is likely to serve as a catalyst for the reconstruction of the economies of the Asia-Pacific region. As in Mexico, the Asian crisis stemmed from weaknesses in the financial sector, political uncertainties, and problems in the external sector. But Asian countries' strong track record in and commitment to the trading system, as seen in APEC, will contribute to reform and recovery. Far from retreating into protectionism, those countries that have been hit hardest have reiterated their commitment to trade and investment liberalization—even though the severity of the present crisis has stalled actual progress toward that goal.

### Global Information Boom

As companies disperse their business operations around the world, information moves with them. Along with the revolution in transportation, the explosion of information technology speeds and intensifies the globalization of trade and finance.

The global information boom has created a new universe of users. The number of people connected to the Internet is increasing exponentially,

from an estimated 10 million in 1995 to 140 million at the end of 1998. Some experts believe that there will be as many as 1 billion Internet users by 2005. Even North Korea operates a web site from Tokyo. Globalization has been pulled downward, literally into the lap(top)s of individuals.

The information boom has also sparked a whole new form of business—electronic commerce, or “e-commerce.” The international information flow is expanding beyond large corporations and banks to local retail establishments, interest groups, nongovernment organizations, and households. Operating from home with a few thousand dollars worth of equipment, anyone can become a global merchant. The volume of sales over the Internet more than doubled between 1997 and 1998.

The sudden pervasiveness of this new technology raises issues that negotiators have never faced before, such as commercial practices, privacy, liability, and censorship. For example, what constitutes a valid electronic contract? What authority will enforce such contracts? Globalization has propelled a number of these hitherto domestic or nonexistent issues upward to the multinational level, where new rules are being debated.

The impact of information technology is by no means limited to commerce. Global networking is mobilizing nonstate actors and facilitating the emergence of an international civil society. Activists who tap into the global information system also communicate horizontally with each other through electronic mail. More and more people whose lives are affected by what governments decide can now make their voices heard through cross-border coalitions.

Business representatives have long enjoyed access to government officials. What is new is the number of nonprofit groups that seek a similar role. Fifteen years ago, for example, only a handful of nonprofit organizations tracked multilateral trade negotiations. More than 150 such groups attended the 1990 conclusion of the Uruguay Round in Geneva, and 250 attended a 1998 ministerial meeting. Some of them lobbied successfully to put environmental protection and worker rights on the negotiating table and to defeat a proposed agreement on investment then under discussion in the Organization for Economic Cooperation and Development (OECD). Similarly, the number of nongovernment organizations accredited to the United Nations has risen from 41 to over 1,500. These groups can point to some tangible achievements, such as the first environmental summit in Rio de Janeiro, the

treaty to ban land mines, and the establishment of an international criminal court.

Instant communication complicates diplomacy, because it erases the line between domestic and foreign audiences. Many a politician has made off-the-cuff remarks about foreigners to domestic constituents only to find that his words have mushroomed into a diplomatic incident. Precisely for that reason, the media’s presence makes it hard for governments to get away with gross violations of international norms. Thanks to the Internet, newly mobilized nongovernment groups routinely exchange information on conditions in their respective regions. Some maintain contact with dissidents living under repressive regimes and draw international attention to their fate. Others bring global pressure to bear on pollution and environmental destruction.

Some leaders and activists resort to entertainment channels to advance their agenda. The line between news and entertainment is blurring. In 1997, at least two new movies raised public awareness about the Chinese Communist suppression of Tibetan culture. In mid-1998, young Americans flocked to the “Tibetan Freedom Concert” in Washington to learn about Tibet for the first time.

The fact that the United States is the largest producer of entertainment with an appeal to global audiences has economic and political advantages. The entertainment industry is one of the top contributors to U.S. export earnings. Not only do American films, television programs, and popular music sell widely abroad, they also spark consumer demand for U.S.-style clothing, footwear, cosmetics, and accessories. The political effect—admittedly difficult to prove—is that many forms of U.S. entertainment transmit American norms and values around the world. To a degree, the image of the American lifestyle may inspire young people to press for greater freedom and opportunity in other countries.

## Globalization’s Disintegrative Effects

Globalization demands efficiency. It accelerates technological change and forces societies and individuals to adapt economically, politically, and psychologically. It rewards those who are prepared for it and punishes those who are not. It undermines traditional forms of national sovereignty and causes citizens to fear loss of control. It

can unleash centrifugal forces that work against global integration, foster a political backlash, and threaten U.S. interests. These risks are particularly acute in certain countries and regions.

One of the trends associated with globalization—rightly or wrongly—is the widening income gap within individual countries. Economists differ on how to define and measure wage and income gaps, but they exist in several forms. In the United States, the spread between the first-time wages of U.S. high school graduates and college graduates is growing. The share of wealth held by the richest 1 percent of the population is climbing. Several factors contribute to this trend: the stock market boom, rising demand for skilled labor, the entry of women into the work force, and high levels of immigration, to name a few. Most economists estimate that these factors account for a far greater share of the income gap than global trade and investment.

In some sectors, globalization acts as a catalyst and shortens the time available for competitive adjustment. A number of people in the United States are unprepared for the transition. Already on the wrong side of the income gap, they lack skills to find jobs in globally competitive industries. Others have held good jobs in large companies, only to find themselves laid off with no prospects. Between 1979 and 1995, for example, U.S. employment in Fortune 500 companies shrank from roughly 16 million to 11.5 million. Factories employing two or three generations of workers closed down. Many of these workers either remain unemployed or suffered major income losses.

In the United States, these risks have fostered a well-organized resistance to further global engagement. Many nongovernment groups see globalization as serving large corporate interests at the expense of the poor. Domestic opposition of this sort hinders the fulfillment of U.S. commitments and thus undermines U.S. credibility abroad.

If globalization strains the social and political fabric in a rich country like the United States, it is not hard to imagine its effects elsewhere. Growth rates are higher for those developing countries that engage successfully in global trade and investment than for those that do not. But macroeconomic statistics do not tell the whole story. Within those societies, unjust policies and widespread corruption often stretch the income gap to extremes.

Another trend associated with globalization is heightened ethnic conflict. Globalization does not cause ethnic tensions, but the publicity associated with the global information age can inflame them—especially if class lines coincide with ethnic divisions. News of atrocities spreads quickly, not only around the world but also among long-standing enemies. For example, government-controlled media fanned ethnic hatred in both Rwanda and the former Yugoslavia. From the victims' perspective, globalization makes it easier to bring a grievance to the world's attention and appeal for international support. Unfortunately, such publicity does not appear to reduce the likelihood of slaughter. Neither mobs nor roving bands of soldiers worry much about their international image.

## Globalization and Anti-Americanism

Although economic globalization is not the same as Americanization, it is largely driven by Americans. U.S. companies are at the forefront of global trade, investment, finance, and information technology. Companies like Levi Strauss, McDonald's, and Walt Disney invent the icons; CNN and Hollywood transmit them. Europeans and Japanese contribute substantially to globalization, but their logos are not so visible.

This U.S. dominance is a mixed blessing. The United States is perceived around the world as a rich, invincible, hegemonic superpower. Resentment is a natural reaction, even when it is mixed with admiration. Washington has often been blamed for other people's grievances, and it will continue to be a target. This is the price of highly visible wealth and power. But the combination of globalization, the booming U.S. economy, and the media revolution intensifies the criticism. The high level of U.S. consumption embitters environmentalists and others who are concerned about protecting global resources and indigenous peoples. The social and economic strains associated with globalization give rise to the charge that the United States is advancing its own commercial interests under a global banner at the expense of the poor.

Such accusations can race around the world on television and through the Internet. The backlash against globalization can quickly turn anti-American. In many countries, this backlash seeks scapegoats and inhibits further economic liberalization. In Indonesia, anti-Chinese mobs looted Chinese stores, but some resentment was directed against U.S. citizens, who were perceived

to be influencing the IMF. Ethnic or religious leaders often exploit anti-Americanism to strengthen their position at home, as Prime Minister Dato Mahathir of Malaysia has done. Europeans and Japanese do not face this problem.

Similarly, the overwhelming U.S. dominance in information technology and entertainment can be too much of a good thing. Societies with a fragile sense of identity and culture can be overwhelmed by the seeming flood of on-screen sex, violence, and lack of respect for authority. In some countries, such values as respect for the individual, women's rights, and freedom of expression are associated with U.S.-imposed "cultural imperialism" and rejected accordingly.

## Globalization of Crime

Another dark side of economic globalization is that it facilitates international crime. Electronic communication has jumped international police roadblocks and facilitated the spread of terrorism, money laundering, and narcotics trafficking. The growing threat of electronic terrorism has also alarmed the national security community. U.S. law enforcement officials have tried to limit the export of high-performance encryption devices in order to be able to read electronic mail in criminal investigations. However, such devices are now built into standard U.S. information technology products and are also available abroad. On the positive side, police officials in different countries can cooperate with each other more effectively thanks to the same technology.

## "Globalization Gap"

The uneven distribution of wealth associated with rapid globalization may be widening the gap between certain countries and regions. A rising economic tide lifts all nations, but only if they are structurally sound. In order to prosper in the newly globalizing economy, nations must possess the core foundation of competitiveness.

A competitive foundation is difficult to define precisely. At a minimum, it must include the freedom to engage in market activities without fear of arbitrary arrest or ethnic reprisal. Such tolerance requires a certain level of civic trust and a willingness to set aside age-old tribal or ethnic conflicts. In addition, competitiveness depends on the rule of law, respect for education, a good work ethic, willingness to save, and a sound macroeconomic policy.

The distribution of competitiveness is currently uneven. Countries that lack this foundation tend to be concentrated in the Greater Middle East and sub-Saharan Africa, and perhaps in the former Soviet Union. This pattern raises the disturbing prospect of a growing "globalization gap" between winners and losers—the regional, geopolitical equivalent of the widening income gap. Leaders of the losers often blame outsiders or unpopular insiders for economic hardship. Some foment crises to distract domestic attention from joblessness and hunger.

These conditions make it difficult for the West to pursue its dual strategy of security and economic community building. While noncompetitive countries may be members of the WTO, they lack the fundamentals to attract healthy investment. They also lack the minimum prerequisites for collective security, such as shared values and a willingness to pool military resources for the sake of the common good.

Nevertheless, there is reason to hope. The information revolution enables even those under dictatorships to learn about what their country should do to prosper. For decades, *caudillos* (bosses), red tape, and corruption gripped Latin America. Today, the region has turned decisively in the direction of free markets and democracy. Asia is in the grip of the worst recession since World War II, but it has remained relatively stable, despite several serious points of tension (e.g., the Korean peninsula, the Taiwan Strait, and the Spratly Islands).

## U.S. Interests

In today's world, U.S. international economic interests and U.S. national security interests are not only broadly compatible; to a great extent they are also mutually reinforcing, because the structural conditions associated with enhancing security overlap substantially with those promoting prosperity and advancing democracy. They include market-oriented macroeconomic policies, a sound and transparent financial system, a functioning legal system, an accountable political system, civilian control of the military, respect for human rights, observance of labor standards, concern for the environment, a peaceful foreign policy, and participation in rules-based international institutions.

On balance, globalization works in favor of these conditions. The free flow of trade and investment raises incomes, dampens inflation, and creates new stakeholders in a growing economy.

## Right Makes Might

Although power remains important in world politics, globalization has transformed its character, correlates, and consequences: Power now depends on freedom.

The essential reason for the new correlation of freedom and power lies in the *nature* of information technology. It springs from and adds to human knowledge. It has proven to be the best way yet found to release human potential. State power cannot produce and can even retard this technology. The information revolution liberates and requires liberation. The *nature* of this technology, not just its stage of development, favors open economic systems.

The need for and effect of information technology will cause rising powers to gravitate toward the interests, ways, and outlook of the United States and the democratic core, rather than to challenge them. Otherwise, even giant states, though potentially dangerous—rogues on steroids—will be chronically malnourished in the dominant technology. They will remain on the outskirts of not only the global economy but also the power structure of world politics. Paradoxically, although globalization diffuses power, it also strengthens its agents—the large free-market democracies that command the dominant technology.

Hostile states will surely develop countervailing capabilities and tactics. But the essential point remains: superior information can provide a transcending military advantage, which the countries strongest in the essential technology will enjoy.

The mobilization of military power in the information age, more so than in the industrial age, will depend on the technological vitality of the civilian economy and the ability of the military to be able to absorb that technology and draw on that vitality quickly. It will thus depend on the degree of economic and political openness of the society and the extent to which those ways have been introduced into the military establishment. There is more power inherent in a democracy—not in the state but in the nation. Information technology is key to harnessing it.

Globalization and its prime mover, information technology, are producing a growing commonwealth of great powers—compatible in outlook and ideals, unafraid of one another, eager for all to succeed, and confident enough to welcome change and other powers.

Source: David C. Gompert, *Right Makes Might: Freedom and Power in the Information Age*, Mohr Paper 59 (Washington: National Defense University Press, May 1998).

The freedoms associated with more open markets sweep away the remnants of leftist ideology, strengthen common interests and values, and reduce the likelihood of external aggression. The opportunities associated with trade and investment are more appealing than military ventures and irredentism. A rising business class is more likely to favor investment in new roads than in combat aircraft. Young people are more likely to be interested in jobs and entertainment than age-old territorial disputes. More jobs mean fewer people on the streets to engage in anti-American demonstrations and ethnic violence.

These trends are not obvious at first sight. On a daily basis, globalization and security appear to operate at cross-purposes. National security is based on the notion of territory controlled

by the nation-state, while globalization transcends national borders. As the Asian crisis illustrates, the U.S. national security community is relatively helpless in the face of short-term financial crises exacerbated by globalization. Similarly, globalization makes it harder to carry out unilateral economic sanctions against rogue regimes.

A variation of the alleged contradiction between globalization and security is the notion that economic strength has replaced military strength as the measure of global power. This implies that these two manifestations of power are qualitatively different and that the shift from one to the other is irreversible. Yet media headlines illustrate that military power is a key component of America's profile in the world and defines its status as a global superpower.

A more nuanced interpretation of the shift in power relations is that to a greater degree than before, *national security depends on successful engagement in the global economy*. This is true whether national security is defined broadly, in terms of the global security environment, or narrowly, in terms of the manufacture and operation of high-quality, low-cost weapons systems. David C. Gompert of the RAND Corporation argues specifically that mastery and development of information technology—and the openness and creativity associated with it—now constitute the core of military power (see box).

To enhance the likelihood of successful engagement in the future, U.S. policies designed to promote economic globalization should be based primarily on three broad international interests: strengthening and deepening the multilateral trading system, enhancing global financial stability and growth, and promoting sustainable development.

## Strengthening and Deepening the Multilateral Trading System

In the closing days of World War II, a small group of nations gathered to establish the General Agreement on Tariffs and Trade (GATT). Mindful of the disastrous economic history of the 1930s, statesmen clearly recognized that a rules-based, market-oriented multilateral trading system contributes to prosperity and peace. The GATT system became a pillar of postwar stability.

There are at least two broad reasons why the global trading system still reinforces stability. First, membership in the WTO (successor to GATT) and in the major regional free trade

arrangements can be thought of as *economic confidence-building measures*. The rules require governments to consult with each other regularly and inform fellow members of changes in national laws and regulations. Governments must also abide by the results of dispute settlement procedures. By imposing greater discipline on national behavior, these procedures can act as a check on special interests. Together with the European Union, the United States is one of the most active users of the dispute settlement system. Small countries also have a stake in the system, because they can and do win cases against big ones.

Second, the international trading system promotes *openness and accountability*. Governments must acknowledge and publish the practices that interfere with the market, such as subsidies and quotas. Investors must have access to information in order to assess risk. Bad loans must be acknowledged. Certain countries with large and attractive markets, such as China and Japan, have managed to achieve a high rate of growth while limiting economic information. Sooner or later, however, the need for accurate information forces the disclosure of data on bad loans as well as other kinds of information, such as the amount of wealth amassed by a ruler's relatives. Such information intensifies pressure for a more open and responsive political system, at least indirectly.

For these and other reasons, universal membership in the multilateral trading system should be seen as an important U.S. political and national security objective as well as an economic one. Postwar statesmen recognized the importance of this historic goal; the end of the Cold War brings it within reach.

The United States also has a strong interest in strengthening and deepening the multilateral trading system in order to enhance its own and others' economic growth and prosperity. As described earlier, globalization dictates the pursuit of three specific commercial objectives. The first is greater *market access* for goods and services, not only for the United States, but also for friends and allies. Such efforts have traditionally focused on lowering or removing tariff and non-tariff barriers.

While market access for such goods as steel, semiconductors, and auto parts receives more political attention, trade in services has grown exponentially. The United States is the leading exporter of services. U.S. service exports typically offset over a third of the U.S. deficit in merchandise trade.

The second priority objective is stronger *rules* to govern the multilateral trading system. For example, there is a need for rules establishing and protecting the freedom of investment. A working group on investment has already been established within the WTO. Another example is the protection of intellectual property. The United States has a competitive advantage in knowledge-intensive, highly innovative goods and services. As U.S. companies disperse such goods and services around the world, they need their knowledge protected. Finally, new rules are needed to address regulatory policy, especially in such areas as competition policy, technical standards, and regulatory procedures governing the testing and certification of goods and services. Such agreements are needed to overcome barriers created by government ownership of companies, excessive regulation, differences in health and safety regulations, and a variety of other domestic measures.

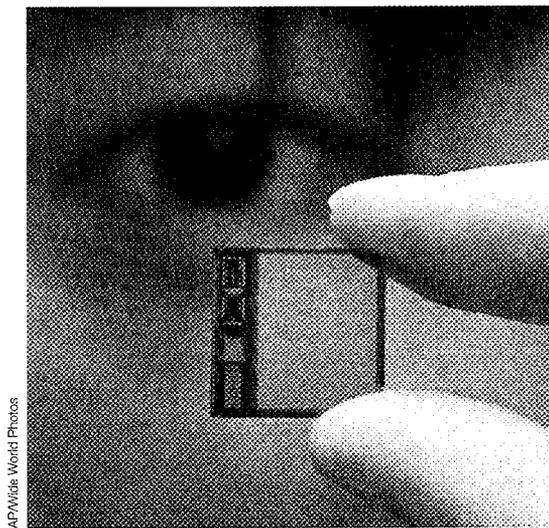
The third key objective is an improved *dispute settlement system*. Broadly defined, this includes stronger rules, monitoring, and enforcement. As previously stated, the Uruguay Round took an enormous step forward, but ambiguities and omissions in the rules still plague the system. (The bitter transatlantic quarrel over bananas is an example.) Monitoring and enforcement are also erratic. Since the United States and the EU initiate the greatest number of dispute settlement procedures, a further strengthening of the dispute settlement system is in the U.S. national interest. It also sets a precedent for conflict resolution in other areas.

## Enhancing Global Financial Stability and Growth

In a global economy, two factors in particular argue for a far greater degree of coordination between the United States and other major countries. First, the fiscal and monetary policies of a major country affect others, sometimes drastically. Second, because of the integrated nature of international finance and investment, the United States cannot solve global economic problems alone.

Macroeconomic coordination to date has been carried out through the G-7 and the IMF. At times it has been highly effective, as illustrated by the 1985 intervention to correct the overvaluation of the dollar. In most instances, however, G-7 action has been weak, intermittent, and reactive, especially in the last decade.

**World's first microchip  
capable of identifying  
fingerprints**



AP/Wide World Photos

Asia offers a good example of the need for improved macroeconomic coordination. Because recovery from the crisis depends on the ability of Asian countries to export to other countries, coordination should encompass not only exchange rates but also growth prospects in major markets around the world. The United States should not be the only major purchaser of Asian goods, if only for domestic political reasons.

The problem is that throughout the 1990s other major markets have not been growing fast enough to accommodate a higher level of imports from developing countries. The Asia crisis affects Europe as much as it does the United States; bank exposure, for example, is higher. Yet growth rates in the major EU members have been hovering around 2 percent. Lower growth reduces the likelihood of a buying spree boosting imports from Asia. In fact, the 11 founding members of the euro are projected to run a trade surplus in 1999.

Japan has been in near-recession throughout most of the 1990s. The government repeatedly avoided opportunities to tackle the structural weaknesses that created this situation in the first place. Domestic demand remains sluggish, but industrial capacity is still excessive. As matters stand, Japan is perceived as failing to shoulder its share of the burden of Asian recovery.

On the other hand, Japan has provided significant financial assistance to Asia, bilaterally and through the IMF, and far more than the United States. Moreover, Tokyo has revived an earlier proposal that would establish a major

new fund for Asia. In 1998, the Japanese Government finally began to correct weaknesses in the financial system, which should boost prospects for growth.

Acting in concert with Europe and Japan to stabilize and strengthen the international financial system is both urgent and difficult. As yet, no agreement exists regarding what changes need to be made in the governance of the global financial system, let alone what the new international financial "architecture" should look like. There is widespread agreement, however, that stimulating growth and improving the supervision of financial flows are urgent tasks.

## Promoting Sustainable Development

As the name implies, sustainable development means focusing on the environmental and social foundations of long-term growth. It includes such measures as environmental protection, the wise use of natural resources, worker rights, health care, and improvement in the status of women.

The challenge is immense. In many countries, growth and overpopulation have led to pollution, depletion of natural resources, and serious social problems. Institutions are weak. Civil society is fragile or nonexistent.

The United States has a substantial commercial interest in successful development strategies. Eighty-five percent of U.S. customers are estimated to live in developing countries. One of the chief components of the U.S. economic boom of the 1990s has been the rapid expansion of U.S. exports to low- and middle-income countries, especially those in Latin America and the Asia-Pacific region. More than two-fifths of U.S. exports go to these regions. In addition, other U.S. interests are at stake in the developing world, such as human rights, the elimination of child labor, preservation of the global environment, and the nonproliferation of weapons of mass destruction.

In an age of economic globalization, sustainable development requires a regulatory framework that establishes and guarantees free and fair competition. Such a framework includes independent oversight, accountability, regulations that are openly developed and readily available, mandatory information disclosure, an independent judiciary, and consumer protection.

Economic globalization tends to force the creation of such institutions and procedures. Becoming globally competitive means discarding

the socialist model of state planning, state-owned enterprises, guaranteed employment, import substitution, and other forms of nonmarket behavior. It also requires addressing such legacies as grossly inefficient energy consumption, industrial overcapacity, horrendous toxic waste disposal, and political cronyism. Over time, globalization thus helps place development on a sounder footing.

On the negative side, critics of globalization have asserted that unbridled commercial development can trample on ordinary people's needs. They believe that globalization lowers labor standards, depresses wages, widens the gap between rich and poor, ravages the environment, and deprives poor and indigenous people of their livelihood. They have drawn attention to the absence of social safety nets in many rapidly industrializing countries. They have invoked these concerns to impede further U.S. engagement in the global economy.

No credible evidence identifies economic globalization as the cause of these social evils. Globalization is better understood as a catalyst. The real question is whether globalization ameliorates social problems or makes them worse. The record suggests that the impact of globalization on people's lives depends heavily on whether governments have the right policies in place.

For decades the World Bank and the IMF were confined largely to economic criteria and conditions, in part because of their charters (the IMF charter is particularly restrictive). Yet both institutions now find themselves paying more attention to noneconomic factors, including social safety nets. The World Bank's latest report on the global economy stated, "Looking ahead, it's clear that social policy concerns need to be center-stage along with fiscal and monetary priorities when devising the right response to economic crises."

Sustainable development helps to strengthen democracy and stability. The challenge is to ensure that sustainable development, globalization, and U.S. international economic policy work together, thus enhancing our strategic, commercial, democratic, and humanitarian interests.

## Consequences for U.S. Policy

At least five international economic policy issues are directly relevant to the pursuit of these interests: enhancing global economic leadership

commensurate with America's superpower status, integrating Russia and China into the global economic system, making effective use of economic leverage, building domestic support for global engagement, and coordinating security and economic policies. None of these corresponds to traditional concepts of U.S. national security, but all are vital to its future.

## U.S. Global Economic Leadership

Given the worldwide span of U.S. interests, globalization requires U.S. engagement in the world economy and its governing institutions. Such engagement complements and partially justifies U.S. military ties around the world. Moreover, as the world's only superpower, the United States is the most politically visible country in the world. If it is not seen as part of the solution to the strains associated with globalization, it will be seen as part of the problem.

U.S. leadership is needed in at least two broad areas. First, it is needed to maintain the forward momentum of *trade liberalization*. This means pressing forward with the WTO built-in agenda, scheduled for 1999 and 2000, and engaging constructively in a new round of multinational negotiations early in the next century. Washington must also continue to pursue regional free trade through APEC and the FTAA. Eventually, both the multilateral and the regional track require the administration and the Congress to work toward renewing some form of fast-track authority.

The United States cannot expect to increase access to foreign markets unless it further opens its own. Relative to others, the United States maintains an open economy, but residual barriers exist in several politically sensitive sectors, notably textiles, apparel, and certain agricultural commodities. A number of barriers also remain in place at the state level, especially in the area of government procurement.

The second area that requires U.S. leadership is *institution building*. The WTO, IMF, and other international institutions should be strengthened, properly funded, and made more flexible. This effort should include meaningful provisions for assistance, enforcement (where appropriate), and dispute settlement. Similarly, the International Labor Organization needs better tools to achieve higher labor standards. The



AP/Wide World Photos

**An automated teller machine in Buenos Aires**

G-7 should be revamped to reflect European unification and expanded to include key developing countries (e.g., Brazil, Malaysia, Mexico, Singapore, China, and India). Strengthened or new arrangements should be considered for environmental protection, macroeconomic coordination, the fight against corruption, and the appropriate use of economic leverage in response to governments that pose security threats or violate international norms.

U.S. leadership in these areas should make itself felt not through hegemony and threats but through persuasion and inducements. There has been a shift from Asian triumphalism to American triumphalism. Boasting about the success of one's own economy is no way to win friends and influence people, especially when there are real social costs associated with the American way. Acknowledging these social problems and finding common ground with other countries is a more constructive approach.

In particular, U.S. negotiators should seek to draw in a new group of countries not hitherto charged with leadership but now deeply involved with globalization. The administration must also involve Congress as an active partner and expand opportunities for public participation.

The United States has an important stake in global governance. It is inappropriate for a superpower to back out of its leadership responsibilities and then complain that other nations are not doing what Americans want them to do. It is equally unseemly to resort to unilateralism and bullying while singing the praises of partnership. Record levels of U.S. prosperity, stemming

in part from globalization, should make the task of leadership easier for the United States than for almost any other country.

## Russia, China, and the Global Economic System

Integrating China and Russia into the global economic system would help complete the historic, postwar, Western task of creating a truly universal economic community of nations. Creating the conditions for such integration depends primarily on what happens within the borders of these two nations. For both Russia and China, the challenges include fostering genuine competition, deepening deregulation, shutting down insolvent factories and banks, facilitating market entry and exit, curtailing the privileges of the elite, instituting accountability within key institutions, and fostering respect for the rule of law.

The challenge for the West is how to support this transformation most effectively. Integrating the Russian Government into international economic institutions, such as the G-7, is constructive, but does not directly address its domestic problems. U.S. investment in Russian enterprises can help by setting a good example of teamwork, efficiency, and responsible market behavior. Membership in the WTO will be important in the future. Meanwhile, American foreign policy can reinforce positive trends and minimize Russian fears of isolation or encirclement.

China has still not met a basic political criterion of the late 20<sup>th</sup> century—the peaceful transfer of power. Challenges to its one-party system are still suppressed. But Chinese membership in the WTO should be welcomed. China's leaders are firmly committed to domestic reform despite the threat of massive unemployment. They have maintained a stable currency despite the turmoil in Asia. Bringing China's leaders into multilateral and regional institutions and bilateral discussions increases pressure for internal reform and outweighs the perceived disadvantages of legitimizing the repressive aspects of the current regime. Direct dealings with China enhance stability by taming and encouraging peaceful economic diplomacy in APEC and elsewhere.

Critics allege that doing business with China represents the triumph of greed over ethical and national security considerations. But engaging in trade and investment exposes more Chinese to Western business practices, which on the whole

are honest, relatively humane, and based on merit. Such engagement works against mercantilist thinking and creates more stakeholders in Beijing's shift toward capitalism. It also creates pressures for freedom of information. The danger of economic blackmail is small because American firms' ability to survive a sudden cut-off in economic relations is far greater than the ability of China to apply Western technology in the event of such an interruption. Illicit technology transfers will remain a problem in China (and elsewhere), but being "on the ground" will reduce the likelihood that technology will be diverted for unauthorized ends.

There is one realm in which the economic integration of China and Russia seemingly harms U.S. interests—the proliferation of advanced weapons technology. Globalization, however, is not the source of proliferation. It is classical *realpolitik* that has motivated Chinese nuclear cooperation with Pakistan. China's behavior is a long-standing strategic response to the relationship between the former Soviet Union and India. In Russia's case, the much-publicized "yard sale" of weapons and nuclear materials reflects impoverishment and unemployment within the Russian military establishment, which stems in turn from the inability of the government to establish a healthy economic framework.

It is up to Beijing and Moscow to decide whether they can live by WTO rules and adapt other policy changes commensurate with globalization. Nevertheless, Washington can help by minimizing partisan politics and resisting the political tendency to hold trade hostage to other goals. More tangible steps could include providing more technical assistance to strengthen competition policy, develop sound business practices, and train financial and legal professionals in areas such as risk assessment and asset valuation. Inviting China to join a restructured G-7 would both symbolize and encourage China's shared responsibility for maintaining the international economic system.

By far the most visible step that the United States could take, however, would be to bring to an end the annual ritual extending Most Favored Nation (MFN) treatment to China and Russia. Even the most distinguished American newspapers sometimes equate MFN status with trade "privileges." Despite its name, MFN means normal tariff treatment—the level of tariffs extended to all but a handful of countries. For that reason, MFN is increasingly referred to as "Normal

Trade Relations" (NTR). Non-NTR tariffs are punitive, ranging from 50 to 200 percent. Forcing the President to seek NTR from the Congress every year does not give Americans any leverage over Chinese decisionmaking; it merely underscores America's perceived inconsistency and demonstrates what Chinese leaders see as a key weakness of the American system of government. Subjecting China to WTO rules would be far more effective.

## Effective Use of Economic Leverage

The question of how to use U.S. and allied economic leverage effectively arises most noticeably in the case of rogue governments. One school of thought argues that trading with countries ruled by such governments increases national wealth and thus eases the burden of military spending. The implied corollary of this same argument is that isolating and even starving the citizenry of a rogue government will bring about either a turn toward moderate behavior or some form of pro-Western coup d'état.

The opposing school of thought emphasizes that sanctions typically don't work. Indeed, they can make matters worse by reinforcing the dictator's anti-Western policies, further impoverishing the poor, and whipping up even more anti-Americanism. In addition, they anger our allies and hurt U.S. firms and workers. In the medium to long term, engagement in the global economy is more likely to bring about the desired results.

In weighing these arguments, U.S. leaders in Congress and the executive branch need to review the historical record and devote careful thought to the security implications of economic sanctions, especially unilateral sanctions mandated by laws whose "bite" transcends U.S. jurisdiction. Whatever the merits of these laws may be, they polarize domestic interests and tie up the political system in frequently unproductive ways. With respect to allies and other friendly countries, they divert enormous amounts of time and energy to bitter disputes over sanctions at the expense of other goals. Such conflicts are not just diplomatic flurries; they affect real security interests. Effects of this kind can be anticipated and should be estimated in advance, so that goals can be carefully and realistically defined, alternative measures fully explored, and costs accurately evaluated.

A similar effort needs to be made with other countries. Economic sanctions are normally far more likely to succeed if they are multilateral.

**Dedication ceremony for  
the 100<sup>th</sup> Boeing 747  
for Japan Air Lines**



Associated Press

There is a need for more comprehensive and structured multilateral coordination, perhaps through a working group of the G-7. A review procedure that involves the closest neighbors of the targeted country is also in order. Whether such an effort works or not, all proposed U.S. sanctions should receive a more thorough historical and strategic review than they do now.

### **Domestic Support for Global Engagement**

U.S. leaders must do a better job explaining the benefits of globalization and addressing its costs than they have to date. Ultimately, globalization is consistent with America's values and plays to its strengths. But legitimate social and economic concerns must be addressed, primarily through better education and training and more flexible social and employment benefits.

Engagement in the global economy requires the active participation of Congress, state, and local authorities, and nongovernment groups. At present, an odd alliance among unions, environmentalists, and conservative isolationists has stymied the President's request for new trade agreement authority, delayed U.S. contributions to both routine IMF replenishment and the special financial assistance package for Asia, and postponed payment of long-overdue U.S. dues to

the United Nations. What the rest of the world sees is not a commitment to engagement, but fractious partisan squabbles that undermine U.S. credibility abroad.

The two chief policy imperatives are education about the global economy and response to legitimate social concerns. American leaders must do a better job of explaining the benefits of globalization to skeptical voters. More and more Americans get their international news from television rather than from newspapers, but television coverage of international news has been speeded up and dumbed down. Polls reveal that Americans know remarkably little about trade. Solid majorities believe that trade reduces the number of jobs (this despite the *gain* of 13 to 14 million jobs since 1993). Newspapers report on job losses associated with imports but not on job gains associated with both exports and imports. They tend to focus on the monthly merchandise trade deficit rather than the total goods and services deficit (which is considerably less), and they usually fail to point out that such deficits are equivalent to only a fraction of America's huge GDP (20 percent in 1998).

Nevertheless, globalization also gives rise to legitimate concerns about social justice and civil

society, both in the United States and abroad. Lay-offs are inevitable in a market economy. But in many countries, genuinely free labor unions—now taken for granted in Western market economies—are not allowed to exist. In countries forced to swallow IMF medicine, bankers and generals get away with their mistakes, while the poor suffer. In the United States, employment statistics alone do not address such intangible factors as quality of work, the health of communities, and economic insecurity. Offsetting social policies, such as portable health insurance and better training opportunities, would help. Similarly, the income gap should be addressed and debated.

The idea is not to kill the globalization goose but to distribute its eggs somewhat more evenly. The long-term path to higher incomes lies through better education; the short-term path has to do with an improved safety net, more effective community assistance, and better training. A rich country like America can do more to empower people to find a place in the global economy, both at home and abroad.

## Security and Economic Policy Coordination

Both U.S. security and economic policies are powerful instruments for shaping the global environment and hence the future of human society, but they sometimes operate at cross-purposes. In order both to facilitate globalization and to cope with its dangers, the national security community may want to consider taking part more actively in the making of international economic policy and to review its own policies in that light. Recent history suggests that U.S. trade negotiators, financial authorities, and development officials, on the one hand, and national security planners on the other, need to be much more aware of each other's concerns than they are now.

For example, the national security community might do its part to help ensure that IMF funding is adequate to restore confidence in troubled economies and maintain adequate reserves, and that the IMF is fully responsive as an institution to unique circumstances in each country. If measures to limit the extreme volatility of currency movements come under consideration, national security planners may wish to be at the table. Country risk assessments associated with national security goals (e.g., base agreements) must take into account the real value of currencies, the underlying macroeconomic fundamentals, and the prospects for destabilizing short-term

currency movements. Arms sales should be reviewed more comprehensively. (The one silver lining in the Asian crisis is that it dampened an incipient arms race in the region.) Sustainable development must be taken seriously and supported throughout the entire U.S. policy community.

Initially, a structured and sustained effort to bridge the communications gap between economics and security—sponsored jointly, perhaps, by the National Economic Council and the National Security Council at the direction of the President—will stir up a bureaucratic culture clash. But the two policy communities will find that, by pursuing common interests, they will add up to more than the sum of their parts—to the benefit of U.S. foreign policy as a whole. Sooner or later, it may be appropriate to merge the National Economic Council into the National Security Council, to form a single National Policy Council, or something like it.

There are similar, powerful reasons why the national security community may wish to join the globalization debate in the public domain. The argument for globalization is compelling, and its benefits are manifold, but its short-term risks are real, and the domestic political threat to U.S. engagement has reached uncomfortably high levels. Both Congress and the public have always responded well to the case for international engagement based on national security, and they are likely to do so again.

## Net Assessment

In general, economic globalization continues to bolster U.S. national security by facilitating global integration, contributing to long-term peace and stability, promoting prosperity and competitiveness at home, and enlarging the democratic core beyond the West. Globalization is a harsh taskmaster, but by forcing the pace of needed adjustment at home and abroad, it ultimately puts national security on a stronger footing.

Thanks to sound macroeconomic policies and flexible capital markets, the United States is well positioned to compete in the global economy. Thanks to geography, the United States is at the hub of regional trade with both Asia and the Americas. European economic and monetary integration and expansion are fully consistent with U.S. interests. More and more countries are turning toward market-oriented policies as well as toward the political and institutional frameworks needed to ensure the success of those policies. Active U.S. engagement in the global economy not

only protects U.S. commercial interests, but also contributes to this positive evolution.

At the same time, global economic forces have had disintegrative effects that undermine certain U.S. national security objectives. In countries with political and structural weaknesses, short-term shocks associated with globalization—notably rapid financial flows—can impoverish large numbers of people, robbing the middle class of their livelihood and the poor of their meager subsistence. These dislocations can undermine political stability, engender social and ethnic violence, and exacerbate anti-Americanism.

This challenge highlights at least three major U.S. interests: strengthening and deepening the multilateral trading system, enhancing global financial stability and growth, and promoting sustainable development. Policy consequences include more effective U.S. leadership, integration of Russia and China into the global economic system, using economic leverage wisely, enhancing domestic support, and bringing international economic and security policies into closer alignment.

Successful pursuit of these interests suggests the need for close coordination between the economic and security policymaking communities. The priorities of each side must be understood, if not shared, by the other. Actions must be carefully weighed to ensure that they reinforce a healthy economic-security nexus. Except in an emergency, no single priority should overshadow all the others. At the same time, priorities should be roughly ranked so that they fit into a comprehensive strategy.

This is a tall order. It is difficult enough to devise and execute economic policy or security policy in isolation from one another. Both communities should consider adopting shared, strategic criteria of success, supported at the highest levels of government and communicated to the public, so that they can surmount both the daily demand for “deliverables” and the overwhelming crush of meetings and paperwork. Developing such a strategy will require unprecedented understanding and sophistication.

# Energy and Resources: *Ample or Scarce?*

In the coming years, energy and resource issues will continue to shape international security. In the most likely case, worldwide supplies will be ample, with no shortages that could trigger a global conflict over their control. Sufficient energy, metal, and mineral supplies are expected for various reasons: rapid technological change is making available previously uneconomical reserves; more countries are welcoming foreign investment; and, the demand for a greater supply may be limited if slower world economic growth occurs. Yet, this adequacy of aggregate resources may be accompanied by crises over specific issues.

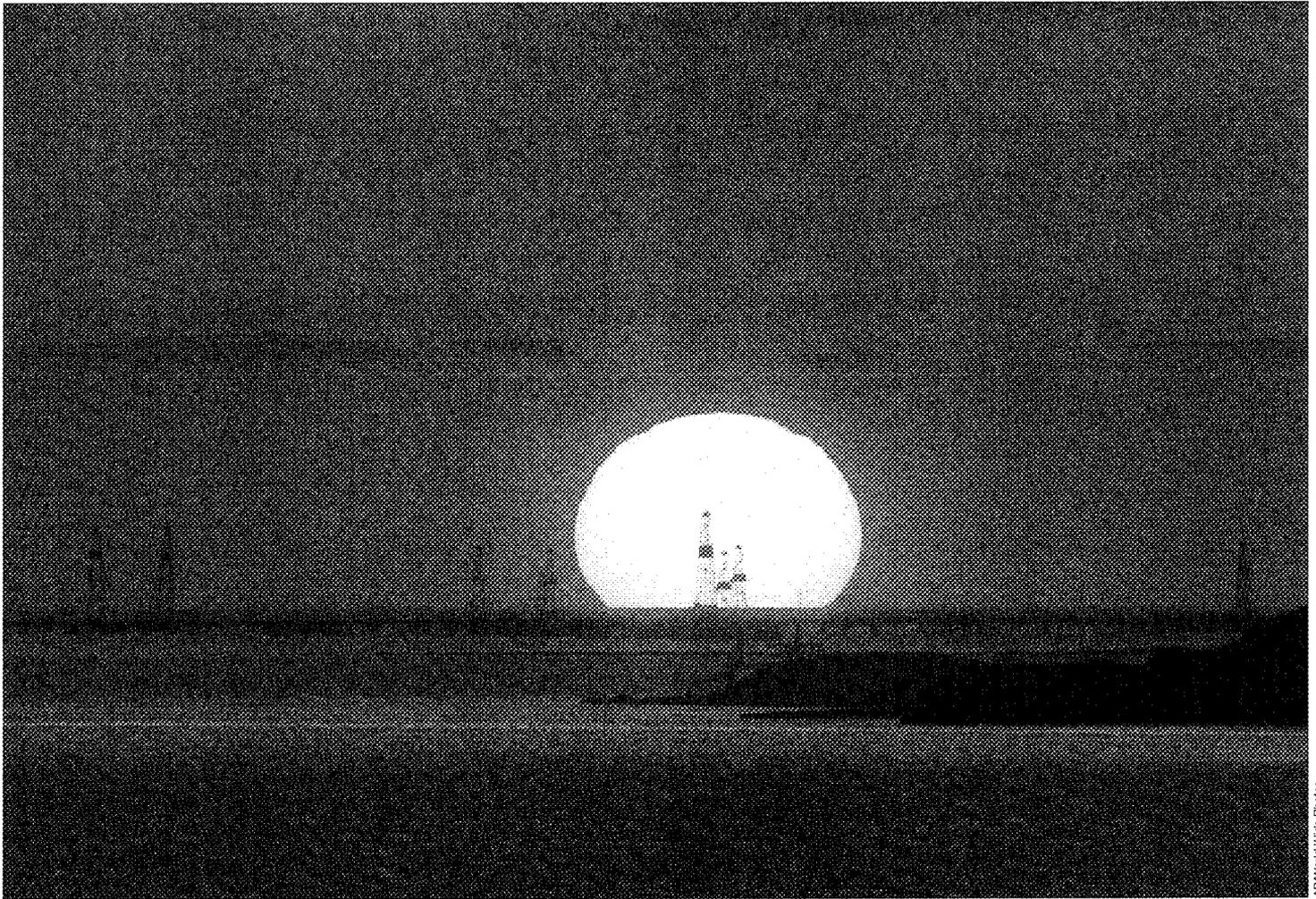
Energy and resource issues will continue to be a factor in U.S. security policy and defense planning. Most likely, the United States will not be required to employ military forces in order to secure access to resources. However, U.S. forces may be required for broader purposes, as was the case in the Persian Gulf War, 1990–91. Some specific energy and resource problems could exacerbate regional political tensions, potentially causing military conflicts in key areas, such as the Persian Gulf. In the coming years, 40 to 65 percent of the world's oil will come from the Persian Gulf, a region infected by political instability and anti-Western attitudes.

U.S. forces might be used to ensure adequate supplies for Western democracies. This would include securing lines of communication to key oil and gas fields or protecting vulnerable countries with large resource reserves from attack. U.S. forces might also be used to counter rogue governments with sufficient oil revenues to acquire weapons of mass destruction. Help from allies and partners will be important in guaranteeing energy security and deterring regional conflicts.

Energy and resources pose another challenge: they must be developed in ways that reduce pollution, especially greenhouse gases that contribute to global warming. Higher production levels increase the potential for environmental problems. While the overall future of energy and resources appears encouraging, it is mixed and uncertain.

## Key Trends

Globalization is the key trend affecting energy, resources, and the environment. Global market forces are determining the supply and demand for energy, minerals, and other resources. This is beyond the ability of any government or regional bloc to control. For example, the increasing number of countries exporting oil



**Oil rigs on the shore of the Caspian Sea in Baku, Azerbaijan**

has eroded the power of the Organization of Petroleum Exporting Countries (OPEC). Market forces, rather than command economies, are driving production decisions in the former Eastern bloc. Western governments have reduced the regulatory web that once tightly bound the energy business.

### **Energy, Resources, and Security Affairs**

Prior to World War II, resource security was exemplified by the British Empire's system, in which control over territory was seen as essential to ensuring resource supplies. A more recent concept was that serious energy and resource shortages would pit countries against each other, with survival or starvation at stake. Neither concept is applicable in today's international environment. First, global market forces are making access to supplies more reliable. Second, supplies are generally ample to meet the demand. Yet, the

relationship between resources and security remains subtle but profound, and capable of producing disintegrative effects. Four types of worrisome interactions are of special concern to the United States:

- Key energy and resource producers lacking powerful military forces or entrenched governments may be vulnerable to aggression. Rogue regimes may be tempted to steal from resource-rich neighbors through blackmail, raids, or territorial conquest. The Gulf Cooperation Council (GCC) countries are obvious candidates.

- Energy and resource reserves may be located in unstable areas or accessible only through hostile territory. This could lead to conflicts over production facilities and transportation routes, or at least extortion of revenues. The Caspian basin is an example. Shortages could exacerbate underlying political differences and serve as a catalyst for regional conflicts. Water disputes, such as between Turkey and Syria, are a possibility.

## Strait of Hormuz

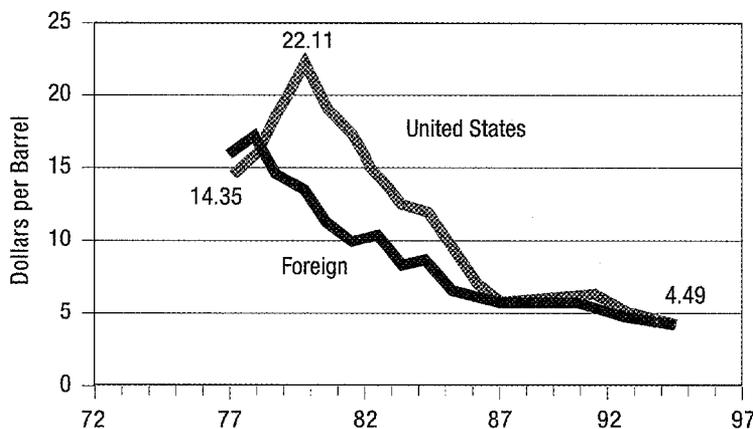
The United States seeks to sustain confidence in the free flow of oil through the Strait of Hormuz. Lying between Oman and Iran, the Strait is about 25 miles wide. Oil tankers prefer to use the deeper water channels, which are less than one-half that wide and lie near the Omani side of the Strait. As tankers proceed up the Persian Gulf after the Strait, they pass through narrower channels lying on both sides of the islands of Abu Musa and Tunbs, which are occupied by Iranians, but claimed by the United Arab Emirates. The in-bound channel is between the islands and the Iranian mainland.

The Strait of Hormuz is important because it is heavily used by commercial shipping. In 1994, 19,850 ships transited the strait, carrying 1.71 billion deadweight tons. It also provides access to ports useful for surging military personnel and materiel into the region during a crisis. If the Strait were blocked, time-phased force delivery plans could be delayed, providing an aggressor with a window of opportunity. However, a 1997 study by the Office of Naval Intelligence stated that alternative ports outside the Strait have the capacity to receive forces deploying to the GCC countries. Jeddah on the Red Sea could handle 1 million 20-foot-equivalent-units (TEU) a year, and three ports on the Gulf of Oman Sea—Khor Fakkan and Fujairah in the UAE and Mina Qaboos in Oman—could handle 2.7 million TEU containers, a total capacity of 3.7 million TEU, compared to 4.3 million TEU actually landed within the Persian Gulf in 1996.

Besides its military importance, the Strait has taken on a symbolic significance for world oil markets. One-fifth of the world's oil transits the Strait. However, in a crisis, alternative routes would allow much of the Gulf oil to reach world markets. Two large pipelines cross Saudi Arabia to the Red Sea, one of which was built for Iraq. Chemical additives could reduce friction in the pipelines and speed the flow. Gulf oil exports could quickly reach two-thirds their current level without use of the Strait. Additionally, the volume of exports could be restored to near normal levels by adding additional horsepower to pumping stations along those pipelines and by laying a short new pipeline from UAE oilfields to outside the Strait. The cost for such measures could equate to about \$1 per barrel, according to a 1997 study for the Baker Institute for Public Policy at Rice University.

The country most dependent on the Strait is Iran. It has no realistic alternatives to the Strait. It would be hard pressed to divert even one-third of its imports to routes outside the Strait. By contrast, the Gulf country least affected would be Iraq. It could readily trade through Turkey and Jordan, the main trading routes since *Desert Storm*.

## Cost of Finding Oil and Gas Reserves



Source: Department of Energy, Energy Information Administration, from data reported in Form EIA-28, "Financial Reporting System."

Note: Costs are calculated as the ratio of total exploration and development expenditures to total oil and gas reserve additions (barrels of oil equivalent) for the major energy producers reporting to the Energy Information Administration. All costs are expressed in 1996 dollars, excluding the purchases and sales of reserves, and are 3-year weighted averages centering on the year shown.

- If anti-Western regimes can disrupt supplies and threaten economic pain, they might try to coerce the West into supporting their agendas. A cartel controlling Gulf oil might try to pressure the West into abandoning Israel, for example.

- Major powers dependent on imports, especially from unstable regions, might independently attempt to ensure access to resources rather than participate in a cooperative security effort. Such independence could take the form of policies that work against cooperative security efforts. A potential example would be Chinese military cooperation with Gulf rogues.

## Plentiful Oil

The world oil market continues to have ample supply and, therefore, low prices. Crude oil prices fell in late 1997 and stabilized in early 1998 at little more than 1986 levels. The average price for other goods rose by about 30 percent from 1986 to 1998, meaning the real price of oil fell significantly over that period. Furthermore, the price of oil in 1986 was only about one-third its 1980 price. Adjusting for inflation using 1997 dollars, the price of a barrel of crude oil fell from \$66 in 1980, to \$14 in 1998. Had the 1998 price been the same as 1980, U.S. consumers would have paid \$340 billion more for oil, plus more for natural gas and coal. At this price, 1980 oil imports alone would have cost \$180 billion more.

## Nuclear Power

Nuclear power provided 6.3 percent of total world energy consumption in 1995. Department of Energy (DOE) forecasts that the absolute amount of nuclear power produced will decline between 1995 and 2020. By then, nuclear power's share will be only 3.3 percent of total world energy consumption. The only region where nuclear power will retain its role is in developing Asia, primarily China and India. Even there, nuclear power will constitute only 1.7 percent of total energy supply. The decline in nuclear power will be sharpest in North America, which will reduce its reliance on nuclear power from 7.7 percent of total energy in 1995 to 3.3 percent in 2020. The area most reliant on nuclear power in 1995, Western Europe, is forecast to reduce its nuclear power from 12.6 percent of total energy in 1995 to 7.0 percent in 2020. For both North America and Western Europe, DOE forecasts a decline in the absolute amount of energy from nuclear power between 1995 and 2020, because of the high cost of addressing environmental concerns about radiation. The environmental paradox is that nuclear power has the least global-warming impact of any energy source.

The primary reason for lower oil prices is lower oil production costs. The cost of finding oil and gas reserves in the United States dropped from \$22.11 per barrel in 1982 to \$4.49 in 1996. The cost abroad dropped from \$14.35 in 1979 to \$4.49 in 1996. The information revolution has reduced modeling and sensor costs, and a higher proportion of the wells drilled are hitting oil. Additionally, 40 to 50 percent of the oil reserves in a field can be recovered, instead of 30 percent as in the past.

As costs drop, previously unattractive oil fields, e.g., deep offshore fields in the Gulf of Mexico, can be made profitable. After a long slide, U.S. oil production in 1998 was higher than in 1997. The U.S. Department of Energy forecasts that U.S. oil output will remain constant for another decade.

The outlook for increased global production is excellent. More countries are welcoming foreign investment in the oil industry, with fewer protectionist restrictions. Foreign investors committed themselves to a program that would increase Venezuelan oil output capacity from 3.5 million barrels per day (mbd) to 6 mbd within a decade, assuming there is a market for the oil. Other countries, besides OPEC members like Venezuela, are also increasing production.

Between 1990 and 2000, countries outside OPEC and the former Soviet Union (FSU) will increase oil production by 9 mbd; this is significant, because the total increase in world oil production will be 10 mbd. The OPEC 5 mbd

increase will be offset by the 4 mbd decline in the FSU. In 2000, countries outside OPEC and the FSU will produce half the world's oil. This includes more than 25 countries, some exporting oil on a substantial scale. For example, Norway is the world's third-largest oil exporter.

The Persian Gulf will remain vital to world energy supplies. This is a concern, because the Gulf has many security problems. The GCC monarchies face serious domestic problems, including anti-Western radical Islamists. Historically, rogue regimes in the region have been inclined to act aggressively toward their neighbors. Growing oil revenues may enable rogue regimes to build weapons of mass destruction and conventional capabilities.

Persian Gulf countries have increased their output sharply in the last decade and may do so in the next. Their ample reserves can sustain a considerable increase in output. Although currently producing about 9 mbd, Saudi Arabia is pursuing a program to raise its capacity from 11 mbd to 14 mbd within the next few years. The U.S. Department of Energy (DOE) estimates its capacity in 2020 as 18.2 mbd. The other GCC states—Kuwait, Bahrain, Qatar, UAE, and Oman—are increasing their capacity from 7 mbd to 10 mbd or more.

Iraq has tremendous production potential, which may be realized as UN restrictions on its oil industry are relaxed. A February 1998 Security Council resolution authorized production of 2.8 mbd at current prices. Iraqi production could rise to 6 mbd within 3 to 5 years after sanctions end. A more cautious DOE forecast is that Iraqi production capacity could reach 6.9 mbd by 2020.

Iran is welcoming foreign investment to expand its capacity. The United States has eased its threat of secondary boycotts against foreign firms investing in Iranian oil and gas, although U.S. firms are still banned from such investment. DOE estimates Iranian production capacity at 6.3 mbd in 2020.

If demand rises quickly, then the Persian Gulf share in world oil exports could rise, from the historic low of 36 percent in 1985 to 65 percent by 2020, according to DOE forecasts. This would put the Persian Gulf share back to where it was in the early 1970s, when the Gulf cartel was able to drive oil prices up sharply. But, if demand grows slowly, the Middle East's share in output could stabilize at its current level, according to private-sector forecasters.

DOE forecasts that Persian Gulf production will go increasingly to East Asia. It predicts that,

in 2020, 57 percent of Persian Gulf oil will go to the Pacific Rim countries (including northeast Asia). Only 7 percent will go to the United States and 9 percent to Europe. South Asia will receive a big part of the remaining 26 percent. This trend will raise important questions about the role of Asian countries in Gulf security.

Where Gulf oil is sold is irrelevant. Disruption of Gulf oil would require speedy reallocations and raise oil prices for all consumers around the world. Additionally, the United States is committed to pooling its oil with other industrial democracies. Thus, such a disruption would hit the America hard, even if all U.S. oil comes from the Western Hemisphere.

While the role of market forces in the oil and gas industry is increasing, one area where geopolitics predominates is the Caspian basin. Azerbaijan, Kazakhstan, and Turkmenistan could have 5 percent of the world's oil reserves. By 2008, they could produce 5 mbd, primarily from Azeri offshore fields in the Caspian Sea and the Kazakh Tenghiz field northeast of the Caspian. The Caspian basin is a world-class oil area but not an alternative to the Persian Gulf.

While the Caspian basin may not actually be important to the world oil picture, it is of great interest to world oil companies. It is one of the most attractive areas available to them. Their role in the Persian Gulf is severely limited by government monopolies, unattractive terms, and political problems, including UN sanctions on Iraq.

U.S. firms are committed to investing billions of dollars, primarily in the Azeri offshore and Kazakh Tenghiz fields. The problem is how to get the oil and gas to market through Caspian countries. Some pipelines are already under construction or renovation. They include a 1.2 mbd oil pipeline from Kazakhstan via Russia to the Black Sea, two .2 mbd pipelines from Azerbaijan to the Black Sea (one via Russia and one via Georgia), and short gas pipelines to connect the Iranian gas network between Turkmenistan and Iran. The Kazakh pipeline will carry most of that country's projected oil capacity. Additional pipelines will be needed for Azeri oil and Turkmen gas. All projected routes have problems, making the following choices difficult:

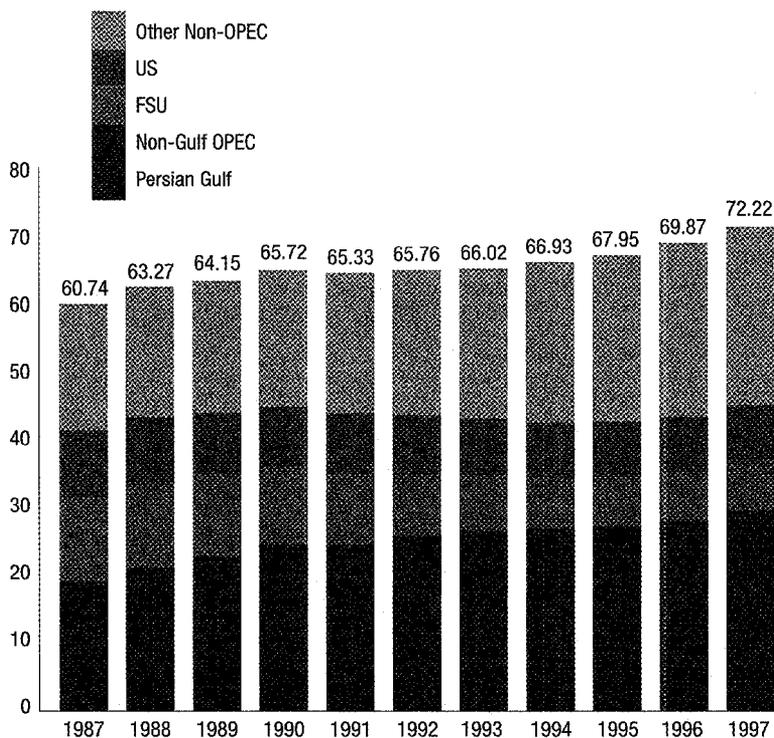
- Existing pipelines via Russia. Adding more capacity to those pipelines raises fears of excessive dependence on Russia. Also, this oil would probably be moved to Black Sea ports for transport by ship. This could create problems in the increasingly crowded Bosphorus Straits.

- Transport via Iran faces political problems. The United States would likely oppose this. Azerbaijan would be suspicious of Iranian irredentism. Also, the Iranians are offering poor terms and have a reputation for price gouging.

- Pipelines to the Mediterranean. Turkey is lobbying for pipelines across its territory. However, such a pipeline would have to go through a second country before reaching oil producing countries. Additionally, optimum routes lie in unstable Kurdish areas.

- Other alternative routes. Routes to India via Afghanistan and Pakistan would be politically difficult. Routes to China would be economically challenging.

## Oil Output in Million Barrels per Day



Source: *Statistical Review of World Energy 1998* (British Petroleum).

## Energy Demand

DOE forecasts that world energy consumption will grow 2.3 percent annually, the same rate since 1970. At this rate, world consumption in 2020 will be three times that of 1970. Of all energies, natural gas consumption is growing the fastest. Its share of world energy consumption rose from 17.5 percent in 1970 to 21.4 percent in 1995. It is projected to be 27.2 percent in 2020. Eighty percent of natural gas consumption occurs in producing countries, especially the United States and Russia.

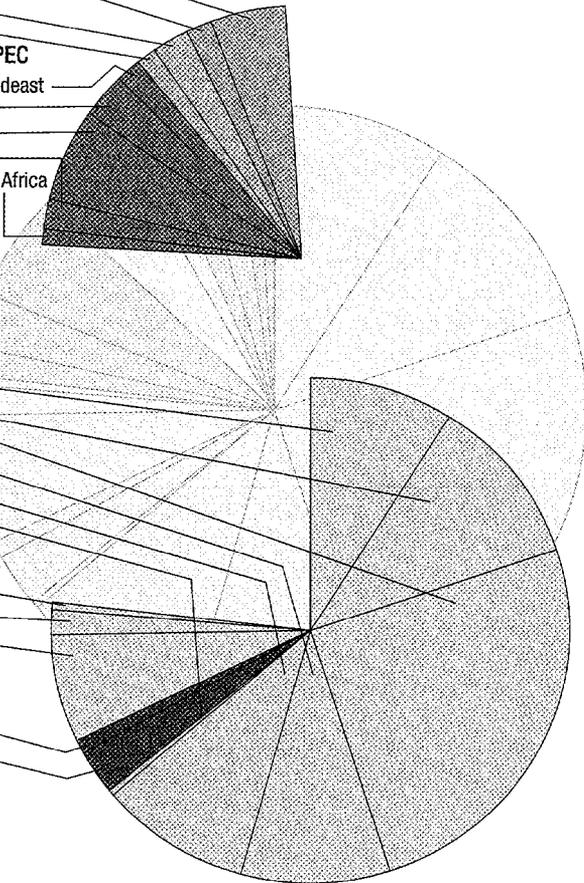
**Oil Reserves in Million Barrels, 1997**

**NON-OPEC**

- Former Soviet Union
  - Russia
  - Other
- Asia-Pacific
  - China
  - Other
- Other Non-OPEC
  - Non-OPEC Mideast
  - U.S.
  - Americas
  - Europe
  - Sub-Saharan Africa

**OPEC**

- Persian Gulf
  - Iran
  - Iraq
  - S. Arabia
  - Kuwait
  - UAE
  - Qatar
- Other Mideast
  - Indonesia
  - Nigeria
  - Venezuela
- Non Mideast
  - Algeria
  - Libya



Source: *Statistical Review of World Energy 1998* (British Petroleum), 4.

In 1995, 25 percent of the world's energy came from coal, most of which was consumed by the United States and China. Another 14.6 percent came from nuclear energy, hydropower, and renewable energy sources.

Oil will remain the most important fuel and the principal fuel for energy-poor countries. It constituted 47.3 percent of world energy in 1970 and 39 percent in 1995. It is projected to be 37.1 percent in 2020.

The United States remains the world's largest energy consumer, and this consumption is rising. U.S. energy consumption grew 1.2 percent annually from 1970 to 1995 and is projected to grow at the same rate to 2020. However, the U.S. share of

global energy is declining: it was 33 percent in 1970 and 25 percent in 1995, and DOE forecasts it to be 19 percent in 2020.

Energy consumption is growing rapidly in developing Asia. In 1970, it consumed 70 percent less energy than did the United States. Developing Asia went from consuming 9 percent of the world's energy in 1970 to 20 percent in 1995 and is projected to consume 31 percent in 2020. Developing Asia accounted for a one-third increase in world consumption from 1970 to 1995 and is expected to retain that share to 2020. By 2020, developing Asia will consume 70 percent more energy than does the United States.

Most of Asia's increase in energy demand will be from China and India. This will be satisfied mostly by domestically produced coal. Nevertheless, the region's demand for oil will increase rapidly. Rising income will lead to more demand for transportation of goods and people. Developing Asia's consumption of oil for transportation is expected to rise from about 4.5 mbd in 1995 to 12.5 mbd in 2020, accounting for most of Asia's increasing oil demand, which will go from 11.3 mbd in 1995 to 28.6 mbd in 2020.

Asia will eventually consume most of the Persian Gulf oil. DOE forecasts that in 2020, Asia will consume 38.4 mbd, including 9.8 mbd in Japan and Australasia. Of this, Asia will produce about 20 percent and import more than 75 percent from the Persian Gulf.

By contrast, the United States will depend less on Persian Gulf oil. Of the 9.9 mbd that the United States imported in 1997, Canada and Latin America (including Mexico) provided 5.5 mbd, while the Persian Gulf only provided 1.8 mbd. Persian Gulf oil was only 10.0 percent of U.S. oil consumption in 1997.

For the United States, imports will become more important. DOE forecasts that U.S. domestic production will satisfy only 35 percent of consumption in 2020. Increased imports will not come from the Gulf. The Gulf share of the U.S. oil market will decline to 8 percent in 2020, according to the DOE. Others forecast a smaller Gulf share. Some industry sources suggest that the Western Hemisphere will become oil independent. Latin American oil output will increase fast enough to meet U.S. oil import needs.

Europe is more dependent on Gulf oil than the United States; however, that is not its main source of oil. In 1997, Western Europe produced 6.9 mbd (87 percent in Norway and the United

Kingdom). It imported 9.4 mbd, of which 4.6 mbd came from the FSU and Africa, and 3.8 mbd from the Gulf. DOE forecasts that Western European oil imports will rise little by 2020, and the Gulf's share will stay constant. Many industry sources forecast a declining Gulf share, with more coming from the FSU and Africa. Like the United States, Europe's direct energy needs are not and will not be closely tied to the Gulf. One reason is that European governments are disinclined to take a strong role in sharing responsibility for Gulf security.

Forecasts for energy demand are sensitive to two major uncertainties: future economic growth rates and trends in energy intensity of output. If the 1998 Asian crisis were to spread and last longer, world energy demand could decline substantially, especially because much of the increased demand is attributed to Asia. According

to DOE scenarios, energy growth could be cut in half compared to normal conditions.

Energy intensity is also a major variable. The historic trend is toward less energy per unit of output in the economy. In the United States, energy consumption per dollar of gross domestic product (GDP) (inflation-adjusted) dropped from 20 million British thermal units (BTUs) in 1972, to 13 million BTUs in 1997. One reason is the shift toward industries that use less energy. The information technology companies use less energy to produce a dollar of output than do the auto or steel industries.

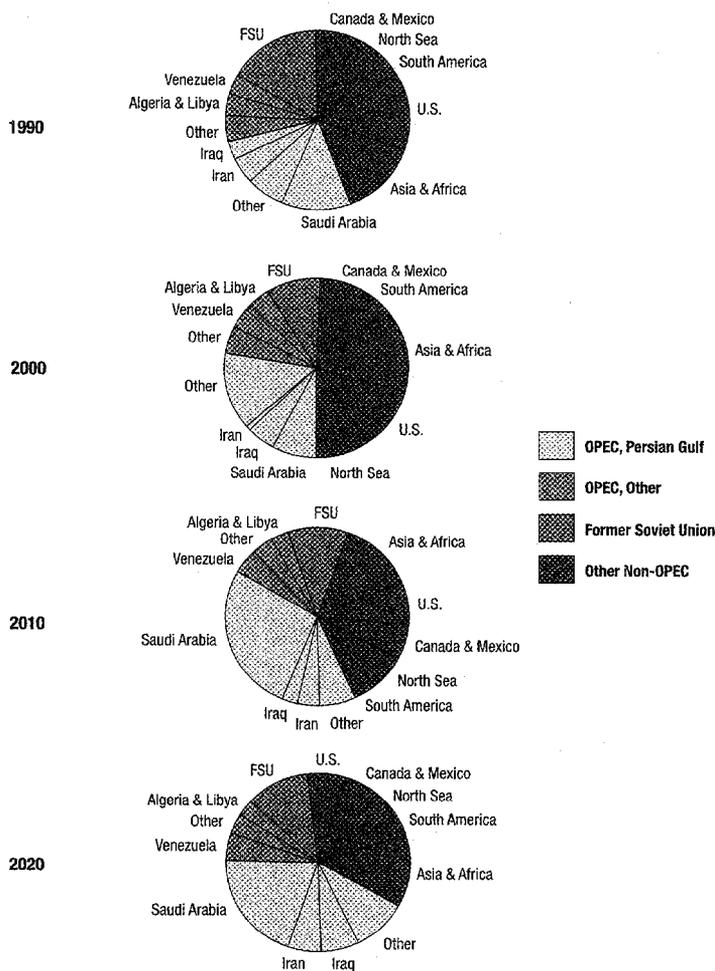
Another reason is greater energy efficiency. For example, the average fuel consumption per mile for U.S. vehicles continues to drop. In 1996, the average American vehicle was driven 17 percent more miles than in 1973, but used 18 percent less fuel. Additionally, environmental considerations, especially over global warming, may contribute to even greater efficiency. All this is likely to mean that the trend toward less energy per unit of output will continue. This is true not only in the United States, but globally. For example, China's energy consumption since 1980 has increased at about half the rate that real GDP has grown. That ratio is expected to continue.

### Ample Commodity Supplies

Previously, reliance on imported materials was a national security concern. America is highly dependent on some imported metals that are used extensively in military systems. Imports are estimated to provide the United States with 100 percent of its manganese, 99 percent of its bauxite, 87 percent of its tungsten, 84 percent of its tin, 79 percent of its cobalt, and 78 percent of its chromium.

Today, import dependence is less of a concern because of globalization. Governments have limited ability to disrupt most raw material markets, especially over the long term. Temporary disruptions may occur with one or two producers of minerals. National security planners have to be concerned about commodities that come mostly from countries far from the United States (for example, manganese), which comes primarily from Ukraine, China, and South Africa. The Government has established strategic reserves and created incentives for private stockpiling. This is the most cost-effective means of reducing risk. The Strategic Petroleum Reserve is an example. The U.S. Defense Logistics Agency also

World Oil Production Capacity (mbd)



Source: International Energy Outlook 1998 (Washington: Department of Energy).

**The Karkamis Dam, Turkey's fifth dam on the Euphrates River, just 3 miles from Syria**



AP/Wide World Photos

maintains a year's supply of manganese, bauxite, cobalt, and chromium, among other metals and minerals.

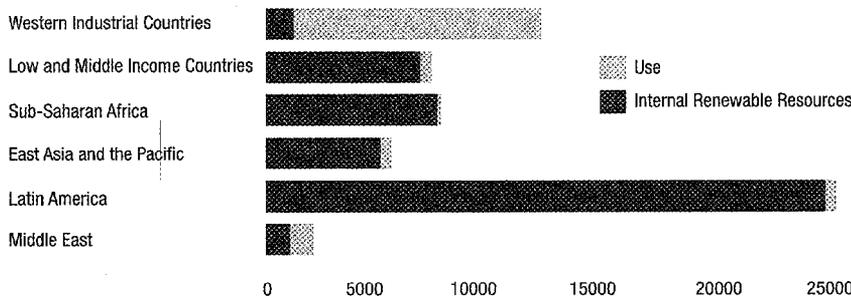
In the 1970s, many argued that increasing resource shortages could lead to rising prices, social tensions, and potential conflicts. However, the price of resource-based commodities declined to 1950s and 1960s levels and below. Since 1985, supplies for many raw materials have been ample and prices have been historically low.

There has even been an unused capacity in many agricultural, metal, and mineral products.

One explanation for this price stability is the effect of technology on production costs. Technology has enabled the use of what previously might have been discarded as waste. It has also allowed the development of previously uneconomical reserves. Additionally, higher prices for a raw material create an incentive to use it less and find substitutes. The global situation can be viewed as a race between technology and demand; for the last 200 years, technology has been winning.

**Water Availability**

(cubic meters per person per year in the early 1990s)



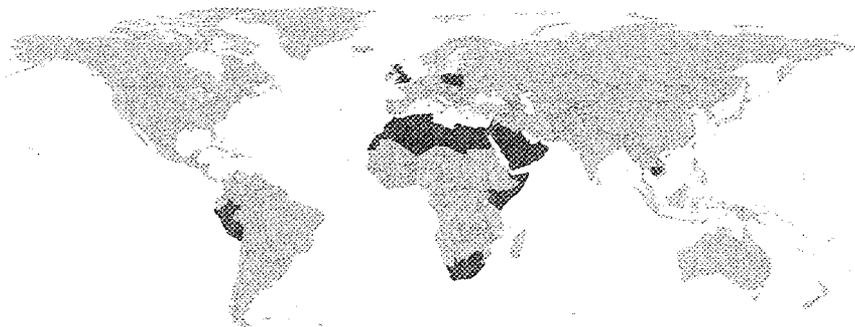
**Increasingly Scarce Water Supplies**

Problems with renewable resources, especially water, have been greater than expected. Water supplies are becoming a significant concern in many parts of the world, as populations increase and per capita water use rises with income. The Middle East, the region with the least amount of water per person, has the highest use per person. This explains why it is the region with the greatest tensions over water. The Persian Gulf

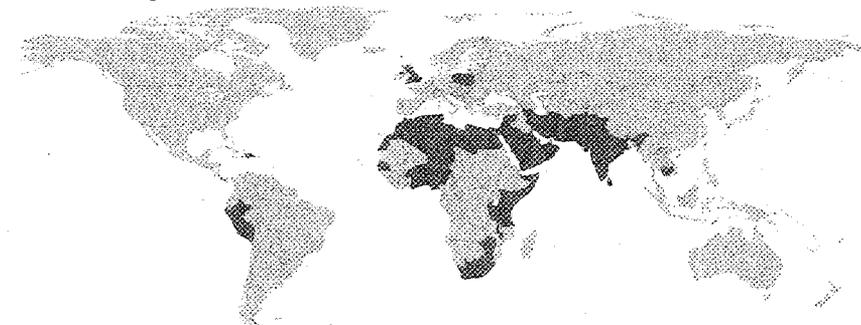
Source: *World Development Report 1992* (Washington: World Bank), 197.

## Water: A Scarce Commodity

**1999** 450 million people in 31 countries currently face serious shortages of fresh water.



**2025** 2.8 billion people in 48 countries (one-third of the world's population) are expected to face water shortages.



Sources: World Commission on Water for the 21st Century; U.N., World Bank, Population Action International; *The Washington Post*.

states meet the demand by desalinating sea water. However, few other countries are prepared to pay this high cost. Many countries are unwilling to raise water prices to a level that would encourage conservation and shifts away from water-intensive crops. Globally, agriculture accounts for 69 percent of water consumption, compared to 22 percent for industry and 9 percent for household and other use. For many, the preferred solution is to make greater use of rivers.

About 200 river basins are shared by two or more countries. Thirteen are shared by five or more countries, and four basins are shared by nine or more countries. Shared watersheds comprise about 47 percent of the global land area and more than 60 percent of the area on the continents of Africa, Asia, and South America. Water conflicts exist on every continent, with the most acute in the Middle East, primarily in the Euphrates, Nile, and Jordan river basins.

The Euphrates River basin covers parts of Turkey, Syria, and Iraq. Tensions have been acute since Turkey began its \$40 billion Southeastern Anatolian Project in the 1960s. This is a vast irrigation and hydroelectric project that uses water from the Tigris River. In 1992, the project's centerpiece, the Atatürk Dam, began producing electricity. In 1994, the Anliurfa irrigation channel began carrying 30 cubic meters a second to Turkey's Harran Plain. Turkey has rejected Syrian and Iraqi complaints over the project. Turkey maintains that it is adhering to its 1987 pledge to provide 500 cubic meters a second to Syria. Anger over the project may have been a deciding factor for Syrian aid to the Turkish Kurdish terrorist organization, the PKK.

The Nile River basin encompasses 10 countries with a population of 250 million. For centuries, Egypt has regarded safeguarding its Nile water supply as the central national security issue. A 1959 bilateral accord with Sudan allows Egypt to use 55.5 billion cubic meters a year and Sudan 18.5 billion. In 1997, Egypt began construction of the \$2 billion New Valley pipeline and desert reclamation project. Eventually the pipeline and project will use 5.5 billion cubic meters of water annually. This will push consumption to the bilateral limit or over, unless Egypt succeeds with planned water-conservation for farms. Ethiopia is also planning several small dams along the Blue Nile, which is the source of most of the Nile's waters. This could reduce the flow into Sudan below the level agreed to in the Sudan-Egypt treaty. Sensitivities over water have contributed to tensions among these three countries, as well as the civil war in southern Sudan.

The Jordan River basin includes parts of Israel, Palestinian areas, Jordan, and Syria. The Jordanian-Israeli peace treaty includes a provision governing division of waters between them. However, a three-way dispute still exists among them, and Syria has blocked the long-planned construction of a dam on the tributary Yarmuk River between Jordan and Syria. Also, the Palestinians complain bitterly about the division of water with Israel.

Resolving water disputes is not easy. International law provides two opposing doctrines relating to international waters. The doctrine of "unlimited territorial sovereignty" states that a country has exclusive rights to its use of waters in its territory. Under this doctrine, a country depleting or contaminating shared waters has no incentive to mitigate the impact on other countries. The contrasting doctrine of "unlimited territorial integrity" states that one country cannot

alter the quantity and quality of water available to another. Under this doctrine the upstream country is required to mitigate all impacts regardless of costs.

In practice, international water disputes have moved away from these two doctrines and toward a doctrine of "equitable and reasonable use." However, this has come to mean that the strongest, most clever, and best-positioned countries can claim resources without great concern for the impact on others.

Measures governing water use often originated in an era when this resource was not regarded as scarce. Cultural and religious groups may view water use as too important or sacred to

be governed by impersonal markets or agreements with neighboring countries. Market forces tend to ensure the peaceful provision of resources among countries. However, this is hard to apply to water. It is seldom subject to clear property rights and its use can have extensive impact.

## Globalization of Environmental Problems

How to address growing environmental problems may cause considerable disagreement among countries. Disagreements are likely to occur with a "free rider" state—a country that recognizes that a problem exists, but chooses not to do its fair share toward a solution, because it believes that other countries will satisfactorily solve the problem. Such problems are not likely to be resolved militarily but addressed by means of international agreements.

The ozone problem shows what can be done through international conventions. Chlorofluorocarbons (CFCs) are chemical compounds with wide application as aerosol propellants, coolants in refrigeration and air conditioning, foam blowing agents, and solvents for cleaning electrical compounds. In the 1970s, scientific evidence indicated that CFCs could deplete the stratospheric ozone layer that shields the earth from damaging ultraviolet radiation. In 1987, the Montreal Protocol on Substances that Deplete the Ozone Layer was signed by 24 countries. Some problems have arisen, such as India's unwillingness to cooperate. However, this case serves as a model for resolving global environmental problems, because:

- Damages were identified and generally regarded as serious by the scientific community. The effects would negatively impact all countries.
- The cost of resolving the problem by phasing out CFCs, while substantial, was not prohibitive.
- Firms producing offending products were able to develop alternatives that allowed them to maintain profits.

The global warming problem, believed to be caused by carbon buildup in the atmosphere, is similar to the ozone problem. However, a solution is less readily available. The scientific evidence has not been accepted by all of the important political actors. Also, some countries may benefit from global warming, though it is not clear how much. The costs of mitigating carbon buildup in the atmosphere may be high. Finally, the firms most affected have few obvious alternatives.

## Environmental Security

Environmental factors rarely have been the principal factor leading directly to armed conflict, either state to state or internal. That said, environmental activists emphasize the indirect contribution of environmental factors to conflict and argue that the environment is coming under greater stress, such that environmental factors may be a more direct cause of violence in the future.

The environment can be linked to security in three other ways, which reflect differing concepts of security:

- *Security of the environment.* It could be argued that one of the most vital human concerns should be protection of the global environment (e.g., from global warming.) However, it is by no means clear whether it is useful to describe security of the environment by the same term, "national security," that has been used for military and geopolitical matters.

- *Human security* (e.g. from famine, disease, and weather). Environmental change directly threatens human security in a variety of ways. For instance, global warming may lead to flooding in coastal areas and to more destructive storms. Providing security from natural and manmade disasters is an important governmental function—one in which the military is often called to assist—but it is quite distinct from the kinds of national security threats that lead countries to consider going to war.

- *National security.* While there is vigorous debate about how the environment affects national security, it is clear that national security can affect the environment, most obviously through the environmental impact of military operations. The U.S. military is spending over a billion dollars a year on reducing the environmental impact of its operations. As another example of how national security affects the environment, consider how the problems in Afghanistan and between India and Pakistan prevent the use of Central Asian natural gas in India. Using that gas, instead of coal, would noticeably cut global carbon emissions and thereby reduce global warming.

Environmental problems lend themselves to cooperative solutions rather than to conflict. Involving the military in environmental problems could make those problems harder to solve, because the military's role could create suspicions and inflame nationalist passions.

Environmental issues can provide a useful source of confidence and security building measures (CSBMs), as well as an issue around which military-to-military contacts may develop among countries that are not particularly friendly. For instance, along the demilitarized zone between the two Koreas, an agreement established regular contacts to manage the zone as a refuge for migrating birds.



**Fighting over scarce supplies of kerosene in petroleum-rich Nigeria**

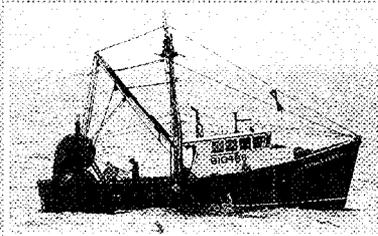
As a result, controversy exists over how to respond to global warming. The 1992 Framework Convention on Climate Change was vague and not implemented. The December 11, 1997 Kyoto Protocol involving industrial countries, Eastern Europe, and the FSU pledged to reduce greenhouse gas emissions relative to the 1990 levels by 5 percent on average. Countries can use a variety of means to achieve these goals, including natural absorption of carbon (e.g., planting trees). Countries that could not meet their goals without high costs to buy emission rights from another country that would not use them. Such a system could substantially reduce costs of complying with the Kyoto Protocol.

AP/Wide World Photos

## Fisheries

**R**esource constraints have become a problem for a few commodities, especially sea-caught fish. Overfishing has become a serious environmental problem.

Only after some difficulty have international agreements been reached. They stop such destructive practices as the use of fishing nets that are miles long and sweep an area clean of all fish, even though many species and small fish are discarded. It is, however, difficult to police those agreements. While overfishing is a serious environmental concern, its economic effects can be offset by shifting to fish farms; these could include raising species like salmon, previously available in the wild.



**Fishing boat in the Gulf of Maine, where once-plentiful supplies of cod fish are experiencing significant declines**

AP/Wide World Photos

The Kyoto Protocol has been controversial, and its underlying scientific conclusions have been debated. Some argue that reducing energy consumption will not have much effect on the amount of carbon in the atmosphere. Others argue that energy-related carbon emissions do negatively affect the atmosphere.

Another difficult issue has been the carbon emissions in developing countries. Between 1990 and 2010, China alone will increase its emissions by more than the entire Kyoto Protocol reduction. During this period, developing countries will increase carbon emissions by 2,034 million tons, compared to the Kyoto Protocol reduction of 721 million tons, primarily because of their heavy reliance on coal. By 2020, they will consume over twice as much coal as the industrial nations. The developing countries resist any carbon emissions limits, pointing to their lower emissions per capita. In 2020, their projected emission of 0.8 tons per person will be one-fourth of the industrialized countries 1990 emissions of 3.2 tons per person. The U.S. level was 5.2 tons.

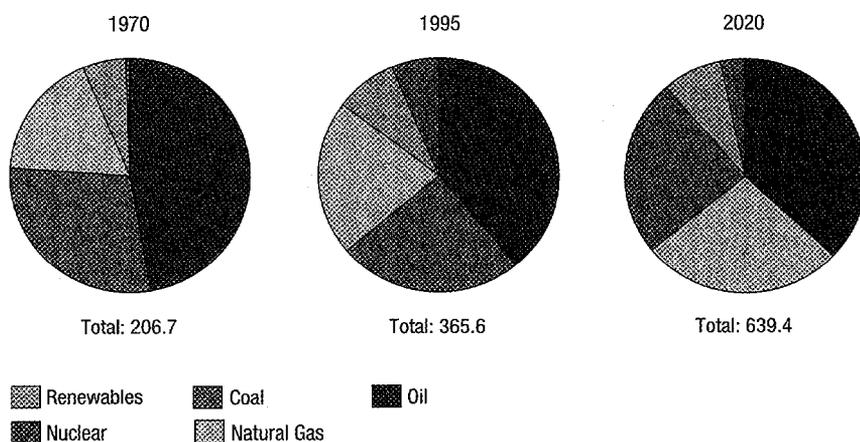
The Kyoto Protocol will heavily impact energy consumption. In the United States, 84 percent of greenhouse gas emissions come from energy-related activities. Meeting the U.S. goal set by the Kyoto Protocol will be difficult. It will require marked changes in energy use and could include reducing energy consumption and using alternative fuels, like shifting from coal to natural gas. The impact on the global energy market is less clear. Most of the projected increase in energy demand will occur in countries that have not pledged to reduce carbon emissions.

## U.S. Interests

Energy and resource issues will not cause global war in the foreseeable future. However, they may create local crises and require military deployments. U.S. forces may intervene in future crises and wars in the Persian Gulf. Energy dynamics will dictate that U.S. forces play a major role in Persian Gulf security. They will also continue to help secure sea lines of communication from the Persian Gulf, especially to East Asia. Other contingencies are more speculative. In the event of a conflict between Turkey and its Middle Eastern neighbors over water, U.S. forces could be called on under NATO Article V provisions. Caspian security is also a concern. This may require U.S. political-military involvement, but not a substantial U.S. force commitment.

**World Energy Consumption by Fuel Type**

(Quadrillion BTU)

Source: *International Energy Outlook 1998* (Washington: Department of Energy).**Assuring Energy Security**

The industrial democracies have a vital interest in maintaining ready access to stable and reasonably priced energy supplies. The United States seeks the following conditions regarding energy security:

- A variety of energy alternatives available from a number of sources
- Market forces, rather than political factors, determining energy availability.

Such conditions offer the best prospect for market stability. The availability of energy alternatives and sources would minimize the impact of disruption to any one supplier. Markets would also be able to make price adjustments that would encourage conservation, shifts to alternative fuels, and improvements to oil output capacity. Western countries cannot rely entirely on energy from within, because low-cost Middle Eastern oil is vital to holding down transportation costs.

To assure energy security, the U.S. Government has to do more than promote the role of market forces regarding energy. It must also provide a security guarantee for the Persian Gulf, the world's key energy region. Securing the free flow of Middle Eastern oil is complicated. Middle Eastern countries want to export their oil. However, the aggressive behavior of rogue regimes must be curtailed. Rogues could pressure other oil-producing countries to reduce exports so as to increase their revenues. Limiting oil exports of rogue regimes, such as the UN sanctions on Iraq, may be appropriate.

**Avoiding Water Conflicts**

The United States has reason to be concerned about two Middle East water conflicts. First, the dispute over the Jordan River basin could complicate the Arab-Israeli peace process on which the United States has staked so much prestige. Second, the Euphrates River conflict is of immediate concern to the American military. This conflict pits a NATO member, Turkey, against two rogue states, Iraq and Syria. A Syrian-Iraqi strike against a Turkish dam, which is a remote possibility, could seriously challenge NATO solidarity. While Washington would likely side with Turkey, some in NATO might be reluctant to meet their obligations under NATO Article V. Greece would resist, and some European countries may not want to see NATO forces deployed that far from Central Europe.

**Protecting the Environment**

Air, drinking water, arable land, and oceans were once considered readily available "free" goods. They now face increasing contamination. Large-scale ecosystem damage has been caused by industrial pollution, deforestation, loss of biodiversity, ozone depletion, and ultimately climate change. This could threaten the well-being of people the world over. Environmental problems could lead to manmade disasters or exacerbate natural catastrophes. If disasters spread or become more frequent, military forces are likely to be used in response.

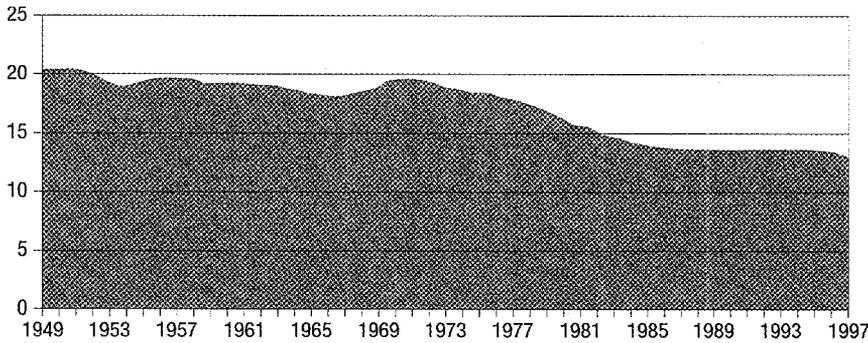
Successful environmental policies are ones that when implemented today help prevent problems tomorrow. However, some threats may not emerge for years, their magnitude unknown until then. The challenge is to achieve international consensus on how to respond to problems that are not readily apparent. The problem is, many believe that, if a threat is not readily apparent or does not transpire, the associated policies are not needed.

Strategies for environmental problems require cooperation among countries, between business and government, and between scientists and policymakers.

**Consequences for U.S. Policy**

Several energy, resource, and environment policy issues will be of particular concern to the defense community.

### Energy Consumption per Dollar of GDP (Thousands of BTU per 1992 dollar)



Source: Energy Information Administration Annual Review (Washington: Department of Energy) 1997

## Sustaining the Consensus for Secure Markets

Global market dynamics will not operate freely and openly, if the underlying security system is not stable. If major powers were to return to the 19<sup>th</sup> century approach of guaranteeing access to raw material supplies, namely securing political control over such supplies and ultimately developing monopolies, the world economy would suffer and world politics would become more tense. As China's economy develops, it will become more dependent on imported raw materials. Integrating China into the world's raw material market will be critical to a stable and relaxed security environment for energy and resources.

## Persuading Allies and Partners to Contribute to Gulf Security

At present, the United States is principally responsible for defending the Persian Gulf and Western access to oil; other industrial democracies have as much interest as America in the free flow of reasonably priced oil. As a group, the other Organization for Economic Cooperation and Development (OECD) countries import 50 percent more oil than does the United States. They also produce 50 percent more oil than America. They have reasonable cause to contribute to a common energy security framework that includes the defense of the Persian Gulf.

A common understanding with allies on energy security will be achieved with the resolution of four basic issues:

- *"Free Riders."* Allies and partners have little incentive to contribute if they believe that the United States will provide the security on its own.

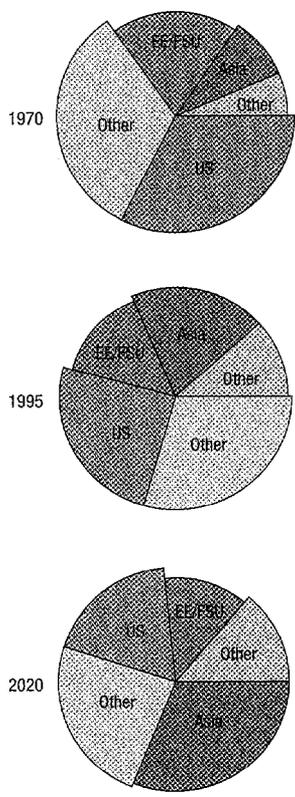
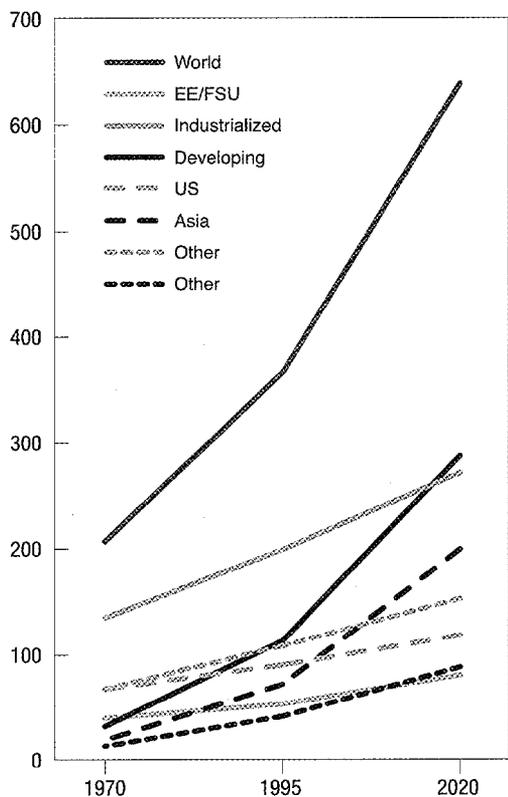
- *Division of Labor in Gulf Security.* This issue centers on the relationship of responsibility sharing to import shares. That is, to what extent should the responsibility for Gulf security fall on those who import their oil from the Persian Gulf? Economists argue strongly that it is immaterial how much U.S. oil comes from the Gulf. Any shortfall from the Gulf would affect all oil consumers equally. However, this view does not necessarily impress U.S. politicians, who find it difficult to explain why U.S. forces should assume the majority of the Gulf's security burden when most Gulf oil goes to Asia. Saudi leadership also worries that the U.S. public may not be willing to sustain this security burden. The issue to be resolved is, to what extent should responsibility for Gulf Security fall on those who import oil from the Gulf?

- *Achieving Consensus on Gulf Security Issues.* If allies play a greater role in Gulf security, they may want a larger say in this common effort. The United States has not agreed with its European allies or Arab partners on some Gulf security issues. America may be reluctant to accommodate some European and Arab concerns. The United States also is not likely to share decisionmaking with major importers such as China and India, unless its overall relationship with them improves.

- *Sufficiency of Forces.* It is by no means clear that European nations have sufficient forces that are equipped and trained for rapid deployment to a distant theater; this includes forces for regular exercises and a sustained deterrent presence in theater. Asian energy-consuming nations clearly lack such forces. Arab partners do not have many forces capable of operating on a modern battlefield with U.S. forces. As the revolution in military affairs (RMA) impacts U.S. forces, disparities will grow. The United States can take the lead on providing the forces, while other countries assume much of the financial burden, as was done in *Desert Storm*. This approach, however, is politically problematic. Coalitions are more likely to work if based on a more equitable commitment of forces.

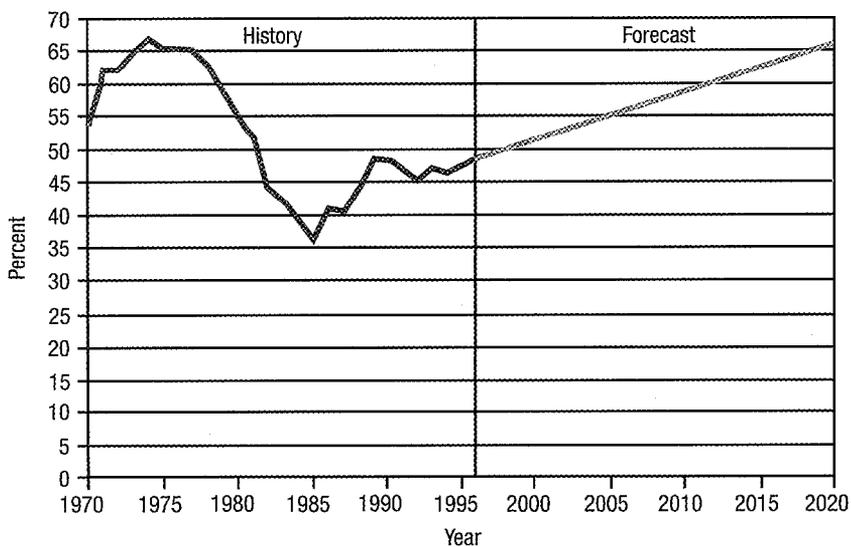
Energy security issues are likely to become more complicated. For example, what would happen if China decided that it had to play a more active role in the security of the sea lines of communication to and from the Gulf? In principle, such a role would be compatible with the U.S. desire for a broader sharing of the responsibility for energy security. The problem is

**World Energy Consumption**  
(Quadrillion BTU)



Source: *International Energy Outlook 1998* (Washington: Department of Energy).

**Persian Gulf Share of World Oil Exports, 1970-2020**



Source: *International Energy Outlook 1998* (Washington: Department of Energy).

that tensions in Southeast Asia and the South China Sea could be exacerbated by a larger Chinese naval presence in blue waters. Moreover, could the United States and China agree on Gulf policy?

**Hedging Against an Oil Supply Shock**

Military planning is based on two implicit assumptions regarding any oil supply shock: first, any shortfall will be alleviated through increased output elsewhere, substitution of other fuels, or conservation. The second assumption is that military forces will respond fast enough to enable production to be restored before the Strategic Petroleum Reserves runs out.

During the 1970s and 1980s, the United States developed a variety of policies to hedge against an oil supply shock. The challenge is to adapt these policies to the very different conditions of the 21<sup>st</sup> century. Supply shocks can impose real economic pain. The oil price shocks of 1973-74 and 1979-80 sent the world economy into recessions, causing reductions in the U.S. GDP on the order of 2 percent for a couple years. If a similar shock occurred today, it would mean a loss of \$300 billion in potential output. Preventing such a shock depends on a combination of policies that would foster quick expansion of output, energy conservation, and the substitution of other fuels.

Acting through the International Energy Agency, 23 industrial countries have agreed to share the impact of a temporary shortfall. Each has a commitment to maintain strategic stocks for this purpose. If Gulf imports were interrupted, the American SPR this reserve would last about 300 days. However, avoidance of a global oil shock also depends on International Energy Agency member nations achieving the required strategic reserves. For the members as a group, the reserves fall far short of the 90-day goal, much less of the 180-day goal set when the International Energy Agency was established.

A long-term disruption is more difficult to foresee, assuming that all producing countries maintain their output. However, a major concern is the heavy reliance on Saudi Arabia, which DOE estimates will provide one-fifth of the world's oil in 2020. This will require a massive investment program that will be difficult for Saudi Arabia to achieve. It is faced with political

## Strategic Petroleum Reserve

The Strategic Petroleum Reserve (SPR) is the first line of U.S. defense against an interruption in petroleum imports. The SPR is a 560-million barrel oil reserve stored in underground salt caverns along the Gulf of Mexico coast. It can be drawn down at a rate of 4.2 mbd, equal to about 40 percent of U.S. oil imports.

The SPR was authorized in 1975 and began operations in 1977, in response to the 1973 oil shock. The industrial nations agreed to establish reserves equal to 90 days worth of imports and, in the event of an oil supply interruption, to coordinate action through the International Energy Agency, which has 23 member countries.

The inventory of oil stored in the SPR peaked, in terms of days of net imports, in 1985 at 118 days. Coverage has diminished as imports have increased and SPR inventory has been sold to raise revenue for the federal budget. No oil has been purchased since 1995. In 1998, the SPR inventory was equal to 63 days of imports at 1997 levels.

The only emergency use of the SPR was in January 1991, at the start of *Desert Storm*. The mere announcement of SPR sales had a considerable stabilizing effect on world markets. Only 17 million barrels were actually sold before market conditions returned to normal.

problems, such as the transition to a new generation of leaders, that could slow or paralyze decision making. Saudi Arabia might become so absorbed in its own problems, to include infighting among the ruling elite, that the tough decisions are not made regarding the mobilization of the tens of billions in investment capital.

## Ensuring Caspian Energy Development

The U.S. Government has promoted a trans-Caspian energy corridor to carry oil and gas westward through Turkey or, if economically feasible, eastward to China. Such a corridor has several advantages compared to transporting Caspian oil and gas through Russia or Iran. This corridor would:

- Provide more flexible transport options for Caspian countries, which now rely on Russia to a degree that is economically costly and politically risky
- Transport Caspian energy to market without increasing energy shipments through the heavily trafficked Strait of Hormuz
- Enhance ties between Caspian states and NATO member Turkey, which has linguistic commonalities with the three main energy exporters: Azerbaijan, Kazakhstan, and Turkmenistan.

The region's unstable situation is an obstacle to this corridor. The pipeline would have transit near the Armenian-occupied part of Azerbaijan. It might also transit through parts of Georgia

that have experienced ethnic unrest. Georgia's domestic violence has ranged from organized attacks on the president to separatist insurrections. The security situation in the Caspian basin will be questionable so long as the borders of the economic zones are in dispute. Iran also demands that the five bordering states share in oil development. Additionally, Azerbaijan and Turkmenistan dispute an area on their border that may have rich energy reserves.

The United States has a strong interest in the area's security. U.S. firms are investing billions of dollars in the region. However, a large U.S. military intervention in the Caucasus is unlikely. Any substantial U.S. military deployment would make Iran and Russia nervous and would be seen as destabilizing. The challenge for America is to promote a security architecture for the region that will be accepted by all parties. This would include a framework for resolving ongoing disputes between Armenia and Azerbaijan. Such a security architecture could involve peacekeepers or monitoring for several areas of the Caucasus. U.S. forces might be called upon to support missions associated with this architecture. The United States might also help modernize the region's military forces and reorient them toward promoting stability.

## Achieving Consensus on Environmental Issues

Environmental problems transcend national boundaries. However, it is not easy to achieve a domestic and international consensus on how to respond to them. Many newly industrializing countries disagree with the argument that they should share in the response to environmental problems, even though their rapidly growing industries are producing an increasing amount of pollutants. In the absence of such agreement, it may be extremely difficult to secure broad U.S. domestic support for strong action. Failure to reach agreement could preclude the adoption of some relatively inexpensive environmental measures that could have high payoffs. Such was the case with President Clinton's 1998 initiative to reduce greenhouse gas emissions.

Military forces have no direct role in addressing environmental problems. However, they may be required to limit their impact on the environment and to become more environmentally conscious. They also may be used to support environmental protection efforts, such as using intelligence assets for environmental monitoring. This is sure to require additional

funding and may be the subject of debate. Some critics have suggested that the Kyoto Protocol could negatively affect U.S. military operations.

## **Net Assessment**

In the coming decade, worldwide supplies of energy and resources are likely to be ample, with prices little higher than today. Even so, energy, resource, and environmental problems could contribute to security tensions. A variety of pessimistic scenarios can be imagined that are plausible, even if improbable.

The most likely scenario is a continuation of present trends with no major change. If so, Gulf

security responsibilities will fall primarily on the United States, which will maintain a sufficiently robust commitment to deter regional aggression. The other major powers, including China, are likely to do little to advance or complicate global energy security. Water shortages in the Middle East will excite much emotion, but the response will be difficult negotiations rather than the use of force. Global environmental conventions will be the subject of considerable debate, but actual international consensus will be needed to find solutions. Energy and resource issues will continue to be key concerns of U.S. national security policy in the coming years.

# Global Military Balance: *Stable or Unstable?*

**W**hat is the global military situation today, and where is it headed tomorrow? Although today's situation is more stable than a decade ago, flashpoints remain in such unsettled regions as the Persian Gulf and the Korean peninsula. Moreover, the future warrants concern. Proliferation of weapons of mass destruction (WMD) and conventional force improvements could exacerbate tensions and conflict in several areas, in addition to today's hotspots.

Although military power is less central today than during the Cold War, it remains important to many countries' national security agendas. Their forces are shaping the new international security system. In appraising global military affairs and their strategic implications, national defense postures should be considered. What matters is how they compare with each other, and how they interact as they acquire more modern weapons.

Four factors are key to shaping the future military situation in each region and underscore the importance of following the evolution of global military affairs:

- *Type of Forces Deployed.* WMD is a key factor, but so are the region's conventional forces. Historically, small forces were indicative of defensive strategies, while large forces were

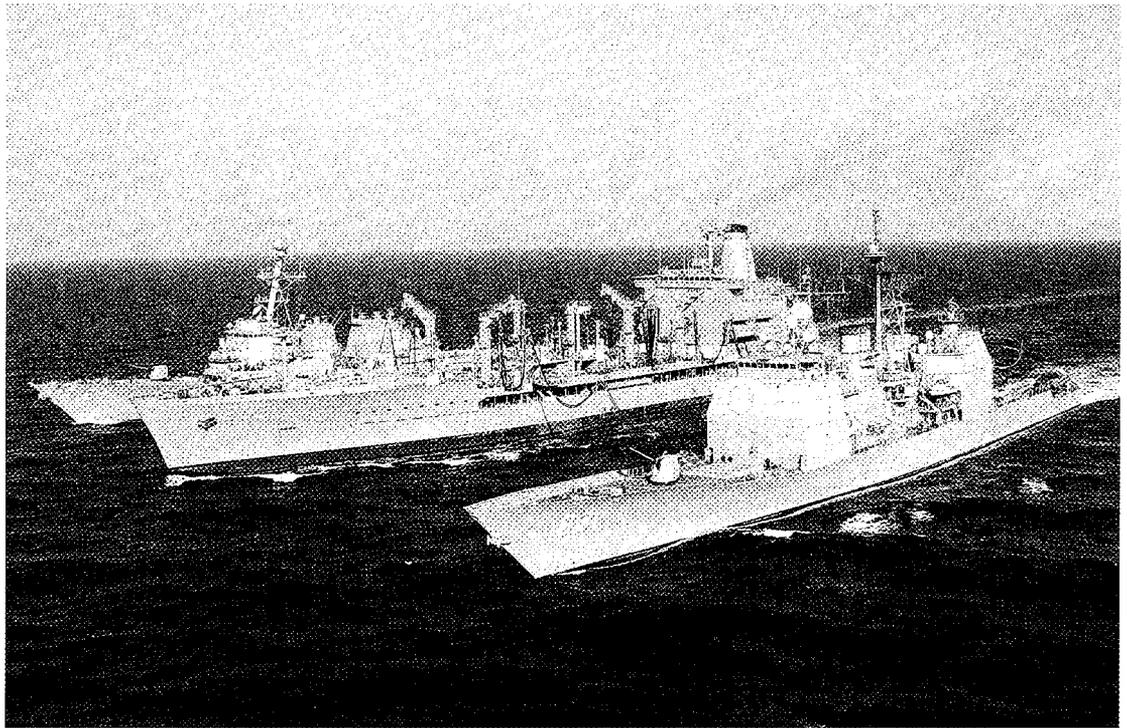
instruments of offensive operations, including aggressive actions. This pattern is changing. Quality is becoming an increasingly important factor. Small forces can still defend local borders. However, they can be used increasingly for offensive operations beyond these borders, if equipped with the assets for power projection, expeditionary missions, and offensive doctrines.

- *Rate and Direction of Modernization.* Military forces are constantly changing. They adopt new structures, weapons, and doctrines. Tomorrow's forces are likely to be considerably different from today's. Technology and the nature of war are undergoing rapid change because of the information revolution. Some countries may respond by maintaining defensive forces. Others may acquire greater offensive capabilities.

- *Nature and Degree of Military Competition.* Cooperation and partnership can improve relations among nations. Conversely, military rivalry can be the cause of political tensions and also inflame them. In serious military competitions, the danger is that the action-reaction cycle can intensify political and military dynamics in reinforcing ways.

- *The Balance/Imbalance of Military Power in Competitive Rivalries.* When countries within a region are in political accord, the local distribution of military power may be unimportant—but

**The U.S.S. *Cowpens*, CG-63, a guided missile cruiser; the fleet oiler, U.S.S. *Yukon*, AO-202; and the U.S.S. *Milius*, DDG-69, a guided missile destroyer, supporting maritime intercept operations in the Persian Gulf**



when they are in political conflict, the opposite is the case. An imbalance can undermine stability, especially when rogues gain military dominance and seek to upset the status quo. Conversely, a balance of power can have a stabilizing effect.

U.S. forces likely will remain superior to potential opponents and provide confidence that U.S. interests will be protected. However, adversary force improvements, asymmetric strategies, and WMD threats will be factors to be guarded against in U.S. defense planning. Moreover, U.S. superiority alone does not ensure a future military balance and stability abroad. U.S. superiority did not forestall ethnic war in the Balkans or prevent India and Pakistan from becoming nuclear powers. Much depends on how countries of each region perceive their situation, prepare their forces, and interact with each other.

If not monitored, military events can explode suddenly, too late for preventative action. Prior to the Persian Gulf War, Iraq successfully but quietly built strong forces in ways that rendered Kuwait and Saudi Arabia vulnerable. Large arsenals, abandoned in Yugoslavia when the Cold War ended, later fueled the Bosnian War. The earlier acquisition of technology provided China with the missiles that were launched near Taiwan in 1996 and surprised the rest of Asia. The 1998 nuclear explosions in

South Asia occurred because India and Pakistan privately pursued their nuclear intentions.

A growing number of countries understand the need for military restraint and multilateral cooperation. Yet, this trend is not evident everywhere, and situations in several regions could deteriorate. Today and tomorrow, the principal danger is not global war, but local strife, regional wars, and WMD use. Also, a new era of traditional geopolitical competition may emerge, in which some nations attempt to intimidate others with powerful military forces. While some political and military trends lessen these dangers, others enhance them. Three key regions differ in this respect. Europe's military situation is becoming more stable. The Greater Middle East is becoming more dangerous. Asia, particularly South Asia, could move in either direction, depending upon how events unfold.

A multidimensional view is necessary for thinking about the future of global military affairs. In all major theaters, three future scenarios ranging across the spectrum are plausible. In each region, the level of danger and threat could remain the same as today, but with a different mix of issues. Alternatively, regional military affairs

could move toward greater stability, or instability. Much depends on how regional politics transpire. Yet, military affairs have a dynamic of their own, with wide-ranging implications. How the United States and allies act upon key factors will influence which of these three scenarios occur. Their ability to act wisely will significantly affect global military affairs and determine if they evolve toward stability or instability. In this arena, as in others, the future is up for grabs.

## Key Trends

Today, the task of assessing trends requires peering into the future amidst change almost everywhere. The multiple trends shaping global military affairs are outward manifestations of an underlying dynamic. Many countries are leaving behind the bipolar era and beginning to shape their defense postures for a new era that is more fluid and complicated and brings with it new military technology and doctrine. Some countries are thinking multilaterally, but, outside Europe, many are thinking in national terms. Many are defining national agendas in terms of self-protection and cooperative restraint, while some are looking outward. Regardless, change offers new politics and technologies. The future is likely to witness a blend of change and continuity, with change predominating over the long term.

Views of the future differ, particularly regarding military affairs. Defense policy differs from diplomacy. Diplomacy mostly focuses on the current situation. Defense policy is heavily concerned with preparing forces for employment

10 to 15 years from now. Military forces improve slowly and do not make major changes overnight. Yet, in this era of rapid transformation, a decade or two can make a difference.

Discerning key trends requires looking at data on military forces and spending in key regions. The world remains well armed, even after the end of the Cold War. Outside the United States, nearly 20 million personnel are on active duty, and reservists roughly double that. U.S. forces account for about 6 percent of the global total. Outside the United States, about \$452 billion is spent annually on defense, at current exchange rates. Because expenditure comparisons are influenced by currency exchange rates, they often obscure the most important measure: the size and strength of forces being bought on the local economy. High U.S. defense costs are largely attributable to an all-volunteer force and buying goods and services from a prosperous U.S. economy. Most other countries benefit from low-cost conscription and buying goods and services in inexpensive economies. Their defense spending may allow a significantly greater output compared to what the defense dollar buys on the U.S. economy.

Moreover, these countries face lesser strategic requirements than the United States. Most are primarily concerned with their respective regions, and their military forces and spending are focused accordingly. However, the United States requires expensive power projection forces for three major overseas regions. It spends about \$90

### Distribution of Non-U.S. Military Forces in Key Regions



Source: *The Military Balance, 1998/1999*, International Institute for Strategic Studies (London: Oxford University Press).



**U.S. Marines, part of a combined-arms, air-ground task force, with MP-5 submachine guns**

billion for some 750,000 active troops that can be projected into overseas regions. Such costly requirements and others preclude a quantitative U.S. military dominance.

U.S. forces are qualitatively superior to any others. However, its military power is relative. Because of these far-reaching requirements, the United States must selectively mass its military strength in any single place. Additionally, U.S. forces operate in a world that remains heavily armed despite the defense downsizing of recent years. This is the case in all key regions, which are characterized by the following:

- Military spending and manpower levels remain high in Europe, despite stabilizing trends in recent years. In Eurasia overall, spending is low but manpower levels are high. Russia still maintains 1.2 million troops. Altogether, more than 2 million troops are under arms in Eurasia.

- In comparative terms, manpower levels are high, while spending levels are low in the Greater Middle East and South Asia. This low spending slows the pace of modernization in both places, but limited funds for new conventional weapons provide an incentive for acquiring WMD.

- In Asia, manpower and spending levels are higher than commonly realized. China, Japan, the two Koreas, and other countries maintain large forces. Although Asia's defense

spending is about 75 percent of Europe's, Asia's military manpower doubles Europe's. If Asia's wealth increases, this may permit larger defense budgets and faster modernization. However, if the economic crisis continues, it will adversely affect Asian military budgets.

- In Africa and Latin America, troop levels and budgets are low relative to population sizes and geography. Most militaries are used for civil control, rather than external operations, and are not modernly equipped. Nevertheless, light infantry weapons can inflict great damage, as has been seen in Somalia and Rwanda.

## **A Stable World with Dangerous Flashpoints**

Gone is the risk of a bipolar confrontation escalating into global war and nuclear holocaust. Large alliances are no longer arrayed against each other. Today's world is less polarized and more diffuse. The West's gradual enlargement is making more countries confident of their security. The trend toward partnership is having a similar effect. The multiple arms control agreements in force, or under negotiation, also play a stabilizing role. Military power is no longer the primary means of enhancing a nation's standing in the world community. Developing an information-based economy is more important than military spending.

Yet, many countries throughout the world remain well armed. As they acquire modern weapons and spend more on readiness and training, their forces will improve in quality. Many rogues have sufficient forces for aggression and are acquiring modern weapons. Ethnic groups and terrorists can also acquire the weapons needed to inflict mass casualties. The Persian Gulf, the Korean peninsula, the Balkans, South Asia, and Taiwan are today's obvious flash points, but they are not the only places where violence and war are a threat.

## **Geopolitical Military Competition**

The likelihood of regional conflicts will be influenced by the political conditions governing their origins and associated military conditions, especially whether or not aggression can succeed. Rogues will remain a principal instigator of regional conflicts, and some are acquiring WMD and better conventional forces to increase their military power. Iraq and Iran are examples and this trend may spread elsewhere.

A loose and amorphous strategic environment can be destabilizing. If it leads some countries to build military power that menaces others, it can result in the kind of geopolitical maneuvering that damaged the international system earlier in this century. The India-Pakistan interaction is an example. Their decisions to become nuclear powers are influenced by geopolitical motives, which include gaining major power status, intimidating each other, and deterring external threats. In the post-Cold War era, Europe and Asia have been spared great power competitions, but both regions have a history of succumbing to geopolitical rivalries. Such a possibility could emerge if the wrong set of political and military interactions were allowed.

A common fear is that a future great power rivalry might pit the United States against Russia or China in a new military competition. This fear is based on the possibility that one or both of these countries could become superpowers, or near-peers, in ways that would result in global confrontation with the United States. However, a rivalry is more likely to occur between these countries and other nations within their regions. Rivalry between Russia and Germany is one possibility; rivalry between China and Japan is another. Such rivalries would involve the United States because of alliances with Germany and Japan. Allies in such rivalries might seek U.S. military commitments rather than increase their own forces. Ultimately, this could lead to U.S. military competition with Russia or China. This scenario is improbable today, but not implausible in the future and should be prevented.

### **Medium Powers and Rogue Nations Seeking WMD**

Most great powers are downsizing nuclear arsenals. At the same time they are pursuing arms control and nonproliferation through such mechanisms as the Strategic Arms Reduction Treaties, the Non-Proliferation Treaty, the Comprehensive Test Ban Treaty, the Missile Technology Control Regime, and chemical and biological weapons conventions. However, some countries may be selling technological components and missiles to those seeking WMD to obtain hard currency. If this trend accelerates, it could stimulate further proliferation. Through increased cooperation, the great powers can slow proliferation, if not halt it.

WMD systems offer medium powers an inexpensive means of increasing military power and prestige. Such weapons enable rogues to coerce neighbors and deter outside intervention. Additionally, some nations may see WMD as deterring other WMD threats and aggression against legitimate interests. These considerations contribute to WMD proliferation, even if the international community condemns it and judges it to be counterproductive.

Prior to 1998, WMD proliferation was slower than many feared. However, events in South Asia have fueled concerns about proliferation. The chief risk is that India and Pakistan will build nuclear forces and that WMD proliferation will increasingly occur in the Greater Middle East and elsewhere. The Western community has tried to prevent Iran and Iraq from acquiring WMD and delivery systems; the results, though, are uncertain. If arms control and nonproliferation efforts fail, WMD proliferation could occur faster than some thought was possible. By 2005–10, the Greater Middle East and South Asia could include countries with nuclear, chemical, or biological weapons, and the means to deliver them over long distances. The consequences for regional security are complicated and hard to forecast, but they are unlikely to enhance stability. Indeed, regional stability could rest on a new balance of terror, but it would lack the mechanisms that enabled mutual deterrence in the Cold War.

### **Conventional Military Capabilities Key to Stability**

Regional stability exists when all key countries believe that their conventional forces can defeat aggression, but cannot exploit their neighbors' disadvantages. By contrast, instability exists when rogues perceive that aggression will succeed without fear of reprisals, or when countries pursue desperate measures out of fear for their security. In addition to triggering wars, instability causes intense political and military competition, contributing to WMD proliferation, and shifting alliances.

Western democracies are confident in their conventional defenses. Beyond them, however, regional stability does not uniformly exist. The economic and military power of some regional countries is increasing, while it is declining for others. If the strength of peaceful, Western countries increases faster than that of rogues, stability will be enhanced. But, the opposite will occur if the power of rogue countries increases in ways



**An F-15C preparing to fly a mission from Cervia Air Base, Italy, in support of Operation Joint Forge**

that encourage predatory behavior. If future regional change is not managed carefully, the outcome could undermine stability, even if WMD proliferation is stemmed.

The changing nature of military operations is also becoming an important factor in stability; this transformation is addressed in chapter 17. The ongoing modernization and revolution in military affairs (RMA) resulting from the information age will greatly enhance combat power. It also will broaden the range of offensive capabilities for some countries. This transformation could be destabilizing to the degree that rogue countries benefit from it.

Modern weaponry is not always needed for aggression. Older weapons can still inflict widespread violence. They can be used to oppress those unable to defend themselves. Traditional infantry and artillery can destroy cities and annihilate large populated areas. This has been readily shown in the ethnic warfare of the Balkans and Sub-Saharan Africa. Wars at the low end of the spectrum can cause immense destruction. Such low-level conflicts may be a principal manifestation of violence in the immediate future.

## **Lack of Allied Power Projection Capabilities**

Despite the immense strength of NATO, members do not possess large forces capable of swift power projection, especially outside Europe. This is a Cold War legacy. Many European

countries have been reluctant to commit forces outside Europe. As a result, Europe relies mostly on the United States to defend common interests outside Europe. NATO is striving to improve its power projection forces, but progress is slow because of hesitant European attitudes and lack of funding. This is true in greater ways in Asia: Japan and South Korea have large forces for homeland defense, but almost no forces capable of being projected elsewhere in Asia. They also have no major plans or programs for developing such forces.

As a result, U.S. forces are primarily responsible for power projection missions in Europe, the Greater Middle East, and East Asia. The United States maintains sufficient forces for two concurrent major theater wars and is capable of initiating operations in all three regions. However, its capabilities provide little margin of assurance, in the event of unanticipated requirements. The lack of allied power projection capabilities will remain a serious impediment and risk.

## **Likelihood of European Stability**

The U.S. military presence in Europe has been reduced from a Cold War level of 330,000 troops to 100,000 today. This presence is adequate for meeting U.S. peacetime requirements in NATO. Europe is becoming more militarily stable because of NATO enlargement and partnership activities, widespread military downsizing, the decline of Russia's forces, and an overall balance that allows most countries to defend themselves, with few vulnerable to aggression. The exception is the Balkans, where virulent ethnic differences and available weapons likely will remain a major concern.

NATO enlargement helps stabilize the area between Germany and Russia. It reduces the risk of military rivalry between these powers while reassuring the countries between them. Germany and most other European countries are expected to retain moderate strategies and forces focused on border defense and NATO missions. Russia will remain a nuclear power with conventional forces larger than any neighbor's but not sufficient to dominate Europe. Its military strategy is evolving, but it appears headed toward a downsized but modern military that can defend Russia's borders and vital

interests without resurrecting the specters of imperialism and militarism. Russia's reintegration of the Commonwealth of Independent States (CIS) has not succeeded, which further reduces the military power available to it.

Regardless of whether Russia transitions to democracy, it is unlikely to pose a major threat to Europe again. It will significantly lack the military strength. At its zenith, the USSR had 5 million active troops and an army of 210 divisions. Today Russia has about 1.2 million troops and is seemingly headed toward an army of 35 to 50 divisions. Funding shortfalls have nearly crippled readiness and slowed modernization. These problems may be overcome; however, Russia will probably not be able to commit more than 25 divisions and 800 aircraft to a military operation. This force may be able to handle crises within the CIS and conduct limited, longer distance offensives. However, it cannot pose more than a single-axis threat to Europe. Such a threat is not anticipated because of efforts to establish a NATO-Russian partnership. It seems unlikely to transpire, unless

Russia's political reforms fail and an authoritarian, anti-Western regime is reestablished.

NATO can defend against any plausible conventional threat from the east or south. Its 58 mobilizable divisions, 3,600 combat aircraft, and 310 surface combatants seem able to handle plausible operations in both directions, simultaneously. The admission of new NATO members also will not overextend NATO posture. The three new members being admitted in 1999 will have large forces, and NATO plans to reinforce their defenses, if necessary.

However, European security faces challenges. Europe does not have adequate defenses to meet a WMD threat that could emerge from the Greater Middle East in the coming years. Because of funding shortfalls, readiness in some European forces is slowly declining. Insufficient procurement also may result in an increasing inability to operate with U.S. forces undergoing the RMA. These issues will challenge NATO military effectiveness in the coming years. While they could inhibit NATO ability to protect common interests outside Europe, they will not make Europe vulnerable to any foreseeable adversary.

The Balkans are likely to remain Europe's greatest area of instability. Although Serbia's military forces are large, they are less imposing than many realize. Today, Serbia has about 113,000 active-duty troops and 400,000 reservists equivalent to 6 divisions. It has 238 combat aircraft and a small navy. These forces can wage ethnic violence within the vicinity of Serbia's borders but not a major invasion requiring large field operations. Although Serbia's forces are larger than its neighbors', most of them have enough military power to contest an invasion. But the Kosovo crisis shows what can happen when a local region is militarily vulnerable to aggression.

**Military Forces of Major European Countries**

	NATO Northern Region	NATO Southern Region	Russia	Ukraine	Serbia
Defense Spending (billions, U.S.\$)	122	39	64	1.3	1.5
Active Manpower (000's)	1,100	1,368	1,159	346	114
Division-Equivalents	22	36	45	13	6
Combat Aircraft	1,980	1,425	2,320	786	238
Major Naval Combatants	212	137	143	13	8

\*Includes submarines

**Military Forces of Key Asian Countries**

	China	Japan	Taiwan	North Korea	South Korea	Indonesia
Defense Spending (billions, U.S.\$)	37	41	14	5	15	3
Active Manpower (000's)	2,280	243	376	1,055	672	299
Division-Equivalents	92	14	15	40	24	12
Combat Aircraft	4,100	429	560	607	488	77
Major Naval Combatants	115	80	40	29	52	19

Sources: *The Military Balance, 1998/1999*, International Institute for Strategic Studies (London: Oxford University Press, 1999).

**Asia—Declining Threats and Increasing Military Complexities**

Asia is more stable today than during the Cold War for several reasons: the Soviet Union no longer threatens Japan; U.S.-led efforts are underway to establish partnerships with countries in the region to include China; and the United States maintains 100,000 troops in Asia, mostly in Japan and Korea. Many believe that a continued, strong U.S. presence is critical to maintaining Asian stability in an era of change and uncertainty.

Asia lacks a collective security architecture. The results are a loose multipolar setting that

could experience military tension and competition, if political relations deteriorated. This could be the case if China emerges as an ambitious regional power, and Asia's economic growth enables countries to continue modernizing their forces.

In Asia, Japan has the largest defense budget, the most modern forces, and the economic resources for force improvements. Its defense strategy remains focused on homeland defense rather than power projection. It currently has no plans to alter this strategy and is expected to maintain its current force size and mix in the middle to long term. This strategy is conditional upon U.S. military power remaining in Asia and contributing to Japan's security. If Japan changed strategies and acquired nuclear weapons and power projection forces, it would send shock waves throughout Asia. Such a possibility is unlikely, unless Japan perceives it has no other option.

The Korean peninsula remains a potential site for a major theater war. Although North Korea has a large army, configured for offensive action, the trends favor South Korea. South Korean forces are large relative to the borders they defend and benefit from entrenched positions on rugged terrain. Additionally, they would quickly be reinforced by more U.S. forces, if war occurred. If it did, Seoul might be lost or damaged because of its proximity to the demilitarized zone. However, U.S. and ROK forces would likely prevail in the end.

North Korea is seemingly living on borrowed time. Although North Korea has large forces, its annual economy is only \$21 billion and fails to provide for its people. It is also overshadowed by South Korea's economy of \$422 billion. As a result, South Korea's forces will likely grow stronger as they modernize, while North Korea's will stagnate and deteriorate. If so, this trend will steadily reduce the risk of another war, provided North Korea does not acquire nuclear weapons or launch an attack out of desperation.

This sets the stage for a diplomatic settlement of the Korean confrontation and eventual unification. Exactly when is impossible to tell. The defense strategy of a unified Korea will be an important factor in shaping Asia's future. It likely will be wary of offending China. However, a unified Korea's overall wariness of China, Russia, and Japan will likely cause it to remain close to the United States and within the Western alliance system.

Asia's most significant variable is China. Its nuclear arsenal is modest: 17 ICBMs, 70 IRBMs, and 1 SSBN. Its overall military posture, however, is quite large, despite recent downsizing. Its conventional forces include nearly 3 million troops, 92 mobilizable divisions, 4,100 combat aircraft, and 115 naval combatants. Its army is mostly composed of infantry units but also has 17 armored and mechanized division-equivalents. Numerically, China is superior to other Asian powers, including Japan, Russia, South Korea, and Taiwan. Its recent deployment of missiles opposite Taiwan is a serious concern.

Yet, China is limited in its ability to pose a major threat in the near term. Its forces suffer from low readiness, poor training, inadequate logistics, and obsolete equipment. China's overseas power projection capability is seriously constrained. It is not capable of invading Taiwan, Japan, or any other countries in the Pacific. China can conduct only limited land operations beyond its borders and small naval excursions. As long as these constraints are in place, Asia's overall military situation will remain stable.

A key issue is China's future military posture. To what degree will it develop modern forces, power projection assets, and a blue-water maritime capability? China currently is embarked on a military modernization program. It is producing its own weapons and buying modern equipment from Russia. It is likely to improve its ground and air forces for continental operations. If China acquired large numbers of missile-equipped naval combatants, amphibious forces, and even aircraft carriers, it would likely become a major maritime power. It might be seen as posing a threat to numerous offshore countries and important sea lines of communication leading to the Persian Gulf, other Asia-Pacific countries, and North America.

Some analysts believe that China is headed in this direction, but to what extent is difficult to determine. Its pursuit of maritime power would require the adoption of a conscious maritime strategy. Traditionally, China has been a continental power, yet many of its security experts are endorsing a maritime strategy in some form. Although this strategy would be new for China, it would be consistent with the geopolitical behavior of great powers.

China may be moving toward such a strategy, as indicated by its recent missile activity near Taiwan and naval activities in the South China Sea. A maritime strategy would allow China to defend its coasts and nearby waters, pursue control of Taiwan, gain leverage over the



**C-17 Globemaster III  
taking off from Charleston  
Air Force Base, South  
Carolina**

policies of other Asian countries, and perhaps dominate and intimidate them. From China's perspective, this strategy would have drawbacks. It might polarize its Asian neighbors, a consequence China may be reluctant to accept. It sees being admitted to the Western-led global economy as important.

In the immediate future, China is unlikely to become a serious maritime power. Over the next few years, China will probably seek a moderate maritime strategy that has features of sea dominance and power projection but stops short of threatening many Asian countries. However, it could make significant progress toward improving its continental and maritime forces by 2010, if modernization accelerates. By 2020, it could be a major military power in the great Asian crescent stretching from the South China Sea to Japan. Such maritime capabilities could have destabilizing effects on the region. It would likely trigger military reactions from Japan, Korea, and other Asian countries. This is far from inevitable, thus Western countries are attempting to engage China and integrate it into the world community.

China's defense strategy and security policy will affect the situation in South Asia. India claims it became a nuclear power because it feared China's nuclear arsenal, territorial ambitions, and Pakistan's missile programs. India may act in ways that are plausibly defensive but pose threats to Pakistan. Chinese assistance to Pakistan could inflame existing tensions with

India over Kashmir. By contrast, if China emphasizes restraint and accommodation, it could help end a dangerous arms race and confrontation in South Asia.

The future of Asia will be determined by the strategic interaction of several countries. The strategies of China and Japan are especially important. They could create a strategic framework for all of Asia. Additionally, these two countries, plus Korea and Russia, could form a quadrangular relationship that would be key to regional stability. In Central and Southeast Asia, control of the vital sea lanes and the security of several countries will be essential to Asian stability. The critical variables will be the military strategies of key Asian countries, how they interact, and how they respond to crisis as well as opportunity.

Asia has the opportunity to promote collaborative ties and partnerships that leave all countries secure and with satisfied political interests. Asia also faces the danger of widespread geopolitical tension and military rivalry. A crisis that begins in Northeast Asia could spread to Southeast Asia and, ultimately, South Asia. Such a scenario could transpire, even if no hegemonic threat emerges. It could occur if several countries pursuing their own interests and acting out of fear take assertive military actions that cause neighbors to take dangerous countervailing actions. This could become an action-reaction cycle that gets out of control.

Theoretically, a multipolar competition can be stabilized by a regional military balance, even when interests are not balanced. In reality, this is fraught with difficulty. History shows that relying only on a military balance of power often inflames competitive rivalries, rather than diminishes them. For the United States, capitalizing on the opportunity for collaborative ties and partnerships while avoiding danger will be a key strategic challenge in the future.

## **Dangerous Military Developments in the Greater Middle East and South Asia**

In the Greater Middle East, the United States relies on a small, temporary presence of about 20,000 troops in the Persian Gulf, which could be rapidly reinforced in the event of crises. The growing military danger is characterized by WMD proliferation and conventional force modernization. Rogue powers could gradually acquire a combination of WMD systems and better conventional forces. This could cause an imbalance of power, inviting trouble in the coming

decade. The region's political opportunity, however, lies in two possibilities: the Israeli-Arab peace process regaining momentum, and Iran and/or Iraq becoming less hostile to Western interests. Short of such progress, a regional military balance will be essential to deterring war and promoting stability. The conventional military situations in the Middle East and North Africa are displayed below.

Regional stability is based on the quantity and quality of forces. The dominant powers are Turkey and Israel. Turkey can defend itself against likely threats but would need NATO reinforcement to defeat a major attack. Israel is capable of defeating any single Arab country. Its principal threat has always been a coalition of several Arab countries. However, Israel's treaties with Egypt and Jordan reduce this risk. Neither Algeria nor Libya has sufficient forces to pose a major threat to Western interests. Currently, the main threat to peace and Western interests in the Middle East is terrorism. This already-serious threat could increase if the Israeli-Arab peace process stalls.

Despite current military stability, the region faces risks in the future. The gravest is war between Israel and Syria. Another risk is Egypt and/or Jordan falling under radical Islamic control, thereby creating a large anti-Western coalition in the Middle East and North Africa. Additionally, Libya and/or Algeria might acquire WMD systems and cruise missiles that could menace NATO control of the Mediterranean Sea lanes, or even Southern Europe. Modernization will gradually introduce new technologies into the forces of all countries. The acquisition of missiles will enhance each country's capacity to strike greater distances.

A military imbalance exists in the Persian Gulf region that only U.S. forces can rectify. Although Iraq's forces are smaller than during the

1990-91 Gulf War, they remain the region's largest and strongest and are still capable of offensive operations. Iran also has strong forces. Both Iraq and Iran pose serious military threats to Persian Gulf oilfields, sea lanes, and pro-Western countries, including Kuwait, Saudi Arabia, and the United Arab Emirates (UAE). The concern is that Iraqi and Iranian forces could become stronger. One or both countries might acquire WMD and the means to deliver them locally and at longer range. Both also seek to strengthen their conventional forces in ways that will broaden their offensive capabilities. Iran could pose an increased threat to Gulf sealanes, if it acquires improved aircraft, ships, and anti-shiping missiles. If Iraq acquires more agile and mobile forces, as well as improved air defenses, it could better pursue asymmetric strategies aimed at securing Kuwait and even parts of Saudi Arabia, before U.S. forces could arrive.

U.S. and Western policies seek to prevent such developments. However, there is a concern about the long term. If U.S. or Western support wavers, the Persian Gulf's already-unstable military situation will likely worsen, especially since Saudi Arabia, Kuwait, and the UAE lack the forces to defend themselves against serious attack. Barring a resolution of Gulf political tensions, U.S. forces will be even more important in the future. Yet the U.S. commitment is constrained by Arab political sensitivities that prevent the basing of large U.S. forces in the Persian Gulf. If these constraints remain, U.S. strategy will rely on a small peacetime presence in the Gulf, backed up by power projection and reception infrastructure. In any Gulf crisis, the United States will remain capable of deploying large forces. The risk is that a future conflict might be decided before U.S. forces could deploy. Military stability in the Persian Gulf will depend heavily on the speed of U.S. power projection.

**Military Forces of Key Middle East Countries**

	Algeria	Libya	Egypt	Israel	Jordan	Syria	Turkey
Defense Spending (billions, in U.S.\$)	2.1	1.4	2.7	11	6	2.2	8.1
Active Manpower (000's)	122	65	450	175	104	320	639
Division-Equivalents	7	5	16	17	5	12	15
Combat Aircraft	181	420	609	474	93	589	440
Major Naval Combatants	5	5	22	4	0	5	21

Sources: *The Military Balance, 1998/1999*, International Institute for Strategic Studies (London: Oxford University Press, 1999).

**Military Forces of Key Persian Gulf Countries**

	Iran	Iraq	Saudi Arabia	Kuwait	UAE
Defense Spending (billions, in U.S.\$)	1.3	5.8	18	2.9	2
Active Manpower (000's)	429	540	105	15	65
Division-Equivalents	25	13	3	1	2
Combat Aircraft	316	260	432	76	99
Major Naval Combatants	2	6	8	0	2

Sources: *The Military Balance, 1998/1999*, International Institute for Strategic Studies (London: Oxford University Press, 1999).

In South Asia, nuclear tests by India and Pakistan have intensified the regional military situation. Regional stability depends on whether these countries will develop deployable nuclear weapons and delivery systems. If they do, their military value will depend on the nature of these forces: whether they can survive attacks or must be used first in a nuclear exchange. If both sides deploy vulnerable, hair-trigger forces, the situation will be highly unstable and susceptible to rapid nuclear escalation in a crisis. If they develop survivable forces, a mutual deterrence could evolve and produce a stable situation. If nuclear proliferation intensifies, creating survivable nuclear forces is the safest possibility, but it would not be cheap or easy, especially for countries lacking funds, as well as, nuclear experience.

Conventional forces will also affect Indian and Pakistani relations. India is numerically superior. However, Pakistan tries to offset quantity with quality. Its forces can conduct sizable military operations and would not be readily defeated. India has won three wars against Pakistan in the past 50 years. It would likely win limited victories again, if war occurred, but at high cost. India is constrained by its perceived vulnerability to China. In the long term, India has the size to become a regional hegemon. Its navy includes two small carriers, plus 24 destroyers and frigates. It is able to assert a maritime presence in the Indian Ocean. Like Pakistan, India has a poor economy and low per capita income that limit its modernization. Both countries currently rely on military assistance from other countries.

**U.S. Interests**

Global military trends have important implications for U.S. national security strategy and

defense planning. The United States has compelling reasons for being able to win wars while shaping peacetime security relationships that promote integration, prevent instability, and deter conflict in areas vital to its interests.

**Global Military Trends**

Stabilizing military trends are those that promote peace and integration and impede competition and war; these are very much in keeping with U.S. interests. Destabilizing trends have the opposite effect. Today's destabilizing trends provide powerful reasons for strong U.S. forces to remain engaged abroad in the foreseeable future.

U.S. overseas presence and power projection capabilities will be critical to reassuring allies and other friends. This reassurance prevents many countries, including Germany and Japan,

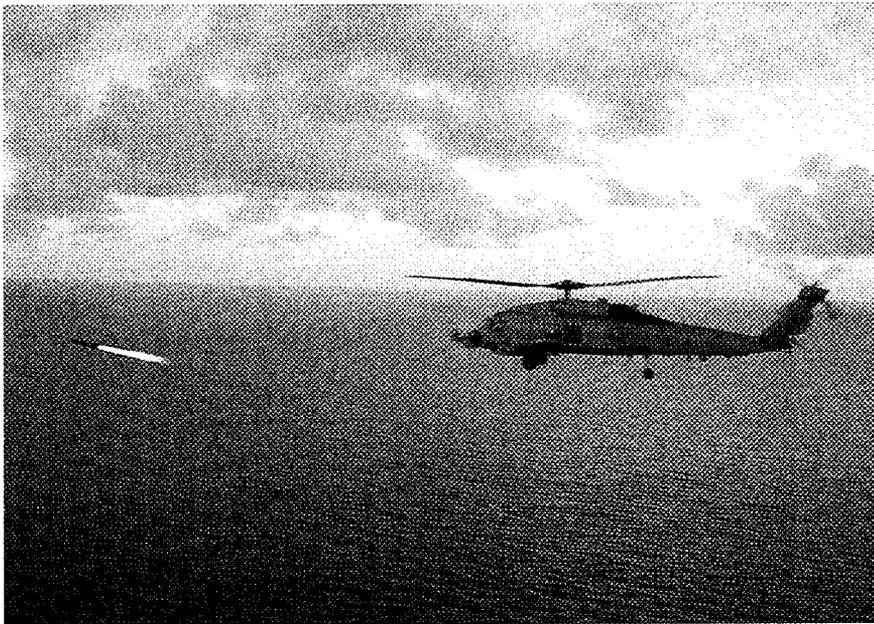
**Military Forces in South Asia**

	India	Pakistan
Defense Spending (billions, in U.S.\$)	1	3.4
Active Manpower (000's)	1,175	587
Division-Equivalents	39	262
Combat Aircraft	839	417
Major Naval Combatants	44	20

Sources: *The Military Balance, 1998/1999*, International Institute for Strategic Studies (London: Oxford University Press, 1999).

from becoming nuclear powers and encourages them to refrain from building up conventional forces. U.S. forces will also be used to deter rogues, prevent competitive rivalries, and handle crises and wars that periodically occur. Continued U.S. military presence in three key regions will be critical to protecting U.S. interests, promoting stability, and remaining prepared for future crises. If the United States were to disengage, destabilizing changes would likely occur in these regions.

Yet, the continuation of this presence should not be taken for granted. In each region, pressures may be building to reduce it. The rationale for basing U.S. forces in Europe could be undermined by the absence of a clear threat to NATO, an inward-looking EU, and European hesitancy to embrace new missions. In Asia, fading old threats could also undermine the rationale for U.S. forces in Japan and Korea. Domestic and for-



**SH-60B Sea Hawk firing an AGM-114 missile during Exercise COMUTEX off the coast of Puerto Rico**

eign pressures could force their withdrawal, unless a new strategic rationale is found. In the Persian Gulf, friendly countries want to limit U.S. military presence, while rogue countries seek its removal altogether.

Ensuring an adequate and engaging presence in all three regions will require a conscious effort by the United States. The key will be working with allies and partners to develop new rationales for strong multilateral ties and emphasizing U.S. contributions to stability.

In a complex and changing world, regional wars and other conflicts might erupt in several unpredictable places, in addition to the Persian Gulf and Korea. U.S. forces must be sufficiently flexible and adaptive to meet a wide spectrum of crises in all major regions.

Additionally, global trends emphasize the need for U.S. defense policies and plans to shape the international security environment. U.S. forces will conduct such key shaping missions as reassuring allies and friends, developing partnerships with many countries, deterring rogues, and dampening geopolitical and military competition in key regions. To the extent that U.S. policies succeed at shaping and stabilizing regions, the likelihood of crises and wars will be reduced.

U.S. forces will need to be prepared for the military challenges of 2010 and beyond, which will increase in severity as foreign forces modernize and grow stronger.

## WMD Proliferation

The prospect of accelerating WMD poses a major threat to U.S. interests. They could be used against U.S. forces, the U.S. homeland, or allied forces and territory. Additionally, these weapons could contribute to a climate of political instability and facilitate the use of conventional forces for aggression. The cumulative effect of WMD poses a formidable threat to U.S. interests.

The United States clearly has an interest in halting the spread of WMD. Its efforts to do this include reliance on arms control treaties and international institutions, but the ultimate success of these is uncertain. Future WMD proliferation is especially likely in the Greater Middle East and South Asia. These are unstable regions where a well-established Western-style alliance system does not exist. If WMD proliferation occurs in these and other regions, it will contribute to a more dangerous world and greatly complicate the conduct of U.S. policy and strategy. It will affect the full spectrum of U.S. activities, from diplomacy to contingency war plans.

## Conventional Force Trends Threatening U.S. Interests

The United States has an interest in promoting military stability and balance in key regions. These conditions foster a reassuring political climate that helps protect allies, deters rogue country conduct, and restrains key countries from attacking each other. Emerging trends underscore the feasibility of such conditions in many places—but not everywhere. U.S. interests could be threatened, if rogue states improve their conventional forces in ways that achieve superiority over neighbors. They might also be challenged, if the offensive capabilities of potential U.S. opponents benefit from trends in modern technology and doctrine. Such future trends could intensify military competitions and have a destabilizing effect on key regions, even where rogue countries do not exist. Arms control and multilateral accords can help. Even so, U.S. force modernization is needed to meet these developments, as well as to prepare for future wars.

## Risk to U.S. Forces

Emerging trends place greater emphasis on U.S. forces being able to operate beyond the strategic perimeters of Cold War alliances and in distant regions where common Western interests are at stake. Unless allies and partners significantly contribute to these missions, U.S. forces

will be left to perform the bulk of them alone. This could cause an overstretch in global responsibilities that would be unhealthy for the Western Alliance. It would create unfair burdensharing and would risk alienation between the United States and its allies.

## Global Military Trends in Key Regions

The United States has an interest in shaping future global military affairs in ways that help consolidate military integration and cooperation in Europe, keep Asia militarily stable, and prevent any military deterioration in the Greater Middle East. Emerging trends suggest that these European goals will be achievable. Asian goals are feasible, but only with a concerted effort and good fortune. Middle East goals will face increasingly difficult challenges. These prospects create reasons for the United States to develop strategies that are tailored to the dynamics of each region. Moreover, the United States will face requirements to distribute its scarce resources effectively among the separate theaters. This could mean difficult decisions regarding defense priorities. These regions should not be viewed in isolation, but rather as part of the larger strategic context confronting U.S. defense planning.

## Consequences for U.S. Policy

Although current U.S. policies are mostly succeeding, they may be increasingly challenged by emerging military trends. This development may create incentives for new policies that might better ensure U.S. interests.

## Strategic Planning Frameworks

The prospect of changing global military affairs emphasizes the need for a U.S. strategy that relies on shaping functions, including the use of its military power. Coherent strategic theories are needed to apply shaping functions effectively. They must ensure that means are aligned with ends and critical goals are achieved.

Today's shaping functions are three coordinated and reinforcing activities: promoting integration and stability, preventing instability and competition, and deterring aggression against Western interests and values. The development

of these shaping functions poses a number of questions. How are they best performed? What are the strategic mechanisms that link cause and effect? What are the implications for U.S. defense resources and program priorities? The answer to these and related questions will be key to fashioning strategic theories for the shaping function.

The same applies to the preparing function. Tomorrow's global military situation may be quite different from today's. Preparing for the future mandates modernization, plus adoption of concepts embodied in the RMA and *Joint Vision 2010*. It also means preparing U.S. forces to be able to shape tomorrow's strategic environment. Current military trends suggest that U.S. forces will be called upon to prevent destabilization and deter aggression. Their ability to perform these key roles in tomorrow's world will greatly determine their strategic effectiveness.

## New Approaches to WMD Proliferation

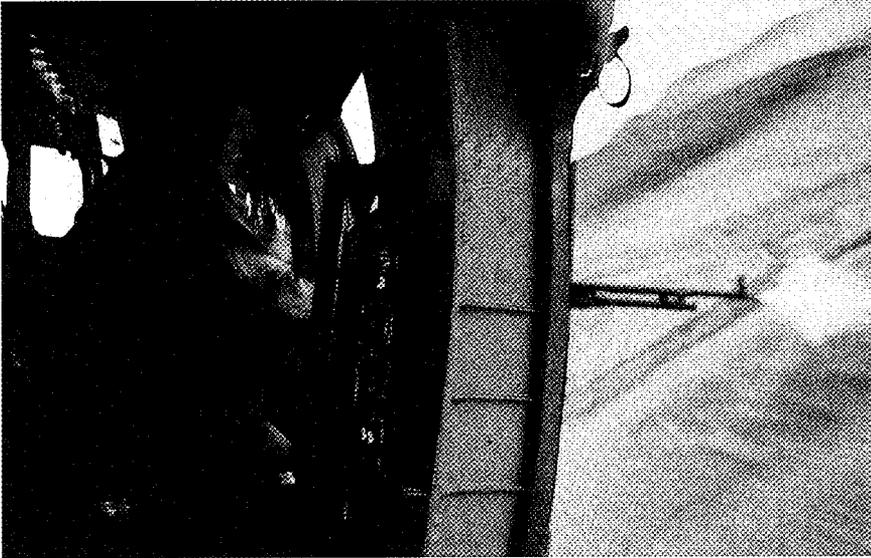
If WMD proliferation does occur, new approaches will be required for a new set of challenges. Current U.S. strategic precepts, which include containment, deterrence, forward defense, flexible response, and arms control, are inherited from the Cold War and may not apply to these new challenges.

One issue will be how to deal with WMD-armed rogues that may be willing to use these weapons to change the status quo. Another issue will be reassuring vulnerable countries outside the Western alliance system. A third issue will be determining U.S. response to a crisis in which WMD systems might be employed. A fourth issue will be the kind of defenses needed to protect the forces and homelands of not only the United States but its allies. Addressing these issues will require new strategic thinking in advance of the threat.

## Over-Reliance on High Technology

The RMA will be the deciding factor in wars that are characterized by classic air and armored operations, such as those in the Persian Gulf War. However, future crises and wars may involve conditions that do not permit high technology to be predominant. In such conflicts, political circumstances will affect the types of U.S. military operations that can be initiated. The nature of the warning, mobilization, deployment, reinforcement, and buildup may produce force arrays different from those in the Gulf War. Geography,

terrain, and weather also may not be ideal or suited to U.S. forces. High technology should be regarded as one important factor, but not the only factor, in preparing for future conflict. Remaining militarily superior to opponents will also depend on mastering readiness, operations, doctrine, and strategy. The Kosovo crisis is a reminder that, while high technology is part of the solution, it is not always the whole solution.



**MH-60 Paveway over the Republic of Korea during Exercise Foal Eagle '98**

## Improved Allied Power Projection

U.S. policies are making slow headway in this area, but the progress may not be fast enough to meet mounting power projection demands. Improved allied power projection capabilities are needed for shaping, responding, and preparing for the future strategic environment. They must be able to deal with a host of opportunities and dangers in distant regions. New U.S. policies are needed to provide more assertive leadership, credible ideas for altered allied programs and force priorities, and multilateral responses in the three key regions. Success in this endeavor will greatly determine the health of the Western Alliance and its ability to meet challenges in the new era.

## New Regional Defense Priorities

U.S. defense policy will need to deal with the military situation in each region, not only as it exists today, but as it evolves toward an uncertain but malleable outcome. Europe, Asia, and the Greater Middle East are changing in different ways. The challenge will be to design appropriate strategies and forces for each. These regional approaches must add up to a coherent whole and a coordinated global strategy.

Change will need to guide the U.S. overseas military presence. Its mission of engagement will require continuous adaptation to the unfolding international scene. In Europe, U.S. forces will lead NATO in preparing for new missions in the region and elsewhere in defense of common interests. In the Middle East and Persian Gulf, U.S. forces likely will be preparing for new threats, dangers, and challenges, including WMD proliferation. In Asia, U.S. forces likely will shift away from defending Korea to promoting stability and preventing competition in the Asia-Pacific region. How should the future U.S. overseas presence in all three theaters be adjusted? How will power projection forces in the United States be affected? The answers will help define future U.S. defense strategy.

## Net Assessment

The global distribution of military power is important for several reasons: it reflects underlying political relations in many key regions; for good or ill, it influences how these relations will evolve and it sets the stage for determining how crises and wars will unfold. While today's setting is more stable than during the Cold War, it has numerous regional flashpoints. Although tomorrow's trends are uncertain, some give cause for concern. WMD proliferation could be especially destabilizing, but adverse trends in conventional forces could be also. As a result, future military trends bear close scrutiny. U.S. policy will face compelling reasons to shape, prepare, and respond to their impacts as they occur. A main conclusion of this chapter is that proactive efforts to shape and stabilize the global military balance will remain a key factor in U.S. strategy and likely will become more important as the future unfolds.

# Europe: *How Much Unity, How Effective?*

**H**ow much unity will Europe achieve, and how effective will it be? Central and Northern Europe are seemingly headed for greater unity, but there are dangers on its periphery. Overall, the trend is toward further integration—deepening and widening institutional frameworks to include selected eastern neighbors. Less clear, though, is whether Europe will have the vision and political will to protect its larger interests, especially outside Europe. Additionally, several contradicting trends could weaken or halt European integration if not managed well.

From the U.S. perspective, Europe's core appears largely secure. The chances of a major war in Europe are remote. However, conflicts like those in the Balkans are likely in the area from Turkey to the southern perimeter of the former Soviet Union (FSU). Such conflicts will probably not undermine Europe's overall security; however, managing them will test the Euro-Atlantic partnership, principally the North Atlantic Treaty Organization (NATO). The Kosovo crisis is a reminder of Balkan instability and its capacity to affect all of Europe as well as relations with Russia.

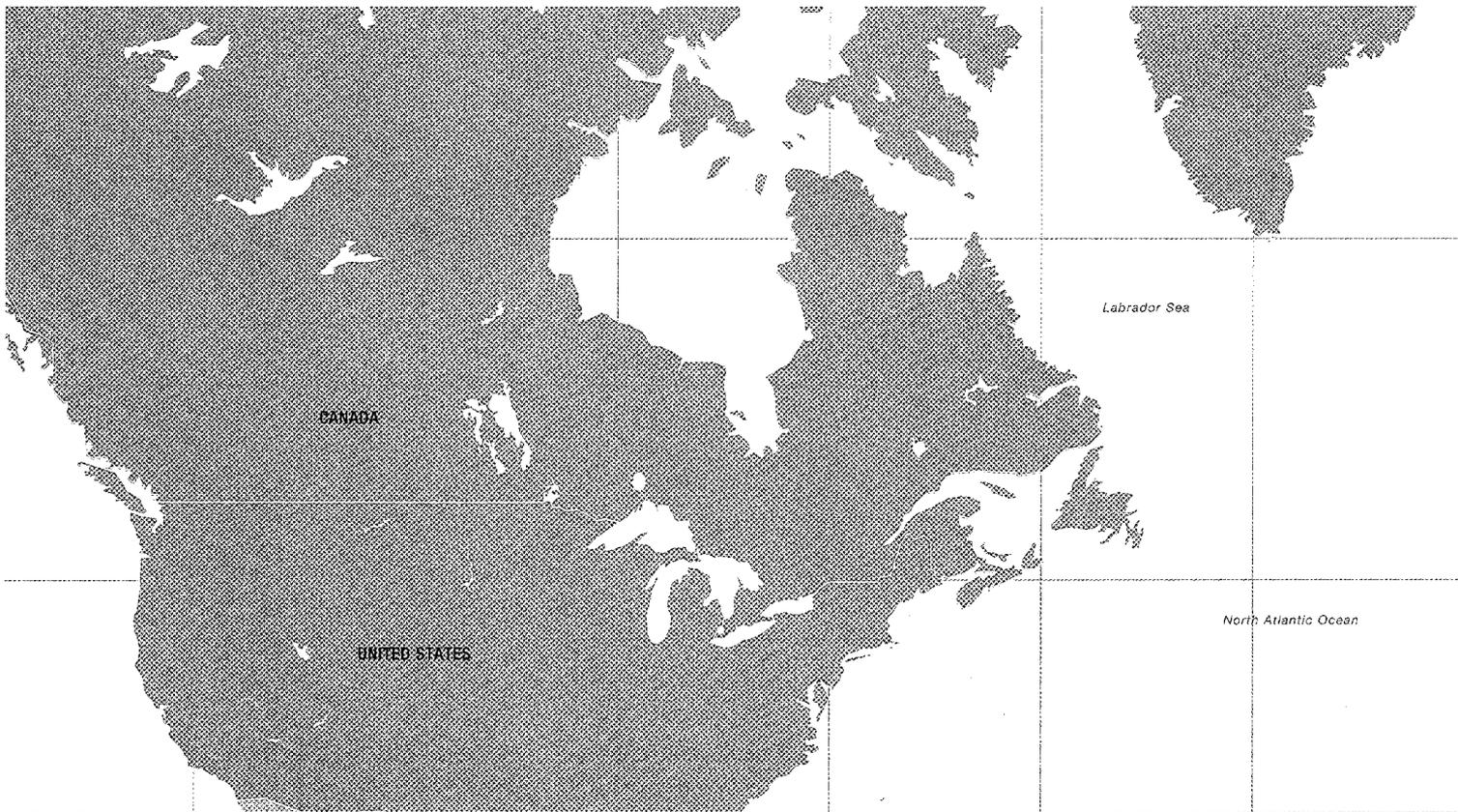
The most serious future security challenges facing European and U.S. strategic interests lie on Europe's periphery and outside Europe. Future transatlantic debates will center on how Europe and the United States will share responsibility for meeting these challenges.

While it faces a relatively peaceful future, Eastern Europe is not finished consolidating its transition to democracy and free markets. Russia seems headed for a long period of stagnation and social and economic decay. Its evolution as a partner, competitor, or adversary will affect the strategic direction of the Alliance.

Questions arise regarding overall European security. The most significant question is what kind of security architecture will serve all European interests and how will the United States relate to it. Institutions, ideas, and instruments have been created, but their results remain to be seen. Other questions remain to be answered:

- What will be the ultimate shape, coherence, and internal arrangements of the European Union (EU)? Can it assume security responsibilities commensurate with its resources and interests?
- How will NATO meet new challenges?
- How will Europe and the United States share responsibilities for European security on the continent and beyond?
- How will Russia evolve?
- How will the Balkans be stabilized?

## Members of the North Atlantic Treaty Organization



These questions will be the focus of European security over the next decade. The 1999 NATO, U.S.-EU, and Organization for Security and Cooperation in Europe (OCSE) summits are first steps on the way ahead.

## Key Trends

### European Integration Moving Forward

At the decade's close, the EU seems caught in cross currents. The European Monetary Union (EMU) took effect January 1, 1999, as scheduled. Some fear the EMU will strain weaker economies and politically overstretch the EU. Others believe that the EMU will bind Europeans closer and ultimately convince them to build a federal European state.

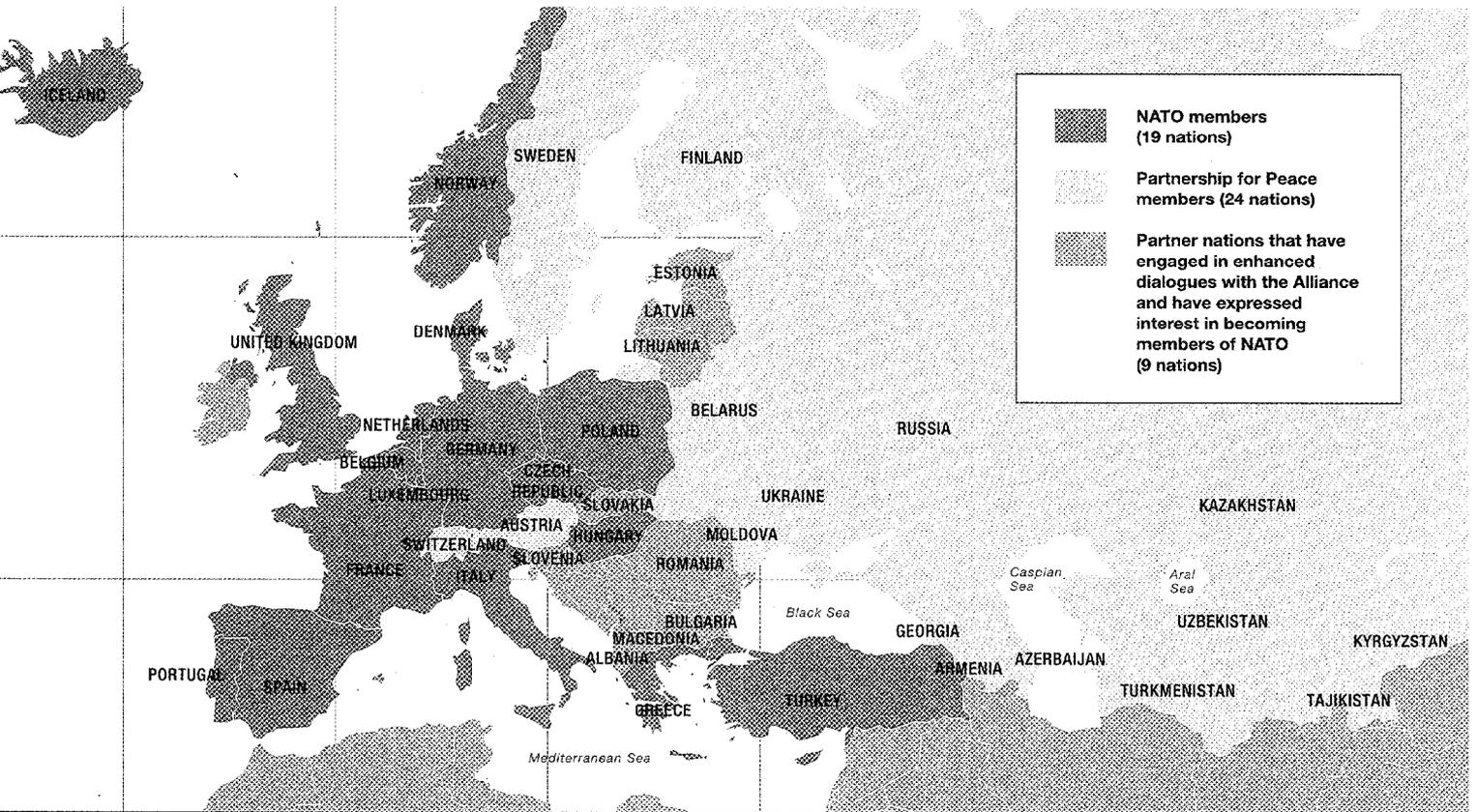
At Maastricht in December 1991, the EU established the goal of an "ever closer union." This has meant deepening the union incrementally, without an agreement regarding its ultimate shape. The union is committed to the

principle of "subsidiarity"—powers not specifically granted to the EU are left at the lowest possible level. This acts as a brake on centralizing authority in Brussels.

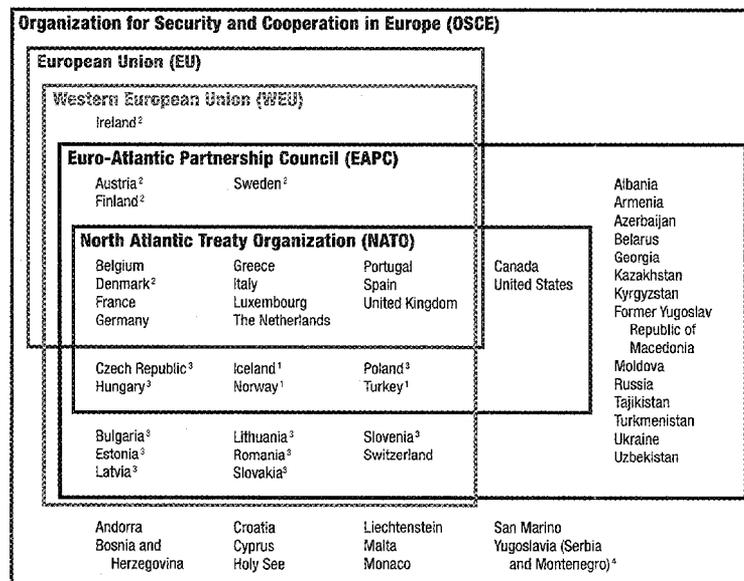
Recent political trends do not favor European federalism. The three largest EU members, Germany, France, and Britain, have elected center-left governments. While each government is unique, they focus on domestic priorities, especially unemployment.

Europe is less inclined to assume international responsibilities. Only Britain shows a significant willingness to shoulder such burdens. The Labour government has reaffirmed the British commitment to Persian Gulf security and opposing weapons of mass destruction (WMD) proliferation.

The EU has grown more powerful, but this is being countered by regional, national, and local views. The United Kingdom is moving toward devolution by establishing regional parliaments in Scotland, Wales, and Northern Ireland. In Spain, nationalists seek greater autonomy in the Basque region and Catalonia. Italy faces



**European and NATO Organizations**



<sup>1</sup> WEU associate member      <sup>3</sup> WEU associate partner  
<sup>2</sup> WEU observer                <sup>4</sup> WEU suspended member

north-south differences, while Germany must contend with lingering east-west differences. The demise of Marxism gives rise to nationalist parties and movements that present alternatives to liberal democracy. While most remain on the political margins, they could gain support in the event of a serious economic downturn.

The EU faces several possible futures. It might become a coherent European superstate, with one foreign policy and the military power to pursue its interests on a global scale. This would take many years and might provide the United States with a partner to share global responsibilities. A European superstate could also become a rival in terms of influence and ideas but would likely have interests very similar to the United States, with little grounds for conflict.

Alternatively, the European integration process could become overextended and unravel or stagnate. Publics might resent the loss of identity and sovereignty or believe economic prospects have worsened. Many agree that the EMU is a high stakes gamble. It began with 11 of the 15 EU members. Great Britain, Denmark, and

## EMU Facts

### The Euro



- January 1999: banking possible in euro
- January 2002: euro notes and coins issued
- 11 EU members participate: Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, Netherlands, Austria, Portugal, Finland
- 3 EU members opt out: United Kingdom, Denmark, Sweden
- 1 EU member fails to qualify: Greece

Sweden opted out for political and economic reasons. Greece failed to qualify. With rigid labor markets, it is not yet clear if the EU will be able to liberalize and deregulate labor and tax practices or redistribute wealth to less competitive countries and regions. Monetary union may force France to abandon its state and corporate traditions and allow the wage flexibility and labor mobility needed to make the economy more competitive. The results could be a stronger French economy or rising domestic opposition to the EU, with profound consequences for European cooperation. The EMU presents similar challenges to other members, notably Germany, Italy, and Spain.

Most likely, the EU will develop along current lines. It will pursue further economic integration and cautiously expand membership while remaining a disparate collection of states with differing outlooks, policies, and capacities. If so, the EU will seek to negotiate and balance these differences. Over the next decade, Europe's attention will be focused on overcoming economic structural difficulties, consolidating monetary union, and gradually enlarging to include Central and Eastern Europe. Preoccupied with internal affairs, the EU may not be a strong partner in global security. It will look to Washington to ensure its security, while balking at a U.S.-led alliance, in part because of its desire to forge a common European foreign and defense policy.

There is likely to be tension between the U.S. desire to see a more unified, outward-looking, responsible Europe and gradual, halting EU steps toward an entity capable of assuming such responsibilities.

As long as the EU falls short of unity, individual members will lack the vision and capacity to act on the global scene as an equal partner with the United States. Urging small-to-medium powers to follow U.S.-led policies and actions is difficult, partially because it seemingly denies them the world role they collectively espouse. Conversely, if they achieve sufficient unity to assume a global role, they would not necessarily follow the U.S. lead.

The EU is unlikely to reach an effective consensus on defense and security issues in the next decade, given its agenda and membership, which includes three neutral states and Ireland. If the EU does insist on common approaches to foreign policy issues, there is a risk that its policies will reflect the lowest common denominator. It also might avoid acting on its responsibilities outside Europe. At worst, the EU could become a "big Switzerland," unable or unwilling to assume external security burdens.

At the same time the EU committed itself to forging an "ever closer" union, it set out to expand its membership eastward. Eleven prospective new members have signed association agreements with the Union. Six of these—Poland, Hungary, the Czech Republic, Estonia, Slovenia, and Cyprus—are early candidates for accession negotiations. Unlike NATO, the EU has outlined to these 11 nations the scope of future expansion. Each will be considered on its own merits, with no guarantee of admission unless its economy and laws are in harmony with the EU.

EU expansion will likely be a slow, deliberate process stretching over several years. The Union may not incorporate new members until after the turn of the century and after NATO expansion. Union enlargement will require complex political and economic decisions. The EU Common Agricultural Policy (CAP) will be a major factor and may require reform, if the EU is to afford enlargement costs. Politically, the Union will have to adapt its decisionmaking to accommodate six or more new members. Depending on EMU success, this adaptation could mean greater integration and authority for Brussels or a more diverse and looser structure.

The EU and NATO share common goals: promoting stability, confidence, democracy, and free markets in Europe's former Communist states. General agreement exists regarding the evolution of NATO and the EU. Both should be mutually supportive, and one should not damage the other. Greater cooperation is likely between the two, albeit in slow and measured ways.

## NATO—Slowly Transforming

The new security environment following the Cold War prompted the Alliance to pursue four important initiatives:

- Partnership for Peace (PFP)
- Enlargement eastward
- Development of flexible, combined forces that could be fielded with or without U.S. components
- New missions, especially peace operations.

## EU Criteria for Membership

In December 1997 the EU established "Accession Partnerships" to help prepare Central European countries to meet the following criteria set by the Copenhagen European Council for membership:

- Stability of institutions guaranteeing democracy, the rule of law, human rights, and respect for and protection of minorities
- Existence of a functioning market economy and the capacity to cope with competitive pressure and market forces within the Union
- Ability to take on the obligations of membership, including adherence to the aims of political, economic, and monetary union.

Poland, Hungary, and the Czech Republic formally joined the Alliance in March 1999. NATO has pledged to keep the door open to other members. Unlike the European Union, NATO has not indicated the extent of future membership. The Alliance has avoided drawing any new line in Europe. In addition to the three countries already admitted, nine countries—Romania, Slovenia, Bulgaria, Slovakia, Albania, the Former Yugoslav Republic of Macedonia, and the Baltic States—seek NATO membership. Slovenia and Estonia are early candidates to join the EU. The possibility of joining NATO and the EU has fostered cooperation and reconciliation among former adversaries. Historical disputes have been overcome between Poland and Germany, Lithuania and Poland, Hungary and Romania, and Italy and Slovenia.

Initiated at the 1994 Brussels Summit, the PFP has been the principal NATO means of engaging nonmembers. PFP has instilled confidence, eliminated stereotypes, enabled transparency and facilitated non-NATO countries' participation in peacekeeping and other stabilization efforts on the continent. Most European states, including former adversaries and neutrals, have joined, and many participate in NATO peace operations in Bosnia. Partners have participated in hundreds of PFP exercises, seminars, and visits and provided representatives to NATO headquarters. NATO peace operations are

less focused on Article 5 collective defense; this reduces the difference in status between members and partners.

Allied and Partner foreign ministers inaugurated the Euro-Atlantic Partnership Council (EAPC) in May 1997. It provides a framework for political and security consultations and enhances cooperation under PFP. The EAPC allows partners to develop a direct political relationship with the Alliance and gives them increased decisionmaking opportunities in activities in which they participate.

The Alliance also accelerated efforts to create new, flexible command arrangements. This is partly in response to a requirement for flexible forces in peace operations and other non-Article 5 contingencies. It also is in keeping with the European Security and Defense Identity (ESDI), the longstanding European project for achieving greater self-reliance and autonomy. The result was the Combined Joint Task Force (CJTF), which likely will be the means by which NATO pursues missions other than those under Article 5. This concept allows European members to act with or without the United States as well as with other PFP members.

The Alliance has progressed in adapting its strategy to missions in the new Europe. The new NATO strategic concept and Defense Capabilities Initiative, adopted at the 1999 Washington Summit, are signs of further progress. However,

## The NATO Washington Summit

At the April 1999 Washington Summit, Allied Heads of State welcomed three new members to the Alliance, celebrated the 50th Anniversary of NATO, maintained solidarity on Kosovo, and approved several initiatives to propel the Alliance into the 21st century.

An important centerpiece of the summit was the approval of a new strategic concept to help guide the continuing transformation of the Alliance. This concept reaffirms the allies' commitment to collective defense while also taking full account of such new "fundamental tasks" as crisis management and partnership. In addition, the concept extends NATO focus to "in and around" Europe and reflects allied agreement that outside mandates for non-Article V NATO operations, while desirable, are not required.

Additional summit highlights were the decisions to:

- Reaffirm the open door and approve a Membership Action Plan for countries wishing to join the Alliance
- Enhance the effectiveness of the European Security and Defense Identity within the Alliance
- Launch the Defense Capabilities Initiative (proposed by the United States) to help develop forces that are more deployable, sustainable, survivable, and able to engage effectively
- Intensify relations with Partners through an enhanced Partnership for Peace and a strengthened Euro-Atlantic Partnership Council
- Increase allied efforts against weapons of mass destruction, including the creation of a WMD Center in NATO

## EAPC Membership

There are 44 EAPC members, including all 19 NATO member countries plus: Albania, Slovenia, Armenia, Georgia, Kazakhstan, Sweden, Austria, Kyrgyzstan, Switzerland, Azerbaijan, Latvia, Tajikistan, Belarus, Lithuania. The former Yugoslav Republic of Macedonia, Bulgaria, Moldova, Turkmenistan, Slovakia, Ukraine, Estonia, Romania, Uzbekistan, Finland, and Russia.

it has a long way to go before it can operate effectively beyond Europe. NATO members are aware of the need to improve power projection capabilities and work with each other in combined operations. Most have modest modernization goals but lack funding and political support for ambitious programs. NATO members must decide how they will contribute to Allied operations and agree on their degree of specialization. For example, should Germany and Britain both invest in airlift, or should there be some division of labor, and if so how? NATO defense ministries will consider such issues over the next 5 to 10 years. Answers will partially depend on Alliance priorities as well as European political and economic developments. Present trends indicate limited progress will occur on these issues in the near term but may improve over the long term.

**Latvian airborne soldiers discussing American parachuting techniques during Exercise Baltic Challenge '98**



## Ambivalent Public Support for Military Forces and Missions

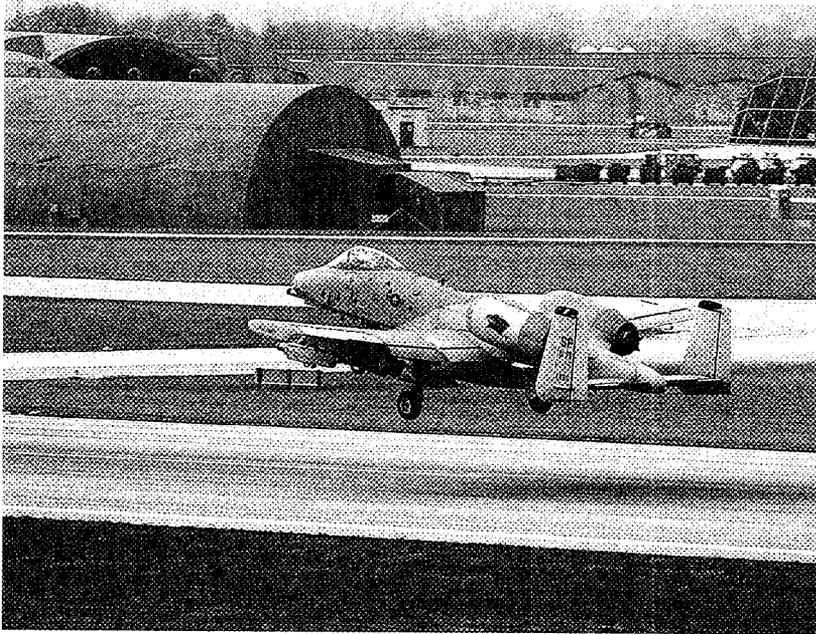
Absent immediate threats, European public support for military preparedness is difficult to sustain, the exceptions being Turkey, Britain, and France. Elsewhere in Western Europe, support for military preparedness was based on the Soviet threat, rather than the need to ensure security beyond national borders. This may be attributable in part to memories of two disastrous world wars. For many Europeans, large military forces are seen as encouraging aggressive behavior.

Most Europeans also perceive threats to their security in continental, not global terms. Consequently, the United States has had to deal with distant threats. Europeans have generally supported peace operations legitimized by the United Nations or OSCE. As Western European countries achieved an unprecedented degree of confidence in cooperative European institutions, they have perceived that security depends less on military power. In 1999, most Europeans see little reason to maintain or modernize combat forces fielded during the Cold War. Their support for peace operations does not translate into large investments in advanced weaponry.

Paradoxically, Europeans understand that U.S. forces in Europe remain vital to their security. They generally recognize that only the United States has the power to deter a major threat to their security. They see the United States as the fire brigade that handles the unexpected. Europeans realize that they lack the unity to decisively confront serious challenges and often resent their continued dependence on the United States. Bosnia demonstrated Europe's inability to conduct risky military operations alone.

Despite Western Europe's remarkable harmony over the past 50 years, European sensitivities make it difficult for European countries to manage conflicts. As an outside power, the United States is able to balance these sensitivities and inspire confidence. As long as the EU and WEU remain a collection of disparate states without a common foreign policy, the United States will continue to play an important leadership role. No European country could assume such a role and be accepted by the others.

Although sentiment in most European countries favors reducing defense budgets, the picture is not entirely bleak. Europeans generally approve of NATO engagements in Bosnia and other peace operations. The Netherlands, for example, modernized its forces around a doctrine



**A-10 Warthog at Aviano Air Base, Italy, in support of Operation Joint Forge**

stressing peace operations while downsizing its budget and overall posture. Germany has begun to accept responsibility for security beyond its borders, albeit slowly and only within Europe. British armed forces enjoy high public confidence. Military leaders in most NATO countries, including France, want to improve their power projection capabilities and work more effectively in combined operations.

However, it is difficult to shift resources away from standing armies, toward the mobility, logistics, information warfare, and modern doctrine needed to execute long-range missions. European allied forces number 2.5 million, with over 50 divisions and 3,400 combat aircraft. Very few of these forces are configured for power projection. European allies spend about \$144 billion on defense, compared to the \$256 billion the

United States spends to support a force of 1.36 million. The difference reflects U.S. power projection assets—aircraft carriers, satellites, and strategic airlift—along with its modern technology and R&D. European forces lack a comparable power projection capability, and this gap may widen in the future.

## Perspectives on Global Responsibilities

While Britain and France are the exceptions, most European countries do not have a modern awareness of responsibility beyond Europe. When they do exercise power outside Europe, it is through the EU, NATO, or the United Nations. For many European countries, colonialism was a bitter lesson. This, together with European wars, obliterated a sense of global involvement. The following details trends in key countries:

• *Germany.* Currently undergoing a difficult period of adjustment after absorbing the former East Germany, it also faces challenges to a social and economic system that favored job security and generous state benefits. Although still Europe's economic powerhouse, Germany is reluctant to assume new financial burdens.

In recent years, the German public has become less enamored of European integration, particularly its costs. Surveys show a majority opposes abandoning the German mark for the untested European currency. As a result, German leaders have demanded a reduction in the \$13 billion Germany contributes annually to the EU, nearly 70 percent of the Union's budget.

The Germans have been reluctant to play a major security role, especially beyond Europe. After two disastrous wars, they are wary of using military force except in self-defense. The German public has little stomach for risky military operations and remains sensitive to other

### Defense Research and Development and Procurement Spending: NATO-Europe, Canada, and the United States (millions of 1996 U.S. dollars)

	Defense Budget			Research and Development			Procurement		
	1995	1996	1997	1995	1996	1997	1995	1996	1997
NATO-Europe	163,865	158,101	144,447	13,557	12,107	11,236	33,389	34,777	33,071
Canada	8,481	7,741	6,964	83	91	73	1,754	2,120	1,839
United States	268,843	266,018	256,788	35,827	34,970	35,820	45,277	42,420	45,046

Source: *The Military Balance 1997/1998*, International Institute for Strategic Studies (London: Oxford University Press, 1998).

countries' reactions to German military revival. Currently, Germany has little background in naval power projection, which is integral to global security responsibilities. For decades, Germans have perceived threats arising from the east—principally from Russia. NATO inclusion of Poland, Hungary, and the Czech Republic provides Germany with a large buffer zone to the east and diminishes its sense of a threat. German policy emphasizes good relations with Moscow and stable neighbors to the east.

German attitudes are changing in favor of greater participation in NATO peace operations, such as Bosnia. However, Germany will likely be reluctant for some time to engage in missions outside UN Security Council or OSCE authorization. Its conscript army reinforces this reluctance.

German forces number about 330,000 troops. They include 22 brigades, 450 combat aircraft, and 29 naval combatants. They can defend Germany's borders but cannot rapidly project power beyond them. Germany is preparing a reaction force, primarily for peace operations.

● *France.* Unlike Germany, postwar France has felt secure from historical foes. Its security has been based on membership in NATO and the EU and cultivating relations with Germany. Of all European nations, France today favors an ambitious global role for Europe.

French policy is driven by a pragmatic desire to tie Germany into cooperative structures

with France and the rest of Europe. It also seeks collective European structures that promote French policy and influence. Consequently, France supports EU development on quasi-federal lines in some areas, but not at the cost of French interests or prerogatives.

The French seek an independent European role on the world stage as a vehicle for France to regain some of its former status as a world power. French policy in NATO is designed to make Europe less dependent on the United States and encourage it to assume responsibility for its own interests. The French often view U.S. leadership as an obstacle to a more independent Europe. French policymakers realize that this vision is far from a reality.

French leaders are in no hurry to re-enter the integrated NATO military command, especially on U.S. and NATO terms. They continue to seek a stronger European pillar in the Alliance through command arrangements or some other visible manifestation of European power. Their demand to transfer command of the NATO southern flank (AFSOUTH) to a European reflects ambivalence toward a U.S.-led Alliance. Nonetheless, the French general staff participates in most NATO military bodies, such as CJTF headquarters. France also actively participates in



Patrol boat near Iskenderum, Turkey during Exercise *Dynamic Mix*, involving the United States, Turkey, Canada, France, Germany, Greece, Italy, Netherlands, Portugal, Spain, and the United Kingdom

## French Force Structure

### Army: 220,000

- 1 corps with 2 armored and 1 mountain division rapid reaction force;
- 1 airmobile division;
- 1 light armored division;
- 1 Marine infantry division;
- 1 airborne division

### Navy: 63,300

- 14 submarines;
- 2 aircraft carriers;
- 1 cruiser;
- 4 destroyers;
- 35 frigates;
- 25 mine warfare vessels;
- 23 patrol vessels;
- 9 amphibious vessels;

### Air Force: 83,420

- 92 bombers;
- 200 fighters;
- 274 attack:
  - 4 early warning;
- 53 reconnaissance;
- 97 transports;
- 11 tankers;
- 84 communications;
  - 4 command post;
  - 4 electronic intelligence aircraft.

Source: *Military Balance 1998/1999*, The International Institute of Strategic Studies (London: Oxford University Press, 1999).

SFOR and any NATO operations anticipated for Kosovo. French military leaders understand that only NATO can meet serious security challenges to Europe, and they follow Alliance plans and operational developments. As a result, the French tend to participate in military structures through informal means. Some allies resent France's *a la carte* approach to the Alliance.

The French defense budget experienced a 21 percent cut between 1995 and 1997, which affected France's standing forces. President Chirac has resisted deep cuts, but the Socialist-led government trimmed defense to meet deficit targets to qualify for the EMU. Chirac has set ambitious goals for modernizing France's power projection forces, increasing them from 10,000 today to 60,000 early next century. Conscription will be eliminated by 2001.

France plays an important political role in Southern and Eastern Europe, Africa, and parts of the Middle East. The challenge for the United States and France is to work toward common interests, even though they differ over leadership roles. Of Europe's major players, French strategic thinkers mostly favor the idea of Europe's assuming greater responsibility for its own security.

● *Great Britain.* Of all European countries, Great Britain is the most willing to commit its forces for global security. The United Kingdom operates with coalitions or bilaterally with the United States. For centuries, British forces have been designed for power projection, and, unlike most continental European countries, Britain has usually been on the winning side of wars.

The British have traditionally been reluctant to give the EU or Western European Union (WEU) primary responsibility for European security. They see NATO as the only organization capable of enforcing policy. The British generally distrust collective continental decision-making, and understand the importance of strong, cohesive leadership when confronting adversaries. London opposes any strategy shift in the Alliance that would be at the expense of the transatlantic link. At the same time, the United Kingdom has recently joined France in an initiative to strengthen the EU role in security and defense policy. How this initiative develops remains to be seen.

Because of other allies' reticence over a global role for NATO, London is comfortable with small coalitions under U.S. leadership. The

British see these as being more decisive and less cumbersome than larger institutional arrangements and as providing Britain with a significant role. The British completed a major defense review in spring 1998, calling for smaller but more capable forces for power projection.

● *Turkey.* Of all NATO members, Turkey is the most strategically located and the least secure. Internally, Turkey is experiencing Islamic movements, demographic pressures, and economic stress. Secular political parties are weak and have yielded to the military's influence. Ankara's crackdowns on the Kurds in northern Iraq have complicated relations with Iraq, Syria, and the EU. Turkish instability threatens U.S. interests in the Middle East, Central Asia, and potentially NATO.

The EU has denied Turkey the candidate status it seeks while giving it to Cyprus, alienating Turkey's leaders. Citing shortcomings in democratic development and human rights as well as the Cyprus situation, the EU is unlikely to consider Turkey for membership as long as it continues to repress Kurdish nationalists and reject a political settlement for Cyprus, and while Turks continue migrating in large numbers to Western Europe. This has alienated many Turks, who increasingly look to the Caucasus and Central Asia for markets.

Turkey has a large military establishment of 639,000 troops, which includes 15 division-equivalents, 440 combat aircraft, and 37 naval combatants. Turkey is modernizing its forces and improving readiness. NATO reinforcement would be needed to defend against major aggression.

## Key Relationships Guiding European Development

While European integration will continue, Europe's politics and security will center on relationships among key nations: Britain, France, Germany, and Russia. The three Western powers realize that they can achieve more together, particularly in the global marketplace. The overall trend is toward deeper cooperation between Western Europe's principal players, while Russia remains outside, floundering and unable to enact coherent reforms.

Relations between Germany and France are key in Western Europe. Since the 1950s, cooperation between these two former adversaries has been the cornerstone of European stability and integration. Both have invested enormous political and economic capital in this relationship, to Europe's benefit. As a result, little happens in

the EU or NATO without French and German concurrence. Neither country is likely to diverge significantly from common vital interests. Nevertheless, Germany and France do not share common views on key issues, including Europe's future shape, and Central and Southern European relations.

Germany has pursued its European vocation out of a desire to build a more prosperous economy and forge cooperative relationships with its neighbors after two disastrous world wars. As a strong advocate of European integration and generous contributor to the EU, Germany has gained the respect of its neighbors. Today, it exerts a constructive influence in Europe. The Germans favor building a federal Europe with strong institutions and high standards, including an independent central bank. The Germans are less ambitious than the French about transforming the EU into a world power or giving it authority to administer itself. Germany sees its security depending on Eastern and Central Europe, and a strong link with the United States. Germany also seeks to cultivate the best possible relationship with Russia, the only European country that could plausibly threaten its interests. Balancing relations with France, the United

States, and Russia has preoccupied German foreign policy for several decades and will likely remain its focus.

The United Kingdom's relationship with the continental powers and the EU has long been ambivalent. It is reluctant to pursue political union with Europe because of its history as a maritime world power and its ties to the commonwealth and English-speaking world. The British play a strong intellectual role in European councils. As a nuclear power with small but capable military forces, they play an even stronger role in NATO. London works to develop good relationships with all European partners but does not rely on any one relationship as much as it relies on the United States for security. The Blair government has moved to improve Britain's ties to its EU partners, with considerable success.

Russia will remain important to overall European stability. However, its future remains cloudy. Its internal development could take various directions. In the near term, Russia will not pose a significant security threat to Western Europe because of economic distress, political divisions, and regional tensions. NATO would have

**NATO meeting with members of Bosnia's Tri-Presidency, representing Muslim, Croat, and Serb groups**



## Conclusions of U.K. Defense Review

The 1998 U.K. Defense Review called for retaining the nuclear deterrent along with conventional forces prepared for long-distance deployments and multinational operations. The review trimmed Britain's defense budget but called for improvements in power projection.

To meet these challenges, the United Kingdom will modernize its forces by:

- Creating joint rapid reaction forces that can rapidly deploy in response to all crises
- Introducing new capabilities, such as larger aircraft carriers, an air maneuver brigade, and improved nuclear, biological, and chemical defense
- Improving strategic transport, logistics, medical support, headquarters deployment, and communications
- Further integrating defense to achieve the maximum military capability from the three services. This includes a joint helicopter command, the *Joint Force 2000* concept for Royal Navy and RAF carrier-based operations, and greater responsibilities for the Chief of Joint Operations
- Balancing forces in the United Kingdom and Germany to match today's priorities
- Fully modernizing reserve forces. The Territorial Army will be given a relevant role and the tools and training to accomplish it.

3 to 5 years warning, if Russia renewed its expansionist aims and military strength. More likely, Russia will be occupied for years trying to maintain internal order. At best, reform will proceed slowly, with periodic setbacks, until the Soviet generation passes from the scene. Until then, Russia will be a difficult partner for the West.

Current Russian trends are worrisome. Unable to manage economic reform, Russia will likely be ruled by oligarchs or power brokers. It is unlikely to achieve a market economy or stable democratic political system in the near future. Russia and much of the former Soviet Union could become a strategic area apart from Europe, unable to share Europe's interests. Although it could not directly threaten Western Europe, it could play a spoiler role, attracting support and influence from rogue states. Russia could even become a rogue state itself, motivated by resentment of the West. The challenge for the West will be to relate to an unstable and unpredictable Russia that is neither partner nor adversary.

It is also possible that emerging threats from Islamic radical movements from the south or an aggressive China to the east would reorient Moscow's defensive strategy away from Europe and make Russia a more cooperative partner for the West.

## Kosovo Peace Mission



Source: U.S. Department of Defense.

## Balkan Instability— A Long-Term Challenge

The Balkans are likely to remain unstable for decades, with significant risk of conflict among states. The Yugoslav succession wars have left weak, unstable states in the south and unresolved national issues.

● *Serb Nationalism.* Extreme Serb nationalism contributed to Yugoslavia's downfall, and the ensuing conflicts in Croatia, Bosnia, and Kosovo, and it continues to afflict the region. Serbs have not accepted their diminished status in a smaller Yugoslavia. Nationalist feelings still dominate Serbian politics, preventing the rise of a constructive, democratic leadership. Comprising less than two-thirds of their republic's ethnic population, Serbs are insecure about their future and susceptible to nationalist appeals.

● *Albanian Nationalism.* Serbia's harsh rule in Kosovo fueled rising Albanian nationalism, especially with the massive flow of Albanian refugees out of Kosovo. While Albanians in the Balkans have long been fragmented along regional and tribal lines, the struggle in Kosovo has aroused a pan-Albanian consciousness. The

## The Kosovo Crisis

Circumstances in Southeastern Europe will continue to threaten U.S. and European interests, whatever the eventual outcome in Kosovo. A militarily decisive outcome might ease the challenges somewhat; a negotiated termination, the more likely outcome, will tend to make the postconflict challenge more complex and persistent.

Despite NATO success in securing Kosovo from Serb repression, Serbia will remain a major source of regional instability. Milosevic may remain the central figure in what remains of the former Republic of Yugoslavia, with his security forces diminished but functional, and with unfinished business in Montenegro.

At the same time, Kosovars may themselves be a key source of postconflict instability. The traditional political leadership will have been weakened by events and under challenge by the Kosovo Liberation Army, which may continue its struggle for independence; some Kosovars may turn to the goal of a Greater Albania.

Frontline states will be uneasy not only about Serbia's intentions in the region, but about possible violent suppression of internal minorities, such as the Magyars in Vojvodina and Muslims in Sandzak. Frontline leaders' hopes for closer relations with NATO will be challenged by public majorities in sympathy for the Serbia and resentful of the damage done by the Kosovo conflict to their economies.

The main pillar of any postconflict strategy is the eventual Europeanization of the region. Politically, culturally, and economically, Southeastern Europe is destined eventually to become one more region of an increasingly diverse, sprawling Europe. It is in U.S. and Western European interests to encourage and accelerate this long-term trend, as in Central and Northeast Europe of the past 10 years. Conditions in Southeastern Europe will make the effort substantially more difficult, however: the physical and psychic scars of a decade of ethnic war, the shallow commitment to democracy and market economy, pervasive corruption, and deep penetration of organized crime will all hamper efforts at reconciliation and political reform, as well as attracting needed investment. Moreover, no such efforts will make much headway until the region has been stabilized—with the threat of further Serbian aggression contained, and with Frontline states freed of the need to accommodate their troublesome neighbor.

The results of NATO efforts in Kosovo will have an important influence on how Europe and the United States decide to share security burdens and responsibilities in the future. If the Alliance succeeds in achieving its near-term goal of returning the refugees to Kosovo, it will likely find itself involved in an extended deployment of forces to guarantee a secure environment. Having provided the bulk of the combat air power to achieve NATO goals, the United States will contribute a much smaller proportion of the ground force, which will be overwhelmingly European manned as well as led. For missions within Europe, this model may prove workable in the medium term, until European forces gain the technological advances, command and control, mobility, and sustainment to allow them to operate without or more equally with the United States in combat operations.

Kosovo conflict could unite Albanians in Kosovo, the former Yugoslav Republic of Macedonia, and Albania. If it does, Albanian nationalism could spark a larger conflict in Macedonia, drawing in Greece, Bulgaria, Serbia, and possibly Turkey.

● *Bosnia.* Implementing the Dayton accords has been slow and uneven. The central government in Sarajevo remains weak, with little cooperation among Muslims, Serbs, and Croats. Few refugees have returned to their homes, and ethnic tensions are high in areas where they have. The Serb region of Bosnia has established a separate government, with ties to Belgrade. Over the long term, some form of peaceful coexistence among ethnic groups may occur in Bosnia, but under

loose international supervision. The central government will need foreign support for decades.

● *Serbia.* Prospects for democracy in Serbia are uncertain. It has a history of nationalist and ruthless leaders. Serbia is not likely to change its inclination toward authoritarian regimes. Outside Montenegro, the opposition to Milosevic has been disorganized and ineffective. Many opponents advocate nationalist agendas that would not help resolve Serbia's problems. Serbia could evolve into a rogue state with close ties to other rogue regimes. For now, economic mismanagement, sanctions, and war weariness leave Serbia a weak power.

● *Kosovo.* The success of Operation *Allied Force* is likely to leave the Alliance (and the United Nations) deeply involved in Kosovo for

many years. The province will become a de facto UN protectorate, with Serbia continuing to have legal sovereignty but losing control on the ground to NATO and eventually to the Kosovar Albanians. Few Serbs will remain under those conditions. Russia, which helped broker the agreement allowing the UN mandated peace-keeping force, Kosovo Force (KFOR), to enter Kosovo, and which has troops on the ground, will remain an uneasy partner. The Russians acted not to protect the ethnic Albanians from Serb depredations, but to exert power and influence vis-a-vis NATO and to protect Serbian interests. The future of the province will hinge on how the Albanians and the Serbs behave toward each other and their neighbors and on what can be agreed in the UN Security Council.

Albania and Macedonia will be unstable for years to come. With political and economic structures far less developed than elsewhere in Europe, Albania's tribal traditions remain powerful. The central government remains weak, especially in the north, and the population is heavily armed. The economy is heavily dependent on smuggling and the drug trade. Macedonia faces uncertainty with a large and growing ethnic Albanian population (at least 25 percent). Nationalist pressures aggravated by Kosovo's conflict, refugee flows, and economic dislocations will challenge its government.

## Outside Dangers

The greatest dangers to Western Europe will come from the geostrategic arc stretching from Pakistan through the Persian Gulf, Egypt and North Africa, and into the Balkans. The region's interstate conflicts, Islamic terrorism, and rogue states could threaten NATO directly.

Europe remains dependent on the flow of Persian Gulf oil and access to the Suez Canal. This makes it vulnerable to several scenarios. A Middle East war would affect Europe's interests as much as U.S. interests. The fall of Pakistan, Saudi Arabia, or Egypt to Islamic extremists would threaten Western security. A war involving Israel would also endanger Europe's security.

WMD proliferation directly threatens Europe. Pakistan is already a nuclear power. Iran and Iraq may follow soon. Several Middle East states seek ballistic missiles that can strike Europe with WMD warheads, which could, for example, carry biological agents. The Alliance is ill prepared to meet these threats. European publics and leaders are preoccupied with internal issues. Changing this perspective would require a major effort.

## U.S. Interests

### Preserving European Allied Security

Washington has an abiding interest in the security of its Western European allies. Two world wars have demonstrated Europe's importance to the United States, and ties between the two are even more important in an era of economic globalization. The United States cannot promote democratic values globally without strong partners, first and foremost in Europe. Failure to preserve the harmony Europe has achieved since World War II would seriously impact U.S. interests.

Russia no longer threatens Western Europe, but the United States and its allies cannot ignore developments in Russia and the surrounding areas. While Western Europe grows more cohesive, Russia and the Commonwealth of Independent States (CIS) lag behind or stagnate. The United States and its allies share an interest in supporting the independence, prosperity, and sovereignty of all former Soviet Union countries.

A deteriorating Russia would challenge the EU and the United States. Both have interests in limiting the spread of crime, corruption, terrorism, and refugees from Russia and the CIS and in supporting Russia's political and economic reform, however uneven. As the EU grows stronger, the United States may encourage the Union to assume greater responsibility for assisting Russia in its reform efforts. America and the EU share an interest in preserving the independence of the Ukraine and other CIS countries.

The United States has supported European integration, although with some ambivalence. Economically, the United States benefits from the efficiencies of a larger market and a single negotiating partner for trade issues. Politically, the United States has supported cooperation within the EU. Efforts to forge the ESDI, however, have received mixed U.S. reactions.

The United States has not supported French efforts to create a defense organization separate from NATO, either through the EU or WEU. Such an organization would be a costly duplication of some NATO capabilities. Also, Washington could be excluded from decisions affecting its security interests. The United States might find itself coming to Europe's defense under the

## Article 4 and Article 5 of the Washington Treaty

### Article 4

The Parties will consult together whenever, in the opinion of any of them, the territorial integrity, political independence or security of any of the Parties is threatened.

### Article 5

The Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all and consequently they agree that, if such an armed attack occurs, each of them, in exercise of the right of individual or collective self-defence recognised by Article 51 of the *Charter of the United Nations*, will assist the Party or Parties so attacked by taking forthwith, individually and in concert with the other Parties, such action as it deems necessary, including the use of armed force, to restore and maintain the security of the North Atlantic area.

NATO Article 5 after decisions made outside NATO resulted in conflict. Washington has insisted on the primacy of NATO while allowing Alliance members to undertake military engagements with NATO concurrence.

This principle of "separable, but not separate" forces and command structures allows European nations to conduct military operations with NATO procedures and forces apart from the United States, or supported but not led by the United States. The NATO CJTF concept embodies the flexibility to operate in a similar way.

## Preserving Europe's Postwar Harmony

The United States has a strong interest in preserving Western Europe's postwar harmony and sense of greater community so that these countries do not become rivals again. The agony of two world wars and the dangers of the Cold War helped Europe overcome centuries of rivalry. U.S. interests include not only preventing wars in Europe, but also enabling a stronger European partner, capable of assuming wider responsibilities in and beyond Europe. A fractious Western Europe would be ineffective in encouraging democracy in Eastern Europe and the former Soviet Union. It would be unable to respond cohesively to dangers from the Middle East or Asia's financial crisis.

Not all of Western Europe's quarrels have been solved. As a friendly but distant power, the United States can balance and stabilize local or regional disputes. For example, the United States

played a stabilizing role in Greek and Turkish disputes, to include Cyprus, an important role in Northern Ireland, and a key role in trying to resolve conflicts in the Balkans and the Caucasus. While the EU and other European countries also contribute, the United States often wields the greatest influence in these disputes.

The tragedy of the former Yugoslavia makes it clear that NATO cannot stand aside when wars occur on European soil. The Balkans lie on the southeastern NATO flank. The humanitarian consequences of neglecting this region would be costly. The United States cannot disengage from a region that directly affects Europe's stability and confidence.

## Encouraging Allies to Share Global Responsibilities

The United States and Europe share common interests in a stable world order, which must be defended if threatened. America has a growing interest in Europe's sharing wider responsibilities for global stability. These include preventing the proliferation of weapons of mass destruction; ensuring Persian Gulf stability, a free flow of oil, and access to the Suez Canal; and ensuring Asian stability, including cooperative relationships between China, Japan, and India.

Europe has the means to contribute to global security. The EU has a larger population (320 million) and gross domestic product (\$8.1 trillion) than the United States. NATO-Europe and Canada have even greater resources.

## CJTF Concept

The combined joint task force (CJTF) concept was first articulated at the informal meeting of Defense Ministers at Travemünde, Germany, in 1993. A "task force" is a military command formed and structured for a particular operational purpose. "Combined" denotes participation by two or more nations. "Joint" means the involvement of two or more services. A CJTF, therefore, is a deployable multinational, multiservice unit established for specific contingency operations. It could conduct a range of potential missions including humanitarian relief, peacekeeping, or peace enforcement. The CJTF could be employed in Article 5 operations.

**Comparative Resources\***

	United States	NATO (excluding U.S.)
Population (millions)	270	379
GNP (\$ trillion)	7.8	8.4
Defense Expenditures (\$ billion)	258	152
Research and Development (percent)	35	8
Active Duty Forces (millions)	1.36	2.5

\*1997 data

Source: *The Military Balance, 1998/1999*, International Institute of Strategic Studies (London: Oxford University Press, 1999).**Reductions in Defense Spending 1988-97**

(percent)

	United States	Europe
Defense Spending	30	20
Manpower	34	20
Division-Equivalents	40	36
Combat Aircraft	43	20
Naval Combatants	40	15

Source: *The Military Balance, 1998/1999*, International Institute of Strategic Studies (London: Oxford University Press, 1999).

In the Cold War's aftermath, the United States and Europe have reduced their armed forces considerably. Consequently, the United States is less capable of executing major military contingencies, without assuming large costs and risks. U.S. forces in Europe alone declined from 330,000 to 100,000.

About 80 percent of European forces conduct border defense at medium readiness. The remainder are high-readiness, reaction forces totaling 10 divisions, 470 combat aircraft, and 160 ships. They are mostly tailored for local missions. As a result, NATO depends primarily on the United States, the United Kingdom, and France to project power. It will be increasingly difficult for the United States to gain public and congressional support for defending interests shared with allies, unless they also participate.

An important step in burdensharing was taken at the Washington Summit with the adoption of the new Defense Capabilities Initiative, which is designed to develop European forces

that are more deployable, sustainable, and serviceable. The key now is whether NATO European members will follow through on this summit initiative.

**Preserving Europe's Political and Economic Stability**

Washington has a major interest in the political and economic stability of Europe. In an era of growing economic interdependence, the United States and Europe are not likely to diverge widely on major economic issues. A prosperous Europe can help share the burdens of global security, while a weak Europe would undermine confidence in the international system and leave only the United States to face possible challenges in the Middle East, Central and South Asia, and the Far East.

The EU will continue to be an economic partner of United States. A strong EU can help extend prosperity eastward and instill cooperative habits that have succeeded in Western Europe. The EU has gradually opened its markets to outside competition through agreements with the United States and the World Trade Organization (WTO). This is likely to continue benefiting the United States and Europe, barring an unlikely collapse of EU prosperity.

**Expanding and Enlarging Democracy in Europe**

America has interests in expanding and enlarging Europe's democratic core to Eastern Europe. This must be done without being overly committed to weak or failing states. By including qualified new members, NATO and the EU can foster security and cooperation in an area that spawned two world wars. The United States has interests in Europe's overcoming artificial divisions and building partnerships with former adversaries, including Russia. Enlarging the core of democratic nations creates stronger partners for global responsibilities. The PFP is an important instrument for bringing European countries together and fostering a common security effort. PFP is also an important source of manpower for NATO peace operations where participants already share responsibilities with Alliance members.

## Consequences for U.S. Policy

### Sharing a Strategic Vision with Europe

For 40 years, the United States and its European allies organized and structured themselves to meet a known, single adversary—the Soviet Union. Now NATO seeks to define a new vision for the 21st century. One such vision is a “Wilsonian” Alliance devoted to collective security primarily through political discussion and peace operations under a UN or OSCE mandate. Another vision is a traditional NATO organized primarily to defend its members against external attack. A third vision preserves the traditional NATO defense mission, while engaging wherever key Western interests are affected.

The Alliance may face a variety of conflicts, ranging from regional crises to new adversaries beyond Europe. To be effective, NATO will need a

strategic vision that prepares for a host of uncertainties. It will have to prepare better for new missions that defend common interests.

In Europe, U.S. strategy focuses on shaping a cooperative, peaceful environment while preparing for conflicts in and beyond Europe. The Alliance has made great progress in shaping a cooperative security architecture in Europe. NATO peace operations, enlargement, and the PFP have enhanced the Continent’s security.

The Alliance is less prepared for likely future missions, especially outside Europe. The United States and Europe need a common strategic vision. Public support for U.S. engagement in Europe requires that security responsibilities be shared fairly. If NATO is unable to respond to threats to its interests, the vision will fade and the Alliance could unravel. Implementing the new Strategic Concept and Defense Capabilities Initiative will be key to progress.

The United States and Europe could approach “responsibility sharing” in different ways. One option is a division of labor. European allies would assume primary responsibility for Article 4 missions on European soil under the NATO

**Soldiers of the Kosovo Liberation Army on patrol near Lapastica, 20 miles north of Pristina**



## St. Malo Summit

In December 1998, the heads of state of Britain and France met in St. Malo, France, and agreed that the European Union, in the furtherance of a common foreign and security policy, needs to:

- Develop the autonomous capacity to act, backed up by credible military forces, in response to international crises
- Build military capabilities "pre-designated within NATO's European pillar or national or multinational European means outside the NATO framework"
- Strengthen armed forces to react rapidly to new risks
- Support a strong and competitive European defense industry and technology base.

aegis, while the United States would have primary responsibility for defending "global" interests. A second option is an operational division of labor. In European missions, allies would provide most ground forces, with the United States providing airlift, reinforcements, C<sup>3</sup>I, and combat air support. Under this option, European allies would provide supplemental forces in global missions. The third option is a common force structure and doctrine for the Alliance. It would enable combined and joint deployments of European and U.S. forces in both low- and high-intensity environments, including outside Europe.

The first option is attractive among those favoring greater European contributions to security—on both sides of the Atlantic. The disadvantage would be a loss of U.S. diplomatic influence in managing and resolving conflicts in Europe. Also, European forces would be tailored more for low-intensity peace operations, and Europe's contributions to global missions would be limited. The second option has many of the same advantages and disadvantages. However, the United States would be more involved militarily in European missions. The third option offers the best long-term means of sharing responsibilities but requires the most effort in terms of political cooperation, defense modernization, and development of common military technology.

## Managing Transatlantic Relationships

Allied acceptance of greater security responsibilities will require the United States to manage transatlantic relationships in ways that give allies a greater voice in diplomatic strategy. An independent, leading role for Europe in matters

within its capabilities (for example, through ESDI, the WEU, and European-led CJTFs) will have to be balanced with maintaining U.S. influence and leadership when American interests are at stake.

For the United States, the question is often, who speaks for Europe? Europeans themselves cannot answer this question. The EU aspires to provide a common voice on foreign and defense policies but has not yet been coherent beyond generalities. Aside from economic leverage, the EU has little diplomatic clout outside Europe. Without U.S. and NATO involvement, it has been ineffective in addressing such crises as the Balkans. NATO purports to be the forum for coordinating security policies. Yet, it often falls short, especially regarding issues beyond its area of responsibility. The United States has not effectively used NATO to build consensus on security issues beyond Europe's immediate neighborhood.

With the 1999 summits of NATO, U.S.–EU, and OSCE, the United States has an opportunity to reshape its consultative arrangements and forge new agendas for each of these organizations. In recent years, the United States upgraded consultations with the EU, primarily regarding trade issues. Until the EU achieves internal unity sufficient to articulate and implement a common foreign policy, the United States cannot neglect bilateral diplomacy. Washington will have to give priority to new and closer forms of consultations over going it alone, or explaining after-the-fact decisions and actions. It is in NATO interest to look at external regional issues and consider consultation as a means of crisis management.

## Adapting NATO to Respond to Future Challenges

The United States faces a key challenge: how to transform the Alliance while maintaining its leadership and a coherent strategy responsive to a new security environment. In the north, this means consolidating the peace and security achieved since the Cold War's end. In the south, it means meeting new challenges and threats.

The Alliance has successfully adapted to the new era in Central and Northern Europe. This was done through the PFP program, which seeks gradual enlargement and engagement. Its challenge is to consolidate enlargement that already has been achieved while building constructive relationships with Russia and others. Decisions at Paris and Madrid in 1997 established a two-track approach: gradually enlarge the Alliance while keeping the door open to new members; and

develop dialogue and understanding between NATO, the Russian Federation, and Ukraine. Balancing these two objectives will be difficult.

Expanding NATO poses the risk of overextending it. The further east it expands, the more complex the security environment becomes, and the more challenging it will be to ensure the common defense. The Alliance must ensure that new members can contribute to the common defense and do not bring unacceptable burdens and risks. Each candidate must meet basic requirements: be a stable democracy with civilian control of the military, have a practical defense doctrine, and be able to modernize military capabilities with an adequate level of preparedness and infrastructure.

In Northern and Central Europe, the Alliance has successfully managed to end the Cold War, defuse Central Europe's military confrontation, and transform relationships with old adversaries in the east. The situation is less reassuring in the south, where an arc extends from North Africa, the eastern Mediterranean and Middle East, to the Caucasus and the Balkans. While no country in this arc directly threatens NATO, many are unstable. Conflicts there could dangerously affect Europe's interests. Turkey is particularly vulnerable. It shares borders with Iran, Iraq, and Syria. In the near future, Greece and Italy could be threatened by conventionally armed

missiles and, potentially, by biological or chemical weapons.

The loss of Turkey or Egypt to Islamic radicalism would negatively affect Europe's interests. Prospects for ending the Arab-Israeli dispute appear dim. Another war there could interrupt the region's oil flow and commerce. The Caucasus region has increasing importance to Europe. Including the Middle East, oil reserves in the region may be as high as 200 billion barrels, worth \$4 trillion, or 71 percent of the world's oil reserves, along with major reserves of gas.

## Engaging a Failing Russia

Managing relations with Russia will be a major challenge. If the Alliance enlarges without including Moscow, it will appear anti-Russian. NATO has sought cooperation and confidence building with Russia through the Permanent Joint Council (PJC), established in 1997. Moscow has been ambivalent toward the PJC and generally toward the Alliance. This stems from Russia's belief that NATO is an opposing military alliance that may encroach on Russia's borders. Russia resents the U.S.-led Alliance for appointing itself the principal manager of European security. The Kosovo crisis has damaged U.S. and European relations with Russia.

These perceptions complicate Russia's willingness to cooperate with NATO. The latter perception would exist even if Russia were an Alliance member. Russia is not like post-World War

## NATO-Russia Founding Act Principles

- Development, on the basis of transparency, of a strong, stable, enduring, and equal partnership and of cooperation to strengthen security and stability in the Euro-Atlantic area
- Acknowledgment of the vital roles that democracy, political pluralism, the rule of law, respect for human rights and civil liberties, and the development of free market economies play in the development of common prosperity and comprehensive security
- Refraining from the threat or use of force against each other as well as against any other state, its sovereignty, territorial integrity, or political independence in any manner inconsistent with the United Nations Charter and with the Declaration of Principles Guiding Relations Between Participating States contained in the Helsinki Final Act
- Respect for sovereignty, independence, and territorial integrity of all states and their inherent right to choose the means to ensure their own security, the inviolability of borders, and peoples' right of self-determination, as enshrined in the Helsinki Final Act and other OSCE documents
- Mutual transparency in creating and implementing defense policy and military doctrines
- Prevention of conflicts and settlement of disputes by peaceful means in accordance with UN and OSCE principles
- Support, on a case-by-case basis, of peacekeeping operations carried out under the authority of the UN Security Council or the responsibility of the OSCE.



**Polish soldier probing for mines during Exercise Cooperative Osprey in Camp LeJeune, North Carolina**

II Germany, a defeated nation ashamed of its past and accepting of the design for the future. Russia today is more like postwar France—humiliated but not defeated, aware of its former great power status, and wary of U.S. dominance. Like France, Russia resents what it perceives as the prevailing *Pax Americana*.

Unable to block enlargement, Russia accepted the Founding Act to gain leverage over NATO decisions. Russia's concern about the Alliance's enlargement was relatively muted following the Madrid summit. If NATO pursues a second round, Russia will attempt to block further enlargement, particularly if it includes the Baltic States. Russia would threaten to walk out of the PJC and

abandon the Founding Act, which would be regarded as a major setback and omen of trouble. But, Moscow could only do this once and would risk losing Western investments and assistance for Russia's transformation.

Russia also signed the Founding Act in order to be regarded as a great power. But the NATO agenda is likely to make Russia feel even more diminished. NATO and the United States cannot do much about this, particularly because they do not want Russia co-managing European security issues that do not directly concern it.

The more important question is, what is Russia's role in a future NATO that seeks to advance and protect European and U.S. interests? If NATO becomes fundamentally an Article 4 alliance, partners will not be treated much differently than members. The distinction comes from Article 5. Russia's treatment will depend on whether it is a responsible partner. NATO pledged to all partners that its purposes and policies will be transparent. It must continue considering how to engage partners, including Russia, without their vetoing or disrupting NATO decisionmaking. A NATO increasingly engaged in Article 4 missions will likely be more

flexible in its procedures than an alliance primarily focused on Article 5.

## Modernizing European Military Capabilities

The new NATO strategic concept recognizes that it will have to upgrade its military capabilities. Modernization is needed for likely allied missions ranging from peacekeeping to Article 5 common defense. Many of these missions will require NATO to project force and conduct combined operations. U.S. encouragement will be key to this modernization.

The potential for conflict lies on the NATO periphery. Should NATO respond to Article 5 commitments, it will have to deploy and sustain its forces over long distances. The defense of Turkey is one such scenario.

Non-Article 5 operations, such as peacekeeping, will require similar deployments. Alliance planners are aware of the need to improve these capabilities, but progress is slow.

The Alliance would benefit greatly from the revolution in military affairs (RMA), which promotes development of smaller, more mobile forces that take advantage of advanced munitions, intelligence, and information systems.

NATO requires flexible forces and doctrines for various missions. A building-block approach is needed to operate effectively in combined operations.

The United States will need to share design and production of key systems in order to increase allied interoperability. This will require changes in information sharing, industrial cooperation, and licensing and export control decisionmaking.

## U.S. Role in Regional Conflicts in and Around Europe

The United States provides balance in conflicts where European geography or history constrains allies. This is likely to continue in the Balkans, the eastern Mediterranean, and the Baltic region. Ideally, the United States would leave management of local disputes to European friends and concentrate on its global responsibilities. In reality, Europe will likely require extended U.S. engagement. This may mean long-term commitments to regional stability, as in Bosnia.

By helping to defuse tensions, the United States could prevent larger conflicts. Sharing such regional burdens will require the United States

and European partners to work together more closely. Each case is different. Some conflicts require only diplomatic solutions; others require the threat or use of force, as in former Yugoslavia.

## Net Assessment

Europe enjoys the prospect of peace with a degree of unprecedented harmony and prosperity. The threat of major war on European soil remains remote. The future of NATO lies in promoting cooperative security between members and partners and lending its political and military influence to peace missions in troubled regions.

The challenge for the United States and Europe is to ensure that risks and responsibilities are shared at a time when the greatest threats lie outside the traditional NATO security perimeter. If these risks and responsibilities are not shared, NATO risks losing the support of its publics and political leaders.

In order to share the burden of global security, the United States will have to include allies in political and diplomatic decisions on courses of action to be pursued. This may be difficult given differing perspectives among European countries. Agreement will not always be possible, especially when potential threats are not imminent.

In the new century, the United States faces the following key issues:

- Ensuring that allied forces develop the capabilities to perform a broad spectrum of missions
- Sharing risks and responsibilities with allies in Europe and beyond
- Ensuring that U.S. and allied forces can operate effectively together and with coalition partners
- Effectively consulting with allies on strategies and decisions affecting common interests.

At the Washington Summit, NATO committed itself to a new era. The ability of European and transatlantic institutions to adapt to this new era will profoundly affect Europe's ability to assume greater security responsibilities and will ultimately affect its relationship with America.

# Russia and Its Neighbors: *Faltering Progress?*

**W**here are Russia and the other states of the former Soviet Union headed? Is their progress toward democracy faltering? What are the prospects for future internal trends and external policies? A central theme seems to be that Russia likely will muddle through, making progress in some areas but mired in trouble in others. Whether current negative trends will worsen is yet to be seen, but major progress anytime soon seems unlikely. Moscow is struggling with domestic problems and determining its role in a changing international environment to which it is ill suited.

While Russia is primarily responsible for its domestic problems, world powers will influence Russia's future course. The major powers must keep their priorities in mind in the years ahead, as alarmist reactions to likely reform setbacks could cause further negative Russian developments that the West may not want. Western antagonism could make reversals more severe and pose dangers to former Soviet Union countries. Yet, the West must continue pointing out that democratization and market economics are Russia's best hope for internal recovery and integration in the Western community.

Conceivably, Russia could pursue clear-cut choices: either radical market reforms or a brand of totalitarianism. However, Russia is unlikely to return to communism. It is also unlikely that Russia and others in the Commonwealth of Independent States will significantly progress toward democracies and market economies. Its policies toward the West will be guided by pragmatic state interests, but its influence will be diminished.

## Key Trends

### Slow Progress toward a Market Economy

Since 1917, Russia has had an economic system that would not be recognized as legitimate by the West. The Soviets had a centralized command and distribution system that served government's needs first and society's second. After four generations, most Russians expect the state to play a leading role in economic issues. They also expect any economic system to serve the needs of the state and all citizens—not just a few as it has done over the last 8 years.

After the Soviet Union's demise, Russia's leadership attempted economic "shock therapy." But President Boris Yeltsin and his acting Prime

## The Crisis of 1998

### Major Causes:

- Failure to cut government spending and invest in industrial development
- Large budget deficits
- \$100–\$200 billion stolen from state revenues and foreign aid and invested overseas
- Large backlog of state wages
- Constant rolling over of debt by selling short-term treasury bills (GKOs) at higher and higher rates of interest, creating a pyramid scheme

### What Happened:

- Foreign investments sharply reduced because of Asian crisis
- Oil prices fell—a major source of Russian income
- GKO pyramid scheme collapsed (Russian banks had 20% of their assets in GKOs)
- Bank crisis led to frozen accounts and closures
- Central Bank's reserves dropped
- Ruble was allowed to float
- Currency market ceased to exist
- Prices climbed

Minister Yegor Gaidar constantly made concessions counter to these reform plans because of political opposition, social dislocations, and struggles with the legislative branch. When the legislature forced President Yeltsin to accept Viktor Chernomyrdin as Prime Minister in December 1992, Yeltsin had to accept a slower and less focused economic reform policy.

Corruption has significantly affected Russia's transition to a market economy from the beginning. After state-owned companies, such as transportation, oil, and telecommunication enterprises, were sold at extremely low prices, government officials were accused of fixing auctions in exchange for bribes. Additionally, wealthy individuals were able to occupy senior government positions and establish policies that were beneficial to themselves.

A small percentage of the population (called the "new Russians") accumulated considerable wealth by taking advantage of the economic transition and corrupt activities. Living standards for the majority of Russians declined. Payment of wages has been delayed for months at a time, wiping out many Russians' life savings. Russia's gross domestic product dropped an average of 9 percent annually from 1990 to 1997, giving little hope that the economic situation

would improve soon. The economic crisis that occurred in 1998 marked the end to any hopes for a rapid transition to a market economy. The political and social turmoil resulted in a new government under Prime Minister Yevgeny Primakov.

Its economic policies reflected governmental concerns about social problems. Likewise, the major presidential candidates in 2000 likely will express support for strong state involvement in economic decisions affecting Russia's social welfare. They will not rule out a private economic sector, but thus far, they have indicated its reduced role. Future economic reform will be slower, more measured, and subject to political whims.

## A Nascent Democracy in Turmoil

Russia has elections and a legislature to partly check its powerful executive branch. But it is not a fully developed democracy. Democratic reform is proceeding slowly. Economic events will influence politics. How long the present turmoil will last is uncertain, but it will likely cause a series of changes in executive branch leadership.

Changes in personalities will also bring changes in policies—although they are unlikely to be radical in nature. Most Russians do not support returning to either radical market reforms or Soviet-style economic planning. They do seem to support significant state involvement in economic and social issues and elimination of the corrupt oligarchy.

Russia's political turmoil will be punctuated by periods of strong sentiments for both communism and nationalism. However, these paths will likely be rejected. Russia likely will take a more middle-of-the road approach. It will slow economic reform, as well as retrench, while continuing to concentrate excessive power in the executive branch.

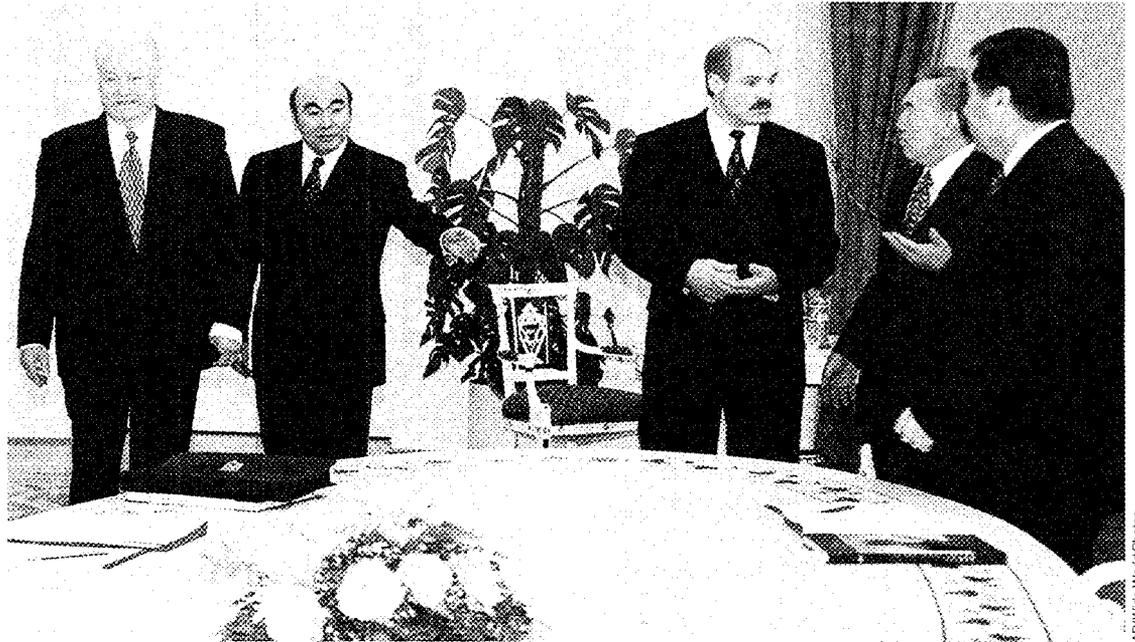
Future Russian politics will be afflicted with constant conflicts among many political personalities as various political parties seek power.

## What Do Russians Want?

Most Russians want a better functioning government even at the cost of some personal liberties. They believe that the government has responsibility for providing a social safety net. They also saw the economic reform in the 1990s as an attempt by the politically powerful to gain great advantages at the rest of the country's expense. The United States is viewed as the cause of the Yeltsin administration's confused and unregulated economic policies. Consequently, the United States has lost the trust that Russians placed in Washington at the end of the Cold War.

Disillusionment with the unchecked free markets of the 1990s and rampant corruption and crime have added to the average Russian's belief that some aspects of the political clock must be set back. A strong hand is often called for in all classes of society. However, the strong hand is defined in public opinion polls as good management, not Stalinism. When surveyed on specific concerns, Russians list the government's failure to pay salaries, pensions, and stipends on time, and the lack of money for food and medicine.

**Russian President Boris Yeltsin, Kyrgyzstan President Askar Akayev, Belarus President Alexander Lukashenko, and Kazakhstan President Nursultan Nazarbayev discussing the strengthening of their customs union and revival of their economies**



RUSSIA AND ITS NEIGHBORS

AP/Wide World Photos

This will be a prolonged fight. Over the last 8 years, Russia failed to establish a political system based on a few clearly defined political parties. No personality has sufficient political support to replace Boris Yeltsin readily after his final term in office.

The struggle will be characterized by both personal ambitions and radical differences over government's role in society. Russia has too many political parties which lack discipline. For example, several political parties and movements advocate market reforms. However, they have not always worked for a common objective, sometimes because of differences over issues, but also because of the leaders' personal ambitions. To a lesser degree, lack of cohesiveness plagues various Communist groups. Russia's nationalist parties often act as if their sole objective is to foment resentment and turmoil among the population.

Political leaders freely switch parties and allegiances based on perceived personal advantage. This results in the inability to pass legislation. Rather than cooperate, politicians position themselves for presidential elections.

## **Regional Leaders versus the Central Government**

Power-sharing issues between the central government and Russian republics and subregions have resulted in resentment between them.

In the last 8 years, the central government has established separate relations with each regional government. This was based either on Moscow's need to centralize control, or on the need to recognize a subregion's economic strength. As a result, there is little trust in the central government outside Moscow.

With the economic crisis in 1998, several subregions began to exert their independence. Among other things, they refused to send taxes to the central government—one of the actions that led to the Soviet Union's fall in 1991.

The presidential ambitions of several governors also are a factor in the ongoing struggle with the central government. By standing up to President Yeltsin or the prime minister, regional leaders can develop a reputation for strong leadership. It is also likely to get them policy concessions.

A major power shift to the regions—much less fragmentation—is not expected, except in the northern Caucasus region. Regional leaders likely will use their local power to run for the presidency in hopes of becoming the new Russian leader.

## **Declining Military**

In 1997, after firing Defense Minister Igor Rodionov and appointing General Igor Sergeev to replace him, President Yeltsin was able to jump-start military reform. Russia has 14 ministries and agencies with military forces, but the Ministry of Defense is the focus of reform.

## Yuri Luzhkov

Yuri Luzhkov, Mayor of Moscow, is a front runner to replace Boris Yeltsin as President in 2000. He has a reputation for getting things done through hands-on supervision. He was involved almost daily in the reconstruction of the Cathedral of Christ the Savior and the expansive underground mall at Manesh Square. He is also credited with securing foreign contributions for reconstruction and getting rid of street gangs.



AP/Wide World Photos

Opponents claim, however, that Luzhkov has a large ego and has wasted money on building monuments to himself. They are also concerned about his reported ties to mafia groups, economic policies that keep unnecessary factories open, and pandering to the nationalists. Moscow has fared better than other areas. However, opponents argue it is not because of the mayor's managerial skills, but because the city has received disproportionate investments. October 1998 polls indicated that

about 20 percent of Russians would vote for Luzhkov for president, 35 percent trust him, and 34 percent do not trust him. His voter support over the last 18 months has doubled, while trust and distrust factors remained about the same.

## Alexander Lebed

Retired two-star General Alexander Lebed, Governor of Krasnyarsk, will be one of the leading contenders for Russian president in 2000, if he runs. For the last several years he has been his own best advocate, portraying himself as a strong, incorruptible, but fair leader who will rid the Russian Government of its corruption and society of the criminals that plague it.

Many in Russia worry about Lebed, however, because of his history of holding himself above accountability and grabbing for power. They point to his very public battles over policy with President Yeltsin and Minister of Defense Grachev when Lebed was on active duty as Commander of the Russian Group of Forces in the TransDniester. At one point during the public argument, Lebed threatened to lead his military forces in an advance on Moscow to topple the government.

Memories of Lebed's 4-month term as Secretary of the Security Council also cause worries. During that time, Lebed repeatedly called for President Yeltsin to step down and for himself to take Yeltsin's place—even though the Russian Constitution clearly says the prime minister would replace the president. There is also concern about the charges made against him when he was dismissed as secretary of the Council. He was charged with violating the military chain of command, and meeting directly with the commanders of the Airborne Forces, and with attempting to secretly place 60,000 troops directly under his command.

Public opinion polls over the last 18 months show that 15 percent of the population consistently support Lebed for president. They also indicate that about 25 percent of the population trusts him, while about 45 percent does not.



AP/Wide World Photos

The reforms seek to reduce the armed forces in order to cut state expenditures. Yeltsin is determined to keep military spending to less than 3.5 percent of the gross domestic product. While major command changes have been directed to achieve these reductions, they are still being debated.

Initially, the Ministry of Defense stated this would result in its forces being cut to 1.2 million personnel. However, some ministry officials now speculate that the armed forces could fall below 1 million.

Originally, President Yeltsin called for reducing forces in two phases and providing them with "21st century" equipment by 2010. Late in 1998, the Minister of Defense stated that it would be 2025 before the force could be fully upgraded. In reality, it could be longer. Even so, Russia will remain a dominant Eurasian military power.

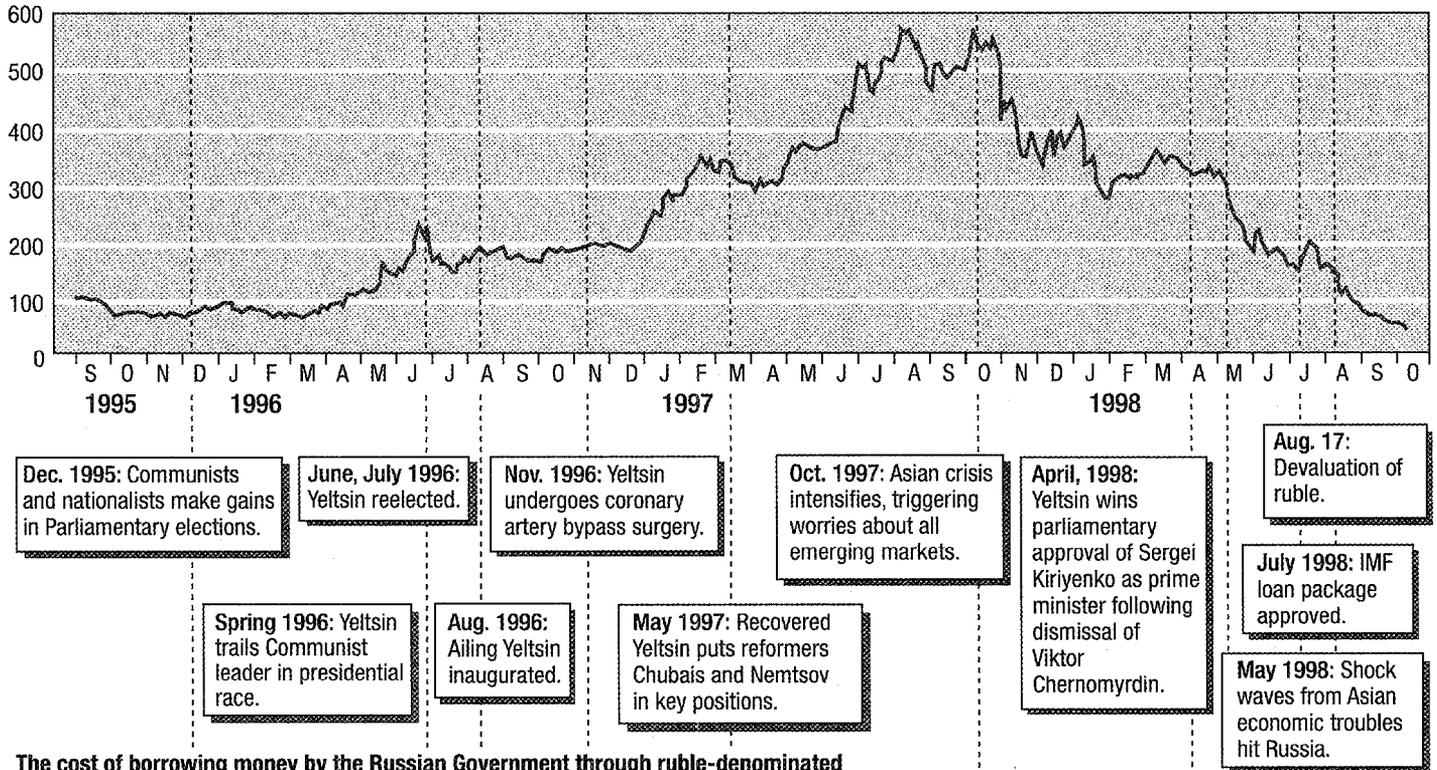
## Weak Foreign Policy

Policymakers will be preoccupied with economic and related social problems and simply surviving as a nation. Any international role Russia does play will be intended to improve its domestic problems. Its foreign policy will also seek to prevent the other major powers from taking advantage of its weakness. These objectives will be difficult to achieve if the other major powers believe that Russia has become permanently marginalized.

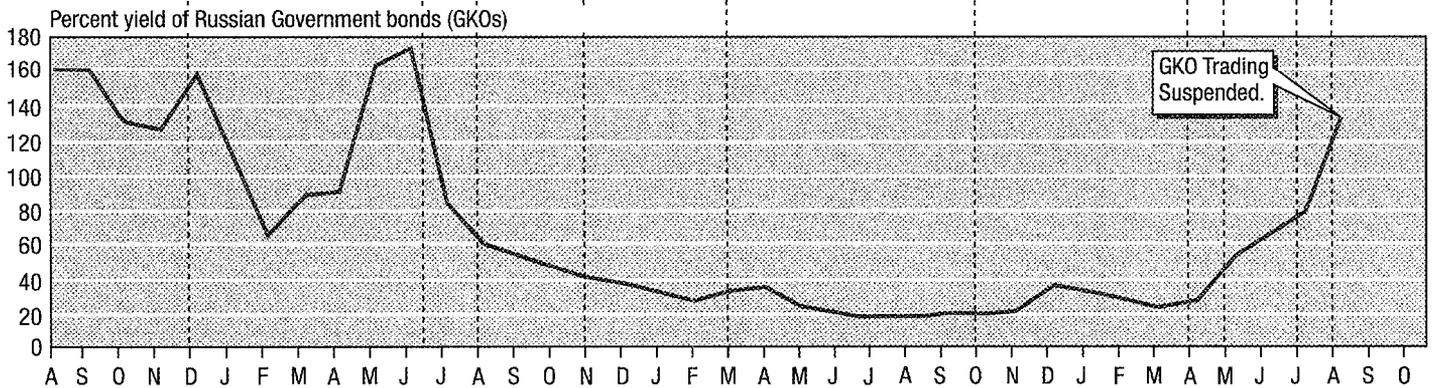
Russia's foreign policy will seek to advance state and regional interests. Russia's foreign policy will be focused mainly on dealing with centrifugal forces in the former Soviet Union, especially in the Caucasus and Central Asia. All the former Soviet republics are trying to establish economic, political, and security connections with the major Western powers. While they seemingly recognize the need to maintain close ties with Russia, history has shown them that they must establish relations with the other major powers as a hedge against future Russian ambitions.

Russia is greatly concerned about the growing radical Islamic threat in southern Russia, Central Asia, and the Caucasus. What was a vague, undefined threat 8 years ago is developing into a serious threat to Russia and its southern neighbors. Chechnya's leaders have acknowledged their loss of political control over major portions of their republic. While the Chechnyan president was a leader in the war with Russia 3 years ago, he stated in October 1998 that the Afghan mujahideen veterans supported by Middle Eastern Arab states were a

**Russian Stock Market, Weekly Closes**



The cost of borrowing money by the Russian Government through ruble-denominated government bonds rose sharply as investors lost confidence.



Sources: Internet Securities; *The Washington Post*, November 8, 1998.

**500,000 Men?**

Serious questions have already been raised as to whether the ceiling of 3.5 percent of the GDP for defense spending itself is adequate for the military reforms currently envisioned. In December 1997, at a conference attended by then Deputy Minister of Defense Andrei Kokoshin, Colonel Viktor Tkachev of the military's Financial Academy said that even if Russia experienced economic growth, 3.5 percent would provide only for the proper maintenance of armed forces of 700,000. Tkachev stated that, without growth, only 500,000 to 550,000 soldiers could be fully maintained to the standard of the armies of West European countries.

greater threat than Russia to Chechnya. Kazakhstan, Kyrgyzstan, and other former Soviet states with Muslim populations have constantly warned that they are facing low-level, radical Islamic insurgency threats supported by the Middle East and South Asia. Russia is likely to be preoccupied by these challenges to its south.

Russia will try to maintain good relations with all major powers. At the very least, Russia needs their good will if it is to have any chance of overcoming its economic problems. It will also try to persuade the other powers to resist what it

## Yeltsin's Original Concept for Armed Forces Reform

### Phase I (1997–2000)

**Main Focus:** Reduce the overall force structure to 1.2 million men. Savings are intended to improve readiness, technical standards, and living conditions.

**Command Changes:**

- Give military district commanders operational control of forces in their districts
- Abolish the position of Commander-in-Chief of Ground Forces
- Establish a unified "strategic missile force," to include:
  - Strategic Missile Forces
  - Military Space Forces
  - Missile and Space Defense Force
- Combine air forces and air defense forces
- Retain a navy with four fleets and a flotilla, but downsize these forces.

**Research and Development Policy:** Stop acquisition of old equipment and develop breakthrough technologies.

### Phase II (2000–05)

**Transition to Three Services:** According to the General Staff, the armed forces would be based on "spheres of combat"—ground, air/space, and sea. This likely reflects the General Staff's plan to align service support with operational commands.

**Research and Development Policy:** Begin delivery of state-of-the-art weapons and equipment by 2005.

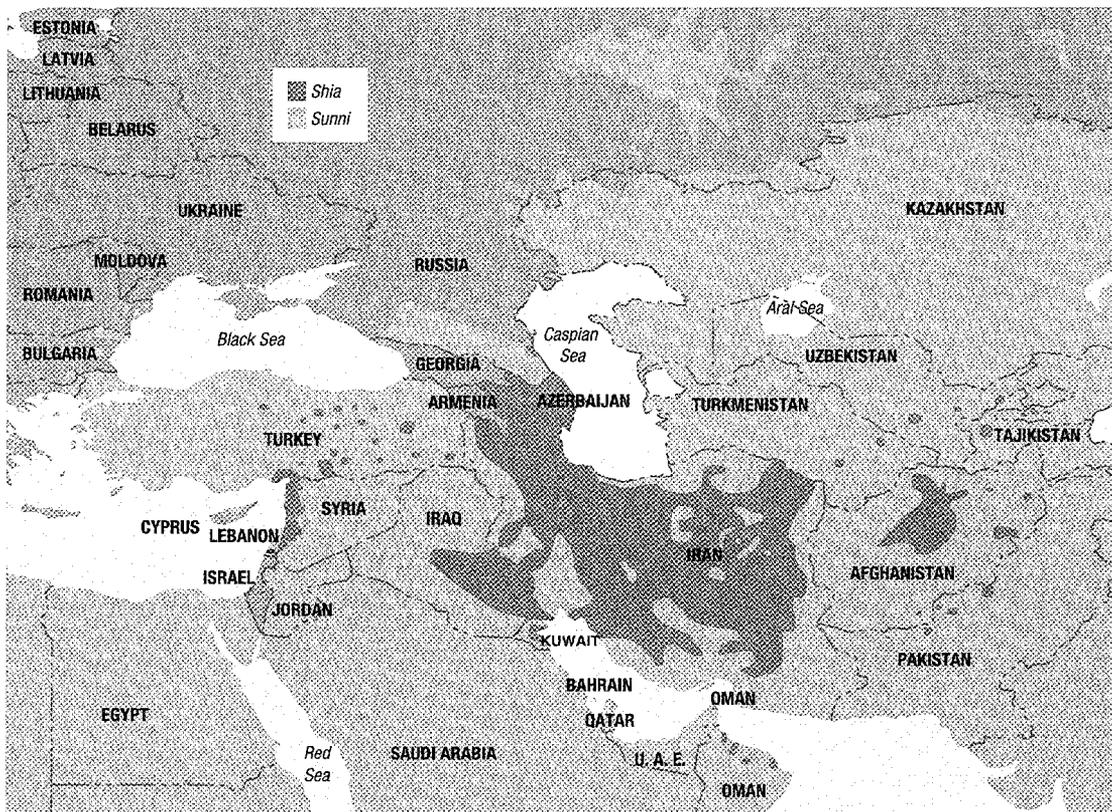
sees as American hegemony, and advocate multipolarity as a safer world. Russia must play a relatively weak international hand, but its diplomacy in the Kosovo crisis shows that it still has clout.

In Europe, Russia will likely complain about exclusion from continental affairs. It is also likely to protest NATO and EU eastward expansion, but it can do little to stop them. In the Middle East, Persian Gulf, and South Asia, Russia will not have much influence. However, it may attempt to create difficulty for the United States and sell arms to clients within the region. In Asia, Russia's cooperation with China and Japan will be limited. It will fear the possibility that these countries could advance their interests at Russia's expense.

## Growing Instability in the CIS

Russia is not the only state in the former Soviet Union facing domestic challenges. The economic situation throughout the former Soviet Union is negative. Practically no progress has been made on market reforms, and the standard of living has generally declined.

### Sunni and Shia Muslims Along Russia's Southern Borders



Sources: Internet Securities; *The Washington Post*, November 8, 1998.

The countries within the Commonwealth of Independent States (CIS) will likely retain their independence, because their situation makes them highly undesirable for takeover. The only countries that might theoretically threaten them are Russia and Ukraine. Even if it were economically advantageous, Russian and Ukrainian military weaknesses will likely prevent this step in the foreseeable future.

Three factors could result in challenges to some countries, as well as complicate international affairs. The first factor is the possible reunification of Belarus, Ukraine, and Russia. Major portions of Belarus and Ukraine desire close and formal ties with Russia. If Belarus or Ukraine reunited in some manner with Russia, the West would be alarmed. Moscow would be seen as returning to an expansionist foreign policy. In either case, Russian military forces could be deployed closer to U.S. allies.

Although this outcome is remote, conservative groups will always seek the reunification of Russia, Belarus, and Ukraine. However, Belarus and Ukraine are in worse shape than Russia economically. They would be an extraordinary burden on Russia's already floundering economy. Russia has been unresponsive to eastern Ukrainian demands to break away and reunify with Russia in some way. If this was seriously considered, Ukraine could deteriorate into political chaos. The majority of the country would probably support reunification with Russia, while the rest would remain under radical Ukrainian nationalist control. Instability would spread east and west. Moreover, NATO and Russia would return to a state of conflict and distrust, at least temporarily.

The second factor is the value of oil and gas reserves in the greater Caspian Sea region. It has the potential to cause conflict among countries in the region—and beyond. The region is already experiencing instability. While this is mostly attributed to ethnic unrest, it is also the result of disagreements over future pipeline routes. Those countries with pipelines transiting their territories will have a valuable source of income. Consequently, all countries in the region want their competitors to appear unattractive. Fomenting political instability, banditry, and warfare on the territory of competing states is therefore seen as advantageous. Numerous Russian press reports have also accused several Middle East countries

with large oil reserves of supporting such activity. Some countries in the region have accused Russia of interfering in their domestic matters.

The third factor that could challenge the sovereignty of some CIS countries is instability in the Caucasus or Central Asia. It could spread to southern Russia or Kazakhstan, most likely in the form of armed incursions by radical Muslim groups supported by countries outside the region. Any serious threats of this nature could evoke a Russian military response, even though Russia is militarily weak and such a response would hurt its economic recovery. Russia would not limit fighting to its own territory.

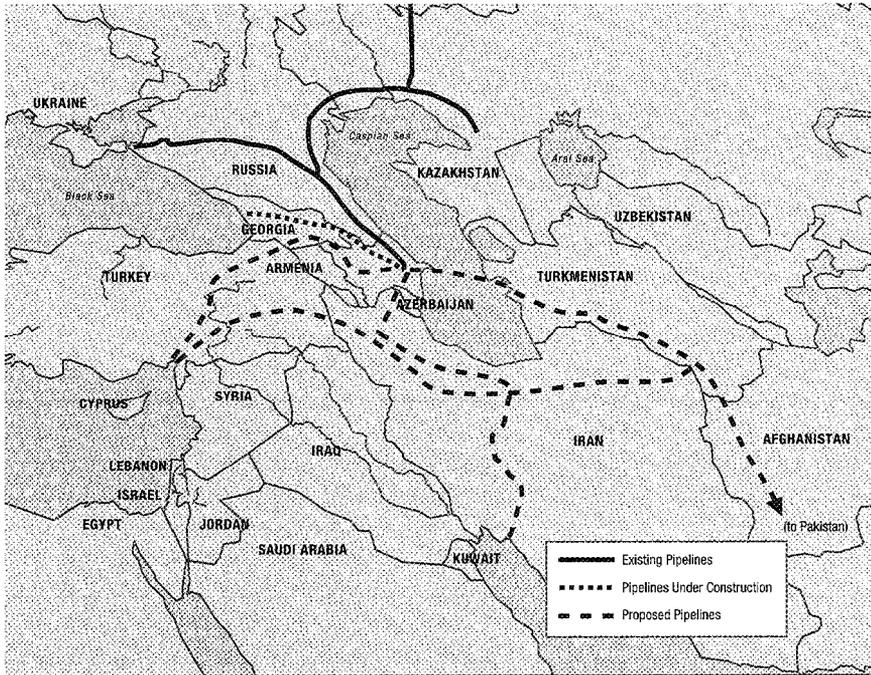
Most countries in the region have experienced political chaos similar to Russia, which has weakened their sovereignty. Most countries in the Caucasus and Central Asia have limited political parties and changed election laws to favor incumbents and control the media. The results range from political dissidence to outright warfare. Ethnic and political conflicts run rampant. This situation is unlikely to change over the next several years. Georgia's civil war with Abkhazia remains in stalemate, and conflict in South Ossetia could flare up at anytime. Likewise, war between Azerbaijan and its enclave of Nagorno-Karabakh could reignite, bringing Armenia into the fray. In most Central Asian states, political protests and resulting imprisonment are part of daily life.

Historically, Russia has provided regional stability. However, Russia's capacity to dominate militarily is declining precipitously. The Russian armed forces are in disarray and will require two to three decades to recover. The decline in Russian military power is creating a vacuum in Central Asia and the Caucasus. This is encouraging military involvement and intrigue by countries beyond the former Soviet Union. The situation will worsen if, as planned, Moscow removes its Border Service from the old Soviet boundaries sometime after 2005.

Radical Muslim involvement—all the way into Kazakhstan—has occurred over the last 7 years. Afghan mujahideen veterans currently control portions of Chechnya, conducting terrorist acts that even the Chechnya Government cannot prevent. The strength of the mujahideen and other radical Muslim movements will likely increase and spread in the Caucasus, including Russia's Caucasus region.

Since the demise of the Soviet Union, Afghan warlords and the Pakistani-trained Taliban have pressured portions of Central Asia's southern borders. Most Central Asian leaders

## Caspian Sea Pipelines



have complained about the growing radical Muslim threat, which they have termed "Wahabees." In the early 1990s, these complaints were seemingly groundless fears. Now, a growing number of terrorist acts support these claims. While Central Asian governments have prevented democratic development to the degree advocated by the United States, they are a more stable alternative to Muslim insurgents and soldiers of fortune.

There are two reasons for instability in the Caucasus and Central Asia. First, current governments in these regions have failed to win the support of groups within their borders. Second, they lack the ability to impose order through threat or deeds. The Soviet Union played the latter role for most of its history, but Moscow has been unable to do so since the Belovesh Forest declaration of December 1991. Economic constraints, political intrigue, and lack of military reform have resulted in conventional forces that will have little influence on events beyond Russian borders.

## Nuclear and Conventional Force Reductions

The same economic constraints that have affected Russia's conventional forces will also prevent it from maintaining strategic nuclear parity

with the United States. Consequently, Russia may seek international agreements over the next 10 years that will restrict the strategic forces of all major nuclear powers. These initiatives could be combined with proposals for the United States to share future ballistic missile defense systems.

Economic realities make it clear that Russian leaders have to choose between investing in nuclear or conventional forces. Moscow understands that nuclear forces are only for deterrence, despite statements that it will rely on nuclear weapons until conventional military reform is complete. Further, Moscow understands that START II would require extensive modernization in nuclear weaponry and command and control systems. Russian security specialists still seek parity with the United States even though it is not militarily required. To resolve these seemingly conflicting positions, Russia could press for nuclear weapons reductions that go below proposed START III levels, but include all major nuclear powers.

At the same time, Russia's ongoing conventional force reduction will cause it to be increasingly concerned about the size of NATO and Chinese forces. Because Russia cannot modernize its conventional forces until well into the 21<sup>st</sup> century, it seeks to achieve a military balance through negotiations, partnership activities, and other arrangements.

## U.S. Interests

The United States has critical interests in political and economic reform throughout the former Soviet Union, but recent events have negatively affected those interests. Prospects for market and democratic reforms have diminished. Massive economic dislocations and political turmoil, especially in Russia, give the United States cause for worry about possible political chaos in the region.

## Controlling Russia's Nuclear Arsenal

Since the nuclear arms race began, the United States has sought to limit or reduce the number of strategic nuclear weapons aimed at it. To this end, the United States has pursued bilateral arms reduction agreements with Moscow. Further warhead reductions to the START III levels can be accomplished quickly, once the Duma votes to ratify START II.



AP/Wide World Photos

**Former Russian Prime Minister Yevgeny Primakov and U.S. Secretary of State Madeleine Albright, during her visit to Moscow in January 1999**

Since the Soviet Union's demise, a new threat has arisen: Russia cannot guarantee full control over its nuclear weapons, fissile material, or nuclear scientists. Over the last 8 years, the United States and Russia have sought to ameliorate this problem, but the turmoil facing Russia in the future will exacerbate it. Over the next decade, the United States has an interest in ensuring control over Russia's weapons, fissile material, and scientific expertise.

### **Securing Russian Cooperation on International Issues**

The United States has a major interest in Moscow's playing a responsible role in international affairs. This will not change, even as Russia experiences political turmoil. The United States needs Moscow to play a constructive role on such international security issues as dealing with rogue states, stopping the spread of weapons of mass destruction, stemming the spread of terrorism, and fighting organized crime.

Some believe that Russia would play a "spoiler" role, if given the chance. It would use its veto on the UN Security Council or other means to impede U.S. international policies. While this is possible on selected issues, it would be wrong to accept such a general assumption across the

board. Russia wants to be seen as a major world power, but realizes that it does not have the same influence that it had during the Cold War. Russia and the United States have many similar concerns regarding international problems. However, Russia does not want to be seen as publicly agreeing with U.S. decisions after they have been announced. Treatment of Russia as a partner early in the decisionmaking process could result in greater cooperation, even though its participation in international affairs may be minor.

### **Ensuring Internal Stability and Economic Development**

Russia believes it has the right to be involved in the affairs of countries around it. This attitude is prevalent not only among Russia's security specialists but also among the population. Recent polls show that 80 percent of Russians believe the CIS should be strengthened. Further, increasing economic and political instability in Russia may result in demands for reunifying parts of the former Soviet Union. Such chauvinism would worry most of Russia's neighbors and cause them to seek outside protection. This could further increase regional instability.

Ukrainian stability is of particular importance to America and its allies. In eastern Ukraine, the majority Russian population strongly desires reunification with Russia. The majority in western Ukraine seeks to remain independent. Any clash between these two groups in Ukraine would negatively affect U.S. interests.

The need for stability in the non-Slavic regions of the former Soviet Union is partially based on economics. The United States and its allies have economic interests in developing Caspian Sea oil. Political instability in the Caucasus and Central Asia could disrupt oil production or distribution. The region would also be a U.S. security concern if it became a home for radical Islamic terrorists—a development that may be in its nascent stage.

### **Consequences for U.S. Policy**

The United States has sought to promote market and democratic reforms, control nuclear weapons and fissile materials, gain Russian acceptance of Western policies in Europe, and promote a U.S.-Russian partnership. Some success



**Soldiers from the U.S. 10<sup>th</sup> Mountain Division with counterparts from Uzbekistan, Kyrgyzstan, Kazakhstan, Georgia, Russia, Turkey, and Azerbaijan during Exercise CENTRAZBAT 98 in Osh, Kyrgyzstan**

has been achieved in the latter three areas. However, the promotion of market democracy has suffered frustrating setbacks. The key U.S. policy challenge will be working with Russia over an extended period during which reforms come slowly, if at all. This challenge includes designing effective policies that advance U.S. goals despite these constraints.

## **Domestic Crises and Fail-Safe Nuclear Controls**

Continued economic and political crises could significantly degrade Russia's ability to maintain fail-safe control over nuclear weapons, fissile material, and scientists. This is a problem requiring a Russian solution. The United States is already pursuing several programs to address the problems, including negotiating lower warhead levels, purchasing nuclear material, funding weapons destruction, and funding the retraining or reemployment of nuclear scientists and engineers.

Russia's dire future makes even more U.S. support for these efforts imperative. In order to prevent a possible threat, the West may need to assume much greater costs.

## **Russia's International Role**

Russia's internal focus will significantly reduce its effectiveness in international affairs but

will not eliminate its participation. Russian leadership will be unable to devote the time and economic power, much less the military resources, needed to be accepted by the other major participants in international affairs.

Nevertheless, Russia wants to be seen as a world power whose participation is necessary to many international decisions. This presents the United States with opportunities. If Washington consults with Moscow on issues considered to be important to the latter's interests, Russia will likely cooperate.

Conversely, if Moscow believes it has been excluded from decisions deemed important to its interests, it may attempt to complicate Western activities. This would include vetoes in the UN Security Council and diplomatic campaigns against objectionable U.S. policies. Beyond that, Moscow's influence will be limited.

The possibility exists that extreme nationalists and Communists could try to pit Russia against the West, particularly the United States. They might pander to xenophobic tendencies that were instilled in the Russian people in tsarist and soviet times. However, such efforts will likely have limited results. Over the last 8 years, the Russian people have developed a growing distrust of the United States, but they do not hate it. They also seemingly welcome the end of the Cold War and its international divisions.

Another factor could affect Russia's involvement in international affairs: the personal ambitions, greed, and corruption of Russian Government and business leaders. This factor has been allowed to flourish over the last 8 years. These so-called oligarchs could hurt international affairs, especially regarding Caspian Sea oil. These "new Russians" have moved in and out of government. As government officials, they have habitually favored their personal interests. If this continues, Russia's international conduct may surprise the United States. Russia may pursue policies that support private goals and not the obvious interests of the Russian state.

## **Stability of the Caucasus and Central Asia**

Russia's economic, political, and military degradation have already negatively affected the stability of the Caucasus and Central Asia. Russia's failure to defeat the Chechen rebels in 1994-95 has led to the Islamic insurrection in neighboring Dagestan, which receives monetary



AP/Wide World Photos

**Aslan Maskhadov, President of Chechnya, who fought against Russia, but who now is more worried about the threat from forces outside the former Soviet Union**

and equipment support from other countries. These foreign supported insurgencies will likely continue for decades. This will occur at the same time that Russia will be reducing its forces and trying to reequip its army with advanced technology.

Extremist Islamic forces, inside and outside the region, are filling the region's security vacuum as quickly as it develops. Mujahideen forces already control most of Chechnya. Other countries outside the region, including Saudi Arabia and Afghanistan, are trying to overthrow the existing regional governing powers. They are instigating ethnic unrest and reportedly funding assassinations. The other three powers that border the region—China, Turkey, and Iran—are either too weak militarily or not inclined to fill the void.

This security vacuum forces the United States to confront several policy questions. Should the United States be concerned with stability in the region? Should NATO be concerned with regional stability, since most of the countries belong to the Partnership for Peace program? If not, who should ensure stability—Russia, Ukraine, Turkey, Iran, an international organization, or a coalition?

Regional developments will require the United States and its allies to consider security there. However, it is impossible to determine effective United States policies because of turmoil in Russia, the delicate political balance in Ukraine, and the uncertainty of Iran's attitude toward the West.

One thing is clear: the United States and Russia have an interest in preventing radical Muslim activities. Even considering Russia's weakened state, the two countries could coordinate their strategies to meet this common threat that is affecting much of the former Soviet Union. While many in Russia will be alarmed over possible U.S. (as well as

Turkish and Iranian) involvement in the former Soviet Union, prior consultation and joint planning could help alleviate concerns.

## Domestic Turmoil in Russia

The last 8 years have demonstrated the West can do little to solve the domestic problems in the countries of the former Soviet Union. The region's governments must solve them.

However, the United States can avoid aggravating already existing problems. First, it can temper U.S. reactions to events that appear contrary to our interests. The region's future chaos will give rise to political leaders that may not be to American liking, but it also may remove such individuals from power. Attempts to work with the reigning political leadership regardless of orientation will probably do more to increase Western influence than will attempts to coerce new regimes. If efforts are initially rebuffed—and if the issue is important enough—stronger actions can be taken later. The United States and its allies should always consider that all states in the region are weak and that this weakness makes them defensive when confronted by stronger states.

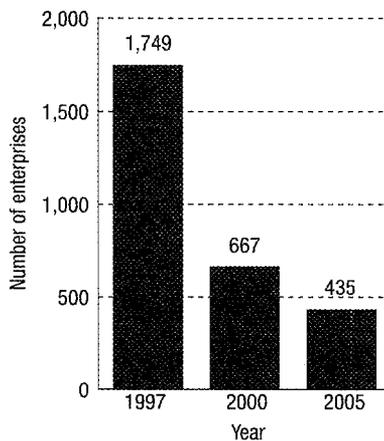
Out of frustration, Western leaders might be tempted to write off Russia as a hopeless case. However, this would be both premature and counterproductive. Russia has the natural resources to recover economically in two to three decades. The West would be better off having Russia as a constructive partner than as a resentful spoiler.

Because changes are occurring in Russia and throughout the former Soviet Union, the United States must consider changes in its policies toward the region. Arguably, less emphasis should be placed on fast-paced political and economic reform, as Russia faces social and political unrest. Dealing with the situation as it exists, not as it should be, will be key.

Russia is on the verge of an economic breakdown. It has never had the economic institutions, market safeguards, or social safety nets needed to support Russia's citizens and industry as they transition to any sort of market economy. Because the United States has an interest in stability in the former Soviet Union, it should be prepared to understand the inevitable "statist" political measures. This could mean tempering support of democratic and economic reforms and accepting a policy of "mutual interest and mutual respect" regarding Russia. This policy does not mean giving up on long-term reforms. Rather, it puts stability and slow-but-steady progress ahead of rapid reform.

In response to reasonable economic reforms, the United States could assist Russia in recovering money that was smuggled out of the country and deposited in foreign banks. A considerable amount of money left Russia in the 1990s. If Moscow recovered a portion of this money, it might be able to pursue reform measures and initiate a social security net. The United States

### Proposed Reduction in Russian "Core" Defense Enterprises



would then be justified in demanding involvement in developing laws that would encourage a functioning market system—and provide a social security net.

## U.S. Strategic Relations with Russia and Ukraine

U.S. and Russian strategic partnership has limited applicability beyond nuclear weapons, nonproliferation, stability in the former Soviet region and Eastern Europe, and continuation of Russian economic and political reforms. Russia is no longer a strong international force and will probably not attempt such a role. Despite the periodic ravings of nationalist or Communist extremists, Russian political leaders are unlikely to confront the United States on the international stage. With the impending political and economic change in Russia, the United States has the opportunity to redefine this partnership.

Russia is the strongest military power in the former Soviet Union. It still defines its security in terms of involvement in the affairs of other countries in the region. The key for U.S.-Russian security relations in the future will be to make Russia a positive stabilizing force in the region. One way to do this is to devise a joint security arrangement to counter the radical Islamic threat now transpiring in the region. This should help the economic and political prospects of all regional countries.

The West's relationship with Ukraine is also important to the stability of the former Soviet

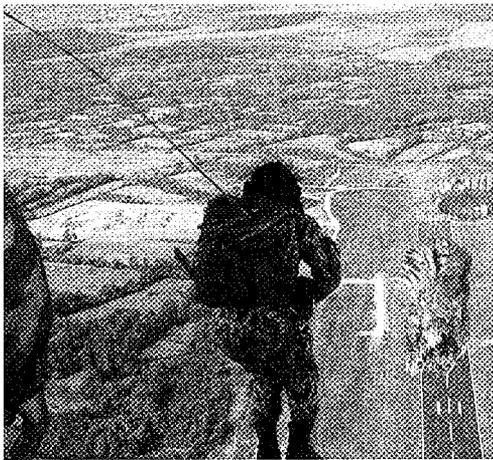
Union and of Europe as a whole. While there are periodic cries for incorporating Ukraine into NATO, this would be counter to the interests of Ukraine and the West. Seemingly, Ukraine can make important contributions to Eurasian security. It is trusted more than Russia or other powers of the region. However, it would be a mistake to advocate too big a role for Ukraine.

Ukraine is politically fragile. To survive ethnic divisions, Ukraine must continue its security policy of nonalignment. If domestic or foreign pressures place Ukraine's leadership in a position where it must decide between aligning with either Russia or the West, the country probably would either join Russia or plunge into political chaos or civil war. Russian military forces would likely deploy to Ukrainian territory to keep peace or decide the outcome. Ukraine's involvement in other regional security problems might also be contrary to its carefully crafted nonalignment policy.

In the immediate future, Ukraine will be a key contributor to the security of Europe and the former Soviet Union, but only if it continues to exist as a sovereign state. To remain sovereign, it must be nonaligned. Any attempt to force it to abandon this nonalignment policy could result in a major military crisis.

## Net Assessment

The optimism of the early 1990s about U.S.-Russian relations is gone. Russia's economy is in decline and its future orientation and leadership are in doubt. Yet, common interests exist. If the United States is sensitive to Russia's vital interests and supports its economic growth, a new more modest strategic partnership may yet develop.



**Russian, Polish, and U.S. soldiers in joint airborne training over Bosnia**

# Greater Middle East: *Managing Change in Troubled Times?*

**S**tretching from North Africa to Turkey and the Persian Gulf, the Greater Middle East is undergoing transition. Trouble may lie ahead. The proliferation of weapons of mass destruction (WMD) and other new challenges are arising. Additionally, diplomacy in the region is reverting to pre-Gulf War practices.

*Strategic Assessment 1995* noted two optimistic trends in the Middle East. Arabs and Israelis seemed to be resolving their long-standing confrontation, and dual containment appeared to be working with respect to the two regional rogue states, Iraq and Iran. However, *Strategic Assessment 1995* also determined that emerging security concerns were causing governments to seek WMD and long-range ballistic missile systems. It saw most governments running the risk of becoming a "failed state" because of internal challenges, which included inept leadership, succession crises, economic weakness, and confrontations with resurgent Islam. This last did not come to pass.

Relatively few changes in leadership have occurred over the last 20 years: heads of state were assassinated in Israel and Egypt, Iran experienced revolution, Yemen suffered a civil war, and a military takeover occurred in Sudan.

While all states must deal with regime change, most will be the result of natural causes and with succession already agreed to by the ruling elite. Virtually all Muslim governments, whether Islamist or secular, have learned from Algeria's painful lessons and are checking the expanding power of Islamist leaders in not their popularity.

The region has been relatively stable. The last major Arab-Israeli military confrontation occurred in 1982, although military actions frequently occur in southern Lebanon between Israel's surrogate Army of South Lebanon and Hizbollah militants. Iraq twice invaded neighbors, but most regional states have resolved border disputes and other tensions more amicably.

Despite the region's optimistic longer term indicators, *Strategic Assessment 1999* is relatively pessimistic about the near term. A failed or stalled peace process could lead to conflict. In May 1999, Palestine Authority leader Yasser Arafat promised to declare a Palestinian state, and former Israeli Prime Minister Benjamin Netanyahu threatened to end the peace process. While the crisis was defused in the near term, the issue of a Palestinian state remains volatile. Maintaining sanctions against Iraq is becoming more difficult as Gulf



**U.S. Patriot antimissile battery deployed in Kuwait City during the confrontation with Iraq**

War coalition partners lose interest. Indian and Pakistani nuclear tests in 1998 complicated non-proliferation in the Middle East. Additionally, evidence that Iraq is seeking to develop WMD continues to surface. Iran is also pursuing WMD.

Several possibilities hold serious implications for U.S. policies, particularly if fears regarding them are realized. New rulers may perceive threats and self-interests differently. Israel and the Palestinians may not continue their dialogue. A resurgent Iraq or a self-serving Iran could threaten regional political stability and access to energy resources. Regional resentment of the United States could grow, if the world's only superpower tries to take the region where it does not want to go.

## Key Trends

In the early 1990s, three events transformed the Middle East region. These were the collapse of the Soviet Union, resumption of the Arab-Israeli peace process at Madrid in October 1991, and the coalition victory in the 1991 Gulf War.

The first two developments caused Moscow's demise as a major power broker in the Middle East and the U.S. emergence as the sole superpower in the region. This began a shift in the strategic relationships that had shaped the region's political and military alliances for decades. Combined with these developments Saddam Hussein's defeat by the Western and Arab coalition, gave hope that a new political and security architecture for the region would be

created. This architecture, it was assumed, would encourage regional cooperation, support the peace process, slow the quest for more sophisticated weapons systems, and isolate Iraq and Iran.

These hopes were short lived and another transformation has begun. It will probably return the region to where it was before the Soviet Union collapsed, the peace process advanced, and Iraq invaded Kuwait. Once again, regional states are changing their perceptions of the threats they face and the kind of security architecture needed to secure national interests. They are revising their views regarding Iraq and Iran as threats; Iran's more positive foreign policy after President Mohammad Khatami's election; U.S. military presence as the primary defense against external threats; and Turkey and Israel's growing cooperative alliance, which could reshape regional security alignments.

Most regional states are coping with what they see as major threats—hard-line religious extremists, weak economies, and potential social disorder. Consequently, they are resorting to traditional security strategies. These include more lip service to Arab and Muslim solidarity. For oil-rich Arab states of the Gulf, it means returning to the kind of dollar or riyal diplomacy they believe once protected them from more dangerous neighbors.

These changes are pressuring the United States to reshape its activities in the Middle East. Confrontations with Iraq after the Gulf War resulted in redeployments of U.S. and European

**Greater Middle East Economic Indicators**

	Gross Domestic Product (GDP) (b\$)	GDP per capita (\$)	GDP Real Growth Rate (percent)	Labor Force (thousands)	Unemployment Rate (percent)
Algeria	115.9	4,000	4.00	7,800	28.0
Tunisia	43.3	4,800	7.10	2,900	16.0
Libya	34.5	6,750	2.20	100	NA
Egypt	183.9	2,900	4.90	17,400	9.4
Israel	85.7	16,400	4.60	2,200	6.5
Jordan	20.9	5,000	5.90	600	16.0
Lebanon	13.0	3,400	3.50	1,000	20.0
Turkey	379.1	6,100	7.00	21,300	6.3
Syria	98.3	6,300	5.20	4,700	9.0
Iraq	42.0	2,000	0.00	4,400	NA
Iran	343.5	5,200	3.16	15,400	>30
Saudi Arabia	205.6	10,600	6.00	6,000	6.5
Kuwait	32.5	16,700	3.00	1,000	1.8
Bahrain	7.7	13,000	3.00	140	15.0
Qatar	11.7	21,300	2.50	233	NA
United Arab Emirates	72.9	23,800	1.40	794	NA
Oman	20.8	9,500	6.50	454	NA
Yemen	39.1	2,900	2.80	NA	30.0

Source: CIA Factbook, 1997, [www.odci.gov/cia/publications/factbook](http://www.odci.gov/cia/publications/factbook).

military forces; the coalition's remnants prepared for renewed military action against Iraq. European and Middle Eastern governments that were part of this coalition agree that Hussein has not complied with UN Security Council resolutions. However, they are increasingly uncomfortable with policies urging military action and concerned that U.S. interests are not well aligned with their own needs.

### Domestic Stress Challenging Regime Stability

Middle Eastern governments have shown remarkable political stability. Most countries have not changed regimes in more than 20 years. The rising generation has known only the ruler in

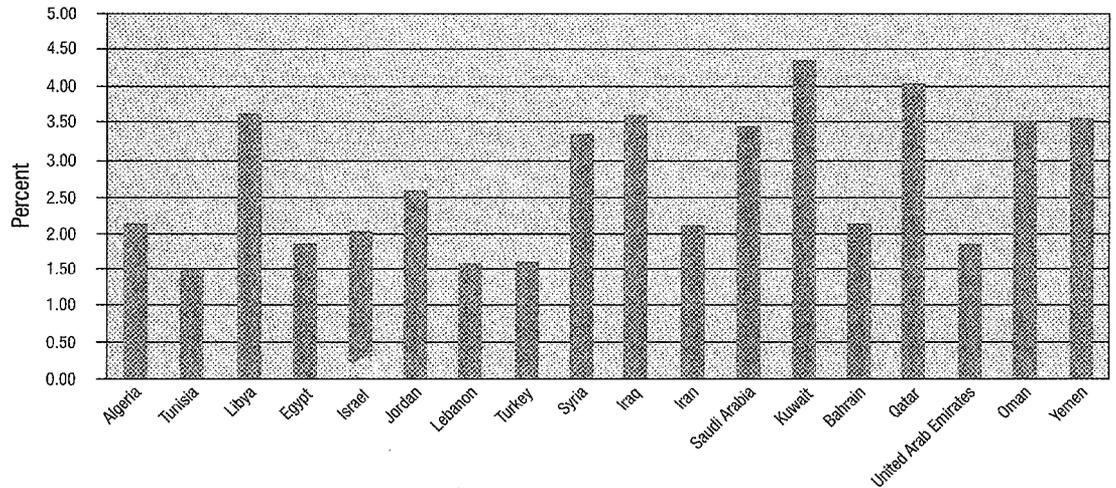
power. King Hussein I ruled Jordan from 1952 until his death in February 1999. King Hassan II ruled Morocco from 1961 to his death in July 1999; and Sultan Qaboos bin Said has ruled Oman since 1970. Muammar Qadhafi has ruled Libya since 1969; Hafiz al-Assad has ruled Syria since 1971; and Saddam Hussein has ruled Iraq since 1968. The same families have ruled Saudi Arabia and the Gulf States for much of the 20<sup>th</sup> century. While assassinations in Egypt and Israel have occurred, they did not change these countries' basic political structure. Iran was the only regional country to undergo revolution the last 20 years, and it has changed leaders through elections.

The region has begun transferring power from a generation that fought and lost wars with Israel and witnessed their countries' transformation from poor to rich. Many rulers in the region are aged and ailing. While the impact of a change in rulers is always a concern, the issue of successors is not a major problem at present. Succession in most states has been determined by family or party consensus following established traditions. However, some successors are the same age generation as the current ruler. Crisis is more likely to occur when the generation of leaders changes. A new leader may be unable to implement his predecessor's policies and balance the demands of powerful interest groups, such as the military, religious institutions, and tribal elements.

Several trends provide disturbing indicators for the region. The demands for greater popular participation in government decisionmaking are growing. Population growth is increasing rapidly. And economic systems no longer can provide the subsidies or safety nets that have sustained rich and poor societies. Among the disturbing trends are:

- *Growing dissatisfaction with corrupt and inaccessible rulers.* Most Middle Eastern rulers are 60 to 70 years of age. Half the populations are under the age of 20. Except for Israel and Iran, most states have authoritarian regimes, or at best, limited democracies. Out of 19 regimes, the military plays a prominent role in nine. Two rulers claim "divine right" as descendants of the Prophet Muhammad—King Abdullah II of Jordan and King Mohammed bin Hassan of Morocco. Even states with parliaments—including Egypt, Jordan, and Kuwait—have groups that complain about the government's lack of accountability and transparency. All governments in the region are experiencing increasing pressure to reform. This includes more meaningful

### Population Growth Rate



Source: CIA Factbook, 1997, [www.odci.gov/cia/publications/factbook](http://www.odci.gov/cia/publications/factbook).

political participation by allowing elections, more political parties, or greater representation on consultative councils. Failure to respond to these demands could erode political legitimacy of regimes in several countries.

● *Demographic growth outpacing economic growth.* Middle East populations are expanding rapidly, with the average annual growth rate between 3.2 and 7 percent. If growth continues at these rates, populations in most countries will double by 2015. Egypt and Iran could reach 100 million each. Half the population in these countries is under 20 years of age. Rising unemployment or underemployment is common, especially among 20- to 40-year old males with some education and training. Many have never held a job. Official unemployment rates are 15 percent in Egypt, Morocco, Tunisia, and Iran; 20 percent in Algeria and Jordan; and 25 percent in Lebanon and Yemen. Actual figures are likely higher.

● *Declining economic performance challenging regime legitimacy.* The region has drifted from a dynamic to a stagnant economy. From 1960 through 1985 the Middle East outperformed all other regions except East Asia in economic productivity, income growth per capita, income distribution, life expectancy improvements, school attendance, and literacy rates. These successes reflected high oil prices, small populations, and a less competitive world market. Many states in the region could provide citizens with generous safety nets.

In 1986, oil prices collapsed and real per capita income fell 2 percent annually. Today,

Middle East governments face stagnant economies and failing social welfare systems. In addition to flat oil prices, this is attributed to overspending, capital flight, increased competition, corruption, and governments reluctant to reform. The stress is evident even in the oil-rich Persian Gulf states. Citizens can no longer expect the privileges that the past generation enjoyed, which included no taxes, free loans, subsidies, free health care and education. To some extent this has occurred in Iran, Iraq, Libya, and Syria, as well. The gross national product (GNP) also declined over the past decade. Africa recorded a faster growth rate in the 1980s than the Middle East. A 1995 World Bank study noted that the region may be unable to compete in global markets. It lags in exports, labor productivity, and private investment, and debt is high even in the Gulf states. Iran, Saudi Arabia, and other Organization of Petroleum Exporting Countries (OPEC) members cut oil production, but it has had little impact on stagnant oil prices. The situation has improved somewhat. Asian energy demand remains down. Additionally, Iraq is allowed to sell \$10.4 billion in oil annually in order to buy food.

By contrast, more Western-oriented economies—like Israel, Egypt, and Tunisia—are doing well. After 1985, Israel implemented economic reforms that controlled inflation and the budget deficit, allowed greater economic flexibility, and encouraged high-technology industries. The result was extraordinary growth

in the mid-1990s, averaging 7 percent annually after inflation. Per capita income rose to \$16,000. Reform momentum has slipped as Israelis concentrate on peace process disputes. Economic growth in 1997 and 1998 fell to 2 percent and the same is likely this year.

After two decades of inaction, Egypt began serious economic reform in the mid-1990s. By 1996, the budget deficit was less than 1 percent of GNP and nearly all price controls were removed. In the following year, 27 state-owned firms were privatized. As a result, economic growth reached 5 percent annually after inflation. This could continue if the government pursues reforms.

● *The region's disappearing social safety net.* The state and the extended family can no longer be the support of last resort. Domestically, these oil-rich countries can no longer provide for their citizens' well-being. The oil-rich but labor-poor countries no longer will provide their poor Muslim Arab neighbors with subsidies and work, nor can they readily absorb the unemployed.

## Challenged Regimes and Stalemated Peace

Most Arab countries have entrenched Islamist movements, legal and clandestine. Jewish ultra-orthodox movements are exerting greater influence on Israel's policies and its efforts to resume the peace process. Most governments are coping with these extremist challenges, but their methods could reap a bitter harvest.

● *Islamic activists gaining in popularity, but not power.* Islamic activists seek rule by religious law and a more religious government. They are gaining support for political reform, but losing ground in the quest for political power. Many in Turkey and the Arab world are attracted to Islamist calls for political accountability, social justice, Islamic law, establishment of an Islamic state, and elimination of foreign influence (usually directed against the United States). More extreme Islamists believe terrorism and violence are their only recourse, and advocate holy war to overthrow corrupt governments and establish an Islamic order. Governments blame extremists for Algeria's civil war, antigovernment violence in Bahrain and Egypt, and threats to a secular Turkey. More moderate Islamists in Kuwait, Egypt, Lebanon, Morocco, Jordan, and Turkey seek to gain power, shape civil society's institutions, introduce Islamic law and education, and monitor regimes through legal political parties and elected national assemblies. In these countries, Islamists have secured

seats in elective and consultative assemblies and won municipal elections.

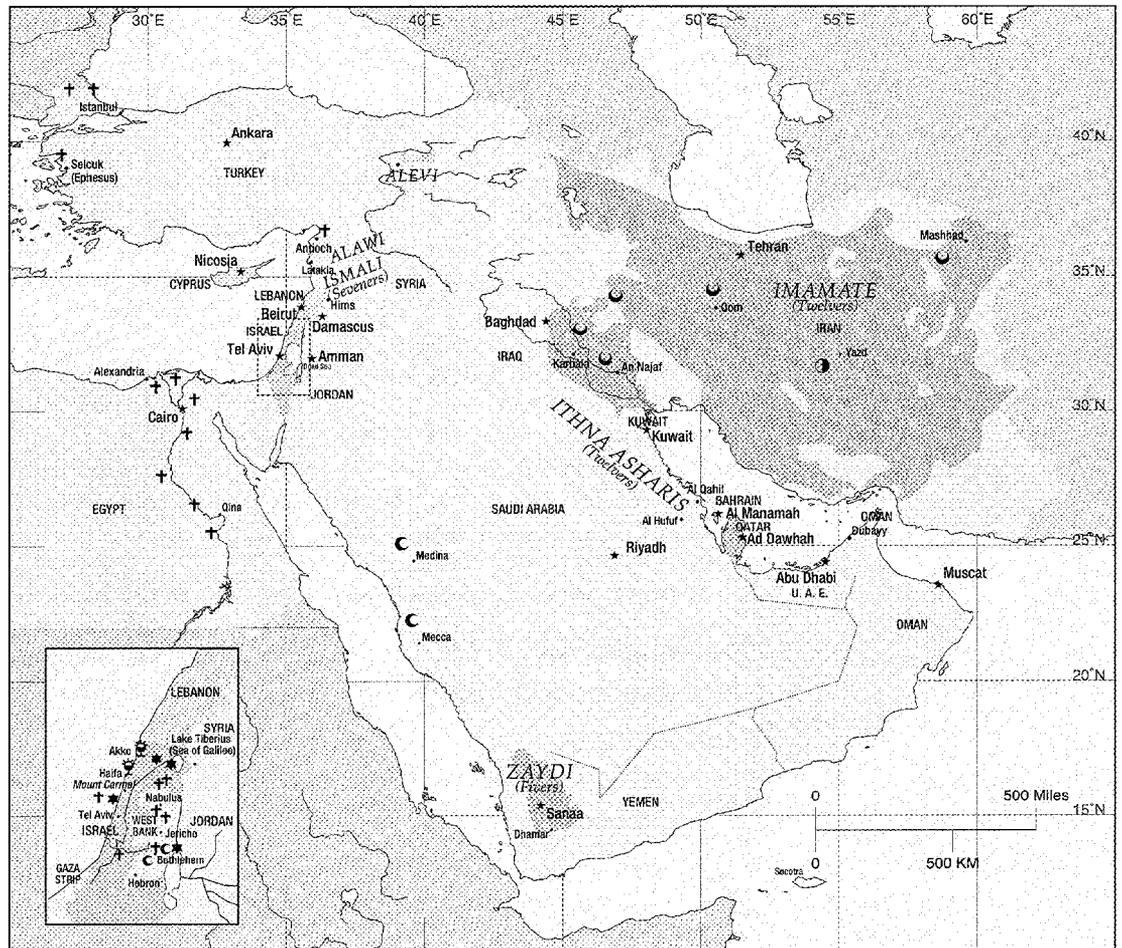
Although Islamist factions in Middle East states have different agendas, they agree on two issues. First, they reject peace with Israel and oppose Israel's existence as a state. They believe that Jews cannot rule the Islamic community. They view the Oslo Accords as betraying Muslims' rights to Jerusalem and its holy places. Their second mutual concern is ending the sanctions against the Iraqi people; which often are described as a U.S. plot to weaken Iraq and the Arabs.

Arab governments have tried to counter the growth and influence of Islamist movements. Jordan and Morocco have been the most successful, in part because their rulers claim descent from the Prophet Muhammad. All states use accommodation, repression, and political control to contain if not eliminate Islamist opposition.

● *Accommodation.* Most governments try to co-opt Islamists by adopting some of their social programs and political goals. Mosques are built, public displays of piety are encouraged, and Islamic justice is applied in law. In Egypt, Islamic scholars determine whether laws conform with Islamic standards. Support is given to Muslims in Bosnia, Kashmir, and Central Asia. All Muslim governments, including Saudi Arabia and Turkey, attended Tehran's Islamic Conference in December 1997. Moreover, many government leaders, including those of Gulf states, are increasingly critical of U.S. policies. This ranges from criticism of perceived U.S. unwillingness to punish Israel for obstructing the peace process to refusing to support U.S. actions and opposing sanctions on Iraq.

● *Repression.* Most Muslim governments tolerate a degree of personal piety and Islamic politics. However, they deal harshly with Islamist activists they view as threatening their control. Tunisia, Libya, Egypt, Algeria, Syria, Oman, Bahrain, and Saudi Arabia are draconian in dealing with Islamist opponents. Those who are too publicly Islamist are watched closely. They risk losing their careers, especially in the military or civil government service. Those suspected of supporting moderate or militant Islamist causes are denied jobs and housing. Often they are arrested, interrogated, tried, and condemned to exile or prison. Members of such organizations as the Gama'at al-Islamiyyah in Egypt or the Armed Islamic Group in Algeria can receive prison or death sentences if implicated in terrorist activities.

Religious Groups of the Middle East



Religious Groups

	Christian		Sunni Muslim
	Druze		Shia Muslim
	Jewish	<i>ALEVI</i>	Shia subject

Minor Presence

	Christian
	Jewish

Holy Places

	Baha'i		Sunni Muslim
	Christian		Shia Muslim
	Jewish		Zoroastrian

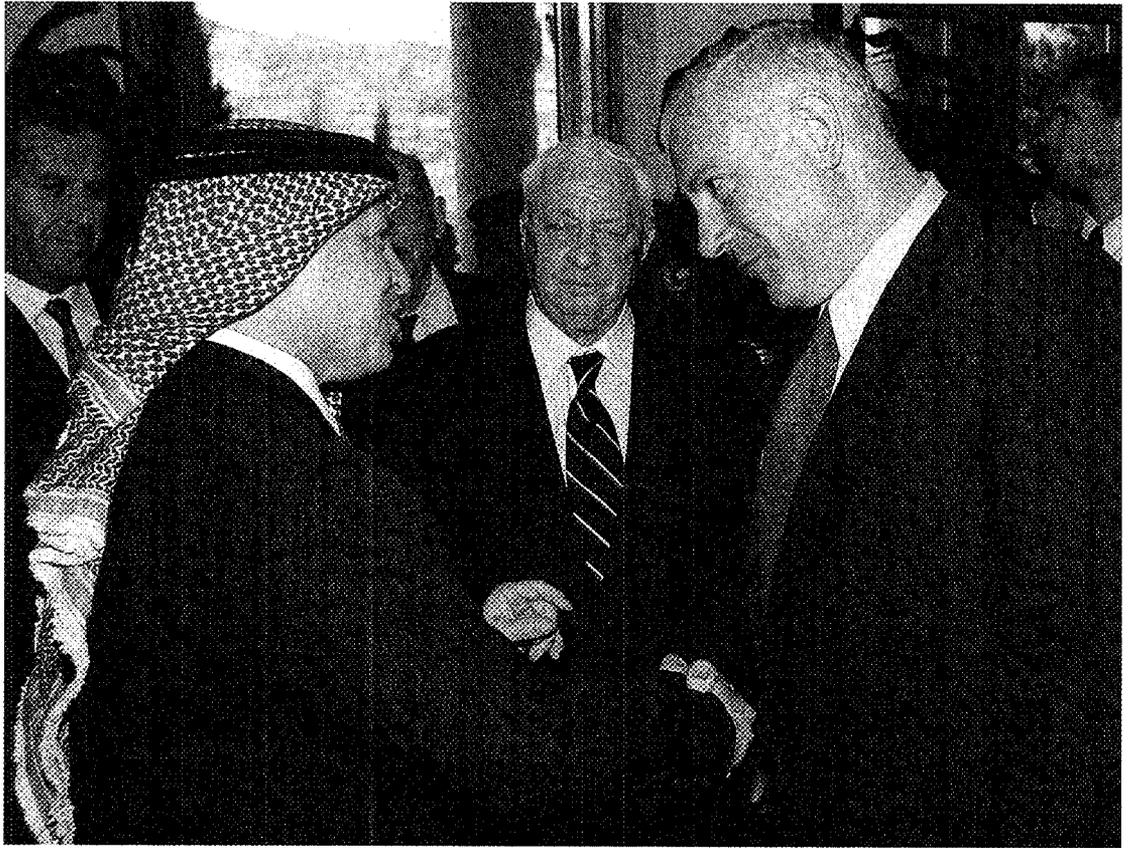
Source: *Atlas of the Middle East* (Washington, Central Intelligence Agency).

● *Control.* Most governments limit access to the political process. Several pro-U.S. governments allow elections, parliaments, and a degree of transparency. However, they are finding that unrestrained democracy can work against their self-interest. Most countries ban religious oriented political parties. Algeria and Turkey canceled or postponed elections. Jordan has gerrymandered electoral districts. Egypt arrested Muslim Brotherhood leaders before elections and made municipal offices appointed positions to avoid Islamist victories. Governments see these actions as internal matters and assume they will

have U.S. support because of shared interests and commitments. Islamists see the United States as hypocritical in not supporting their quest for basic democratic values and constitutional safeguards. The United States meets with whomever it pleases but shies from dissidents who might disrupt relations with regimes supporting U.S. policies.

These government actions have limited the ability of legitimate Islamist groups to work within the system and expand their role in government. Turkey's military-dominated government banned the Islamist Refah Party and tried

Jordan's King Abdullah II and former Israeli Prime Minister Benjamin Netanyahu in Amman, Jordan



AP/Wide World Photos

GREATER MIDDLE EAST

its leader, Nejmettin Erbakan, for sedition. In Jordan, the Islamic Action Party incurred the wrath of King Hussein I when they challenged his support for the peace process and accords with Yasser Arafat and Israel.

- *Extremism in Israel.* Israelis perceive extremism and terrorism as coming from the Arab Muslims within their borders, and from the Occupied Territories and Lebanon. They view Arab Muslims as a cheap labor force, but also a security risk. The Israeli Government once encouraged Islamic activism as a way to distract the Palestinians and weaken support for the Palestine Liberation Organization (PLO). Israelis did not worry about the violence inherent in Jewish extremist movements inside the country until Baruch Goldstein murdered 29 Muslims in a Hebron mosque in 1994, and a fanatic yeshiva student assassinated Prime Minister Yitzhaq Rabin in November 1995. Frightened also by Hizbollah and Hamas attacks, Israel concentrates on eliminating extremist threats.

Today, Israeli extremist factions use violence to defend Jewish rights. These include building in Arab East Jerusalem, expanding settlements in Judea and Samaria, settling in Arab-dominated

Hebron where the Tomb of the Patriarchs is located, and closing sections of Jerusalem for religious observance of the Sabbath. A few extremists demand the expulsion of all Arabs from the Land of Israel. While most Israelis are secular, many support the preservationist objectives of these extremists. They are deeply suspicious of Arabs, mistrust political parties and the peace process, and feel unsafe in a small Israel. Following Prime Minister Rabin's assassination, Israeli security officials acknowledged prior warnings of such threats, but had mostly paid attention to Arab extremists. An Israeli killing a Jewish leader was not anticipated.

Israeli society is in transition. The composition of the Jewish population is changing. Russian and other recent immigrants do not share the religious or secular vision of the original Zionist generation. The threat of war and initial success in the peace process kept strains within Israeli society in check. But in the past several years, the character of Israeli politics and society has changed and the basic Zionist vision that guided policy during Israel's first 50 years may also have changed. Extremism's growth is due more to the decline of external threats. When Israel

faced serious security threats, few Israelis risked challenging government policies.

Jewish extremism shatters the Israeli ideal of a homogeneous society with shared beliefs, values, and fears. In reality, Israeli society is divided by religious, ideological, economic, political, cultural, and ethnic differences. The divisions occur between the secular majority and the Orthodox minority; the Likud-led political right and the Labor-dominated left; the Ashkenazim (Jews from Europe) and the Sephardim (Jews from the Middle East); and the Zionist generations and new Russian immigrants, who profess no interest in fighting for land or religion. The ability of the *haredim*, the ultrareligious, to influence government policy toward settlements and define who is a Jew has shaken Israeli politics and disturbed relations with overseas Jewry, most of whom are not Orthodox.

● *Will the peace process end?* The promise of peace began with the October 1991 peace conference in Madrid, the September 1993 Declaration of Principles between the PLO and Israel, and the July 1994 accord between Israel and Jordan. It seemed to end with Prime Minister Rabin's assassination in November 1995 and the election of Likud Party leader Benjamin Netanyahu the following year. Syria would not talk, and Israel was entrenched in Lebanon. Israel has offered to withdraw in accordance with UN Security Council Resolution 425 if the Lebanese Army assumes control of southern Lebanon. It is unlikely that the thorny issues of Jerusalem, Palestinian refugees, and Israel's final borders will be resolved in 1999. Improved Arab-Israeli relations were expected to bring prosperity to the region, but that has not happened. Israel and Jordan have economic agreements, but little trade occurs between Israel and Egypt and other Arab states. A 1997 economic conference in Doha to further economic ties between Israel and Arab states failed because of the stalemated peace negotiations.

Actions by Netanyahu's government and Arafat's Palestine Authority threatened negotiations in 1998. Netanyahu pursued an aggressive settlement policy in order to retain the West Bank, reallocated resources to build infrastructure, and gave settlers financial incentives at the expense of other social programs. He also tried to change the Oslo process and lower Palestinian expectations.

Progress in transforming the Palestinians from a liberation organization to a governmental one has been uneven. Relatively fair elections for the Palestinian Legislative Council were held in

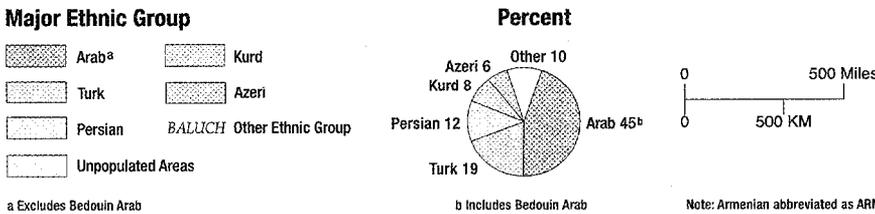
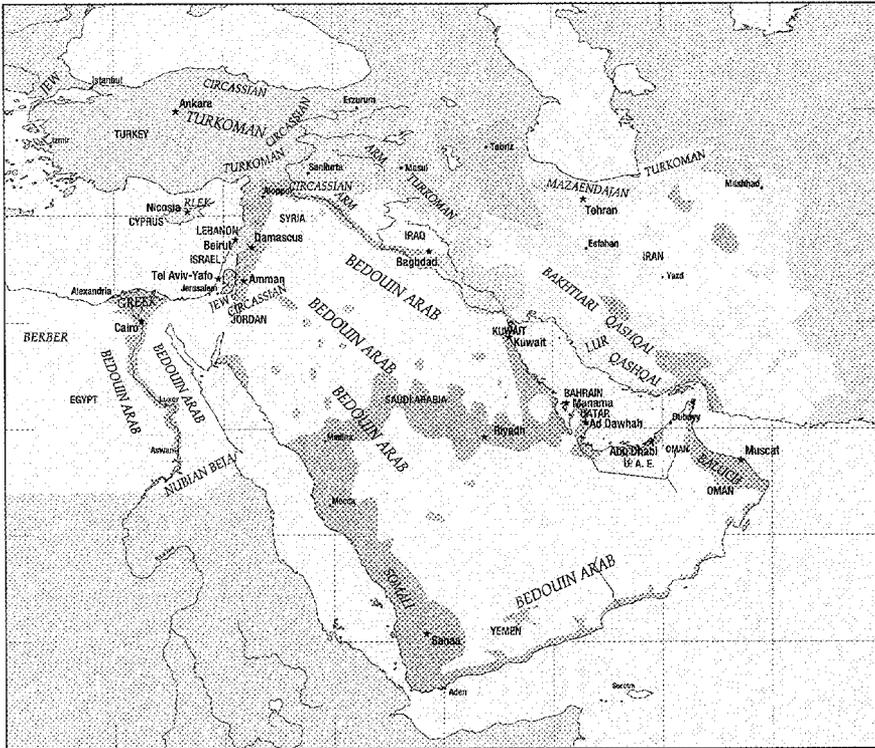
1996. However, Arafat's close associates continue to be accused of human rights abuses and corruption. No successor has been determined for Arafat, who is 69 and in poor health. Unemployment remains high, and the police are the largest single employer. Economic investment in Gaza has not materialized, although the Wye Agreement allows the Palestine Authority to open an international airport.

The most contentious issues between Israel and the Palestine Authority are security policies, promised Israeli withdrawals from West Bank territory under the Oslo Accords, Palestinian refugees, and Jerusalem's status. Security concerns affect all issues between the two. Palestinian extremists seek to attack Israelis, while extremist Israeli settlers seek to prevent the transfer of land to the Palestinian Authority in the West Bank. The Palestinian terrorist organization, Hamas, has roots in Gaza and is led by Sunni cleric Shaykh Yassin. It is supported by Palestinians dependent on the fragile economy and frustrated by slow progress in the peace talks. However, Hamas loses support when progress seems imminent. In the past several years, Hamas has conducted terrorist operations in Israel. Israel constantly pressures the Palestine Authority to arrest and contain Hamas, which it occasionally does.

Palestinians accuse Israel of trying to Judaize Jerusalem by altering demographics before final talks. Jerusalem is 70 percent Jewish and 30 percent non-Jewish, mostly Arab. Planned expansion would further increase the Jewish population. The right of some Arab residents to live in Jerusalem also is being challenged. Israel accuses the Palestine Authority, and particularly Arafat, of allowing terrorists inside their territory. It insists the Palestine Authority change the PLO Charter, which calls for Israel's destruction. Arafat claims this change was made in a letter to Washington. Israel also wants the Palestine Authority to collect weapons and cut the number of police it employs.

The Palestine Authority's well-being is at risk if the peace process is prolonged. Arafat has been weakened politically by the stalemated peace process. He vowed to declare a Palestinian state in May 1999, if only to give the Palestinians a sense of accomplishment. Netanyahu claimed this would abrogate the Oslo Accords and threatened to "do whatever is necessary" to protect Israel. His measures would have included deploying troops to protect West Bank settlements and

**Ethnic Breakdown of the Middle East**



Source: *Atlas of the Middle East* (Washington, Central Intelligence Agency).

annexing portions of the West Bank promised to the Palestinians under the Wye Agreement. The recent election of Ehud Barak in Israel could reverse the negative trend in the peace process. There are indications, for example, that renewed negotiations between Israel and Syria could begin soon. At this writing, Barak is forming his cabinet. However, his freedom to negotiate may be constrained.

**Diplomatic Realignments and Weapons Proliferation**

*Strategic Assessment 1995* noted that regional fragmentation would make a stable security framework unlikely. In 1999, that fragmentation does not appear as deep or divisive. The region's Arab states will not form meaningful strategic alliances, but they are moving toward an informal solidarity like that of the 1960s and 1970s when

Arab unity was an important slogan. Several trends are encouraging dialogue between Arabs and Iran. These include common threat perceptions, the prospect of a more moderate Iran resuming bilateral relations with most regional states, the near collapse of the peace process, the perception of U.S. inconsistency in dealing with Israeli intransigence, sympathy for the Iraqi people suffering under sanctions, and Israel's growing security cooperation with Turkey. Regional security dialogues are being conducted with renewed interest, particularly as governments acquire more sophisticated weapons systems, such as long-range missiles with bacteriological, chemical, and even nuclear warheads capability.

The region's states are resorting to traditional alliances and diplomatic cooperation to ensure regional stability. These include the use of economic aid—the so-called “riyal diplomacy”—and accommodating the strongest country in order to create a balance of power, however uneasy it may be. Egypt, Syria, Iran, and eventually Iraq may seek to reassert themselves in regional politics, while trying to acquire WMD.

In planning for this balance of power, most Middle Eastern governments tend to think reactively, not proactively. They forget about Saddam Hussein's Kuwaiti invasion and threats to Saudi Arabia and UAE. Nevertheless, their security agendas will be shaped by dangerous neighbors, such as Iraq and Iran.

Several regional groups are emerging. Mediterranean countries, such as Israel, Jordan, Egypt, Morocco, Tunisia, and Mauritania, are linked informally to NATO and the European Union. Although they are not members of NATO or the European Union, they enjoy special status within these organizations and participate in trade and security talks.

The Gulf Cooperation Council, composed of Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates, and Oman, continues to function as an important forum for debating economic, diplomatic, and trade policies. It will not adopt a NATO-style approach, but it conducts joint military exercises and discusses creation of a regional military force.

The North African states—Algeria, Tunisia, Morocco, Mauritania, Egypt, and Libya—share information and cooperate regarding mutual threats from Islamic extremists.

Baghdad and Damascus have restored economic ties, although President Assad remains

**Former Israeli Defense Minister Moshe Arens inspecting troops**



wary of Hussein's ambitions and quest to replace Assad as a leader in the Arab world. Assad's concern over Turkish-Israeli encirclement and Hussein's need for regional support to break sanctions will keep them in an uneasy and temporary relationship short of diplomatic ties.

The most interesting development is the return of Iran to Gulf political and security discussions. Once a pariah because of revolutionary and subversive threats in the Gulf, Iran is increasingly regarded as a key player in re-establishing the region's balance of power. Two factors have made this possible: the election of Iranian President Mohammad Khatami, and Saudi Crown Prince Abdallah's assumption of more control from the ailing King Fahd.

To improve its regional respectability, Iran has made bold diplomatic moves. Tehran continues to pursue advanced weapons systems, including long-range missiles and nuclear technology. Additionally, it has improved relations with

Iraq, through prisoner exchanges from the 1980–88 conflict, allowed pilgrims to travel to Iraq's Shia shrines, and helped Baghdad smuggle oil and gas out of Iraq. In December 1997, Tehran hosted its Organization of Islamic States Conference, enabling diplomatic relations with Saudi Arabia and the smaller Gulf states. Iran also is improving ties with Jordan and Egypt.

This changing behavior suggests Iran is redefining its security policy and strategies. Iranian foreign policy under former President Hashemi Rafsanjani was one of strategic ambiguity. Khatami's policies represent a continuation of Rafsanjani's actions; however, Khatami's personalized style and lack of reticence indicate he will try openly to shift national security policy to his control and raise the level of foreign policy discourse. Many specialists see new trends in Iranian foreign policy. They see it reflecting traditional, prerevolutionary goals and values, including a strong commitment to national sovereignty, regional assertiveness, and a varying degree of friction with the United

**Defense Spending by Middle East Countries**

Military Expenditures (in millions, U.S.\$) based on 1995 exchange rate

Country	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Iran	12,190	10,860	8,893	9,307	8,654	5,410	6,333	5,586	4,191	3,442	4,695
Iraq	21,290	22,890	15,740	16,210	9,698	NA	NA	NA	NA	1,277	1,250
Israel	8,421	7,740	7,693	8,237	6,233	8,320	7,812	8,376	8,734	11,202	11,143

Sources: *The Military Balance 1998-1999*, International Institute for Strategic Studies (London: Oxford University Press, 1999), and *World Military Expenditure and Arms Transfers* (Washington: Arms Control and Disarmament Agency, 1998).**Size of Armed Forces, 1995**

Country	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Iran	654,500	604,500	604,500	504,000	528,000	528,000	473,000	513,000	513,000	513,000	518,000
Iraq	1,000,000	1,000,000	1,000,000	1,000,000	382,500	350,000	382,000	382,000	382,500	382,500	387,500
Israel	141,000	141,000	141,000	141,000	141,000	175,000	176,000	172,000	172,000	175,000	175,000

Sources: *The Military Balance 1998-1999*, International Institute for Strategic Studies (London: Oxford University Press, 1999), and *World Military Expenditure and Arms Transfers* (Washington: Arms Control and Disarmament Agency, 1998).

States. The first two represent traditional Iranian national interests that transcend the Islamic republic and the Shah's regime. Some might argue the same for the third as well.

All three are permanent characteristics of Iranian foreign policy. They have clear implications for the Arab states of the Gulf and the broader Middle East region. If national sovereignty is more important than Islamic revolutionary goals, Iran may not make concessions about its claimed territorial possession in the Gulf, the islands of Tunbs and Abu Musa. If bilateral relations take precedence over supporting Islamic causes, then Tehran may not support Shia dissidents in exchange for recognition by Riyadh, Manama, and Kuwait. Supreme Guide Ayatollah Khamenei, Iran's spiritual leader, still sees himself as the protector of Muslims worldwide. Whether he and other Islamic hard-liners will refrain from supporting extremist causes in the future is uncertain. Tehran's relations with Baghdad are likely expedient, short-term policies. Iran cannot afford another major confrontation with Iraq but probably assumes that it could occur.

As in other countries in the region, a new generation of Iranian elites favors cultural diversity and openness to the outside world, especially the West. They face opposition from hard-liners who use their control over revolutionary and governmental institutions to ensure anti-Western

policies. Who will triumph in this struggle is uncertain. Either way, alliances with the Gulf Arabs will be temporary. Most Iranians do not trust the governments on their borders and look outside the region for more reliable support.

**Other Changes in the Region**

● *Evolving perception of Israel.* Usually viewed as the usurper of Palestinian land and an ideological threat that must be destroyed, the new Iranian debate describes Israel as a regional competitor as well as repressor of Palestinian rights. Military and political analysts focus on Israel's role in the regional balance of power, including its nuclear ambitions. Because of this and Iran's sense of regional isolation, many analysts believe it unlikely that Iran will abandon its pursuit of nuclear technology or nonconventional weapons programs. Israeli-Turkish cooperation has alarmed Tehran, which could look to Syria, Greece, and Armenia to offset the perceived threat.

● *Improving relations with Europe without undermining Iranian sovereignty.* Khatami's efforts to elevate the Foreign Ministry over the military and security institutions involved in foreign "actions" should help Europe's policy of critical dialogue.

**Iraqi military police on patrol**



● *Re-establishing relations with the United States.* This may be the direction Khatami and his reform movement want to go, but it will be difficult to do. Iranian hard-liners in the government and clerical councils remain opposed to the “Great Satan” and rail against Western cultural intrusions.

## Israel’s Changing Defense

In 1993 Foreign Minister Shimon Peres described the changing threat Israel faced following the Cold War. Israel traditionally dealt with “the tank” threat, the conventional military threat posed by its neighbors. Today, it faces threats from “the knife” (terrorism), missiles, and WMD.<sup>1</sup> These changes affect Israel’s threat perception, military doctrine, and defense policy. Israel sees Iran’s quest for more sophisticated conventional and nonconventional weapons as its major threat. Israeli security officials also anticipate increased risk of war with Palestinians and Arab neighbors should the peace process fail.

Some security analysts predict major changes in Israeli thinking about defense. They see technological, strategic, economic, and social

forces that will make Israel’s traditional approach to national security obsolete. The predicted changes in Israeli defense include abandonment of universal short-term military service; longer periods of service; more career-oriented, technical professionals; a force structure that trades quantity for quality; and a force that emphasizes tanks less and long-range air and naval capabilities more. Analysts predict Israel’s strategic doctrine will focus on defensive and counteroffensive operations rather than offensive operations; pursuit of regional or near-regional partners, such as Turkey; and military operations that destroy enemy forces rather than seize territory. Finally, the Israeli Defense Force will no longer be the “school of the nation”—the means by which immigrants are assimilated into Israeli society.

A significant development is Israel’s deepening strategic partnership with Turkey. Discreet friends for years, ties between the Turkish and Israeli militaries became open in the last 2 years. The leaders have made widely publicized visits and are expanding military, intelligence, and trade cooperation. The agreements include military training, combined exercises, intelligence exchanges, upgrades for Turkish F-4 aircraft, and co-production of air-to-ground missiles. The

Humvees equipped with anti-aircraft missile launchers in Fort Stewart, Georgia, destined for the Middle East



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arrangement offers Ankara a source of sophisticated weaponry it fears the West and the United States could withhold as Turkey seeks to upgrade its military.

The openness of Turkish-Israeli relations raises concerns among other countries that this cooperation is a defense alliance. Syria complains of encirclement, and Egypt and Iran decried Muslim Turkey's support for the Netanyahu government. Israeli military training could improve Turkey's capabilities, if Russian ground-to-air missiles are installed in Cyprus or Crete. Turkey allows Israel to exercise near hostile countries, like Iran.

## High Interest in WMD

As in other regions, Middle East arms sales have declined since 1985. However, it remains the world's largest arms market. According to a 1996 U.S. Arms Control and Disarmament Agency report, world military spending fell from an all-time high of \$1.36 trillion in 1987 to \$864 billion in 1995, a 34 percent decline. Middle East military spending declined from a high of \$100 billion in 1991 to \$49 billion in 1995. While this is about half of what it was during the 1991 Gulf War, it is only an 18 percent drop since 1985.

In 1995, the Middle East's share of the world arms market was 43 percent, up 5 percent from 1985. The region's arms imports were \$13.8 billion in 1995. According to the International Institute for Strategic Studies, Saudi spending accounted for one-third of the region's arms expenditures, while Israeli spending was one-fifth. Egypt had the largest increase, up \$772 million. Israel was next, with a \$358 million increase. Kuwait had a \$342 million increase. These increases resulted from the delivery of orders made after the Gulf War. In the same time, expenditures by Iran fell \$1.4 billion; Saudi Arabia, \$420 million; the United Arab Emirates, \$290 million, and Syria, \$156 million. Arms purchase agreements declined for the rest of the decade. They hit a decade low of \$5.6 billion in 1995, less than half that recorded in previous years.<sup>2</sup>

The United States is the Middle East's primary supplier, providing \$18.4 billion in weaponry from 1993 through 1995, according to the U.S. Arms Control and Disarmament Agency report. This represented about half the regional arms purchases, and 43 percent of total U.S. sales. The largest U.S. trading partners were Saudi Arabia (\$100.1 billion), Egypt (\$4.1 billion), Israel (\$1.7 billion), and Kuwait (\$1.6 billion). The United Kingdom is the second largest supplier, with 31 percent of sales. France and Russia supply most of the remainder.

**Arms Imports, 1993-95**

Country	Growth Rates	1995 Imports
Algeria		
Bahrain		
Egypt	+16 percent	\$1.9 billion
Iran	-37 percent	270 million
Iraq		
Israel	-15 percent	340 million
Jordan	+8 percent	70 million
Kuwait	+5 percent	900 million
Lebanon	+75 percent	
Libya		
Mauritania		
Morocco		
Oman	+112 percent	460 million
Qatar		
Saudi Arabia		8.6 billion
Syria	-52 percent	
Tunisia		
Turkey		
UAE	+19 percent	
Yemen	+85 percent	

Source: *World Military Expenditures and Arms Transfers* (Washington: Arms Control and Disarmament Agency, 1996).

Countries in the region have experienced dramatic changes in weapons spending over the past decade. Syria saw a major drop in purchases, while Saudi Arabia and smaller Gulf States significantly increased their purchases. Iraq's defeat in the Gulf War affected its expenditures. Iran's spending has been hampered by high costs, declining oil revenues, and the UN embargo, which has prevented the transfer of high-quality European and American weapons.

As *Strategic Assessment 1995* noted, the Middle East has seen arms races before. What is disturbing is the increased interest in WMD. Governments are seeking them as weapons of choice

because of security concerns, threat perceptions, and cost. The following factors are contributing to the interest in WMD.

- *Affordability.* Few governments can afford conventional military modernization. New weapons are expensive, and few are able to bid for high-tech hardware. The cheap payment terms of the Cold War are no longer available. By contrast, chemical and biological weapons are relatively cheap, and more states are acquiring long-range missiles for delivery.

- *Availability.* Nuclear technology, fissile material, WMD infrastructure, and delivery systems are readily available, clandestinely and overtly.

- *Ease of development.* The Non-Proliferation Treaty (NPT) is not seen as a deterrent to nuclear weapons development even for signatories. Iraq was able to mask its nuclear programs for years without incurring sanctions. India and Pakistan conducted nuclear tests in 1998 despite the threat of sanctions and international opprobrium. Such cases will encourage other states to acquire nuclear weapons capabilities, particularly Iran and a post sanctions Iraq. Iran and Arab states are also concerned about Israel's reported nuclear stockpile and its modernized delivery capability.

- *Force multiplier.* The use of chemical weapons in the Iraq-Iran war was a major contributor to Iran's defeat.

- *Prestige.* Many regimes view WMD as a way to enhance credibility and influence in regional and international affairs. They can also divide coalitions and intimidate neighbors.

- *Countering other countries' WMD.* Israel may be a reason for Arab and Iranian acquisition of WMD, but it is not the primary reason. Desire for WMD may be based on the assumption that these weapons will be acquired by other neighbors: Iran-Iraq, India-Pakistan, Egypt-Libya. It's also based on the possibility that a country may fight alone in its next confrontation.

Most Middle East governments are seeking WMD and missile capabilities. Nuclear weapons were and will be a priority for Iraq, with or without Hussein. Iran will continue to pursue nuclear weapons. Syria, Libya, Iran, Egypt, Israel, and Saudi Arabia are suspected of possessing or developing chemical weapons. UNSCOM inspections in 1998 revealed that Iraq had weaponized Scud missiles with VX nerve gas, although they were not deployed during the Gulf War. Saudi

Arabia, Syria, and Iran have, or seek to acquire, long-range missiles.

## U.S. Interests

The United States has several critical interests in the Middle East. They are determined by economic, political, commercial, and strategic factors, and not all are complementary. These interests are threatened in the following manner:

- *Controlling proliferation of WMD—A menacing task.* The spread of biological, chemical, and nuclear weapons along with long-range ballistic missiles threatens U.S. interests in the region and is a primary focus of U.S. policy. The United States does not acknowledge the Israeli nuclear program but wants all regional states to support nonproliferation. Most regional states are relieved that Iraq has been stripped of many of its weapons systems. Iran, Syria, Libya, Saudi Arabia, Turkey, and Egypt will continue to view WMD as relatively inexpensive yet prestigious weapons. They can be used to project power as well as counter similarly armed neighbors.

- *The challenge of ensuring freedom of the seas and the free flow of oil.* Since the reflagging of ships in 1987, the protection of Persian Gulf shipping has been one of the primary justifications for the U.S. presence there. Although a relatively small percentage of its energy comes from the Gulf, U.S. protection helps ensure the uninterrupted flow of oil at stable prices to countries heavily dependent on Persian Gulf oil, such as Europe, China, and Japan.

- *The difficulty of protecting Israel.* The U.S. commitment to preserve Israel's sovereignty began with its founding in 1948. Israel has been reluctant to move toward the final stages of the peace process begun in Oslo. It has made its willingness to pursue peace contingent on security guarantees, financial appropriations, and acquisition of advanced military technology. Arab governments accuse Washington of favoring Israel over the Palestinians and increasingly question its ability to be an honest broker.

- *The complexity of maintaining a regional balance favorable to U.S. interests.* U.S. policy is focused on isolating and containing rogue states. This policy is supported by deterrence of aggressor states, diplomacy backed by military force, and economic and military sanctions, all aimed essentially at Syria, Libya, Iran, Iraq, and Sudan. Congress has strengthened this policy through legislation that imposes sanctions against some of

these states. However, these policies are unpopular in Europe and the region. These policies, coupled with a failed peace process, result in public as well as official criticism of the United States in the Middle East.

- *The difficulty of promoting political and economic liberalization.* The United States is criticized for supporting autocratic governments and ignoring the region's more democratic regimes. Few governments have experience in Western-style democracy or the interest in developing it. The United States has tried discreetly to encourage broader political participation in elective national assemblies, local government institutions, and expanded consultative councils. Saudi Arabia, Oman, Kuwait, Jordan, Morocco, Egypt, and Lebanon have expanded political participation in past years.

This delicate process must be balanced against extremism and domestic unrest. Few governments have acceptable human rights records. All rely on some form of repression and intimidation of political opponents as well as the denial of civil liberties. Reform often runs counter to the interests of entrenched ruling families and interest groups.

## Consequences for U.S. Policy

In 1995, the United States had two goals in the Middle East. One was dual containment of Iraq and Iran: denying them WMD, ending their support for international terrorism; and preventing their regional hegemony. The second goal was to move the peace process forward. Ultimately, it was hoped this would normalize relations between Arab states and Israel, encourage economic cooperation, engage Syria in the peace process, and negotiate the status of Jerusalem, Palestinian refugees, and Israel's final borders. The United States was troubled by Algeria's civil war but followed Europe in seeking a resolution that would end the killing, restore Algeria's electoral politics, and prevent the spillover of refugees and terrorism to Europe. If the region experiences more intense political conflict in the future, the United States will be pressured to ensure security and stability and to devise new policies.

**Secretary of Defense William Cohen with Saudi Defense Minister Prince Sultan bin Abdul Aziz in Riyadh, Saudi Arabia**



## Effective Nonproliferation Policies

Nonproliferation has been a primary U.S. goal since the Cold War's end. Although Washington has been ambiguous toward Israel's nuclear programs, it has actively pursued nonproliferation. It has supported arms control initiatives, worked to prevent the transfer of former Soviet technicians and technology to the Middle East, and strongly supported international efforts to prevent construction of WMD facilities in several regional countries.

Governments in the region have not enthusiastically supported arms control initiatives. They learned several lessons from the use of chemical weapons, and threatened use of nuclear weapons in the two Gulf wars. They deplored Iraq and Iran's use of chemical weapons but saw that they could be successful against a highly motivated but less well-equipped enemy army. They saw that nuclear threats inhibit rogue states, like Iraq, and deter use of missiles with biological, chemical, or even nuclear warheads. They also saw it as beneficial to acquire their own systems before Iraq recovers.

U.S. and international nonproliferation efforts and arms control measures will continue to meet formidable obstacles, including:

- Arab and Iranian insistence that Israel sign the NPT and bring it under scrutiny of the International Atomic Energy Agency
- A conventional arms race, with the United States and Europe as the main exporters which conflicts with arms control programs and discourages international cooperation
- Long-standing territorial disputes or rivalries that encourage arms spending to ensure parity with a dangerous neighbor; examples include Iran-Iraq, Israel-Syria, and Israel-Arabs
- Perceptions that India and Pakistan will not face substantial international censure for their 1998 nuclear tests
- The failure of sanctions.

U.S. nonproliferation and arms control policies will face major challenges in the next decade. Regionwide proposals for arms control will not work if Israel is excluded from the debate. Iran's acquisition of WMD is almost certainly oriented toward its once and future Iraqi threat, not Israel. Nonetheless, Tehran's anti-Israel rhetoric will seemingly confirm Israel's claims that it is Iran's target. Other U.S. friends in the region are seeking long-range missiles and may be considering the nuclear option.

Given the U.S. strategic goal of "shaping, responding, and preparing," Washington has reasons to balance its regional nonproliferation efforts with conventional arms transfers to key regional friends. The United States must determine how much its arms sales contribute to the arms race, or if there is a way the United States and other key exporters, namely Europe, Russia, and China, can ease this race.

## Dual Containment and the Regional Balance of Power

Dual containment seeks to influence the behavior of Iraq under Saddam Hussein and Iran under its revolutionary regime. Sanctions have denied Hussein unfettered use of Iraq's oil revenues, weakened his military, and made it difficult for him to rebuild his military or reconstitute his WMD programs. The U.S. military presence in the Gulf has also deterred Hussein from threatening his neighbors. However, containment and sanctions have not modified Hussein's intentions, nor have they changed his aggressive nature, his regime's brutality, or his desire to possess WMD.

Hussein began a concerted campaign to end sanctions and UN monitoring in mid-1997. He refused UNSCOM inspectors access to facilities and insisted on changes in the composition and scope of UNSCOM teams. Policy toward Iraq was refined after his 1998 challenges to UNSCOM, despite UN Secretary General Kofi Annan's promise of cooperation, Hussein's refusal to comply with UN resolutions to dismantle WMD programs, and his denial of access to inspectors. In December 1998, U.S.-U.K. forces conducted a 4-day bombing campaign against Iraq. A new version of containment resulted: if economic sanctions and UN inspections did not gain Iraqi compliance, then "containment plus" would. This coupled force with diplomacy. U.S. forces remain on high alert in the Gulf. It is not clear if Hussein will submit to UN supervision again, or if military force will be used again to try to compel compliance. The United States is cooperating more with his opposition; Congress passed the Iraq Liberation Act, providing \$97 million in aid to Iraqi dissidents. Radio Free Iraq began transmitting into Iraq. The United States has also stated its support for those opposing Hussein's rule.

Containment has affected Iran less. It has discouraged foreign borrowing and some arms sales. However, the country's poor economic performance and low oil prices have probably done more to dampen Iran's ambitions to acquire new conventional and nonconventional weapons systems. Containment of Iraq succeeded because of international support for UN-imposed sanctions. Containment of Iran has lacked international support and therefore has been less effective. The United States seeks Iran's isolation until Iran stops supporting terrorism, opposing the peace process, and trying to acquire WMD.

Conversely, Europe argues for engagement and has tried "critical dialogue" to influence Iran's behavior. This policy has also failed, largely because Iran was not interested in dialogue. Khatami's assumption of power and his policy shift may facilitate dialogue between Iran and Europe and, more significantly, end the 20-year rift with the United States. Both sides have cautiously moved toward dialogue. This began with Khatami's CNN interview last winter, when he nearly apologized for taking U.S. diplomats hostage after the revolution. In speeches to the Asia Society, Secretary of State Madeleine Albright implicitly recognized Iran's electoral process and its right to participate in regional security discussions. She also proposed each side take parallel steps toward normal relations. Iranian Foreign Minister Kamal Kharrazi proposed contacts in common international organizations.

Progress will likely be slow. The United States is reluctant to appear overly warm toward Khatami. It could provide ammunition to the Iranian president's conservative critics. Additionally, attacks against American tourists and Iranian intellectuals in fall 1998 were almost certainly encouraged by hard-liners. This serves to remind Iranians of the dangers of trying to normalize relations with the West. If dialogue resumes, however, engagement could replace containment. If so, the United States will need to consider confidence-building measures that would ensure a cooperative Iran rather than a hostile one. Engagement with Iran could bolster U.S. relations with other Gulf countries that see improved relations as being in their best interests. It could also enable the United States to maintain a military presence in the region that would be less objectionable.

*Strategic Assessment 1995* had good reason for being optimistic about the peace process. With agreements among Israel, the PLO, and Jordan, hopes for final settlement and an end to the arms

ances that had fueled tensions for decades seemed likely. This prospect foundered with Rabin's assassination, aggressive settlement in the West Bank and Jerusalem (which is contrary to the Oslo Accord), Israel and Syria's inability to come to agreement on the Golan, and Israel's call for new elections in May 1998. The stalemated process also strains Israel's "cold peace" with Egypt.

The United States may pay a high price to keep the Arab-Israeli peace process going. After signing the Wye Agreement, Israel requested advanced security systems and loans from the United States in order to enhance its military capabilities and pay for security improvements, such as roads connecting settlements in the West Bank. The United States also promised to assist the Palestine Authority. An accord with Syria could require a multilateral peacekeeping force in the Golan Heights, in addition to UN forces already there. Its functions would probably be similar to those in Lebanon and Sinai, where peacekeeping forces monitor a demilitarized zone. Listening posts to monitor movements could also be established. In exchange for its cooperation, Syria would expect to receive aid and to no longer be declared a sponsor of terrorism.

The United States must be able to manage relations with new governments and rulers as leadership transitions occur. The United States may find it difficult to maintain good relations with new regimes experiencing pressure to distance themselves from the United States. It may be especially challenging to retain local support for U.S. military presence in the Persian Gulf. A difficult problem will be to encourage political liberalization in countries that are very vulnerable to political extremists.

## Managing Relations with the Coalition

The United States will not remain the only power broker in the Middle East for long. Russia and Europe are seeking ways to expand influence in the region without assuming any security obligation. While the United States would prefer continuing the coalition to contain Hussein, this is not likely to happen. France and Russia agree that Iraq must comply with UN sanctions, but they are not likely to support U.S. efforts to isolate Iraq and sanctions over the long term. Europeans do not want to support the U.S. Iraqi containment policy either through NATO or the United Nations. Similarly, Europeans may want

to be involved in resolving the Arab-Israeli impasse, but Israel has consistently rejected EU involvement and the United States has not sought it. This could change if a new Arab-Israeli war occurred, or if Baghdad directly threatened Kuwait or Saudi Arabia. It might happen if Iraq failed to cooperate with the United Nations.

Many governments in the region are becoming disenchanted with U.S. presence and policies. While they are not about to demand removal of U.S. forces from the region, they are likely to seek greater limits on U.S. access and an end to dual containment. Among themselves, regional states will talk about greater security cooperation but will do little about it. They will seek rapprochement with Tehran, and, ultimately Baghdad, because they are inclined toward some regional balance of power among themselves and because public moods will increasingly shape foreign policies.

Nonproliferation, protecting access to energy, and containing Iraq and Iran are all key U.S. interests, but at what cost to global U.S. policies? Precious diplomatic and military capital is required to protect these interests. Is Iraq the most important issue, and if it is, what concessions is the United States prepared to offer Russia, France, and the regional states to maintain sanctions? If Iraq is not key, how does the United States refine its policy to coincide with other interests? The United States must clearly define its goals for the region and determine the appropriate policy instruments for those goals. Hussein is unlikely to change his recalcitrant behavior and will probably continue to defy the United Nations. Diplomacy backed by military force may continue to work if Hussein perceives that the United States is willing to follow through. Competing commitments in Bosnia, Korea, or Africa or problems with military readiness may lessen U.S. capabilities in the Gulf.

In the short term, the United States may be able to manage conflicting pressures to downsize its forces, yet maintain a credible military deterrence. Major war is unlikely to occur over the next 3 years, although several events could cause conflict: failed negotiations between the Israelis and Palestinians; Turkey backing into confrontation with Greece over the deployment of Russian-made S-300 ground-to-air missiles in the Aegean Sea; Turkey pressuring Syria and Greece because of past support for anti-Turkish PKK rebels; and Iran avenging diplomats and religious cohorts murdered by the Afghani Taliban.

Over the long term, the prospect for conflict increases. Conflict could be caused as changes in

regimes occur, as financial resources become scarcer, as demographic pressures grow, and as governments refuse to allow political and economic reforms.

## Net Assessment

This chapter provides an assessment of Greater Middle Eastern trends and events that will likely shape U.S. actions. While a middle-of-the road course is more likely, the best and worst case scenarios are also possible and worth considering.

### Best Case Scenario

Under this scenario, the new Israeli Government and the Palestine Authority would agree on final borders and the rights of Palestinian refugees. Jerusalem will be a difficult issue, because neither side believes it can compromise on its rights to the Holy City. While Israel claims the entire city, the Palestinians may be satisfied to establish a presence in East Jerusalem. Israelis may make this concession in exchange for something more than peace with the Palestinians. Most Arab governments, including Iraq, have said they would accept whatever settlement the Palestinians accepted. Islamists will focus on Jerusalem's being eternally Muslim, just as religious Zionists want an undivided city under Jewish control.

Additionally, a real peace agreement could enable an agreement between Israel and Syria over the Golan Heights. Both sides demand total control. If Syria regained some or all the Golan and if Israel withdrew from Southern Lebanon, then it would be less important for Damascus to improve relations with Baghdad. Iraq would be even more isolated. Even in a best case scenario, it is difficult to envision Saddam Hussein being overthrown, although his opposition may unify and undermine his authority. In a best case scenario Hussein would be replaced with a government more broadly based and willing to cooperate with the United Nations and the West.

In a best case scenario, Iran would pose little threat to its Persian Gulf neighbors or U.S. forces pre-positioned there. Tehran would engage in regional confidence-building measures and become increasingly preoccupied with the Afghani Taliban who continue to murder members of Shia tribes in Afghanistan, as well as quell potential rebellion, and ethnically cleanse the border

region with Iran and Pakistan. Iran would abandon its expensive quest for WMD as a result of pressures from economic difficulties, the need to build conventional forces to contain the Taliban and defend its borders, and the need to reinvest in civilian and oil-industry infrastructure. Iran would complete the Bushehr nuclear facility, however, and promise the Gulf States protection under its nuclear umbrella. The Gulf States would agree to a security architecture that includes discussions with Iran but choose to remain under a U.S./NATO security umbrella as a deterrent to potential regional threats.

Under this scenario, the United States would realize some security objectives. It would have access to the region's energy resources and maintain a forward presence. It would partially deter the spread of WMD. Iraq would still be under UN restrictions and subject to UNSCOM inspections, while the other Gulf States would choose not to acquire them. Peace between Israel and its neighbors would enhance U.S. policies in the region, although it would not correct the Arab complaint of U.S. partiality toward Israel.

### Worst Case Scenario

In a worst case scenario, Israel's inability to achieve a domestic consensus regarding peace negotiations with the Palestinians would undermine Israeli unity and risk spilling over into Palestinian areas. Acts of terrorism and civil disobedience would increase in Israel and the West Bank and result in attacks on U.S. personnel. U.S. personnel and property would be threatened by terrorist attacks because of Islamic grievances regarding U.S. military presence in the Persian Gulf and its support for Israel.

U.S. policies seeking access to oil at reasonable prices and promoting nonproliferation would be severely tested. An unstable oil market could have several outcomes. It could include angry oil producers, like Iran and Iraq, using force to punish those who might have expanded output, like Kuwait, Saudi Arabia, and the United Arab Emirates. It could also include instability within states dependent on oil revenues and unable to pay debts or subsidies to their citizens; this encompasses all the oil-producing states. This latter scenario is unlikely, but continued low oil prices would impact domestic well-being.

Probably the most dangerous scenario would involve the spread of WMD. If Iran were to acquire missiles with sufficient range to attack Moscow, Europe, Israel, and U.S. forces in the region, then several consequences could occur.

Iran could decide to test a nuclear device; but it is more likely to warn that it has missiles with chemical, biological, or nuclear warheads. If Iran or Iraq were armed with WMD, other regional countries might acquire their own as well—Saudi Arabia, Egypt, and Turkey, for example. The result would be an arms race. U.S. forces in the region would be at risk in the event of military confrontation or accident.

Even though this worst case scenario seems unlikely, the Greater Middle East will remain a troubled region and may become more turbulent. WMD is an especially worrisome trend. Proliferation seems to be accelerating. Moreover, it will occur against the background of unsettled security issues, troubled economic affairs, regime

changes, and other potentially destabilizing events. Consequently, U.S. interests will face growing challenges, perhaps more so in the Greater Middle East than in any other key region. The task for the United States will be to manage change and establish effective policies and capabilities in response.

#### NOTES

<sup>1</sup> Shimon Peres interview, cited in *Knives, Tanks, and Missiles: Israel's Security Revolution* (Washington: The Washington Institute for Near East Policy, 1998).

<sup>2</sup> Information on arms sales comes from *The Military Balance: 1997/1998*, International Institute for Strategic Studies (London: Oxford University Press, 1998), 115–144; and *World Military Expenditures and Arms Transfers, 1996* (Washington: U.S. Arms Control and Disarmament Agency, 1996).

# Asia-Pacific Region: *Murky Future?*

**W**here is the Asia-Pacific region headed? Countervailing trends are at work in this complex region in ways that match or exceed any other region. The outcome is not foreordained, and wide variations are possible.

Today, the Asia-Pacific region is at peace. However, the Korean peninsula remains tense, and China's future role is unclear. Every Asian state faces economic and political challenges that were unimaginable 2 years ago. How each responds to these challenges will affect it in the decades to come. Collectively, these responses will influence the future character of the regional security environment.

The year 2010 may see a more stable and unified region, firmly committed to responsible, accountable government and market economics. It could also be a divided region, threatened by instability and conflict, with many nations rejecting core democratic values. The challenge for the United States is to support a regional security architecture consistent with its core values. It also must reduce any possibility of a negative backlash and not excessively stress the relatively weak economic and political institutions of Asian nations.

In Asia, 1998 will be remembered as a year of challenge and trauma. North Korea test-fired missiles over Japan, demonstrating its determination to pursue weapons of mass destruction (WMD). Moreover, global interconnectivity made the financial crisis of 1997 a full-blown economic and political crisis by early 1998. Initial forecasts of rapid recovery proved overly optimistic. In addition, 1999 saw major strains in U.S.-Chinese relations, thereby adding strategic troubles to Asia's economic troubles.

Throughout Asia, more than two decades of export-led economic growth, often well into double digits, came to an end. So did rising income and living standards. The people of the region faced the need to live within economic means that were rising only slowly or declining.

Economic decline also brought unprecedented pressure for political change. Economic vulnerability revealed political vulnerability. New groups began to seek redress of political grievances that had been suppressed for more than a generation. The social and political models that had sustained regional elites gave way. Such constructs as "Asian Values," the "ASEAN Way," and "Japanese Capitalism" no longer instill confidence. Today, nations of the region are searching for new economic and political constructs.

## U.S. Defense Strategy and Forces in the Asia-Pacific Region

U.S. defense strategy in the region continues to be one of overseas presence, power projection, and bilateral alliances. The strategy's overall goal is to help shape the region's security environment, to maintain a capacity to respond to a wide spectrum of contingencies, and to prepare for the future. U.S. defense planning continues to focus on the tense security situation in Korea, while remaining attentive to other potential regional crises.

The U.S. overseas military presence in the region totals about 100,000 personnel. About 36,000 troops are stationed in Korea, and 45,000 are in Japan/Okinawa. Afloat naval forces, plus units in Guam and elsewhere, provide the remainder. Principal U.S. joint combat forces include 2 divisions, 3.2 fighter-wing equivalents, 1 carrier battle group, and 1 amphibious ready group. The U.S. Pacific Command is headquartered in Hawaii, where another 48,000 troops are stationed.

U.S. power projection assets include pre-positioned equipment and material, strategic airlift and sealift forces. Increases in these assets have greatly enhanced the U.S. capacity to deploy ground, air, and naval reinforcements rapidly in a crisis. U.S. forces in CONUS provide a flexible posture for strongly contributing to any combat missions in the region. The U.S. military capability is adequate for a major theater war and lesser conflicts.

The principal U.S. alliances in the Asia-Pacific are with the Republic of Korea, Japan, and Australia. These countries have strong self-defense forces. The principal function of these alliances is to help defend both countries, but with the Soviet threat gone, the U.S.-Japanese alliance is now being adjusted for new missions. The United States also maintains bilateral alliances with other countries, including the Philippines and Thailand.

The economic crisis also has national security implications for various regional powers. Before 1997, nations in the region were relying on their own force modernization—and on the United States as the ultimate guarantor of regional stability. However, this force modernization has been placed on hold. This means that the United States becomes even more important to regional security. Also, Washington had previously assumed that most Asian nations would gradually assume an increased share of the regional defense burden. That assumption must now be reconsidered.

When considering the Asia-Pacific's future, the economic crisis introduces new factors. Prior to 1998, the region seemed to be evolving toward core economic and political values and continued acceptance of forward U.S. military presence as a basis for a future regional security architecture. That still may be the case. However, changing economic conditions complicate this possibility. Key questions regarding the future include:

- How will economic pressures impact support for market mechanisms?
- Will the trend toward responsible, accountable government continue?
- Will economic difficulties undermine regional stability?

- Will shifting economic fortunes produce new relationships among the regional powers?

- Will the region see shifts in the balance of military power? Will North Korea acquire WMD and delivery vehicles?

- What will be China's role and Western reactions to it?

- Will the possibility of conflict increase, decrease, or remain the same?

- What criteria should the United States use to assess its regional economic, political, and security policies?

Dealing with these and other questions will occupy the American policy community for years. The United States will continue to have vital interests at stake in Asia and in the Pacific. The challenge will be one of protecting them by crafting a mix of old and new policies that respond to the fluid situation.

## Key Trends

Asia's economic troubles set the stage for long-term strategic and political changes.

## Internal Issues

### Indonesia

Indonesia may be near collapse. Conservative estimates are that the economy declined by as much as 30 percent in 1998, with inflation reaching 100 percent. It is unlikely the situation will improve much in 1999. While general agreement exists regarding the need to privatize state-owned enterprises, resistance remains high, and private conglomerates afflicted by cronyism and favoritism find it difficult to restructure. One bright spot is Indonesia's progress toward restructuring its massive external debt. However, the banking sector finds it difficult to adjust debt rescheduling. Increasingly, experts believe that Indonesia faces a 5- to 10-year trial before the economy recovers.

In principle, Indonesia replicates patterns seen elsewhere in the region. Economic stagnation eliminated the safety valve that prevented dissatisfactions from reaching critical mass. Faced with lower living standards, Indonesians throughout the political spectrum could no longer compensate for political and other dissatisfactions by increasing their share of an expanding economy.

Economic collapse contributed to political crisis. The nation's political institutions and leaders have lost legitimacy, and a series of associated problems related to law and order have

Chinese Navy Jiangwei-class guided-missile frigate in the East China Sea



occurred. While economic crisis was the catalyst, the political crisis and its associated problems are interconnected. One cannot be solved without major change in the others. For the next few years, Indonesia's leaders will be occupied resolving the dilemma.

This will not be easy. Present leadership remains tainted by the past. The current government is seen as an extension of the Suharto regime, albeit without Suharto. This is the charge made by those demanding President Bacharuddin Habibie's resignation, mainly students and younger people. The larger population does not as yet see any alternative to the present regime.

The general and presidential elections scheduled for late fall 1999 will probably not resolve Indonesia's problems. Megawati Sukarnoputri's Democratic Party, allied with the (Muslim) Nahdlatul Ulama, may win a slim majority in the general elections, but forming a national leadership would be a formidable challenge. Habibie's Golkar Party is so tainted that it is unlikely to receive a sufficient mandate to establish legitimate national leadership. If the elections continue the status quo, the situation could worsen.

The Indonesian Armed Forces present a fuzzy picture. They have lost public esteem as a result of their suppression of demonstrations

and links with the establishment. Led by Chief of Staff General Wiranto, the reform wing is seemingly increasing its influence. Redefining the political role of the armed forces is integral to reform; this would include its withdrawal from the political process and resignation of its parliamentary seats. However, military reformers continue to disagree over the pace and scope of change. There is also a widespread view that, as the only truly national government institution, the armed forces ought to remain involved in the policy process.

Indonesia's economic and political evolution will continue to be erratic and contradictory over the next 3 to 5 years. Slow economic recovery will negatively affect political evolution, and a political transition will not be smooth. The nation lacks an institutional structure strong enough to channel the demands for change in constructive directions. The possibilities include national collapse, degrees of authoritarianism, or movement toward a responsible system.

### China

Thus far, China has been insulated from the worst of the Asian economic crisis. This is largely due to its nonconvertible currency, greater reliance on foreign direct investment than bank loans, and international debt that is long term. However, many of the conditions that produced crisis elsewhere exist in China. These include

bad bank loans, allocation of capital based on political criteria, and cronyism.

Moreover, the government seems to be retreating from the rigorous privatization and reform announced by Premier Zhu Rongji at the National People's Congress in March 1998. Consequently, China may be facing its own economic crisis. Like Indonesia, China could experience significant political dislocation. China's economy seems plagued by contradictions. Growth in retail sales is declining, and consumer spending may weaken further because of rising unemployment, slowing wage growth, and rising interest rates. Investment in fixed assets is also down as are exports and foreign direct investment. An 8 percent growth rate as set by the programs announced in Premier Zhu in March 1998 almost certainly will not be achieved; a rate of between 4 and 6 percent is far more likely.

The problems are in two interrelated areas: state-owned enterprises (SOEs) and the banking system. Most of the SOEs are effectively bankrupt. They are kept afloat by politically directed bank loans, which at present, are all outstanding and unproductive and amount to nearly 30 percent of the gross domestic product (GDP). This situation is not sustainable, and the banking system is approaching crisis. Reform of SOEs and banks was the thrust of Premier Zhu's 1998.

China's problem is as much political as economic. Privatizing SOEs would result in widespread bankruptcy and drastic work force reduction. Privatization could increase unemployment by one-third. Northeast China, where most SOEs are concentrated, would suffer the most from increased unemployment. SOEs provide such services as medical care, education, and housing; if they ceased to exist, the burden of providing such services would fall upon a government that is ill prepared to respond.

The banking situation is also perilous. If the government directed the banks to write off bad loans, millions of households that provide the bulk of assets would lose their savings. At the same time, the government does not have the resources to recapitalize the entire banking system.

The political consequences of reduced economic growth also pose another potential difficulty for Beijing. China's leaders are concerned about widespread social unrest that could occur as a result of broad dissatisfaction with the corruption and inefficiency that seemingly pervade

every aspect of social life, particularly in urban areas. Double-digit economic growth enabled leaders to avoid dealing with this problem, and until recently, the strategy seemed to work.

The rate of increase is now declining, and most observers believe that a growth rate of anything less than 5 percent will be insufficient to keep discontent within acceptable parameters. If the economy fails to meet this goal, social unrest will likely increase and so will demonstrations, strikes, and overt challenges to government authority. Such activities have increased in frequency during the last 2 years.

This concern is reflected in the plan to allocate \$1.2 trillion to infrastructure development between 1998 and 2000. It is seemingly intended to ensure that economic growth eventually reaches 8 percent by increasing investment in fixed assets. Overall, state investments are expanding more than 20 percent annually. This may increase growth, but it also represents a major retreat from privatization programs for SOEs and the banking reforms announced in March 1998. This infrastructure program is being financed by banks; much of the money is going to SOEs that actually subtract value from the overall economy. At the end of August 1998, the number of loans outstanding was 16 percent higher than a year ago.

This program will inevitably add to the number of bad loans held by banks, which is reportedly approaching 25 percent—higher than those held by the banking systems of Indonesia, Thailand, and the Republic of Korea before the 1997 crisis. Overall, the loan program indicates that the government has determined short-term growth to be its highest priority. However, the problem is a long-term one. If growth rates increase in the short term, the costs of postponed reform are likely to be high. Moreover, it is unlikely that the prospects for social and political unrest will decrease.

## Japan

As 1997 ended, Japan's 5-year economic downturn began to assume crisis proportions. In November, one of Japan's largest regional banks, the Hokkaido Takushoku Bank, failed; Yamaichi Securities, one of the nation's four largest brokerages, also declared bankruptcy. The longest economic slump in Japan's postwar history deepened in 1998. In July, the ruling Liberal Democratic Party (LDP) suffered an unexpected defeat in a national election for the House of Councilors, the legislature's upper house. It was

widely interpreted as a no-confidence vote in the government's economic policies and led to Prime Minister Ryutaro Hashimoto's resignation. His successor, Keizo Obuchi, inherited the difficult task of restructuring Japan's ailing banking system and restarting the domestic economy.

Every indicator points to continued recession, and even depression. In October 1998, the Neikei stock index closed at 12,946—the first closing under 13,000 since January 1986, and one-third of its 39,845 record-high reached in late 1989. Negative growth continued throughout 1998. In early October, the government's Economic Planning Agency projected that GDP growth would be -1.8 percent for fiscal year 1998 (April through March), despite massive tax cuts and public works spending projects enacted earlier. Finally, unemployment rose to 4.3 percent—the number of unemployed hit 2.97 million. Unemployment among heads of household went up 0.8 percent to 3.2 percent, setting a new record. Those forced to leave employment rose from 370,000 to 910,000. Slumping department store sales, machine tool sales, and crude steel production rates reinforced the gloomy picture.

As with its regional neighbors, the banking system's deepening crisis impedes the return to sustainable growth. Japan's banks are overwhelmed by bad debt, largely because of the collapse of the late-1980s "Bubble Economy," built on real estate and stock market speculation. When share prices and real estate values began falling in the early 1990s, Japan's banks rapidly accumulated bad debt. In summer 1998, the government's Financial Supervisory Agency calculated the bad debt to be \$630 billion. When added to the already declared bad loans, total bad debt is \$880 billion, or one-quarter of the GDP.

Japan is also troubled by major political problems. Although Japan does not face problems similar to Indonesia's, its political system is weak and incapable of effectively responding to economic or even security challenges. Since its establishment in 1954, the Liberal Democratic Party had served Japanese interests and dominated consensus on economic, political, and bureaucratic issues. Its fall in 1994 eliminated discipline within the political system and severely reduced the means by which a rising generation of leaders could be socialized into political life. This, along with the electoral system's restructuring, resulted in the emergence of several small groups. Centered around individual leaders, these groups combined largely for the purpose of contesting elections. While they can influence a significant remnant of the Liberal Democratic

Party, these groups cannot govern in their own right. They do not reflect the political center, which has been the weakness of recent Japanese governments. A more desirable endstate in the near future is unlikely. For the next 3 to 5 years, Japanese governments are likely to be weak.

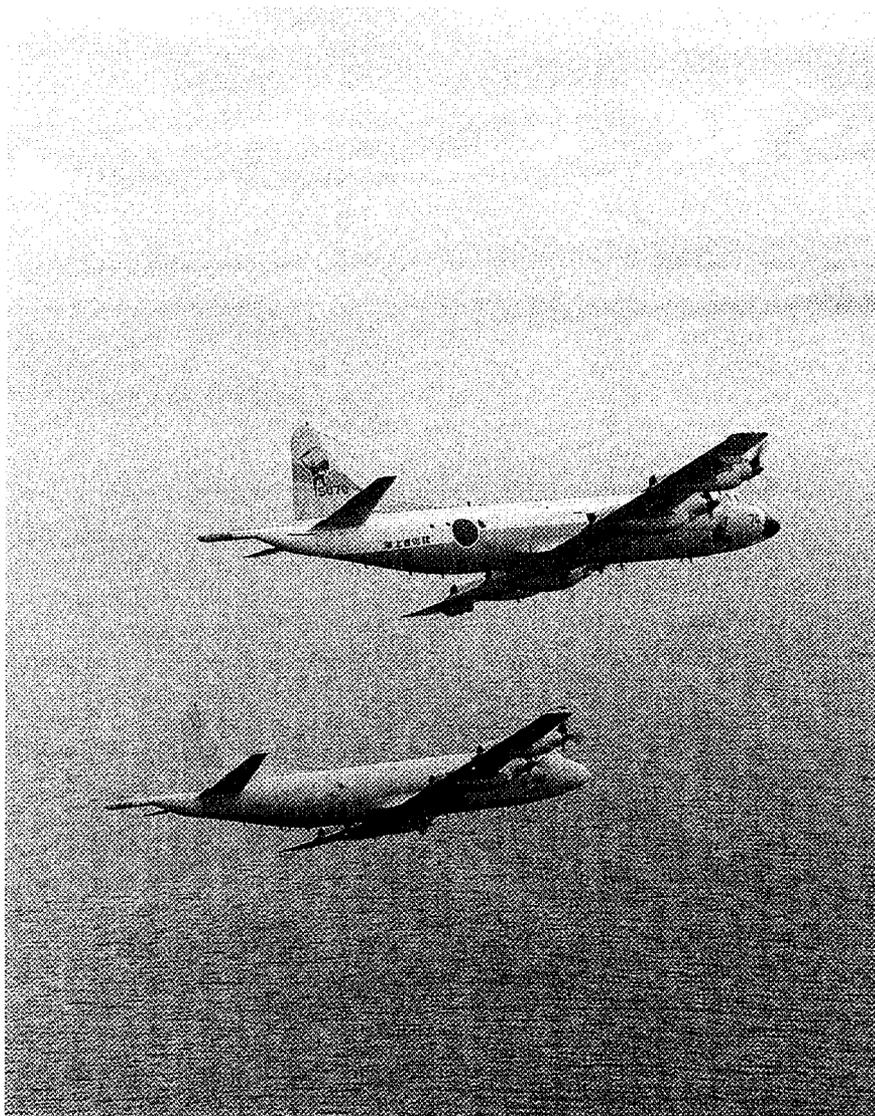
Any new consensus may be very different from the old one. For example, it may agree on a relationship between government and business that is far less connected than in the past. It may also want Japan to be a "more normal nation," a prospect that holds obvious implications for Tokyo's regional and global roles, and its security policy.

### The Republic of Korea

The Asian economic crisis hit the Republic of Korea (ROK) in fall 1997, as those holding outstanding foreign loans demanded payment. By year's end, Korea's short-term external debt amounted to \$68 billion, while foreign exchange reserves were \$7.3 billion. Seoul insisted it could service the debt, only to be forced in early December to accept a \$57 billion assistance package from the International Monetary Fund (IMF). Once the world's eleventh-largest economy, South Korea's acceptance of the IMF deal was seen as a national humiliation by its people.

Like most countries in Asia, the root of the crisis rests in the structure of the Korean economy. Successive governments distrusted markets, and they exercised control over the economy and financial sector. Crony capitalism was rampant. The industrial sector was protected and over-regulated. The *chaebols*, dominant industrial groups, were highly leveraged and excessively diversified. They sought increased market share rather than profits. Originally family-run businesses, the *chaebols* grew too big and suffered from poor corporate management. The financial sector was weak, lacked proper risk-management safeguards, and made loans based on political favoritism and government guidance. Labor became militant and growth in wages far outpaced productivity gains.

The depth of the crisis is indicated by the following data. According to a consensus estimate, the GDP contracted between 5 and 7 percent in 1998. Company bankruptcies exceeded 3,000 per month between November 1997 and May 1998; they included seven of the nation's top thirty *chaebols*, the massive conglomerates that account for 90 percent of the ROK GDP. In



**Japanese P-3 Orion of the Maritime Self-Defense Force alongside a U.S. P-3 during Exercise RIMPAC 98**

mid-1998, combined foreign and domestic currency debt was estimated to be \$730 billion, twice the size of the 1997 GDP. Unemployment, which was 400,000 in May 1997, was nearly 1.5 million a year later. It may exceed two million, and hit 8 percent. Consumption fell 28 percent in the first 6 months of 1998, and imports fell 35 percent over 1997.

On December 18, 1997, after serving nearly 30 years as an opposition leader who was once sentenced to death for his politics, Kim Dae Jung was elected president. Recognizing the economic situation's gravity, Kim Dae Jung focused on the economic crisis well in advance of his February inauguration. He has committed government to the difficult task of reforming and restructuring

the devastated economy. Industrial restructuring is slow and resisted by the *chaebols*. Financial restructuring may be more expensive than anticipated. Bad debt is growing, and the cost of recapitalizing the banking system will be high. Foreign investors remain wary.

President Kim must also deal with the sensitive issue of North Korea. His "Sunshine Policy," makes it clear that the South is not out to absorb or collapse the North's regime and is prepared to deal with Pyongyang reciprocally. North Korea finds this difficult because it means treating Seoul as an equal.

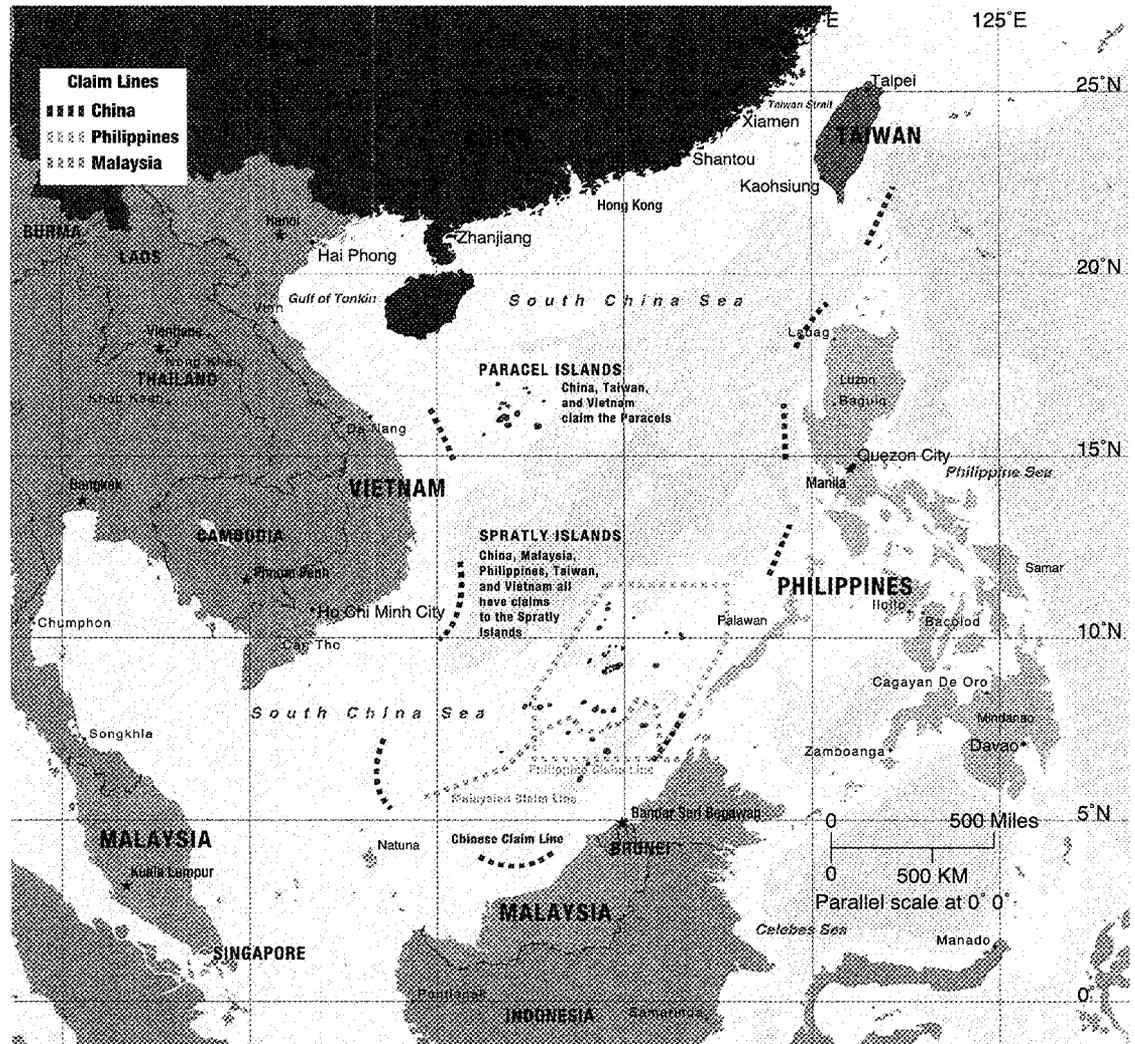
Given its preoccupation with the domestic economy, South Korea is looking for stable relations with the North. In fact, it will wish to avoid actions that could increase instability and deter investors. Therefore, the United States must make special efforts to coordinate with Seoul as it manages relations with the North. This will become more difficult owing to the seriousness of Washington's concerns about Pyongyang's nuclear and missile programs, and to growing desire in Washington to invest U.S. policies toward the north with a "harder edge."

## The Unsettled Security Environment

Overall, domestic pressures will likely encourage regional powers to maintain stability and avoid conflict. However, as recent Malaysian and Singaporean statements indicate, these pressures have already caused tensions within ASEAN. Long-standing challenges also remain on the Korean peninsula, in the Taiwan Strait, and around the South China Sea. Overall, the regional security outlook is mixed. The likelihood of conflict that might involve the United States is low. However, the conditions that could cause unintended or accidental conflict are becoming more widespread.

In Southeast Asia, there are two kinds of problems. The first involves traditional rivalries. For example, Singapore alleges that Malaysia is deliberately creating problems in bilateral relations in order to distract Malaysian attention away from Kuala Lumpur's economic difficulties. In this view, one wing of an embattled, divided Malaysian leadership is using tensions as a political weapon. At worst, Malaysia might interfere with Singapore's water supply, harass shipping and air flights, and posture military forces on the border. Singapore would have to take defensive measures, thus increasing the risk of conflict.

## Disputed Claims to Parcel and Spratly Islands



Source: Central Intelligence Agency.

A second source of difficulty is the spread of ethnic conflict. Violence against Chinese populations in Malaysia or Indonesia might incite Singapore's overwhelmingly Chinese population and cause additional ethnic discord. Military forces would then have to restore order. This could complicate Singapore's ties with Indonesia and Malaysia. Although the risk of actual interstate conflict is low, the potential for internal instability is high and would negatively affect economic recovery, overall regional tranquility, and ASEAN unity. Moreover, it would undermine any bilateral effort to resolve difficulties.

Regarding the more traditional flashpoints, the Korean peninsula remains a major problem.

Present policies are being challenged by continuing revelations about Pyongyang's nuclear programs, its missile development, and its potential role as a proliferator of weapons of mass destruction (WMD). A North Korean medium- or long-range missile with WMD negatively affects the Northeast Asia balance of power, the global non-proliferation regime, the ability to deter the North, and the ability to prosecute conflict should deterrence fail.

In the Taiwan Strait, prospects are more positive. The Koo/Wang talks convened in October 1998 suggest the beginnings of a cross-strait process that may reduce tensions between Beijing and Taipei, even if it does not produce a resolution. Reduced tension is in the interests of both sides and will enable them to keep cross-strait



**South Korean soldiers searching for possible North Korean intruders near Donghae**

dynamics within acceptable boundaries. However, Beijing is exhibiting a new sense of urgency about achieving progress toward reunification and has begun to pressure Taipei, most notably by beginning to deploy missiles across the strait. This in turn pressures the United States to provide Taiwan with suitable defenses, including theater missile defense (TMD) systems. If Washington does so, the situation could worsen.

Although its economy remains sound, Taiwan is in a state of political evolution like Japan, Indonesia, and the Republic of Korea. Taiwan is 3 to 5 years away from achieving a political center of gravity capable of managing cross-strait ties. In the meantime, suspicion remains on both sides of the strait and will continue to influence events. If Beijing construes Taipei's actions as separatist or as a prelude to a formal declaration of independence, the situation will inevitably deteriorate again. Similarly, if Beijing is perceived to be impatient or militarily threatening, Taipei might feel it has no option other than to force the pace.

The potential for conflict over territorial disputes in the South China Sea may be on the rise once again. After a period during which the parties appeared to be avoiding inflammatory actions, the Philippines reported the Chinese had erected new structures on Mischief Reef, an island claimed by Manila. The Philippine Government can ill afford to appear to be weak on this issue and continues to press the United States and ASEAN for support. Although both Beijing and Manila are proceeding slowly to resolve the situation, it will be difficult for the Philippines to accept the Chinese *fait accompli*. In these circumstances, the possibility of accidental conflict remains a factor to be considered.

## Threats to Future Democracy

Prior to the latest economic crisis, most nations were in the process of accepting market mechanisms as their economic regulators. Politically, many were evolving toward institutions based on pluralism, responsibility, and accountability, or liberal democracy. In each nation, this evolution was managed by a coalition of national elites that allowed non-elites to share in economic progress, while strictly limiting individual expression and political activity. All sectors accepted the reality because all benefited. Frequently termed "illiberal democracy" in the West, the system was often described in Asia, as the "Asian Way," or a system based on "Asian Values." That model has been discredited, and an unfocused search for a replacement model is now underway.

Generational change is also a factor. Throughout the region, the generation that defined each nation's modern identity is passing, or has passed. Moreover, the economic growth that enabled acceptance of the Asian Way has diminished. As a result, new coalitions have emerged in the Republic of Korea, Indonesia, and Malaysia. They consist of disenfranchised social strata that were hardest hit by economic decline and are demanding thorough change and elite replacement. Albeit at a different level, Japan is now in the fifth year of what is proving to be a long transition to a new political consensus, that changes the relationship of old elites. This transition will affect how Japan defines itself. China may be in the early stages of this process as well. New coalitions that have little association with the discredited past are making new demands and challenging institutions that had only just begun to mature.

This trend raises questions about the future of market economies, pluralism, accountable government, and liberal democracy in general. Recently, regulation of currency and capital flow has begun in Southeast Asia. Japan and the ROK are slow in redefining the relationship between government and the economy. Those favoring economic nationalism by means of regulation and restriction may be gaining ground.

Democracy's future may also be questionable in some instances. In Japan and the ROK, demands for change are expressed within a constitutional framework. The procedures are well-established. However, Indonesia, Malaysia, and Singaporean institutions are far less well established. In China, notions of democracy are very



**Indonesian soldier standing guard over young East Timorese men during selection for civilian militias in Dili**

fragile. Moreover, democracy in China and Southeast Asia is seen more as a cure for ills or providing the disaffected with access to the political process and less as a set of immutable principles limiting state power over the individual. In many nations, the military is the strongest national institution. It would play the major role in ensuring internal security and stability in a crisis. If this occurred, coercive measures likely would prevail and could produce a retreat from democracy.

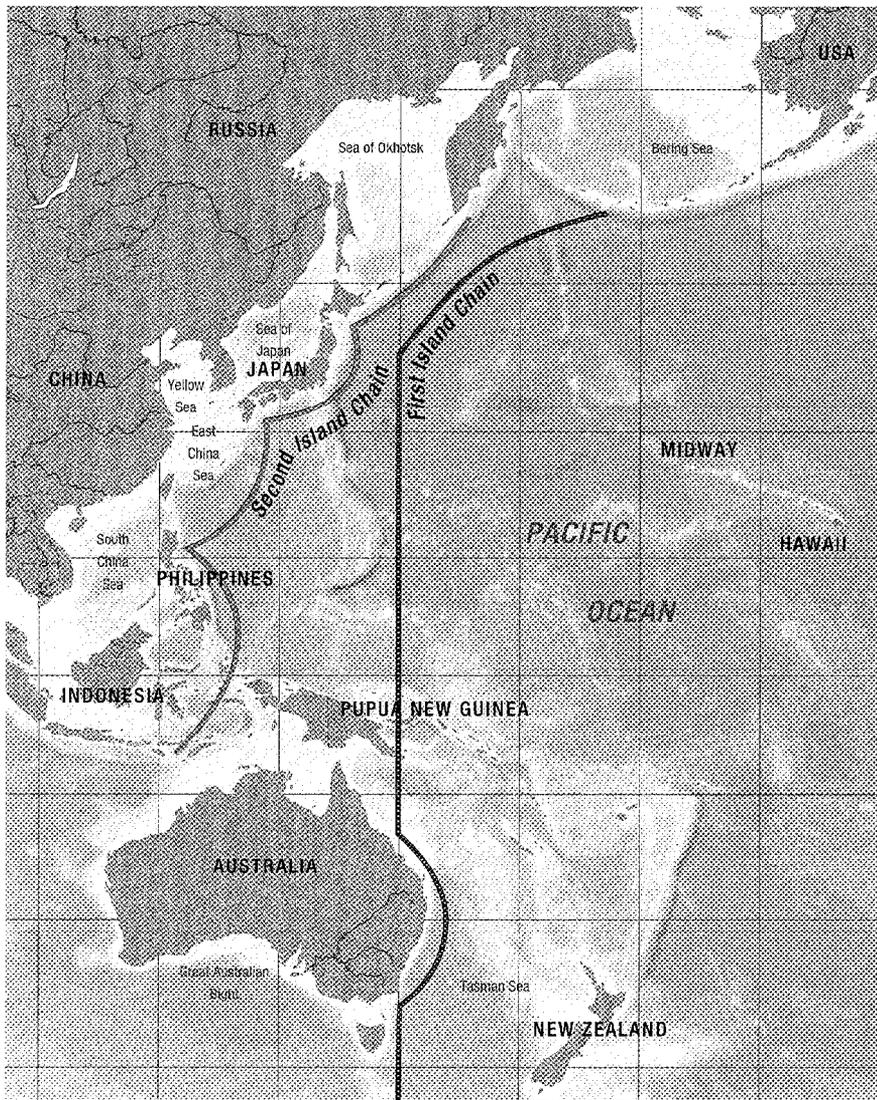
The future of democracy in much of Asia is mixed. The ROK and Southeast Asian nations depend heavily on the United States, Europe, and international institutions for economic and political recovery. The latter regard reform and reconstruction as requirements for continued assistance. If aid is sufficient, and does not further exacerbate stresses, then the region may emerge from crisis with institutions that exhibit more

democratic characteristics. On the other hand, if aid is insufficient, and especially if it is offered with conditions that weak governments cannot meet, there could be movement away from democratic norms.

## **Roles and Relations Among Major Powers**

In the first decade of the 21<sup>st</sup> century, China's rise could alter the roles and relations among major powers, including Japan and the United States. At present, Beijing plays a defining role in regional security affairs. However, its influence is based on size, location, resources, and potential, rather than actual comprehensive national strength. Beijing can influence developments in the South China Sea, in South and Southeast Asia, and on the Korean peninsula, and it can intimidate neighbors like Taiwan. It could create great havoc if it were willing to pay the costs. However, it lacks sufficient national strength to permanently change the regional security equation.

## China's Maritime Strategy toward Western Pacific Chain Islands



Source: PLA Data Bank CAPS, 1995.

In 2010, the Chinese will probably not have an overpowering capability. However, Beijing will probably make significant gains and be able to pursue Chinese interests more effectively than today. By 2010, Chinese naval and air forces will probably be able to prevail over any ASEAN military forces in the South China Sea and may even possess military superiority over Taiwan. The Chinese People's Liberation Army (PLA) will not be a match for U.S. or Japanese forces, but new force-projection assets such as aerial refueling, improved air defense, integrated command-and-control systems, and information warfare capabilities will compel the attention of Washington and other nations. How China will exercise its

growing national strength is the question facing Washington and other nations.

Today, indicators regarding the future are ambiguous. On the one hand, China's economic development remains its priority. Moreover, its regional policies are designed to maintain stability in support of this goal. The following seem to indicate this trend:

- Despite the accidental bombing of the Chinese Embassy in Belgrade and violent Chinese demonstrations at the U.S. Embassy in Beijing, China appears to be searching for ways to return to a healthier relationship with the United States.

- Even though Jiang Zemin's visit to Japan was less than fully successful, Beijing remains interested in improving relations with Tokyo.

- Despite initially harsh public rhetoric, Beijing's response to India's nuclear weapons program has been moderate. Moreover, Beijing is increasingly supporting nonproliferation regimes.

- Beijing appears committed to Korean peninsula stability.

- Chinese rhetoric has cooled on South China Sea territorial disputes.

- After military action in March 1996, Beijing is now pursuing its objectives regarding Taiwan by political means.

However, a question remains. Does the present course reflect China's true strategic objectives, or is it a temporary accommodation to current internal and external realities until China can build the capabilities necessary to secure other objectives?

Beijing is concentrating more intensely on pursuing maritime interests in the South China Sea and the Taiwan Strait, and with respect to Japan and Southeast Asia. The PLA intends to develop a sea-denial capability out to the so-called Second Island Chain and eventually control that space. This has obvious implications for all of Northeast Asia.

China's official *Defense White Paper*, published in July 1998, lays out a vision of the future security environment that is antithetical to that embraced by the United States. The difference arises over the future role of military alliances. In Washington's view, alliances are stabilizing and provide a solid foundation for regional security. Beijing, on the other hand, sees alliances as destabilizing relics of the Cold War that should be replaced with a network of bilateral strategic partnerships and consultative mechanisms.

China's rise directly affects major regional power relationships. With Russia's power fading, the trilateral relationship among the United States, China, and Japan currently defines the regional security environment. For example, events on the Korean peninsula and the possibility of confidence-building regimes depend directly on the willingness of the members of this triad to support them.

Since the Cold War's end, each triad member has attempted to maintain balance in its relations with the other two. Despite difficulties and some dramatic swings, the three nations interact in a balanced manner regarding economic and strategic interests. The United States is central to this relationship. Washington's security alliance with Tokyo allays Chinese concerns about Japan, as well as Tokyo's concerns about Beijing.

China's rise could alter the equation. Unofficially, Beijing acknowledges benefits from the U.S.-Japan security relationship. However, Chinese leaders may not indefinitely accept the idea of China's security being dependent upon an alliance over which it has no control and which it feels might be directed against Chinese interests. To the extent that Beijing feels capable of managing such relations, it will approach Japan independently. In doing so, it will offer Japan a mix of incentives and disincentives designed to weaken the alliance and increase its influence over Tokyo. This would challenge the present trilateral dynamic, severely complicate U.S. relations with Japan, and eventually produce a triad in which members shift and change relations in order to secure dominance.

## Military Modernization and Operations

Because of economic crisis, most regional militaries have curtailed, or forgone, long-held modernization plans. Most defense budgets in the region are declining. Indonesia, Malaysia, Thailand, the ROK, and Japan have canceled or delayed planned procurements and have seriously reduced exercises integral to operational readiness. Only China's PLA seems to remain on an upward trajectory; this may change, depending on economic factors.

During the next decade, reduced defense spending will affect the region in several ways. First, the ability of regional military forces to participate in programs enhancing military cooperation will diminish. The armed forces of the

ASEAN nations were initially seen as guarantors of internal security. In recent years, national cohesion has improved, and these forces are redefining themselves and assuming external security missions. They were also developing experience in cooperative efforts by means of intelligence sharing, joint patrolling, and joint exercises. Military cooperation was seen as a key to ASEAN unity. Now, this progress may be arrested.

Second, the U.S. military engagement with ASEAN nations will be more difficult. U.S. planning was based on rising capabilities that would potentially deepen and broaden military ties with other countries in the subregion. With the decline of available resources and, consequently, military capabilities, the United States will have to adjust its plans.

The political sensitivities regarding U.S. cooperation with Southeast Asian militaries had begun to subside but now may increase. If social and political instability becomes a reality, local military forces will revert to internal security missions. Experience with Indonesia, China, and Burma illustrates how difficult it is for the Department of Defense to establish and maintain ties with military establishments focused on internal security missions.

This is less so in Northeast Asia, largely because of tensions on the Korean peninsula and in the Taiwan Strait. Despite basing and other management problems, mature alliances with Japan and the ROK contribute to secure military relations. However, economic conditions are influencing defense thinking in those countries. In Japan, reduced resources have complicated legislation regarding implementation of the Revised Defense Cooperation Guidelines. However, this difficulty may be partially overcome. Japanese political circles are recognizing the need to meet North Korean nuclear and missile programs, as indicated by Japan's research in TMD.

South Korea's situation is similar. Washington and Seoul agree on the need for effective deterrence but sometimes disagree on means. Before the economic collapse, Washington took issue with Seoul's desire to acquire capabilities that would enable it to play a security role beyond the peninsula. Declining resources and Pyongyang's recent actions will modify Seoul's desire.

The overall regional military balance is a major question for some. Unlike other nations, no evidence indicates that Chinese naval and air force programs have been negatively affected by financial shortfalls. In fact, Chinese defense expenditures are increasing. However, even if PLA modernization programs are realized while those

**Older homes giving way to modern infrastructure in Shanghai, China**



in ASEAN, Japan, and the ROK are not, the regional military balance will not change dramatically by 2010. The PLA may narrow the gap, but that gap will still be substantial. The issue is what capabilities the PLA will be able to achieve. Depending on the Chinese economy, the PLA by 2015 could begin fielding a force that would be similar to some U.S. forces of the early 1990s. The PLA could also pose a limited challenge to U.S. information systems and other regional military forces. If the Chinese economy falters, however, PLA progress would be negatively affected.

## **U.S. Interests**

### **Asia-Pacific Peace and Stability**

The United States has a vital interest in the stability of the Asia-Pacific region. U.S. prosperity is linked to Asia's prosperity. Access to Asia-Pacific markets and productive capacities are essential to U.S. strategic well-being. American ability to execute responsibilities in Europe and the Middle East assumes continued relations with a stable and secure Asia.

Regional stability enabled Asia's economic development. The region prospered because it was free of discord, largely due to U.S. security guarantees in the form of military presence. As a result, the United States is seen as an honest broker that has ensured balance in the region. This

has reduced incentives for nations to seek military superiority over others. The region, therefore, was able to achieve dramatic economic and political development.

The region is now experiencing economic stagnation. Nations must implement reforms necessary for economic rehabilitation and recovery. Prospects for success will be enhanced if regional stability can be preserved. Doing so promises to be a key challenge in the coming years.

### **Recovery and Western Economic and Political Values**

The United States has a vital interest in Asia-Pacific economic recovery. However, a unique opportunity exists to accomplish this in ways that result in the extension of core economic and political values. This, too, is a national interest.

As noted earlier, most nations in the region are in transition. All accept to varying degrees the core economic values of market-directed institutions and unrestricted trade regimes. While there is less acceptance of such core political values as responsible and accountable government, the trend has been in that direction. A key uncertainty now is how the changed economic environment will affect the place of core values within the different national outlooks.

The United States has a vital interest in supporting positive trends and preventing reaction to the current difficulties from forming the basis for a long-term, broadly based, negative reaction. Consensus on the form of economic organization and on citizen relations with government will help to remove some of the sources of discord that have traditionally prevented regional cooperation and reduce the risk of conflict. It can also provide China with incentives to integrate itself more fully into the region.

Accordingly, the United States has an interest in promoting economic reform programs that reduce the significance of political factors in economic decisionmaking and increase the transparency of economic processes. The economy of the United States as well as the economies of the region will benefit if each is more confident of its ability to assess how the others will respond under a variety of economic circumstances. Also, shared approaches to economic activity can contribute to a network of shared political interests.

### **Integrating China into Regional Security**

The United States has a critical interest in integrating China into the regional security architecture. Even if China does not begin to approach the United States in terms of comprehensive national strength by 2010, it will do so in later decades. China is the one nation in the region that could alter the regional order in ways that make U.S. interests less secure than they are today.

With China shifting toward a maritime focus, its strategic interaction with the United States in the Asia-Pacific region is likely to increase. How the United States manages these new interactions will greatly affect how other nations evaluate the performance of the United States as a regional leader. In the next few years, U.S. regional influence will be directly affected by how successfully it manages the "China issue."

It is, therefore, important that the United States and its regional friends and allies persuade Beijing that Chinese interests are better served through cooperation than through competition. As China's power grows, doing so will become increasingly difficult.

### **Responsibility for Regional Order**

The United States, Japan, the ROK, ASEAN nations, and China share an interest in a stable regional order. After economic recovery, most

Asian nations will regain the ability to resume development of military capabilities and assume a greater responsibility for regional stability.

There will also be a clear need for the regional powers to do so. U.S. forces have been shrinking as a result of domestic political pressures and, until recently, because of a perception of a reduced threat. U.S. military presence in the Asia-Pacific is holding at about 100,000 personnel. This level will be subjected to increased scrutiny in the future. The revolution in military affairs (RMA) could mean new U.S. capabilities that would compensate for lower deployment levels. However, even if this possibility proves true, Washington would still require support from allies and friends, including the assumption of military missions in addition to providing bases. If such support is not forthcoming, generating public and congressional backing for continued U.S. military deployments will be difficult.

The question is, to what degree should the United States pursue the issue of increasing the security responsibilities of allies and friends, particularly at this time? If the United States were to strongly advocate increased responsibilities, it would likely be rebuffed on economic grounds and prejudice allies and friends in the future. It may be more effective merely to develop the basis for future cooperation, deferring the direct approach until later.

### **Regional Security Institutions**

Over the next decade, conflict is more likely to be accidental than deliberate. For example, North Korea may miscalculate and strike the South. Seoul might perceive an action by Pyongyang as threatening and move against it. Beijing might perceive Taipei as aggressively seeking independence and attack the island. One of the nations in the Spratly Islands dispute might conclude another nation is trying to alter the status quo and resort to military action.

A collateral danger is that the United States and China might be drawn into one of these conflicts. Such conflicts would add years to the time required to recover from damage to regional security and the economy.

These possibilities highlight the need for the United States to work with the nations of the region to increase transparency and, more important, to establish procedures for confidence building and conflict management. The present alliance structure can provide a useful framework within

**Securing the beach during  
an amphibious assault  
in support of Exercise  
RIMPAC 98**



which to begin such an effort, which could be of great use in consolidating U.S. regional influence and in countering Beijing's charge that alliances no longer serve a useful function.

## **Consequences for U.S. Policy**

Current U.S. policy in Asia is focused on three goals: enhancing security, promoting prosperity, and encouraging democracy. They are being pursued by upgrading bilateral alliances, engaging China, and securing other forms of regional cooperation. Achieving U.S. economic goals has become more complicated because of the economic crisis. Pursuit of democracy—although successful in Korea, Taiwan, and elsewhere—is encountering frustrations in China and other countries. Overall, U.S. policy in Asia has been reasonably successful in recent years, but progress has been difficult. A key issue is whether U.S. policy can reflect greater sensitivity to regional economic and political conditions.

## **Economic, Political, and Security Goals**

The core of Asia's problem lies not just in the regional economic system, but in its weak political and security institutions. They are not

strong enough to establish the order and discipline necessary to ensure economic recovery.

A first step for the United States is to approach the problem with a better understanding of all of its various dimensions and interrelationships. Thus far, Washington's approach has been to tackle the economic aspect of the problem, almost to the exclusion of political and security dimensions. The international community emphasizes economic measures, often without regard for political realities. Indonesia is illustrative of the political side-effects caused by certain types of economic remedies.

U.S. policy might be more effective if it were to become more multifaceted and were to reflect, more than it does at present, the perspectives of the U.S. foreign policy and security policy communities. A broader approach might make it possible to reduce the unintended negative consequences, political as well as economic.

## **Heightened Expectations for the U.S. Regional Role**

The United States already plays a salient security role in the region. In the near future, regional reliance on the United States is likely to grow. Each nation in the region is encumbered by the need to achieve economic recovery. Most nations also recognize the commensurate need

for a stable regional security environment. Enhancing confidence and providing assurance are needed more than ever before.

Regional leaders also expect the United States will continue to play a balancing role in regional security. Because of their political and economic situation, they view the U.S. regional role as being more important today than at any time since the Cold War ended. Regional leaders see stability as being directly attributable to the network of U.S. alliances and U.S. military deployments and to its larger military presence. U.S. military engagement is perceived as contributing to regional stability.

During this economic crisis, regional leaders will be increasingly watchful of the U.S. commitment to the region. Any perception of a reduction in U.S. military capabilities will be interpreted as a declining commitment. A major reduction in the operational tempo of U.S. military forces would cause a similar reaction.

Regional nations judge the effectiveness of U.S. engagement by its military posture, but it is also based on U.S. political and diplomatic activities. These refer to Washington's effectiveness in managing the overall regional security environment, particularly with respect to China and North Korea. As noted earlier, U.S. management of these relations has assumed new importance in the aftermath of the Cold War, largely because of the need to maintain confidence and provide reassurance within the region.

## **Military Engagement in Troubled Times**

In the near future, Washington may encounter increasing challenges to its regional commitments. Some will arise from U.S. domestic politics while others will originate within the region. Congress will likely insist that U.S. allies do more. U.S. commitments to Asian security could be linked to specific contributions from regional nations.

Within U.S. defense circles, the future shape and global posture of U.S. forces are being debated. The RMA promises to maintain capabilities, but many nations within the region regard the RMA with uncertainty and are concerned about the future U.S. defense budget. Defense planners in Australia, Japan, the ROK, and Singapore assume that changes are forthcoming and

are apprehensive about them. The recent rise in U.S. defense spending will send a reassuring signal but will not solve the long-term problem.

Conditions within the region will also complicate U.S. regional military activities. In addition to how U.S. commitments will be perceived, the region's threat perception will also be a problem. Prior to North Korea's satellite launch and revelations about its nuclear program, the region generally saw the possibility of destabilizing conflict as receding. Until recently, positive developments in the United States-China-Japan trilateral relationship and improved relations across the Taiwan Strait reinforced this perception.

Much depends on how relations with Korea are managed. A more comprehensive U.S. policy is desirable and will reinforce the perception of a reduced threat to regional security. This will also encourage those in Japan and the ROK advocating a reduction in U.S. military presence and support China's criticisms of the alliance system. If Korea were to unify peacefully, this would necessitate changes in the U.S. defense posture in Asia. Until then, continuity is critical.

The need for continuity suggests the importance of redefining U.S. regional military engagement. First, expectations for increased contributions by Asian nations could be seriously examined. This includes expectations about procurement, exercise participation, and inclusion in coalitions other than for the most serious military challenges. In the long term, ensuring greater allied burden sharing will remain an important U.S. goal. In the near term, however, Japan and the ROK cannot financially or politically undertake increased military spending. Any pressure to do so will increase friction; the same applies to most of the ASEAN nations. It would be better for Washington to work with allies regarding only the most crucial plans and programs over a lengthened period of time.

Second, engagement could be improved if the United States were more accepting of political conditions and actions that challenge its notions of civil-military relations and human rights. The possibility of regional military forces returning to and conducting internal security missions with excessive force is high, particularly in Indonesia. The United States could not condone such actions.

The aim should be prevention, which could be accomplished through a robust network of military relations that includes something of a personal dimension. DOD and regional U.S. commanders should be encouraged to nurture contacts with their regional counterparts. Such

**Cambodian Prime Minister  
Hun Sen and Chief of  
Defense Staff General  
Ke Kim Yan**



contacts could be useful in influencing the behavior of regional military forces, particularly as they engage in internal security missions. At a different level, these relations could provide reassurance.

Third, Washington might apply the lessons learned in the Partnership for Peace program to the Asia-Pacific region. These would be modest, low-cost initiatives that would not strain U.S. or regional defense resources and would emphasize such military activities as information processing, management techniques, and professional military education.

Finally, the United States might determine what allies and friends perceive to be essential military capabilities for regional security in the next century. This effort should focus on capabilities and missions, rather than numbers. Such an initiative could alleviate doubts about U.S. intentions. It could also build notions of partnership and help regional defense officials structure their forces for the future.

## The Korean Peninsula

Continued deterrence of conflict on the Korean peninsula is essential. A new Korean crisis may be looming. Pyongyang's recent actions suggest that the Agreed Framework of 1994 may have

been less significant than previously thought. In the initial Agreed Framework negotiations, many assumed that Pyongyang would enter into relations with the United States and the ROK, instituting at least minimal economic reforms, and that the potential military threat would slowly recede. Another assumption was that the *juche* regime would eventually cease to exist.

Pyongyang's missile and nuclear programs and its military intrusions into the South suggest that these assumptions may have been inaccurate. North Korean policy is seemingly aimed at getting the nation through its economic difficulties while regaining sufficient strength to continue its hostile policies. To do this, Pyongyang appears to follow a pattern of increasing tensions and then making concessions that never fully materialize, in exchange for additional economic and food assistance. Largely because of the lack of a threat reduction or any other positive change associated with the Agreed Framework, support for current policies appears to be waning. North Korea's Taepo Dong missile launch and evidence that it violated the nuclear accords surprised Japan. Consequently, Tokyo is less enthusiastic about financially supporting the Agreed Framework. In Seoul, Kim Dae Jung's "Sunshine Policy" is facing increasingly negative pressure. In Washington, the demand for implementing tougher policies is increasing.

Washington faces hard choices in the months ahead. If it were to take a tougher approach with Pyongyang, the risk of collapse or conflict could increase. Considering their present circumstances, neither Seoul nor Tokyo would likely support Washington consistently. This could strain U.S. ties with both Japan and the ROK. In the near term, the safest course may be to allow the present dynamic to play out. This would contain the risk of collapse or conflict and allow all nations concerned to buy time.

Another possibility is a combination of these two courses of action. Washington would continue its present policies, but gradually work with Tokyo, Seoul, and Beijing to develop policies that would use a more comprehensive "carrot and stick" approach to change Pyongyang's behavior. This might be accomplished through a special envoy. Any new policy departure must be fully supported by all nations concerned. Additionally, the U.S.-ROK military deterrent must be maintained.

## China

The Korean situation and the Asian economic crisis increase the need to integrate China into the regional security community. However, this may prove to be an increasingly difficult problem as time passes.

Recent events clearly demonstrate that the presidential visits in October 1997 and July 1998 did little to reverse the pattern of oscillation in U.S. relations with China. Allegations of Chinese spying and interference in U.S. domestic politics, a continuing hard line on dissidents, and missile deployments opposite Taiwan also cast doubt on the announced intention of the two sides to build a "Constructive Strategic Partnership for the 21<sup>st</sup> Century."

In the near term, both nations have much to gain from positive ties. Both share an interest in developing their economies, and bilateral economic relations will likely continue to grow. On the Korean peninsula, both share an interest in preventing conflict and nuclear proliferation, and achieving peaceful, incremental progress toward reunification. Also, Chinese reactions to Indian nuclear tests indicate that the two nations are moving closer in their approaches toward dealing with the proliferation of WMD. Finally, the region's economic recovery is in the national interests of both. Over the next 2 to 3 years at least, these overlapping interests will help promote stability in bilateral relations.

However, there are important issues that will affect bilateral relations over the longer term. The challenge is to develop an arrangement within which both the United States and China feel secure without sacrificing any vital interests, including those of key U.S. allies. Considering the issues, this will not be easy.

For example, as the possibility of conflict and instability on the Korean peninsula recedes, China's interests will likely change. Traditionally, Chinese views of national security emphasize the need for friendly or neutral states along its borders. Korean reunification would almost certainly mean that Beijing would try to displace the United States as the most important external influence in the affairs of the peninsula. At a minimum, China would likely seek a significant reduction in U.S. forces in Korea. China might also seek limits on how such forces could be employed. Beijing is likely to view any alliance between the United States and a unified Korea with skepticism and try to undercut it.

The role of alliances in the regional security architecture is the most difficult issue of all. In the past, Chinese security officials have privately acknowledged the benefits of the alliance-based security architecture. However, this view is beginning to change. China's *Defense White Paper* does not see alliances as a suitable basis for the future regional security architecture. It regards them as destabilizing and as vehicles for the promoting of hegemony. Yet, Washington, properly continues to uphold alliances and hopes that Beijing will accept them as in its best interest.

The *Defense White Paper* implies that the Chinese have concluded that alliances have outlived their usefulness and that Beijing cannot realize its interests within such a system. China is determined to be a great power, and, in Beijing's view, great powers do not rely on other nations for their security. Once Beijing has amassed sufficient strength, it may wish to manage its relations with Tokyo independently and avoid what it perceives to be Japanese dependence on the United States.

The probable reactions of Tokyo and Seoul will compound the problem. Neither would likely wish to deal with China without reasonable guarantees of U.S. support. Additionally, any effort to integrate China would seemingly necessitate some power-sharing agreement in the region. Both Washington and Beijing would have to give up some control.

Beijing is not ready to attack the alliance system directly, for two reasons. First, China made such overtures early in 1997 and retreated after

being rebuffed, mainly by the ASEAN nations. The regional nations value the U.S. presence as a counterweight to growing Chinese influence. Second, economic development makes it imperative that Beijing avoid any actions that might undercut regional stability, particularly if they raised questions about Beijing's future intentions.

China is not likely to force any issues until the future becomes more clear. However, China will take every opportunity to advance its own vision. This is based on a vaguely defined combination of bilateral "strategic partnerships," multilateral regional security dialogues, and a regionwide, confidence-building regime.

The United States and China have an opportunity to begin discussions that would enable each side to express its views of how it sees strategic interests developing over the next decade. These discussions should identify future

areas of compatibility and incompatibility and explore means of accommodating differences.

The alternative is to prolong the ambiguity that now exists. This approach would serve short-term interests but leave questions about the future unanswered; this would not be in the interest of the United States or its regional allies and friends.

## **Net Assessment**

The future of the Asia-Pacific region is murky. Its regimes are simultaneously experiencing forces of integration and disintegration. The outcome is in doubt, and no single scenario can be considered more likely than another. The future will be influenced by many countries, particularly the United States.

# South Asia: *Nuclear Geopolitics?*

**W**ill South Asia be dominated by nuclear geopolitics between India and Pakistan? If so, what will be the consequences? Recent nuclear explosions by these countries do not necessarily portend a catastrophe, but they do create major concerns.

## Key Trends

Antagonism between India and Pakistan resulted from the partition of British-ruled India in 1947 and has continued since. This is one of three factors that has shaped the South Asian strategic environment.

The second factor is India's determination to be a regional and even international power, and Pakistan's efforts to defend itself against India. This factor has led both countries to develop nuclear weapons and missiles. They are likely to become more dangerous as new nuclear weapons are developed and India's conventional military advantage grows. This could lead to a "hair trigger" mentality, if both believe that they must strike first in a crisis.

The third factor has been economic development and domestic politics in South Asia. Domestic politics in both countries has often been a source of instability, particularly since corruption

is a major problem. India's economic prospects are hopeful and will continue to outstrip those of Pakistan, whose social and economic underdevelopment exacerbates public dissatisfaction with politics and domestic crime and violence, and increases support for Islamic groups. America's ability to influence both countries, especially Pakistan, has diminished. This partly reflects the importance the United States places on nonproliferation, including its use of sanctions.

## Long-Standing Indian-Pakistani Antagonisms

Political agitation, Indian independence movements, and demands for a Moslem homeland led to British India being partitioned into two new democratic states. The first became the Republic of India with an overwhelmingly Hindu population. The second became Pakistan with an overwhelmingly Muslim population. This partition was bitterly resented by many in India.

Pakistan's founders were also dissatisfied. Even after partition, more Muslims remained in India than Pakistan. Minority communities became widely dispersed throughout India. Nearly a thousand miles of Indian territory lay

## Indian and Pakistani Nuclear Facilities



Source: International Atomic Energy Agency.

between East Pakistan, with its Bengali-speaking, Muslim majority, and West Pakistan, with its Urdu-Punjabi, Sindi, Baluch, and Pathan-speaking population. The result was Pakistan's cultural, political, and economic division. This negatively affected national unity and led to civil war two decades later.

Feelings over partition became further embittered when some 12 million refugees fled across borders, and one-half to one million deaths resulted from related political violence. There were also sharp differences over the distribution of British assets between the two states. Most of all, differences arose over India's establishment of Hindu rule over the predominantly Muslim state of Jammu and Kashmir.

Events surrounding India's accession of Jammu and Kashmir have been intensely debated in India and Pakistan and in international forums, including the UN Security Council. Jammu and Kashmir has a complex mixture of minorities, including Buddhists and Hindus. It is

also strategically located in the Himalayas, bordered by India, Pakistan, Afghanistan, Tibet, and China. Pakistan resisted India's takeover of the state in a short but bitter conflict in 1947-48. Jammu and Kashmir was divided in half between the two countries. For Pakistan, this conflict came to represent its national and Islamic obligation to Muslims. Pakistanis believed the latter were unjustly denied membership in their new state. For India, Jammu and Kashmir became an integral part of its state, something Pakistan has never accepted.

Tensions from partition led to wars in 1965 and 1971. Indian forces were dominant in both. An uneasy line of control (LOC) was established in December 1971. This was guarded by forces on both sides and observed by a small UN force (UNMOGIP) that is still in place. It is an alternative to an international border. Both sides have alerted their forces and exchanged artillery fire across the LOC regularly since 1972. They intensified in 1998, with a Pakistani incursion in 1999. However, both sides have avoided escalation into major confrontations. Each side regularly accuses the other of overtly and covertly undermining the internal stability and the integrity of the other. They also periodically accuse each other of preparing for war. The situation has been exacerbated by political tensions within both Pakistan and India. Consequently, the hostility and resentment over the initial partition have never lapsed.

Pakistan was further angered by India's open support for the Bengali revolt against West Pakistani dominance in 1971. This led to brief but bloody fighting in Kashmir and East Bengal, and ultimately defeat of the Pakistani Army. India provided Bangladesh its independence when Pakistan reluctantly accepted the Simla Agreement in 1972. Although the agreement included steps aimed at improving relations, few were implemented. Neither side ever really accepted steps that would ease tensions, increase trade, prevent mutual attacks through state-controlled media, expand communications, or increase tourism and business travel. Since 1972, tensions have waxed and waned. For example, based on strong evidence, India believed Pakistan was training and equipping militant Sikhs seeking independence or greater autonomy for the Indian State of Punjab. After years of violence, civil disorder was eliminated in Punjab by the early 1990s.

## The Lahore Agreement

The documents signed in Lahore enumerate four bilateral initiatives and commitments, subject to negotiation, and eight confidence-building measures, including:

- Advance notification of ballistic missile tests
- Notification of accidental or unauthorized use of nuclear weapons
- An agreement to prevent incidents at sea
- Cooperation in information technology in general and problems of Y2K in particular
- Consultation on liberalizing visa and travel regimes
- Creation of a committee to resolve issues relating to missing POWs and civilian detainees

Source: Statement by Karl F. Inderfurth, Assistant Secretary of State for South Asian Affairs, before the House International Relations Subcommittee on Asia and the Pacific, March 3, 1999.

In 1989, widespread armed resistance broke out against Indian rule and corruption in Jammu and Kashmir. This began a prolonged and costly confrontation in Indo-Pakistani relations. Kashmiris in the key Kashmir valley demanded independence. Some sought association with Pakistan, while others demanded at least greater autonomy. Civil disorder and kidnappings of prominent individuals increased. India strengthened its civil and paramilitary presence, and casualties mounted rapidly. Pakistan insisted it had a "moral and political" obligation to support several of the groups by providing funds, arms, and training for young Kashmiris in Pakistan-controlled areas. It also helped raise radical Islamic resistance groups modeled after the Afghan resistance. Islamic "volunteers" from Afghanistan, Pakistan, and other Moslem states joined these groups. India strengthened its military, paramilitary, and police presence even more and increased military activity, including shelling of villages along the LOC, to which Pakistan responded.

Every aspect of this continuing low-level conflict has been a matter of intense controversy. Pakistan charges that over 700,000 Indian forces are in Jammu and Kashmir. India acknowledges less than half that number. The Pakistanis claim over 60,000 Kashmiris have died, while Indians acknowledge less than half that number. Pakistanis accuse India of grossly violating human rights, a claim international human rights groups support to some degree. India denies these allegations.

Pakistan seeks international mediation of the dispute and insists that the Kashmiris must agree to any settlement through such means as a plebiscite. India argues that the two countries

must resolve this issue bilaterally, and international intervention is unacceptable. It further argues that Kashmiris can have free elections but cannot demand separation. India maintains this position, despite recommendations from five permanent members of the Security Council, other major states, and even Nelson Mandela, who convened the 1998 session of the Non-Aligned Movement.

A negotiated resolution that goes beyond just reducing tensions along the LOC is unlikely. Forces on both sides occupy long-held positions on the Siachen glacier, where more troops die from cold than enemy fire. The military on each side acknowledge that these positions have little strategic meaning. Yet, negotiations founder because each country fears that withdrawal would be regarded as a sign of weakness by the military and political opposition.

Prolonged discussions, backed by high-level political support on both sides, may be the only practical option. They could focus on the permanent status of Jammu and Kashmir and on avoiding a dangerous escalation of tensions. They could also seek to resolve other less volatile disputes and to begin to increase economic, social, and political exchange. Privately, many Indians and Pakistanis acknowledge the need for such discussions. Publicly, the prime ministers of both countries met in Lahore, Pakistan, on February 20, 1999, and issued a joint statement pledging mutual work toward better relations. Concerning Kashmir, they said, "We will negotiate sincerely on this and on all other issues." Serious talks could evolve over the next few years if new violence, terrorism, or political shocks do not occur. However, Pakistan's involvement will require political will and leadership, which has been absent. The Pakistani-backed incursion along the LOC in May 1999 shattered faith in the Lahore agreement. It will also require India's commitment to political, economic, and social reforms in Jammu and Kashmir and giving Kashmiris a stronger voice in any eventual agreement. However, these seem unlikely in either India or Pakistan.

## India Seeking Status, Pakistan Seeking Security

India's efforts to gain recognition as a major international power, and Pakistan's search for security vis-a-vis India, strongly influence South Asia's strategic environment. These motivations are unlikely to change in the near future.



**Indian soldiers at test site Shakti 1, where five nuclear devices were tested in May 1998**

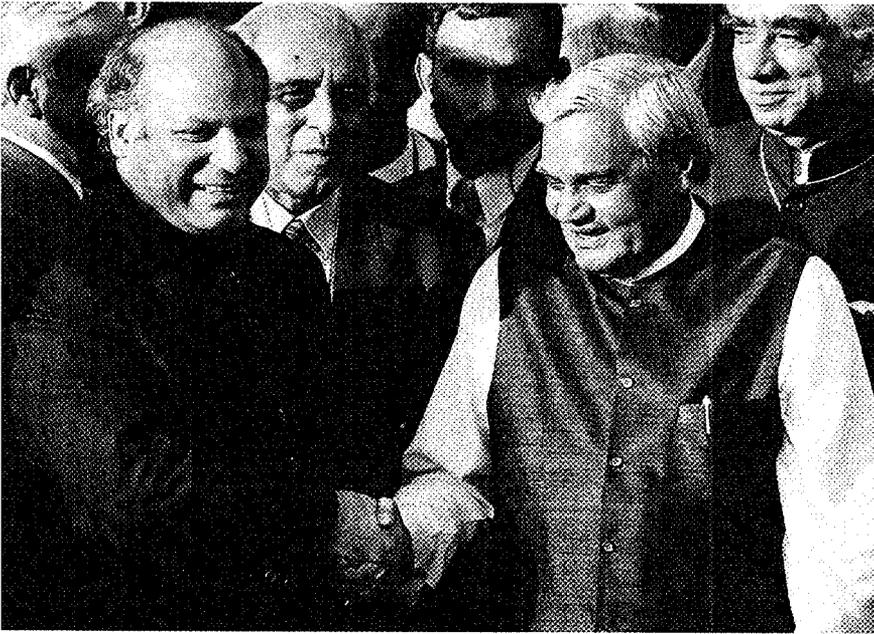
For the last 50 years, India has sought international recognition as a political and moral leader. Mahatma Gandhi was widely admired for his moral leadership that enabled British India to gain independence without violence. Jawaharlal Nehru, India's first Prime Minister and preeminent political leader until the early 1960s, largely ensured Indian democracy's stability and led the Non-Aligned Movement, which he hoped would be a counterweight to East-West tensions.

The world's largest democracy, with the world's second-largest population, India has never felt it receives the international respect it deserves from the major powers, particularly the United States. The United States has been perceived as regarding South Asia as a region of secondary importance, except when military threats were posed by China's border war in 1962 and the Soviet occupation of Afghanistan between 1979 and 1989.

During the Cold War, the United States saw India and the Non-Aligned Movement loosely linked with the Soviet Union, but not as a Communist ally. Indian criticism of U.S. policies toward China and Vietnam were a constant source of friction—at least until India's own war with China. Pakistan was a link in such U.S. alliances as the Southeast Asia Treaty Organization and the Central Treaty Organization. Except for its value in intelligence collection, the United States never saw Pakistan as the vital security interest Pakistan hoped it would be.

India's national security policies have focused on Pakistan since partition. This focus has shaped the structure and deployment of India's armed forces. However, India's defeat in the 1962 border war with China raised concern about long-term relations between the two countries. The Chinese nuclear test in 1965 caused India to rapidly develop a nuclear capability. Moreover, as a permanent member of the UN Security Council, China could influence international affairs in ways that were unavailable to India. Additionally, implementation of the Non-Proliferation Treaty (NPT) in 1970 meant China's inclusion as a nuclear power and India's exclusion from any prospect of becoming a "nuclear weapon state"—unless it defied the NPT regime. Indian policymakers saw this as a matter of national security and pride.

China was courted by world leaders, who rarely visited India, including those from the United States. China was allowed to cooperate with the United States on nuclear and space activities that were off limits to India. At some point in the 21<sup>st</sup> century, many Indians concluded, the two largest Asian powers, India and China, would become rivals not just in Asia but elsewhere. There is little evidence that China shared this perception of future rivalry. However, some Southeast Asian states, particularly Singapore, were privately responsive to Indian concerns. Today, India's relations with China remain a long-term concern.



**Pakistani Prime Minister Nawaz Sharif, left, with his Indian counterpart, Atal Bihari Vajpayee near Lahore, Pakistan, on February 20, 1999**

## Growing Nuclear Capabilities

India's test of a "peaceful" nuclear device in 1974 was not followed by further tests, although research intensified. By the early 1990s, India seemed to have the fissile material and technology for a limited nuclear-weapon capability. It had also developed missiles with ranges from 75 to 1,500 miles. India's decision to test warheads in May 1998, debated by successive Indian governments for nearly a decade, had been almost conducted 3 years earlier. Pakistan quickly followed with its own tests.

The size and number of Indian and Pakistani tests are disputed. Officially India claims that one of five tests was thermonuclear; this is questioned by analysts, who collected international seismic data. Two Indian tests appear to have been no more than 15 kilotons. Two other tests produced no seismic data that could be identified by international monitors. The Indian Government stated they tested very small weapons. The four Pakistani devices appear to be 4 to 12 kilotons.

Public opinion in both countries strongly supported the tests, but enthusiasm dropped afterwards. However, public support was sustained in both countries despite the negative world reaction. Both governments knew they would face strong international opposition and sanctions.

India estimated the economic cost at one percent of gross domestic product (GDP) growth, but assumed sanctions would not last more than a year and that India could weather the cost. The damage to Pakistan's economy caused by sanctions is more serious. It has exacerbated other economic problems and civil disorders.

India's official rationale for the tests was to provide a minimum nuclear deterrent against Pakistan and China. It believed that this had to be achieved before India was internationally confronted with joining or killing the Comprehensive Test Ban Treaty (CTBT). India's quest for international status and recognition was a major factor in its decision to test. The United States offered Pakistan substantial economic and military assistance if it did not follow India's lead. However, domestic political pressures and concerns over its security compelled Pakistan to demonstrate it had the same capability.

Both governments declared (separately and at the Lahore meeting) that no further tests were planned. Both will almost certainly sign the CTBT, although they argue strongly that sanctions should be lifted in exchange. Both agreed not to export nuclear or missile technology and to work with the United States to strengthen existing export control systems. They also agreed to negotiations on an international cutoff treaty for fissile material. However, they will clearly insist on increasing their own stockpiles until such a treaty is completed, or until an interim multicountry agreement exists that includes China, Russia, and the United States. Neither will roll back its capabilities and join the NPT, as South Africa, Argentina, and Brazil did. They will probably eschew limits on weaponizing or deploying weapons. Pakistan will watch India, while India watches China and Pakistan.

Both countries know they face complex and potentially costly problems regarding nuclear weapons. These include ensuring weapons security, command, and control, integration of nuclear weapons into military doctrine, early warning intelligence requirements, and other considerations. How either country will deal with these issues is uncertain. Both claim they seek only a "minimum credible deterrent." Neither country appears to regard nuclear weapons as employable in conflict. This is reflected in India's "no first use" policy. However, Pakistan's military officers and politicians are reluctant to commit to "no first use," fearing India's conventional military power. They have considered nuclear weapons as an "Armageddon" threat in a conventional war that could break up Pakistan.

Has the risk of nuclear war increased? Those arguing against it say a semblance of peace has existed for over 25 years. During this time, India and Pakistan have seemingly assumed each has a limited nuclear capability. Moreover, international attention is now focused on India and Pakistan. International powers will likely act swiftly and decisively to prevent war, if it seems likely.

The contrary argument points, first, to the current availability to Pakistan of ballistic missiles and to tested warheads in India for aircraft delivery. Further acquisition of nuclear weapons capability by both sides is inevitable. Second, in both countries there are great political frailties, short response times if conflict occurs, and ambiguities regarding capabilities of delivery systems. Third, the military balance between both countries has steadily deteriorated, leaving Pakistan increasingly dependent upon nuclear weapons and missiles. Additionally, terrorism in either country could jeopardize nuclear stockpiles, particularly in unstable domestic environments. The risk of nuclear conflict has increased, even though it may be by a small degree.

This danger could increase over the next decade, if both countries continue to develop and deploy nuclear-capable missiles and aircraft. The greatest danger of nuclear conflict comes from vulnerable forces and the two countries' close proximity. Little warning time is available. This engenders a "use them or lose them" mentality. The risk of accidental conflict, along with rapid, preemptive use of nuclear weapons, is aggravated by the uncertain capabilities of Indian and Pakistani intelligence agencies. Both have been prone to distortion, exaggeration, and other mistakes. The fact that both countries also have inadequate early-warning systems further compounds intelligence problems. Their relative lack of sophistication can contribute to accidents.

On the other hand, Pakistan and India have avoided conflict for almost three decades, despite considerable violence, mutual provocation, and some close calls. They may ameliorate nuclear danger by developing effective command and control systems, mutual early warning, and other confidence-building measures. They may accomplish this bilaterally, or with other governments' assistance.

The United States leads an international effort to stabilize the nuclear equation, prevent or at least minimize development and deployment of missiles, curtail further production of fissile

material, and strengthen confidence-building and safety measures. Some progress has resulted in loosening sanctions unilaterally imposed by the United States and with others on access to the IBRD and IMF.

Clearly, the framework of the nonproliferation regime has been fundamentally altered. Revising the NPT, which currently allows five nuclear powers, does not seem feasible. The United States and much of the international community is likely to oppose strongly a new class of "nuclear weapon states." This might encourage and legitimize other states' nuclear efforts. Nevertheless, the international community will have to come to terms with this issue. It will have to acknowledge the existence of these two new nuclear weapons states and end the sanctions against them, as the United States began to do in November 1998.

## Imbalanced Conventional Capabilities

Since 1947, Indian strategists have hoped to assert Indian naval power throughout the Indian Ocean. The navy remains the weakest service and has been given development priority. Over the next 20 years, the Indians hope to build a combination of nuclear and conventional submarines, one and possibly two aircraft carriers, and a variety of new missile-equipped surface ships. This fleet is intended to operate not only in the Indian Ocean and Arabian Sea, but would also respond to potential naval challenges from China in or beyond Southeast Asia. Meeting these goals will be difficult, and the probability is that India will not be a significant naval power for the next 20 years.

Seventy percent of India's weapons are manufactured under Russian license either in India or abroad. This arrangement began in the 1960s. Russian weapons are cheap and available, and the technology permits them to be built in India. This relationship continued after the Soviet Union's demise. Although India has developed some indigenous weapons, these have rarely matched Western or Russian standards. India's weak industrial infrastructure makes significant improvement unlikely in the next decade. The exception will be in the area of missiles, satellites, and information technology, where India could make significant strides. Russia will be the primary source for new aircraft, armored equipment, and submarines. Some contribution will come from French, British, and German sources. During the last decade, India

## The Taliban

To defeat the Soviets in Afghanistan in the 1980s, the United States and others supported Pakistan's decisions to aid the mujahideen who were Islamic in character and from the Pathan ethnic majority. The Soviet withdrawal and the overthrow of their puppet regime left a vacuum. For almost a decade, ethnic factions and several warlords fought bitterly but inconclusively over power. Gradually, a new political force emerged in the mid-1990s, calling itself Taliban. Led by Afghans, the Taliban had been trained in religious schools in Pakistan. With strong support from Pakistan and Saudi Arabia, the Taliban defeated its opponents by 1998, except in a few areas outside Kabul.

The Taliban is committed to unifying Afghanistan under Pathan leadership, restoring order, ending corruption, and observing strict Islamic Shariat rules. However, Afghanistan's neighbors increasingly see the Taliban as posing new threats—ethnic migration, narcotics, and politico-religious agitation. The United States and Western countries condemn Taliban's restrictive policies toward women.

The Taliban's rigid policies limit international development and relief programs. Despite its moral opposition to narcotics, the Taliban found enormous financial benefit in the opium-heroin trade, upon which many farmers relied. Drug proceeds were used to purchase arms and ammunition. The Taliban's potential threat and treatment of Afghanistan's Shia ethnic minority have aggravated Iran, itself a radical Islamic state. Iran has supported the Taliban's opposition with weapons, as well as mobilized its forces and conducted maneuvers along the border. Central Asian states, especially Uzbekistan and Tajikistan, are concerned about Taliban's potential to provoke unrest in their countries. Russia is also concerned and has joined Iran and Central Asian states in supporting the Taliban's opposition. All hold Pakistan responsible for Taliban's success; this has seriously eroded relations with Pakistan. Even China suspiciously views Pakistan's support for Taliban, fearing its influence upon Moslems in Xinjiang.

The Taliban shelters the Bin Laden terrorists involved in the U.S. embassy bombing in Kenya and Tanzania. This led to U.S. missile strikes in August 1998 against Afghan training camps used by Bin Laden and other groups engaged in Kashmir, Egypt, Saudi Arabia, and elsewhere. Some groups supported by Bin Laden are affiliated with Kashmiri rebel organizations supported by Pakistan's Interservices Intelligence Directorate.

Pakistan has provided valuable assistance to the United States in capturing terrorists. These include Amir Kansi, who killed CIA officials, and Ramzi Yousef, who participated in the World Trade Center bombing. Pakistan also helped identify and apprehend Osama Bin Laden's accomplices. However, its relationship with terrorist groups in Afghanistan contributes to Pakistan's near and long-term difficulties. The Taliban and some terrorist groups have relationships with radical sectarian groups in Pakistan.

Few options exist regarding Afghanistan. Fundamental differences make it difficult for the United States to deal with the Kabul regime as a normal government, unless its policies change dramatically. The United States has little leverage, even if it did engage the Taliban. Few states can seemingly influence the Taliban; its shelter for Bin Laden has alienated Saudi Arabia. By late 1998, even Pakistan's influence was uncertain.

The U.S. actively supports the UN-led "Six-plus-Two" consultative group, this includes Afghanistan's neighbors, plus the United States and Russia. The United States has tried to minimize suspicions that it was behind Taliban and cooperate with Iran, Russia, and others in pursuing a political settlement in Afghanistan. The United States has only been partially successful. Despite the diplomatic skills of UN Special Representative for Afghanistan Lakhdar Brahimi, and the "Six-plus-Two" group's efforts, an intra-Afghan political agreement is not yet feasible.

has explored procuring military and dual-use technologies from the United States, but nuclear tests set this initiative back. Constraints on some American exports may be gradually relaxed over the next decade, but the United States is unlikely to become a major source of military equipment or technology for India in the future.

Pakistan's military equipment comes from several sources—American, French, Eastern European, Chinese, and British. Pakistan's capabilities are less than half those of India's. The U.S. Congress passed the Pressler Amendment sanctions in 1990 which seriously set back modern conventional capabilities for Pakistan. Aside from small equipment, Pakistan's own weapons production is limited and unlikely to improve. Its ability to modernize is constrained by increasing budgetary pressures.

Today, India's active military forces number 1.2 million troops and include 39 division-equivalents and 840 combat aircraft. Pakistan has 587,000 troops, to include 25 divisions and 410 combat aircraft. Both countries are well armed. Together, they could wage a major conventional war in which WMD systems could affect the outcome.

## Strategic Considerations

Some in India have always viewed the entire subcontinent as an Indian sphere of influence. Ethnic, religious, and cultural interaction between the populations of Nepal, Sri Lanka, Bangladesh, and India have often led to tensions. India did not hesitate to use military force to help dissidents separate Bangladesh from Pakistan. It also unsuccessfully tried to assist the Sri Lankan Government to suppress a Tamil separatist movement which Indian intelligence services had earlier

helped to create. India has primarily used economic and political pressure to resolve these issues, to include dissuading Sri Lanka and Nepal from purchasing military equipment. Relations have improved in recent years, and Indian policymakers are increasingly discreet in their regional diplomacy. India's prospects for good political and economic relations among South Asian states are probably better than ever.

In terms of strategic interests, Pakistan has consistently sought support from more powerful states to balance India and to develop a nuclear capability to deter India. Pakistan has been disappointed in bilateral security relations with the United States, in membership in three U.S.-sponsored regional security instruments in the 1950s and 1960s (the Southeast Asian Treaty Organization, in the Baghdad Pact, and the Central Treaty Organization), and in its close involvement with the United States during the Soviet-Afghan War in the 1980s. Pakistan provided valuable intelligence bases for the United States in the Cold War and received military assistance and substantial economic aid. However, Pakistan felt it never was treated as a reliable partner or received the help it desired.

Pakistan shared U.S. concerns about Soviet expansionism, but its primary adversary was India. Despite ambiguous hints to the contrary, the United States never provided credible security assurances. Moreover, U.S. military assistance was often suddenly interrupted. It was cut off during the 1965 and 1971 wars with India. During the Afghan war, the United States turned a blind eye to Pakistan's nuclear program. However, in 1990, U.S. legislation barred all economic and military assistance, because the Bush administration could no longer certify Pakistan's inability to produce a nuclear device. The delivery of 71 F-16s was halted after Pakistan had paid some \$658 million. Subsequent U.S. efforts to resolve the issue by selling the planes to another country came to naught in 1998. This badly limited Pakistan's conventional capabilities vis-a-vis India, along with cancellation of such advanced U.S. weapons systems as helicopters and P-3s and the inability to acquire replacements from other countries. Pakistan was forced to turn increasingly to ballistic missiles and nuclear weapon development for deterrence and defense. In the early 1990s, China supplied M-11 missiles and technology which have a 300-kilometer range. In the late 1990s, North Korea supplied the 1,500-kilometer range No Dong, which

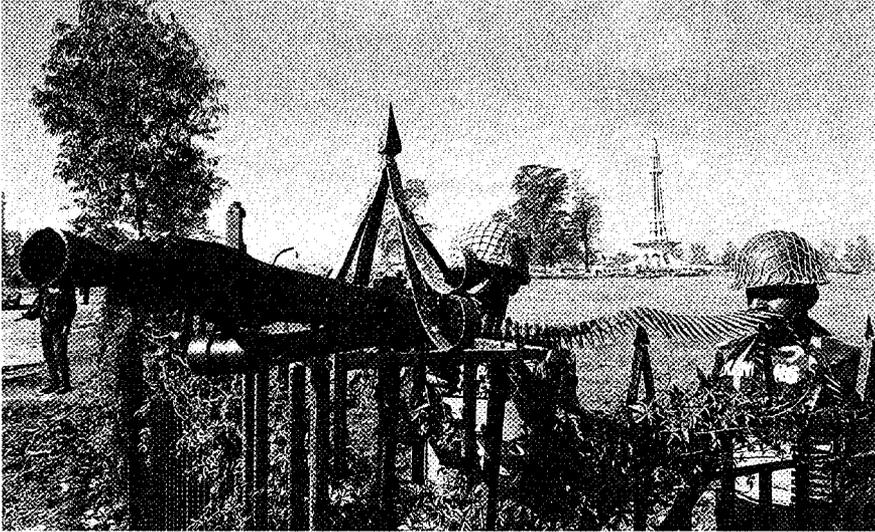
Pakistan named the Taliban Ghauri. These missiles are capable of delivering nuclear warheads that Pakistan seemingly can produce.

In the early 1960s, Pakistan turned to China for political and technological support. China's tensions with the Soviet Union and India and concern over its southwest borders made Pakistan an attractive geopolitical balance. China provided Pakistan with low-cost conventional arms. More importantly, China became a source of technology for Pakistan's nuclear and missile programs. By the 1990s, these bonds had weakened. Sino-U.S. relations had improved. The Soviet threat had ended. U.S. pressures to halt missile and nuclear technology transfers overcame China's interests in helping Pakistan, although mutual friendship and defense cooperation continued. China also sought to minimize tensions with India. Chinese technology assistance to Pakistan increasingly lagged behind that which India obtained from Russia and France. North Korea replaced China in providing Pakistan with longer range, more modern missiles. This relationship will likely continue, so long as India pursues its own longer range and solid-fuel missiles.

Pakistan's relations with the Muslim world are driven partly by common religious bonds, but also by a need for political and economic support. Pakistani laborers working throughout the Persian Gulf have sent remittances home for years; this has become a major source of income, equal to or exceeding Pakistan's cotton and textile exports. Islamic support for Pakistan was critical during Zia al Haq's military rule, when relations with the United States were strained, and especially after the USSR invaded Afghanistan. Pakistan feared being caught between India and the Soviets in Afghanistan. Pakistan also relies on Islamic support when the issue of Kashmir arises in international forums. Pakistan has reciprocated by supporting Arab causes, particularly against Israel. However, support from Islamic countries was more rhetorical than real, except during confrontations with the Soviets in Afghanistan.

## India's Domestic Uncertainty

Democratic politics are India's great strength and weakness. India's constitution is modeled after that of the United States. However, it is nearly 300 pages long and has been amended 75 times. During India's first 30 years, the Congress Party was dominant. The last 20 years have seen an explosion of parties reflecting the complexity of India's nearly one billion people, dozens of languages and dialects, and



**Pakistani paramilitary troops near Indian border**

hundreds of social caste and community divisions. Government by coalition in New Delhi and state governments is routine. This has complicated consensus building and slowed decisionmaking at every level.

In the February 1998 national elections, the Bharatiya Janata Party (BJP) became the largest single Indian party, with 25 percent of the electorate and 179 legislative seats. The Congress Party received almost the same number of votes. Political parties with mostly local constituencies won enough seats to force a coalition with the BJP. The BJP, the political wing of a social and religious group linked to several institutions, is deeply committed to a Hindu national and religious heartland in India. It is rallying many Indians seeking a strong India. It is also potentially dividing India's religious groups.

The coalition formed by the BJP in March 1998 had a relatively small majority. The BJP is also divided within its ranks and among coalition partners on many economic, social, and political issues. However, the party platform demanded nuclear testing, which was widely supported. The BJP, therefore, moved quickly to demonstrate a willingness and ability to act. The party also seeks to modernize and strengthen India's conventional forces. Its economic policies focus on supporting Indian business, but are ambiguous about foreign capital's role and the spread of consumerism in India.

The BJP government coalition collapsed in spring 1999 and continues in caretaker status. The Congress Party, however, has taken full advantage of BJP difficulties.

In the last few decades, the number of Indians living below the poverty level has gradually declined, but Indian studies differ widely over the degree of improvement. Clearly, the gap between rich and poor has grown and likely will continue growing. The rapid spread of communications is making Indians aware of modernization and the gap between them and the West.

Inadequate law and order has been a growing problem for years seriously affecting every Indian state. This problem is a consequence of poverty, corruption, tensions between castes competing for political power and jobs, and tribal groups separatist demands in India's border areas. The problem is exasperated by a growing awareness of the gap between India's "haves" and "have-nots."

Growing law and order problems have led to an increase in lightly equipped Central Government paramilitary forces. They number 1.5 million, nearly 60 percent larger than the regular army. They deal with major insurrections and prolonged challenges like those in Jammu and Kashmir, or in northeastern India's tribal areas. This paramilitary force does not include local or state police. This internal security focus will likely continue even with increasing expenditures for conventional and missile programs.

## **Pakistan's Domestic Uncertainty**

Pakistan's domestic political stability is fragile and has often been disrupted. Its 1971-72 civil war led to East Pakistan's break-away and the establishment of Bangladesh. While Karachi became Pakistan's largest city and its financial center over the last two decades, it had the world's highest crime in 1998. This is largely the result of tensions between postpartition immigrants, the native population, and sectarian gangs with powerful political backing. Small Shia and Sunni Muslim groups violently clash in the Punjab. Bandits and young Islamic fanatics increasingly threaten ordinary citizens, even in Islamabad, the capital. Tribal chiefs largely control Baluchistan and the Northwest Frontier, where a very strong Islamist, pro-Taliban presence is also felt. Government rule greatly depends on the consent of these tribal chiefs.

While Pakistan is considered a democracy, political power lies in the hands of a few clans and families that dominate the political structure. The Bhuttos and Sharifs, for example, control the two major political parties. Challengers

to these parties come from similar social-political backgrounds. Corruption has been high in most Pakistani governments, including the Pakistan People's Party (PPP) and the Pakistan Muslim League (PML) administrations. They have been in power for the last 30 years, except when the army was in control from 1977 to 1985. Feeble attempts to punish corrupt individuals are unlikely to change soon.

Pakistan's political system is unlikely to change fundamentally. The army is not inclined to return to power but influences politics behind-the-scenes. Military rule would be a possibility, although an unlikely one, if economic and social unrest could not be controlled by ordinary means. Violence in Karachi reached this level in October 1998. Prime Minister Sharif dismissed the elected government and imposed governor's rule. However, martial law was avoided, based on army and civilian preferences.

Islamic political parties have never been successful in elections, failing to produce strong candidates. Additionally, most Pakistanis do not want the mullahs to rule and have consistently rejected candidates from the Islamic political parties. However, Islamists have been able to mobilize street demonstrations and provoke extensive sectarian violence.

The Taliban experience in Afghanistan could change public attitudes. Many Pakistanis are frustrated with the existing political structure. By comparison, the Taliban has reduced crime, ended corruption, collected weapons, and protected the "common man." Islamist appeal is such that even Osama Bin Laden enjoys strong public support, even though government officials decry his links to sectarian violence in Pakistan as well as to international terrorism. Some think this experience might cause a surge in support for an Islamic party, particularly if it produces a charismatic leader. While it may be unlikely, the emergence of a more Islamic government in Pakistan opposite a more ideological Hindu government in India could generate greater tensions than South Asia has seen in half a century.

## Mixed Economic Prospects

Economic development, trade, and investment are shaping the strategic environment in South Asia. India's prospects are better than Pakistan's in the long term. India's development strategy has emphasized government planning

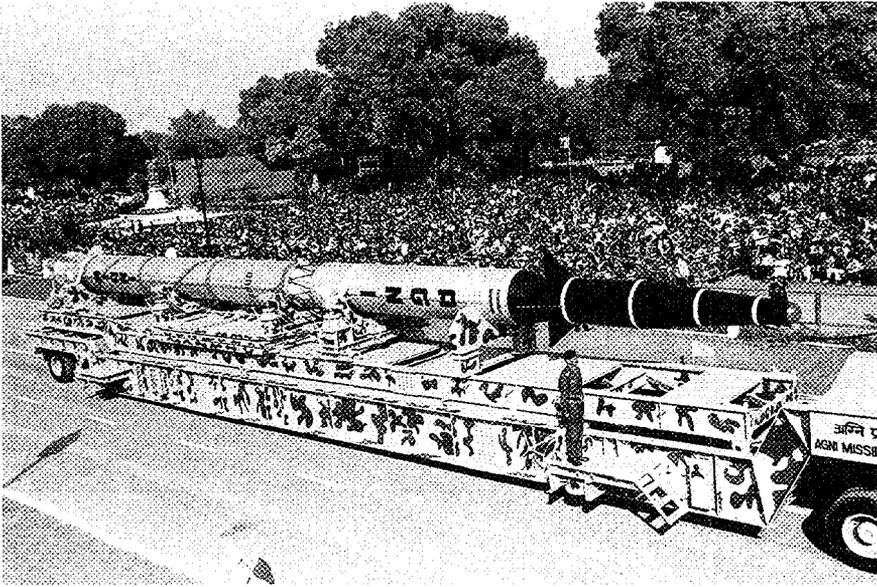
for the economy. This has meant tight control of the private sector. Pakistan started with a more pro-business approach. However, within 10 years, Pakistan turned to a more planned economy. Neither India nor Pakistan has received significant U.S. investments. The United States provided economic and technical assistance to both countries and strongly encouraged private business with India. However, economic relations have been negligible: they represent less than 0.5 percent of U.S. trade, and investment is even lower.

In the 1980s, Pakistan initiated economic reforms designed to reduce government control over investment. Faced with a growing financial crisis in 1991, India announced its own plans for economic reform that were intended to reduce government controls and encourage foreign investment. The Indian market's potential attracted the attention of the United States and other nations. The GDP rose from 4 to 5 percent in the preceding decade to 6 to 7 percent during the 1993-96 period. International corporations initiated investments, and over \$12 billion in foreign capital flowed into India in the mid-1990s. U.S. oil companies considered building pipelines and refineries in Pakistan. This would enable Central Asian oil and gas to reach the Arabian Sea and potentially the Indian market without going through Iran or the Gulf. Infrastructure development promised tens of billions of dollars in new investment for both India and Pakistan.

These plans were derailed by continuing civil war, growth of heroin trafficking, the Taliban's socio-religious policies, and tensions between Afghanistan and its neighbors. Pakistan's vision of being the commercial corridor between Central Asia and the outside world faded.

The Clinton administration saw India as one of the new emerging markets that would transform U.S. international economic relations. Hundreds of U.S. corporations that had never been connected with the region opened offices, factories, and joint ventures. By 1998, India had become a key software provider for thousands of U.S. companies. However, India lags significantly in developing a diversified economy. Its economy ranks at the bottom of international assessments.

India has major deficiencies in its infrastructure, particularly electrical power, ports, telecommunications, and transportation. These are major constraints, yet they provide opportunities for the United States to resume major economic relations with India. At the same time, such growth faces some major challenges. These include systemic problems in mobilizing domestic capital,



India's Agni nuclear missile has a range of 1,550 miles

unresolved issues in government decision-making, and major differences over foreign capital's role. Moreover, it will be difficult to overcome many of India's cultural and social constraints, such as reliance on family and caste connections in business management, employment restrictions, expectations that government will resolve problems and meet needs, and suspicion of foreign influence. U.S. involvement remains small for these reasons.

Demand for change is growing. It is being facilitated by the flood of information reaching every corner of India. In principle, India's democratic institutions provide a framework for change, but it may not always happen in ways that the United States likes. India's long-term economic prospects are essentially good. In the 21<sup>st</sup> century, India is likely to become an increasingly important economic partner for the United States and other developed countries.

Prospects in Pakistan are less promising. Weaknesses in the entire political-economic system have undercut reforms intended to reduce the role of state-owned enterprises and promote a free market. Debt payment and defense expenditures are 80 percent of the budget and have been for over a decade. Under 3 percent goes for education, health, and social programs combined. The quality of services is low and often does not reach the poorest sectors. Agriculture is

generally stagnant. Investment and savings have declined. Inflation remains in double digits. Foreign investment is moribund, discouraged by violence in such areas as Karachi. The banking system has been damaged by bad loans often made for political reasons. Finally, foreign debt has left the country on the verge of default.

Infrastructure development has been undercut by corrupt managing agencies, poor project choices, bitter political infighting, and disillusionment after plans for oil and gas pipelines were cancelled. The economy remains heavily dependent on cotton and cotton cloth exports and lacks significant diversification. In the agricultural sector, large landowners are often indifferent to long-term consequences of land use. Pakistan does not have a strong industrial base. Its literacy rate is below 40 percent. The overwhelming majority of women are excluded from all but the most menial work. Pakistan's infrastructure is weak, particularly in the areas of railroads, roads, ports, and telecommunications.

The 1998 census indicates that population growth has begun to slow. Pakistan's 130 million population was six million lower than anticipated. However, few resources will be available to correct developmental weakness in the foreseeable future. Pakistan's society is more conservative than India's. In a decade, social change is unlikely to have progressed much beyond today's levels, particularly in rural areas. Unless there is a breakthrough in the oil and gas sector, there is a low likelihood of improvements in Pakistan's economy, as well as in economic relations with the United States.

## U.S. Interests Limited, But Growing

During the 1990s, the United States has had four interests in South Asia. First, it seeks to reduce the risk of conventional and nuclear conflict between India and Pakistan. Second, it seeks to encourage better relations between the two. Third, it wants to engage India and Pakistan in international regimes on nonproliferation, environmental protection, antiterrorism, and other global issues. Fourth, it has an interest in strengthening both countries' economic and political structures and broadening economic relationships through investment and trade. Nonproliferation has been the paramount U.S. concern, pursued at the cost of the others. This was especially the case after India and Pakistan conducted nuclear tests.

Recently, U.S. interests in South Asia have been growing, because nuclear proliferation could not only destabilize the region but also have larger damaging consequences.

## Dim Prospects

Regional tensions are deep-rooted in geopolitical and historical issues. Yet, dialogues exist among all regional countries. These need to be encouraged by all parties, including the United States. These dialogues are the means of discussing and resolving these issues. U.S. influence in the region is limited. It is difficult for the United States to influence one country without adversely affecting relations with others. At some time, the United States may be more able directly to ease tensions caused by these issues, but such circumstances are unlikely to develop soon.

India seeks primarily to enhance its regional and global status. Pakistan's predominant concern is its security with respect to India and its internal stability. This latter concern is affected by Pakistan's socioeconomic structure and by developments in Afghanistan. The Taliban which, ironically, was created by Pakistan, now threatens its economic interests, as well as its domestic political stability.

In the past, both India and Pakistan have opposed specific U.S. policies. Additionally, Pakistan has close ties with some Muslim states the United States regards as rogues. However, neither is likely to join a coalition hostile to the United States or to pursue national policies explicitly threatening the United States.

Over the next 5 years, several trends are likely in South Asia. Political tension is likely to continue just short of major conflict. Moderate economic growth can be expected, approximately 6 percent annually for India and less for Pakistan. While both countries have weak governments, Pakistan has a greater risk of political instability than does India. Neither country is likely to risk large-scale conventional war or allow escalation to nuclear confrontation. Nevertheless, a "hair trigger" situation could develop. Both might conclude that they do not have assured second-strike capability; this would be further aggravated by the perception that the other side was about to attack first. Even short of nuclear war, accelerating WMD proliferation in South Asia and elsewhere endangers U.S. strategic interests.

## Controlling WMD Proliferation: The Key Interest

After Indian and Pakistani nuclear testing, the most important U.S. interests in South Asia are: preventing the dissemination of nuclear weapons and technology to rogue states and terrorists; reducing the nuclear arms race and chances of a nuclear conflict; and suppressing radical groups which might possess nuclear weapons.

Inherent in preserving these interests is the continuation of a relative peace between India and Pakistan. They also imply that the United States will persuade India and Pakistan not to weaponize and deploy their nuclear capability. Another war would endanger the region. However, it would not directly affect vital U.S. national interests, unless India or Pakistan lost control of their nuclear weapons, or such a war led to nuclear conflict; this would dangerously affect the global environment as well as the regional strategic balance.

The United States has an interest in halting the flow of weapons of mass destruction (WMD) technology to the region. This includes China's provision of nuclear-related technology as well as North Korea's delivery of missile technology to Pakistan. It also means controlling Russia's supply of missile-related technology and advanced conventional weaponry to India and minimizing Chinese and North Korean involvement in the region. This includes reducing Sino-Indian tensions and halting delivery of nuclear weapon-related supplies or missiles to Pakistan. India's development of a navy with nuclear submarines and ballistic missiles, along with aggressive claims to the Indian Ocean, would negatively affect U.S. interests.

Indian support for dissidents in Tibet, or expansion of Chinese military involvement in Burma, could significantly increase Sino-Indian tensions. Chinese initiation of a long-envisioned railroad to Lhasa would also arouse Indian concerns about the potential for enhancing Chinese military capabilities and represent a major destabilizing factor.

If immediate U.S. concerns ease regarding regional conflict and nuclear weapons control, then substantial longer term objectives could be pursued. One goal is to reconcile Indian and Pakistani nuclear regimes with the NPT, removing this obstacle to better U.S. relations. The United States has an interest in both countries viewing themselves in a much broader, regional context, rather than focusing on the last 50 years

of bilateral tension. Both countries would benefit from Central Asia's energy reserves. A cooperative effort to gain access would reduce friction and forge a common approach to stabilizing Afghanistan and working with Iran. Opening Central Asia would also serve U.S. interests.

Other long-term U.S. interests are furthering Indian economic reform and development and encouraging U.S. trade and investment. These have been hampered by preoccupation with nuclear issues and regional tensions. Achieving these interests will depend on India's access to U.S. technology and removing impediments to it. Aiding Pakistan's economy is also a U.S. interest, provided Pakistan seeks cooperation with the West.

## Consequences for U.S. Policy

The United States has only intermittently viewed India and Pakistan as a high priority in its overall foreign policy. This high priority was the result of such Cold War events as the Sino-Indian War and the Soviet occupation of Afghanistan, rather than an inherent interest in the subcontinent. Previously, the United States has sought even-handed dealings with both India and Pakistan. However, the United States has made clear a greater interest in India than Pakistan, based on its continued sanctions against Pakistan and its determination that India is a new, emerging market. In the long term, India's political and military potential is greater. This could create an asymmetry in U.S. interests with Pakistan and India, which should be recognized. However, both India and the United States would be seriously affected if Pakistan were to be destabilized or succumb to Islamist pressure.

## Pursuing a Dialogue

In 1998, a close dialogue developed over nuclear policy between Deputy Secretary of State Strobe Talbott, special Indian representative Jaswant Singh, and Pakistan Foreign Secretary Shamshad Ahmed Khan. It is a model for future dialogues between these nations even though it is probably too narrowly focused on nonproliferation. This dialogue was private, strongly supported at the highest political levels, focused on important issues, and conducted by individuals able to establish a strong personal rapport and trust. Such dialogue is not unique in U.S. foreign

relations, but it has been less common in subcontinent relations. It will take time and continued effort to succeed.

Following the imposition of bilateral and multilateral sanctions (as a result of Indian and Pakistani nuclear tests), political pressure and persuasion, along with this dialogue, have caused both countries to move closer to CTBT adherence and negotiating a global cutoff of fissile material production. This pressure and persuasion have come from the UN Security Council, G-7 countries, the European Union, China, Australia, South Africa, Argentina, and Brazil. Neither country has rushed to weaponize or deploy more missiles. Both seem to be seriously concerned about nuclear dangers. This concern has led to a series of bilateral talks on such issues as Kashmir, nuclear and missile restraint regimes, confidence-building measures, and easing trade and travel restrictions. The meeting of the two prime ministers in Lahore on February 21-22, 1999, is an unprecedented effort to move the process forward. However, the outcome will depend on the sustained political will of leadership in New Delhi and Islamabad, public reactions, and sustained interest by other countries. Above all, it will depend on continued, active U.S. involvement.

## Dealing with Proliferation

India and Pakistan are likely to weaponize and deploy their nuclear capabilities, but on a limited scale. These weapons will be difficult to monitor, no matter what restraint regime might be negotiated. Some estimate that over the next decade India could produce as many as 500 weapons and that Pakistan could produce about 100 weapons. However, neither country is likely to produce and deploy such large numbers of weapons in the next 5 to 10 years or engage in a nuclear arms race. They also will not abandon their nuclear and missile capabilities or join the NPT unless it is amended.

This outlook sets the stage for developing U.S. policy that can live with India's and Pakistan's nuclear capabilities, provided they behave responsibly regarding their deployment and nonproliferation. It means gradually moving away from rigid sanctions and nonproliferation as the dominant U.S. policy issue. This would allow the United States to improve its relations with both countries, and better help them exercise restraint and reduce tensions. It would also enable economic cooperation and development to be placed ahead of politico-military priorities, especially in Pakistan, and encourage both countries to adopt a regional, rather than bilateral approach.

The United States has no regional infrastructure for major military operations in South Asia. Should such operations be required, U.S. air forces could operate from distant bases in Diego Garcia, Guam, or the continental United States. Additionally, U.S. Navy and Marine Expeditionary Forces in the Arabian Sea and Indian Ocean might be deployed to indicate willingness to protect U.S. interests. U.S. carriers would probably be available with sufficient notice, but global requirements are a constraint on deploying U.S. forces to the region for extended periods. It is unlikely that U.S. force deployments could effectively forestall a nuclear crisis, although some technologies might be made available that could contribute to this objective.

### Reactions to War

If a South Asian nuclear war occurs, who uses nuclear weapons first makes little difference to U.S. policy. The other side's retaliation would almost be certain. The only question is whether the targets would be military or civilian. U.S. nuclear authorities estimate that a single 12-kiloton weapon detonated over any major South Asian population center would immediately cause over half-a-million casualties, and eventually up to 12 million casualties.

Intervention by other nuclear powers in an Indo-Pakistani war, with or without nuclear weapons, is remote but cannot be discounted. Certainly U.S. relief efforts would be requested and would involve significant U.S. air and naval

deployments. The United States would press other states to limit the damage to the rest of the region and the global environment.

Once international pressures from nuclear tests have ebbed, a U.S. dialogue with India and Pakistan will be critical. While previous dialogues focused on nuclear testing consequences, they should be broadened to include regular and systematic exchanges on regional security issues and the U.S. role regarding them. The U.S. Government approved the restoration of military training and exchange programs in February 1999. They should be implemented rapidly. Regional conferences organized by the United States, with senior Indian and Pakistani military officers participating, should also be revived. Ultimately, the key issues to be resolved are those affecting Indo-Pakistani relations and perceptions of mutual security.

### Net Assessment

Recent nuclear tests have moved South Asian security closer to the international center stage. Proliferation of WMD does not necessarily mean nuclear war in South Asia, but it does negatively affect the outlook for a subcontinent that already had ample problems. WMD proliferation also means the United States has increasing interests in the region. The challenge confronting U.S. policy is to deal with new, unsettled, regional geopolitics.

# Sub-Saharan Africa: *Progress or Drift?*

**A**fter many years, Sub-Saharan Africa is undergoing a fundamental transformation of its sociopolitical order that was established during the 20<sup>th</sup> century. What will be the result of this rapid and complex change? Is Sub-Saharan Africa destined for progress or drift?

The outcome of Sub-Saharan Africa is uncertain. It could be a stable region with greater U.S. commercial ties that result in corporate profits and domestic job creation. Alternatively, it could be an unstable region, drawing the United States into humanitarian disasters and conflicts that threaten U.S. interests. The future will probably be a combination of the two.

In recent years, most African countries experienced positive economic growth and moved toward multiparty electoral systems. This has brought greater expectations for peace, prosperity, and stability across Africa. President Clinton's 11-day trip to Ghana, Uganda, Rwanda, South Africa, Botswana, and Senegal in March 1998 was unprecedented. It sought to build on what was then seen as an unfolding "African Renaissance" initiated by South Africa's transition to majority rule and to forge partnerships, as well as to strengthen U.S. economic relations with Africa.

Six months after the President's visit, a war involving combatants from six African countries erupted in the Democratic Republic of Congo (DROC). A year later, Ethiopia and Eritrea were at war. Moreover, the administration's proposed African Growth and Opportunity Act stalled in the Senate.

What does Africa's complexity, diversity, and rapid change mean for U.S. policy and interests? How can U.S. foreign policy shape this highly unstable, conflict-prone region? What are U.S. interests in Africa?

## Africa's Challenge

Africa covers more than 11.7 million square miles and has more than 600 million inhabitants. There is no single Africa; rather there are 54 different countries (48 below the Sahara), and over 700 distinct nations or ethnic groups with as many languages and dialects.

Understanding Sub-Saharan Africa's complexity and contemporary geostrategic dynamics is a major challenge for the United States. Understanding Africa's natural environment is also crucial; three-fourths of the people still make their living from the land. Moreover, understanding where Sub-Saharan Africa might go depends on an understanding of where it has been—historically, politically, economically, and culturally.



**Nigerians cheering  
presidential candidate  
Olusegun Obasanjo**

## Crafting U.S.-Africa Policy

Africa is too diverse for the United States to apply uniform policy prescriptions. Its societies are moving in multiple directions. They must develop strategic frameworks and policy mechanisms for countries undergoing rapid and complex change. Africa is not alone, either. At the highest levels, all nation-states are being challenged by global market integration and, at lower levels, by the devolution of state authority to local actors.

Africa's already weak states may be experiencing the extreme effects of these global processes. For example, the West views the state as the primary means for political, social, and economic development. However, such states may not be fully functional in Africa. Similarly, ideas of boundaries and sovereignty associated with the nation-state may not be workable for some African states. Even the workings of regional and subregional organizations are complex and difficult to anticipate. Many contradictory trends make it difficult to shape Africa's multiple environments.

The most effective U.S. policy for Africa will be one that is focused and enables efficient use of limited U.S. Government resources for the region. Maximizing the limited development and

security assistance for Africa requires a coordinated interagency approach. Department of Defense peacetime engagement activities can influence African military professionalism in the midterm and contribute to regional stability over the long term. However, this military engagement must be combined with nonmilitary programs; otherwise its effect will be negligible and possibly counterproductive.

U.S. interests in Africa are unsettled and will evolve with time. No African country can threaten U.S. survival, security, or territorial integrity. Until recently, many believed that no U.S. security interests were at stake in Sub-Saharan Africa. However, the U.S. embassy bombings in Kenya and Tanzania demonstrated the error of regarding any region as a marginal security interest. In terms of U.S. security, Sub-Saharan Africa represents a flank that is also vulnerable to such transnational threats as epidemic diseases, narcotics trafficking, organized crime, and serious environmental problems.

Currently, U.S. values compel involvement in Africa. The United States has long-standing relations and historical ties with Africa. The continent is the ancestral home of 12 percent of the U.S. population, and African immigrants continue to make America their home. The United States also has significant and growing commercial interest in African markets as outlets for U.S. foreign trade and investment. Additionally, the United States receives approximately 16 percent of its petroleum imports from Africa.

U.S. involvement in Africa has been characterized by crisis-response: conducting humanitarian assistance, disaster relief, noncombatant evacuation operations, and peace support operations. However, the United States has the opportunity to develop policies and programs that can better shape the environment through coordinated interagency peacetime engagement. Future success in Africa will depend on coordinated multilateral actions that can respond to crises in the short term, and also pursue regional stability over the long term. This means increasing U.S. and other nations' investments in order to prevent state collapses and environmental disasters. Contributing to African institutions and organizations that are intended to prevent and manage conflict will save lives and resources.

## Nigeria: Unpredicted Transition

Since its independence on October 1, 1960, Nigeria has been unable to fully realize its potential as a constructive regional leader because of domestic political instability, ethnoreligious regional tensions, economic mismanagement, and corruption, largely under military regimes. Nigerians have lived under civilian government for only 9 of the country's 38 years of independent rule. General Sani Abacha's coup d'état in November 1993 and the unprecedented political repression and human rights abuses over the next 5 years dashed the hopes of Nigeria watchers for a return to civilian rule during this decade. Thus, today's political opening brought on by General Abacha's unexpected death in June 1998 was entirely unpredictable and is indicative of the rapid political reversals that characterize Sub-Saharan Africa's geostrategic environment. Abacha's successor, General Abdulsalami Abubakar, signaled a transition to civilian rule by releasing political prisoners, appointing an Independent National Election Commission, and setting dates for local, parliamentary and presidential elections to take place between December 1998 and February 1999. On March 2, 1999, former President Olusegun Obasanjo was elected president with 63 percent of the vote. He acceded peacefully to power on May 29. However, the long-term success of the transition is largely contingent on restructuring the economy to end the distortions and corruption that have resulted from preoccupation with oil and oil dependence and managing the ethnoreligious regional divisions and tensions that are a part of Nigeria's federal political structure.

In the 1970s and 1980s, rising oil production and sharp increases in world oil prices brought a boom in oil revenues that resulted in corruption, mismanagement, and rising indebtedness when oil revenues dropped. Today, Nigeria's capital-intensive oil sector provides half of its gross domestic product, 95 percent of foreign exchange earnings, and about 80 percent of budgetary revenues. In contrast, the largely subsistence agricultural sector has failed to keep up with rapid population growth. Nigeria was once a large net exporter of food but now must import food. Unemployment has remained around 30 percent since the early 1990s. Overdependence on oil and lack of transparency and accountability in managing the multibillion dollar oil earnings have limited growth while enriching a small elite, especially military officers. A successful return to civilian rule will require the new government to diversify the economy and stamp out official corruption. This will require weaning senior officers from their access to oil revenues and paying a respectable wage to the armed forces, especially middle-ranking officers.<sup>1</sup>

The military also suffers from regional and ethnic strains. All five of Nigeria's military regimes have been dominated by northern officers, drawn heavily from the Hausa-Fulani elite. In the latest failed transition to civilian rule, General Ibrahim Babangida, a northern Muslim who seized power in 1985, suspended and then annulled the June 1993 elections after it became clear that Chief Moshood K.O. Abiola, a wealthy Yoruba Muslim businessman from the south, had won. The 7-year transition program could not survive political power moving to the south. Nigeria remains plagued by its complex ethnic and religious regional divisions, with the Muslim Hausa-Fulani of the north holding political power, while socioeconomic power resides with the Christian and Muslim Yoruba in the industrial southwest, and with the Igbo of the oil-rich southeast. Nigeria's federal system barely holds together its more than 270 ethnolinguistic groups and three distinct regions. Northerners have headed the federal government for 34 of the 38 years since independence. The Yoruba, Igbo, and ethnic minorities are increasingly unwilling to accept northern control over the federal government. It remains to be seen to what extent Nigeria's military will stand on the sidelines and allow the political process to produce a "national" civilian leadership. Nigeria faces daunting challenges not easily managed by civilian officials nor military officers. Its fate will have a large impact on the subregion and on U.S. interests. Nigeria is the major power in the Economic Community of West African States (ECOWAS) and the West African Peacekeeping Force (ECOMOG).

## Key Trends

Assessing Africa's trends requires setting a historical perspective. Future probabilities cannot be determined based on last week's or last month's events. Even progress and setbacks over the past decade may seem insignificant relative to Africa's 2,500 years of political development. This period has seen the rise and fall of empires, kingdoms, city-states, and colonies. Cultures have flourished, withered, and endured. The Atlantic slave trade, which claimed over 18 million African lives, still shapes American perceptions of the region. Assessing Africa's future depends on an understanding of the history that set the stage for current trends and future developments.

Three factors are changing Africa's strategic environment: mixed economic growth and political progress; regional conflict and resolution; and growing informal strategic networks. Each factor reflects positive and negative trends that set the context for U.S. engagement in Sub-Saharan Africa.

## Marginal Progress

Africa is neither sliding into hell nor ascending to heaven. Rather, it is making progress at the margins. However, its future is uncertain given the region's dramatic changes and complexity.

This past century, Africans spent nearly 70 years under foreign rule. The end of colonial rule resulted in great optimism in the early 1960s and expectation of rapid democratization and economic modernization. Hope dwindled in the

1970s and 1980s with a rash of coups d'état and military dictatorships, economic stagnation from mismanagement, corruption, and commodity price shocks, and intense civil wars prolonged by Cold War geopolitics. The 1990s have seen hope reborn. Civil wars ended in Mozambique, Ethiopia, Liberia, Namibia, and South Africa. Moreover, South Africa transitioned to majority rule, and more countries instituted multiparty electoral systems and economic reforms.

Yet, progress is uneven and easily reversible. Last year, Liberia was plagued with internal instability. South African crime is increasing. Ethiopia and Eritrea wage a violent border dispute. Mobutu Sese Seko's removal in Zaire (renamed Democratic Republic of the Congo), has not resulted in a more democratic and stable regime under the new President, Laurent Kabila. Armed rebellions have occurred in Sudan, Angola, Uganda, Sierra Leone, Senegal, Guinea-Bissau, Congo-Brazzaville, Central Africa Republic, and the DROC. Genocide occurred in Rwanda. Africa's countries are undergoing domestic and interstate political realignment that will remain unresolved in the foreseeable future.

### Stability Contingent on Key Countries

A few African states can significantly affect subregional development because of their territorial size, population, military and/or regional economy and strategic resources. South Africa and Nigeria are the most important in this regard. They have the potential to be major powers in Southern and West Africa, respectively. They also could be key players across the continent and worldwide.

The DROC also possesses vast mineral wealth and a strategic geographical location. It is in the center of the continent and borders the Central African Republic, Sudan, Uganda, Rwanda, Burundi, Zambia, Angola, and the Republic of the Congo. Its mineral deposits have made it the subject of international and regional competition for two centuries.

Other states—Angola and Zimbabwe in southern Africa, Uganda, Kenya, and Sudan in East Africa, and Ghana and Senegal in West Africa—will have less impact, but still an important influence.

Forecasting Africa's highly fluid environment is inherently difficult as demonstrated by recent dramatic shifts in South Africa, Nigeria, and the DROC. Ethiopia and Eritrea's border dispute that began in May and June 1998 and produced war in 1999 also was unexpected, and it exemplifies the fluidity of today's Africa. So does Nigeria's equally sudden about-face from a failing dictatorship to full elections. Ethiopian President Negasso Gidada, Prime Minister Meles Zenawi, and Eritrean President Isaias Afwerki were considered close, personal friends who had collaborated for years to overthrow the bloody military regime of Mengistu Haile Mariam of Ethiopia and had coordinated the policies of their two countries that emerged after the war. Only in retrospect are indicators of a deteriorating relationship apparent. The turning point was Eritrea's decision to issue its own currency and Ethiopia's responding demand for hard currency in cross-border trade. It is still difficult to understand why intensive conflict prevention efforts by the Organization of African Unity (OAU), The United Nations (UN), the United States, and others failed and why the two governments decided to expend major funds on heavy weapons and risk serious material and human lives in a major war over minor pieces of territory.

### Uneven Economic Growth

African economies have performed well the past 4 years. In 1997, 27 African countries had annual growth rates of more than 5 percent. Overall African GDP growth in 1997 ranged from -8.7 percent to 12.7 percent. Only three countries experienced negative growth in 1997, compared to two in 1996, six in 1995, and twelve in 1994. Economic growth rates, in 30 out of 53 African countries outstripped population growth rates, leading to increases in per capita income.<sup>2</sup> Africa's 2.9 percent GDP growth matched global

#### Economic Performance Indicators of Africa, 1993-97

(Percentage growth rate)

Indicators	Gross Domestic Product Growth	Oil-Exporting Countries	Non-Oil-Exporting Countries	Least Developed Countries
1993	0	-0.3	0.1	-0.4
1994	2	1.4	2.6	-0.7
1995	2.7	3.1	2.4	4
1996	4	4.2	3.7	4.5
1997	2.9	3.6	2.3	2.4

Sources: Economic Commission for Africa, Monthly Bulletin of Statistics (New York: United Nations).

**Subregional Growth Rates 1993–97**

(% p.a.)

Sub-Region	1993	1994	1995	1996	1997
Africa	0.5	1.8	1.8	4.4	2.8
North Africa	0.5	2.5	3.4	4.2	3.7
West Africa	-9.2	-1.3	5	4.4	3.8
Central Africa	2.4	4.5	4.9	4.3	3.5
Eastern Africa	1.5	2.5	2.5	3	2.4
Southern Africa	0	2	2.7	4	2.9

Sources: Economic Commission for Africa, Monthly Bulletin of Statistics (New York: United Nations).

**Africa's Trade and Commodity Prices, 1993–97**

Indicators	1993	1994	1995	1996	1997
Africa's Share in World Trade	2.4	2.4	2.2	2.0	1.9
Oil Price (Brent Crude \$/b)	16.8	23.9	20.5	22.1	20.0
Non-Oil Commodity Price*	2.8	22.1	5.9	-6.3	7.6
Consumer Prices*	29.5	38.7	33.1	25.1	28.3

Sources: Economic Commission for Africa, Monthly Bulletin of Statistics (New York: United Nations).

**Sectoral Growth, 1993–97**

Sectoral Growth	1993	1994	1995	1996	1997
Agricultural Output	0.9	3.9	1.5	5.2	1.7
Mining Value-Added	-0.5	-0.5	-0.2	6.5	3.8
Manufacturing Value-Added	-0.8	2.9	4.5	2.5	2.5

Sources: Economic Commission for Africa, Monthly Bulletin of Statistics (New York: United Nations).

economic trends, although it lagged behind the 5 to 6 percent regional growth rates of Latin America/Caribbean, and Western Asia.<sup>3</sup> At the subregional level, 1997 growth rates fell from their 1996 levels.

North Africa and Southern Africa experienced the largest decline. Unfavorable weather drastically reduced agricultural production. In North Africa, only Sudan's exports increased, reaching nearly 10 percent. In Southern Africa, 1997 growth rates fell from 2.5 to 2 percent in Zambia, Zimbabwe and Malawi. In contrast, Botswana, Mozambique, and Swaziland's growth rates were 5 percent, 6 percent, and 6.3 percent respectively—higher than 1996. West Africa's economic slowdown was attributable to the larger subregional economies—Côte d'Ivoire, Ghana, and Nigeria. However, Benin, Burkina Faso, and Mali had positive growth. Central Africa's decline in growth was due to internal instability, especially in Burundi and the DROC. The latter achieved positive growth in 1997, but conflict has reversed that. East Africa's economic slowdown was primarily weather-related. Rainfall destroyed crops and damaged infrastructure in Kenya, Somalia, and Uganda.<sup>4</sup>

Africa's participation in the global economy represents only 1.9 percent of world trade in 1997. This minor participation has shielded it from the creeping world recession that began in Asia. Nevertheless, Africa's reliance on export-led growth makes it vulnerable to global economic downturns caused by the Asian currency crisis. The region's overall GDP fell from 4 percent in 1996 to 2.9 percent in 1997, largely because of declining oil prices and *El Nino's* negative effect on agricultural production. Lower oil prices, however, were offset by increased oil exports. As global demand and prices decline, African countries can be expected to increase such key exports as oil, gold, and industrial minerals, such as copper. This increased output, along with the Asian economic crisis, will further reduce prices and slow Africa's economic recovery. Improved food production and international trade are needed to reverse the two decades of stagnant growth. Economic growth over the long term will require addressing Africa's deeper structural problems. Essentially, Africa's economies are the result of the colonial period. They are oriented on exporting raw materials, which leaves African economies highly vulnerable to outside shocks. Additionally, Africa's agriculture production is not only vulnerable to adverse weather, it is also negatively affected by deteriorating infrastructure—roads, railways, airways, and harbors. This is especially problematic in conflict areas like Sudan, Angola, and Congo. Transportation infrastructures do not adequately connect farmers with markets. Improved pricing

**Sectoral Growth, 1993-97**

Sectoral Growth	1993	1994	1995	1996	1997
Agricultural Output	0.9	3.9	1.5	5.2	1.7
Mining Value-Added	-0.5	-0.5	-0.2	6.5	3.8
Manufacturing Value-Added	-0.8	2.9	4.5	2.5	2.5

Sources: Economic Commission for Africa, Monthly Bulletin of Statistics (New York: United Nations).

systems and infrastructure development can improve agricultural production, which is the livelihood for most Africans. In addition to instituting macro-economic reform, most African leaders encourage foreign direct investment to achieve growth and sustainable development. In 1997, the International Monetary Fund extended Structural Adjustment Facility agreements to 22 African countries. To varying degrees, African officials have devalued exchange rates, lifted import restrictions, reduced state spending, and ended agricultural subsidies. While foreign direct investment in Africa has grown, the amounts and impact remain limited. Countries in Sub-Saharan Africa, including South Africa, received only \$2 billion out of \$206 billion in private foreign direct investments to developing and transition countries in 1997.<sup>5</sup> Foreign investors often seek mineral concessions or invest in highly strategic sectors; this does little to help Africa's problems in agricultural production or to create jobs to alleviate poverty. The results of economic reform and increased trade have been mixed. Despite positive growth, it is estimated that over half of Africa's population will live in poverty by 2000, with 220,000 defined as income poor.<sup>6</sup> African economies remain burdened by foreign debt, widespread poverty, and high unemployment.

Competition over scarce resources will strain ethnic, racial, and religious divisions. Land and food shortages place tremendous pressure on Africa's populations. Environmental circumstances, such as low erratic rainfall, drought, and depleted soils, negatively impact human health and development and economic production. High unemployment has led to growing crime in many African urban areas. Some 30 African cities have populations over one million, with 25

having one to five million inhabitants. Five African cities—Lagos, Kinshasha, Johannesburg, Khartoum, and Cairo—have between five million and ten million.<sup>7</sup>

Persistent poverty and social decline also enable groups to be easily manipulated and mobilized against perceived threats to their fragile existence. For example, Rwanda's high population density, overcrowding, and rapid economic decline were the backdrop for Rwanda's genocide in 1994. Political hard-liners mobilized Hutu resentment against the Tutsi population. The Hutu had long resented the Tutsi for their social advantage that had grown out of Belgian colonial rule. Unscrupulous leaders manipulated this hostility to maintain their personal dominance and block democratic reform and ethnic power sharing.

## Democratic Rule and Political Liberalization

African countries are moving toward more democratic regimes. In the 1970s, nearly 60 percent of African countries experienced military rule or coups d'etat. Today, only four governments are the result of coups: Niger, Gambia, Burkina Faso, and Burundi. Military revolts and armed insurgency still remain alternatives to elections. However, the region's elected governments have more than quadrupled over the past decade. Elections are held regularly in at least 22 Sub-Saharan African countries. Nigeria is the latest.

Some countries are allowing greater freedom of the press and more independent judiciaries. As a result, human rights issues receive greater attention than previously. African women are also playing a more active role in policymaking and conflict resolution. Their role in Africa's future development is pivotal. Women constitute the majority of agricultural subsistence workers. Following war, they shoulder the burden of social reconstruction as new heads of households. The status of African mothers also has special significance, with more than half of Africa's population under 15 years of age.<sup>8</sup> Yet, African female enrollment in primary and secondary education lags behind males by one-third. Their continued advancement will partially depend on educational access, employment opportunities, and improved health care.

Paradoxically, the initial opening of African governments to multiparty elections has seen more violent competition. Party demonstrations

## Democratic Republic of the Congo: Hope Beyond Reason

When President Laurent-Desire Kabila overthrew the government of Mobutu Sese Seko in May 1997, Zaire, renamed the Democratic Republic of the Congo, was widely considered a "failed" state. The central government lacked administrative reach beyond the capital, the national currency had lost value and was replaced by local notes and a barter economy, and the national army's loyalty and discipline were unreliable. Thus, the expectation that President Kabila could easily establish political, economic, and military control in the vast territory of more than 2 million square kilometers within 1 year represented hope beyond reason. President Kabila seized control of a country that was "divided, demoralized and bankrupt." President Mobutu's 32 years of rule, from November 24, 1965, until forced into exile on May 17, 1997, was "marked by economic and institutional decay and by corruption and repression on an enormous scale."<sup>9</sup> Mobutu's unpaid military largely dissolved in the face of the rebel march to the capital city, Kinshasha. Then, as now, the rebellion began in the east, largely in response to the central government's inability to prevent Hutu militia from using Congolese territory for cross-border raids into Rwanda, and the related failure to recognize fully the Banyamulenge or Congolese Tutsis as citizens deserving government protection. Both Mobutu and Kabila failed to open the political system to unarmed democratic forces to begin the long process of addressing three of Africa's most enduring challenges: ensuring the respect and defense of territorial sovereignty, given artificially drawn borders, clarifying the meaning of citizenship, given ethnic based communal identities, and exercising political leadership in the context of weak administrative systems and the state apparatus, including questionably loyal security forces.

and labor strikes are legitimate political expressions across Africa. They can quickly escalate into volatile confrontations with poorly trained and undisciplined police. The lack of police and judicial professionalism exacerbates public disorder, insecurity, and crime. It also encourages military involvement in internal security. Such deployments undermine civilian control, because armed forces may become more politicized with each intervention.

Another problem that plagued independent Africa in the 1960s and 1970s has returned with a vengeance: suppression of the press. There is increasing pressure upon editors and journalists, as well as newspapers, in a number of African countries, for example, Zimbabwe, where the media have become relatively free. Over time, modern technology, such as the Internet and satellites, will overcome censorship, but for the near future, this might be a major obstacle to greater democracy and a source of serious internal and external tensions for African regimes.

Authoritarian rule in Africa dates back at least to colonialism, when European governors

ruled by decree. In many cases, this rule precedes the colonial period. It will not easily give way to institutionalized democratic processes. The idea of sharing power with opposition parties or of responding to popular will is not widespread. Normal political competition that results in less ethnic conflict will depend on adherence to the rule of law and government accountability. Moreover, democratic progress will only be achieved when African heads of state share authority with parliaments and cabinets—consulting them before, rather than after, taking action. Transforming today's system of power and patronage will be a long-term process. Nigeria's progress serves as a hopeful indication of the future.

## Conflict and Resolution More Regionalized

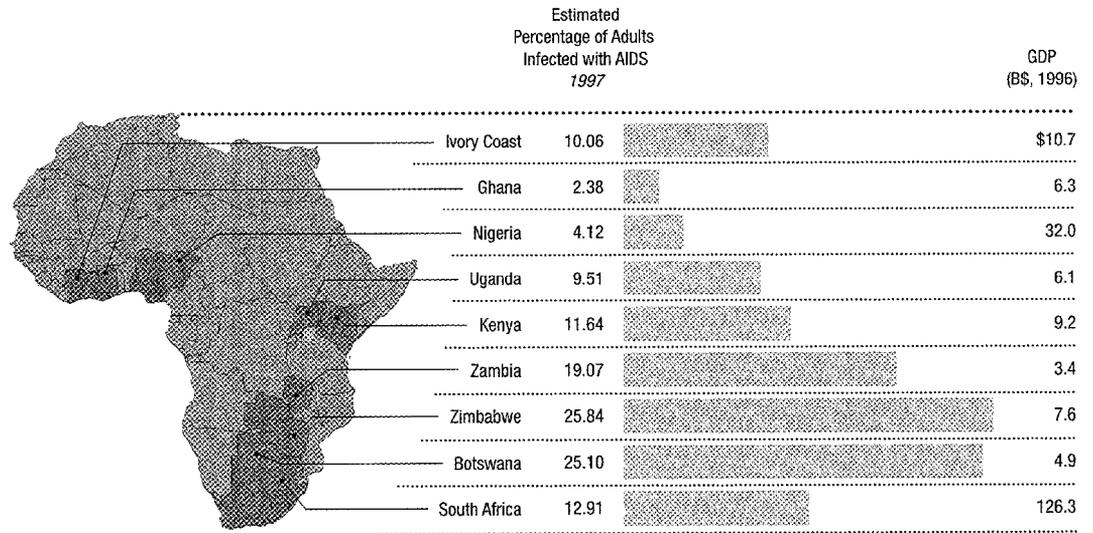
Political competition resulting in armed conflict continues in Africa, despite development of subregional organizations to promote dialogue and conflict resolution. Pressures to transform state entities and territorial boundaries inherited from the colonial era will remain a source of civil wars, border skirmishes, and interstate military intervention.

The social and humanitarian consequences are vast and will be felt years after hostilities end. Civilian noncombatants are often the victims and even targets of war. The long-term human effects—loss of limbs, other maiming, and psychological trauma—are profound. In the 1994 civil wars of Rwanda and Sierra Leone, life expectancy fell to 23 and 34 years of age, respectively. Life expectancy in Sub-Saharan Africa is 50 years due to the spread of diseases, lack of fresh water, and inadequate health facilities.

Civilian noncombatants are displaced from their homes during conflict. Refugee movements in the millions destroy the environment, contribute to the spread of disease, destabilize neighboring states, and damage the infrastructure. This is in addition to the destruction caused by combatant forces. Extensive technical and financial assistance is required for reconstruction. This effort includes restoring basic services demobilizing forces and reintegrating them into society.

AIDs alone ravages the continent. In 1997, an estimated 2.3 million people died of AIDS world wide. About 83 percent of AIDs deaths were in Sub-Saharan Africa. Two-thirds of the world's HIV population, some 21 million people, live in the region. If this trend continues, AIDs is

**African Epidemics**



Source: World Bank, *World Development Indicators: UNAIDS*, *The New York Times*, November 15, 1998, 20.

expected to reduce African populations in the next 10 to 15 years.<sup>10</sup>

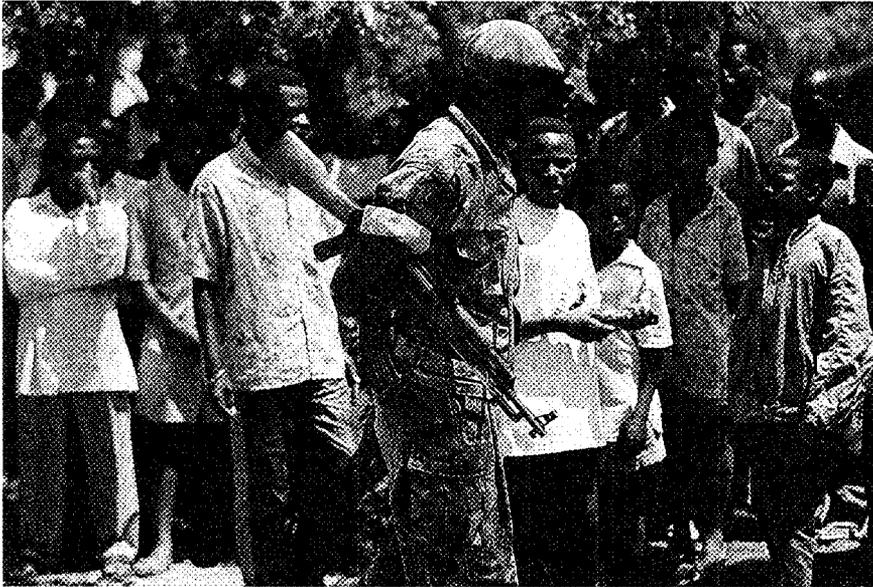
The distinction between civil war and interstate war has diminished as states sponsor dissidents in neighboring territories. War by proxy is not new in Africa. In the 1980s, South Africa's destabilization campaign supported rebels in Mozambique, Angola, Zambia, and Zimbabwe. Today's regional wars, characterized by the clash of rebel forces and national armies from multiple countries, will continue.

Conflict in the DROC could engulf North, East, and Southern Africa in war, with bleak prospects for a negotiated settlement. Armed forces from six African states have deployed to the DROC. Zimbabwe, Angola, Namibia, and Chad support President Kabila. Uganda and Rwanda support the rebel faction led by Dr. Wamba dia Wamba. President Kabila has also received sporadic military assistance from irregular forces. The motives for deployments to DROC vary among the countries. Angola, Rwanda, and Uganda seek to end insurgent border incursions from DROC. Zimbabwe, Namibia, Angola, and Chad have alliance commitments. Zimbabwe and, again, Angola seek economic access to DROC mineral resources. Libya has also tried to involve itself in this complex conflict and negotiations because of its anti-Western posture. It also seeks to bust the (Senator Frank) Lautenberg sanctions by courting African countries. The

conflict in the DROC is becoming linked to other conflicts in the region, making any settlement more difficult.

Regional interlocking wars in more than one subregion can overwhelm the weak OAU. It has shown capacity for resolving African disputes, although it has sought a conflict resolution mechanism. Africa's main subregional organizations are the Southern African Development Community (SADC), ECOWAS and its monitoring group, ECOMOG, and the Intergovernmental Authority on Development (IGAD). Their persistence as institutions has been impressive, despite limited resources and limited success in resolving Africa's conflicts.

The fragility and strength of Africa's subregional institutions are demonstrated by the rapid spread and escalation of interstate conflict in the DROC and the long series of peace talks in Victoria Falls, Addis Ababa, and elsewhere. The West viewed the split within the SADC as ominous. Zimbabwe, Angola, and Namibia sent forces to back President Kabila's regime, which South Africa opposed. Conversely, SADC members have sought to resolve differences using the institution's forums, rather than abandoning it. IGAD was weakened by Ethiopia and Eritrea's confrontation; this interrupted its efforts to politically settle the Sudanese civil war. However, it remains intact.



**A government soldier in Makobola, southeastern Democratic Republic of Congo, the scene of an attack by rebels killing more than 100 civilians**

Members of subregional organizations have shown the ability to use military force to influence regional outcomes. Certain SADC and ECOMOG states deployed forces to reverse rebel successes in the DROC and in Sierra Leone. Nigerian forces, as ECOMOG, intervened to save the legal government of Sierra Leone. However, the application of force has resulted less from collective decisionmaking and more from member states' desire to demonstrate their power and initiative.

Over time, subregional organizations will either develop or degenerate. The new government in Nigeria may adopt a more collegial and less dominating approach to ECOWAS and ECOMOG, sharing with Ghana, Ivory Coast, and others. This would significantly strengthen its ability to resolve conflict in West Africa. The long-term objective is to develop confidence-building measures that prevent major diplomatic divisions and armed conflicts.

### Expanding Informal Networks

Informal political, economic, and security networks should not be overlooked or underestimated. Personal patronage and loyalty are central features of African politics. University and military service ties are especially salient. However, none is relied on more than family relations.

Accurate prognosis for Africa requires an understanding of these informal relations. Personal financial interests, business deals, and private corporate networks influence foreign policy decisions and geostrategic outcomes. This has been

seen repeatedly in the widespread competition for access to vast natural resources in the DROC. Zimbabwe's recent military intervention in the DROC was about more than upholding state sovereignty. It also sought to expand private business and financial interests, including those of Zimbabwe President Robert Mugabe.

Private security companies and mercenary groups are filling the security vacuum left by Western and Eastern Bloc states that no longer will prop up African regimes. Military assistance and support are becoming more privatized. Security firms like the British company, Sandline, and a South African mercenary group, Executive Outcomes, have trained, equipped, and sometimes fought alongside African forces in Sierra Leone, Angola, and Zaire. Reportedly, Executive Outcomes has made deals to provide services to both sides in the DROC conflict.<sup>11</sup> Large-scale, small-arms trafficking inevitably accompanies such multifaceted conflicts.

Africa's past wars were largely anticolonial and ideological campaigns, often assisted by non-African states. Today's conflicts are driven by personal and corporate interests, as well as those of individual African states. Arms manufacturers and dealers, mercenaries, rebels, and corrupt government officials all profit from short-term war and control of strategic minerals.

The informal economic pattern reflects the region's complexity. Formal and informal economies, such as barter systems and stock markets, exist side by side. Economic trends indicate increasing regionalization and informality in African economic activity. Economic assessments do not come close to capturing African entrepreneurial activities. Many respond to market forces and escape taxation through cross-border trade, smuggling, and parallel markets. Rural hinterlands often are separated from the capital's economies. They are forming regional trade networks such as the "great lake zone" of eastern DROC, Kenya and Tanzania, and "greater Liberia", which encompasses parts of Liberia and Sierra Leone.

Indigenous nongovernmental organizations are numerous and widespread in Africa, compensating in part for both authoritarian tendencies and deterioration of state institutions. "Civil society" appears to be a normal state of affairs for Africa. However, in most countries the NGOs are so numerous, so limited in terms of national influence, and so much at odds with one another,

## South Africa: Unforeseen Success

At the beginning of the decade in 1990, South Africa was gripped in political violence, and the prospect that a successful political transition to majority rule would occur within 4 years was not generally foreseen. In April 1994, an ANC-led Government of National Unity was elected and a new non-racial democratic constitution entered into force on February 3, 1997. Levels of political violence have dropped significantly since the abolition of apartheid, but tensions remain high in some areas, especially parts of Kwa Zulu-Natal Province. Despite fear of violence this year, the June 2 elections went off peacefully throughout the country. The ANC, led by President-elect Thabo Mbeki, won 266 of Parliament's 400 seats (up from 252 in 1994), with a majority in all but 2 of 9 provincial elections. The main security threat to South Africa is a rise in violent crime and organized criminal activity that the domestic police have thus far proven unable to curb. The underlying cause of crime in South Africa is chronic poverty among the majority African population. Income inequality in South Africa remains among the world's most extreme. South Africa's major challenge is to transform the economy to maintain economic growth while achieving a more equitable distribution of wealth and redressing the socioeconomic disparities created by apartheid. Unemployment is officially stated to be about 30 per cent. The South African Government estimates that the economy must achieve real growth at a minimum of 5 to 6 percent to offset unemployment and to absorb the more than 300,000 workers entering the labor force annually. South Africa's annual growth rate is estimated at between 1.5 and 1.7 percent for FY97-98 and at 3 percent for FY96, far below the needed rates to reduce unemployment and alleviate poverty. Although South Africa's economy is more diversified than all other Sub-Saharan African countries, two-thirds of its exports are still based on its rich mineral resources. South Africa is the world's largest exporter and producer of gold. Platinum, chromium, and coal are also significant exports. Fluctuations in the price of these commodities have an immediate economic impact, with exports and imports accounting for 44 per cent of GDP. In 1997, the world price of gold fell, and South Africa's gold production was affected by the declining quality and quantity of the ore milled, which fell to 484 tons produced in 1997 down from 495 tons in 1996.<sup>12</sup>

South Africa's internal security and regional military effectiveness are directly tied to its economic fortunes. Significant resources are needed to restructure and retrain the South African Police Service to handle growing crime while abandoning its apartheid-era militaristic practices. Deaths in police custody and as a result of excessive force remain serious human rights problems. The difficulties experienced by the South African National Defence Force in ending the mutiny of Lesotho's military units in September may forecast the effect of limited resources for military readiness. In 1995-96, military expenditures totaled \$2.9 billion and represented 2.2 per cent of the GDP. There are between 6 and 10 million military personnel in the South African National Defence Force. Military expenditures on housing and salaries can help to alleviate South Africa's social disparities in the short term. Adequate resources are also needed for equipment and logistical upkeep and training exercises. The planning and execution problems with the Lesotho deployment and reports that scheduled peacekeeping exercises were canceled for 1997 because of financial constraints can only undermine subregional security over the medium and long term. South Africa will remain the regional economic and military leader; however, it will continue to pursue its interests through subregional and continental organizations, such as the SADC and the OAU, while the government concentrates on internal reform efforts, especially in the economic sphere.<sup>13</sup>

that their effect is limited—even when supported by foreign NGO or governmental programs.

Africa will continue to be a place of considerable political and economic differences. Small-scale polities have significant, if not greater, impact on lives than do national governments. Many forms of authority coexist, and the notion of borders and frontiers requires reconsideration. Personal, family, communal, and business ties constitute intricate webs that extend across the continent. Political, economic, and social traditions date back to and before the colonial period. They will remain an underlying force for cooperation and intense conflict in Africa.

## U.S. Interests

U.S. interests are not static. Rather, they are evolving. Cold War interests are past. Others will emerge. Sub-Saharan Africa may provide growing markets for U.S. goods in the midterm if Africa's purchasing potential is nurtured now.

Ultimately, this would help the U.S. economy and trade balance. The United States also has an interest in seeing democracy and development take root in Africa. This is especially true in South Africa, which has become a powerful symbol of the promise that democracy holds. Essentially, the United States pursues the same objectives in Africa as elsewhere. It seeks to promote regional stability, economic prosperity, and democracy, and to combat transnational threats.

Promoting stability in Africa enables U.S. access to the region, to include its oil and other strategic resources. Promoting democracy and better economic development can help counter narcotic trafficking, epidemics, and environmental problems. Such achievements are needed to forestall massive humanitarian tragedies. The challenge is to move from today's crisis-response mode to peacetime engagement that positively shapes the region. The bigger challenge is do this at a time when the nation-state in Africa

is eroding and subregional institutions have not fully matured.

## Regional Peace and Stability: A Key U.S. Interest

Sub-Saharan Africa has many security challenges, but the United States tends to become involved in those requiring humanitarian assistance. Domestic pressure to respond to African humanitarian needs is unlikely to abate. African-Americans, environmentalists, development specialists, human rights advocates, and others will remain an organized constituency for U.S. involvement in Africa.

The United States also has pragmatic reasons to promote regional peace and stability. What U.S. interests would be affected if the Congo collapses, Nigeria is engulfed in turmoil, Sudan disintegrates, Angola explodes, or genocide resumes in Rwanda? The subregional implications of any of these events would be immense, and the United States and its European allies would be faced with very stark choices. The United States and Europe receive important oil and mineral resources from Nigeria, Angola, and the Congo. The spread of regional conflict threatens U.S. access to key energy resources and encourages the growth of such transnational threats as terrorism, epidemics, and conventional and chemical weapons proliferation. They could unexpectedly harm U.S. citizens, forces, and installations. The deliberate killing of U.S. and U.K. tourists in Uganda by Rwandan Hutus operating out of the DROC in February 1999 illustrates how dangerous the situation is in several countries. After President Clinton's condemnation of the world's delayed response to genocide in Rwanda, the United States would be hard-pressed to do nothing and still claim global leadership.

Following Somalia, the U.S. response to African conflict has been to evacuate U.S. citizens and other foreign nationals. Tremendous resources have been expended for this limited purpose, but not to prevent the next conflict. The crisis-response approach must be replaced by a longer term peacetime engagement that shapes Africa.

The Africa Crisis Response Initiative (ACRI) is intended to improve African peace and stability. The program trains and provides nonlethal materiel to African battalions to enhance their peacekeeping capabilities. The 5 year program is annually funded at \$20 million. Each participating African country receives \$2 million for training and individual soldier equipment. Military

units from Uganda, Malawi, Senegal, Ghana, and Benin have received ACRI training. As of yet, there are no larger African peacekeeping mechanisms into which ACRI-trained units can fit.

The United States also conducts small unit training exercises under the Joint Combined Education Training program; the OAU provides equipment to improve conflict management and early warning capability and supports subregional peacekeeping forces like ECOMOG in Liberia. The United States has increasingly participated in such multilateral efforts as the 1997 peacekeeping exercise in Southern Africa. However, resources devoted to engagement activities lag behind those allocated for crisis response.

The next step is to utilize limited resources more effectively. This can be accomplished through synchronization of the combatant commands' exercise programs in Africa and by coordinating U.S. activities with those of European states. The United Kingdom, France, Belgium, Portugal, and Scandinavian states have similar programs; and the United States, United Kingdom, and France are working more closely together. Military programs also must reflect political realities, including strengthening such institutions as ECOWAS and ECOMOG, IGAD, the Economic Commission for Africa, and the SADC.

## Africa and the Global Economy

### Trade Relations

The strong economic performance of African countries presents a positive impression to the informed American public. Africa is an attractive outlet for U.S. exports and foreign investments. U.S. trade growth in Africa averaged 16.9 percent for 1995 and 1996, outpacing growth in global trade. Nevertheless, U.S. trade with Africa remains limited. In 1997, U.S. exports to Africa totaled only \$6.2 billion. Currently, the United States accounts for only 7 percent of global exports to the region.

Africa represents a huge, untapped market. U.S. private economic investment in Africa receives strong returns; from 1990 to 1995, the average annual return on U.S. direct investment in Africa was 30 percent. Major legislation to promote U.S. trade with Africa, the African Growth and Opportunity Act (H.R. 1432), passed the House with a bipartisan vote in March 1998 but failed to pass the Senate before the 105<sup>th</sup> Congress adjourned.

The Corporate Council on Africa was established in 1992 as an umbrella U.S. corporate business lobby for Africa. It is likely to cement U.S.-Africa commercial ties over the middle and long term. Sustainable growth and development will require transforming Africa from a provider of primary commodities to an exporter of diversified goods and services. The latter will encourage foreign investments, leading to job creation and alleviating poverty.

Integrating Africa into the global market is not necessarily the same as integrating Africa into global production. Full integration requires mutually beneficial commerce that opens U.S. markets to African exports. It also means continued development assistance; this includes investment in education, technological transfer to bolster Africa's human capital, and elevating the processing level of its exports.

### **Agricultural Development**

Farming is the dominant economic activity for most Africans. Economic reform must, therefore, be focused on the region's agricultural sector—a necessity, given the realities of a continent that cannot feed itself. Agrarian development also can curtail migration to urban areas, where population density contributes to conflict and strains infrastructure and public services. Finally, agricultural reform can create jobs and improve living standards.

U.S. humanitarian assistance can improve the conditions for agricultural development. This assistance would include military demining, bio-diversity, construction, and veterinarian programs. Such programs must be focused on achieving near-, mid- and long-term objectives. Their implementation must also be synchronized between the U.S., European, Central, and Pacific Commands, and coordinated at the interagency level. An interagency task force would combine the efforts of several U.S. Government agencies, rather than conduct single agency efforts. For example, the Department of Defense (DOD), U.S. Agency for International Development (USAID) and Environmental Protection Agency (EPA) would work together to improve Africa's infrastructure development and enhance biodiversity conditions, including road networks and port facilities.

### **Debt Relief**

Sub-Saharan Africa's debt is miniscule in terms of the global economy; however, it is draining African economies and contributing to account deficits. Most countries are unable to repay the debt. They are trapped in a cycle of borrowing new money to pay old debt. Between 1985 and 1995, Africa paid more than \$100 billion in debt servicing alone. This did not reduce the principal, and capital inflows barely stayed ahead of capital outflows. In 1998, sub-Saharan African countries owed approximately \$180 billion; 83 percent was owed to such public institutions as the World Bank, the International Monetary Fund, the Organization for Economic Co-Operation and Development, and Western governments. The remaining was owed to commercial lenders, mainly European banks.

Sub-Saharan Africa's debt is an area where U.S. interests should be considered carefully. Currently, the United States backs the Heavily Indebted Poor Countries initiative, which seeks to reduce poor countries' unsustainable debt. Established by the World Bank and the International Monetary Fund, this program has been criticized for not providing debt relief in a timely, uniform, and adequate manner to really reduce Africa's debt burden. Only four African countries meet its requirements. U.S. influence could improve this initiative and, ultimately, Africa's prospects for prosperity.

Without debt relief, African governments cannot hope to manage their future. Debt will impede them in dealing with such decentralizing forces as regionalization and increasing informality in Africa's economy. It will also limit their ability to institute policies that stimulate private sector production and job creation. Debt is a major obstacle to Africa's economic growth and integration into the global economy.

## **Democratic Practices, Processes, and Institutions**

### **Policy Priorities**

Africa's political, economic, and security realities are inextricably linked. At present, U.S. policy views Africa's economic integration as the primary goal, and democratic governance as a supporting objective. This implies a "pragmatic approach." It overlooks a degree of political repression if the country pursues economic reforms. However, overlooking human rights abuses in the name of market reform can be a

slippery slope. This approach requires knowing when to hold leaders accountable.

Good governance is a necessary element of economic reform. Political order is needed to ensure rule of law; it fosters internal stability and, ultimately, attracts foreign investment needed for economic growth. The challenge facing the United States is to roll back the protectionist practices of authoritarian regimes without causing sudden collapse and widespread disorder.

### **Democratic Governance**

Promoting democracy in Africa is a messy and difficult process. This is largely attributable to the devolution of authority and proliferation of new political arrangements. Promoting democracy will require decades, not years. Past expectations regarding rapid progress have been too high.

African national governments are not always appropriate vehicles for engaging the political environment. Their administrative power outside their capitals varies. Civil society in its many forms has an important contribution to make, provided it becomes more cohesive and disciplined. Africa cannot be treated as a monolith amenable to a uniform set of policy tools.

Effective policy requires looking at each country to determine whether its internal policies can benefit from U.S. and other external interventions. For example, outside pressure to hold multiparty elections was applied differently in Uganda than in Kenya. Ugandan President Yoweri Museveni's refusal to permit party competition is generally accepted as secondary to reconciliation in the aftermath of Uganda's devastating civil war. His effective state reconstruction and economic reform have earned international tolerance with respect to holding multiparty elections.

By comparison, the United States suspended economic aid to Kenya to force President D. T. Arap Moi to allow multiparty elections in 1992. Despite national elections again in December 1997, President Moi is widely perceived as using divide and rule tactics to remain in power. This is undermining national unity.

Multiple political parties are also not necessarily seen as the best system for all African countries. Some parties are given to building on tribal or ethnic bases, thus contributing to separatism and clan conflict. Achieving specific conditions that foster democracy may be more important; these include the rule of law, government accountability, and protection of human rights.

### **Civilian Rule**

Civilian control is a necessary first step toward democracy. The professionalism of military and police forces is pivotal. They must be trained, disciplined, and made apolitical in order to withstand the social and political tensions that often accompany political liberalization.

The United States supports military professionalism and democratic rule through several security assistance programs. The International Military Education Training and Expanded International Military Education Training programs provide courses in democratic civil-military relations, military justice systems, and defense resource management. These are offered to African military officers, government officials, and civil society groups. A new DOD initiative, the African Center for Security Studies, which is planned to open in fall 1999, will educate senior African military officers and civilian participants in civil-military relations. Flag officer visits and military-to-military contacts are used to promote democracy in the region.

The effects of these programs and those of European countries on African democratization will not likely become apparent in the short to midterm. Their immediate benefits are the personal relationships forged between African and U.S. military officials. They are the foundation for effective diplomacy and greater understanding.

### **Civil Society Engagement**

In supporting the growth of civil society in Africa, the State Department, the U.S. Agency for International Development, and the U.S. Information Service will complement DOD engagement programs. Over the long term, a strengthened civil society can contribute to better governance and stable polities. A sustained, multifaceted effort is required, especially in countries like Nigeria, where domestic opposition was highly disorganized and ineffective against the regime of the late Sani Abacha.

Quick fixes are not viable solutions. Pressuring intransigent regimes requires a full range of policy tools. They must be employed as part of a broad, synchronized, long-term strategy. This strategy must be comprehensive and must consider the interplay of professional education and training, economic aid resources, diplomatic resources, and private sector involvement. Additionally, many uncontrollable factors and unintended consequences are likely to occur when

trying to strengthen civil society and develop an accountable state. Success will also depend on greater U.S. credibility. U.S. actions must match articulated policy. African officials often ask if the United States is promoting democracy in the Middle East as aggressively as in Africa. Promoting democratization is as much a learning process for U.S. policymakers as it is for African governments, opposition parties, and NGOs.

## Consequences for U.S. Policy

Current U.S. policy emphasizes three goals: security, economic prosperity, and democracy. Overall, progress has been made on all three in recent years. Yet, challenges and frustrations arise. Large pockets of transnational conflict remain, economic progress has a long way to go, and democracy is uneven. The key challenge will be to target U.S. resources so that they achieve the maximum positive effects.

Africa's complex environment raises important conceptual questions about the meanings of democracy, state sovereignty, and tradition. These meanings are important, because the United States must communicate with African officials at various levels of government and civil society. The question is, should U.S. policy center on theory or reality? Moreover, how can the United States work within multilateral frameworks? With African friends, the United States must achieve diplomacy and seek policy solutions. With European allies, the United States must coordinate policies and resources. Within subregional institutions, the United States must help build institutional capacity, encourage financial investments in the private sector, and stem arms flows.

## Democracy's Meaning

Has the United States thought through what democracy means, given Africa's 20<sup>th</sup> century political and economic experiences? Pursuit of what some perceive to be democracy could immediately cause instability in a region composed of fragile, sometimes illegitimate, and usually economically weak states. It might also lead to "disruptive" boundary changes with long-term impact. Is the United States prepared to accept such instability, particularly in a region undergoing a fundamental transformation of its political

traditions and territorial demarcations established during colonial rule?

Political and social development problems are often not resolved until conflict results. Indeed, historically, war and state building have been intricately linked. This paradoxical relationship is very relevant to policy today. It can directly affect decisions of external actors regarding when and how to prevent further conflict and broker peace agreements. The United States has compelling reasons to determine when to intervene and attempt conflict resolution, rather than prolong oppressive authoritarian regimes and exacerbate war. If it does not, U.S. support for democracy in Africa will become increasingly rhetorical.

The long-term political and social consequences of Africa's current regional instability are difficult to foresee. U.S. policy will have to contend with this uncertainty. When considering the states to support, the United States should focus on the reality rather than the theory. It should look at those regions and localities that are taking care of the local population in a manner that fosters participation, accountability, and transparency.

## Meaning of State Sovereignty

Is Africa's Western administrative state system the best instrument for political and economic development in the region? Many current states in Africa are part of the problem, not part of the solution. They cause conflict. Their implosion may be the beginning of a real African renaissance that creates a more organic link among African political, social, and economic orders.

In 1963, the OAU adopted the sanctity of state borders inherited from the colonial period. Yet, what does this mean in Africa, where resources were arbitrarily divided and national boundaries determined at the Berlin Conference in 1884-85? Disintegration of the region's four largest states—Nigeria, Congo, Angola, and Sudan—could be catastrophic. It could include refugees, famine, warfare, and pressure for U.S. involvement.

On the other hand, the slow, evolutionary breakup of these states could be a positive trend. It might provide the opportunity for developing more rational economic and political entities. Such is the case with Shaba, Kivu, and the increasing autonomy of southern Sudan, and possibly eastern and southern Nigeria. Has the United States thought about such competing imperatives as maintaining territorial integrity, yet

promoting self-determination? Do we seek border integrity or stable political entities? The two are not necessarily the same.

## Future Partners: A High-Priority Policy Goal

African institutional development is the single most important objective over the midterm. It cuts across security, political, and economic policy areas. African progress remains fragile because it is not sufficiently underpinned by strong institutions. How African institutions can be built or improved is a principal criterion for effective U.S. policy. Another key criterion is how U.S. policies will facilitate local or indigenous decisionmaking. Education also is a priority for improving leadership, skilled labor, and private capital formation.

Nonstate actors and/or institutions should receive priority attention and funding in order to bring about democratic governance and equitable economic growth. Local councils and entities are often the most suitable agents for establishing Africa's own democratic norms and ensuring equitable development. Civil organizations can also help target those societal and economic sectors that warrant assistance. Political parties also require assistance. They sometimes channel political and economic competition in ways that cause ethnic fragmentation and violent conflict. They must become better intermediaries between the state and society.

The United States will need to focus on regional and subregional solutions because of the inadequacies of Africa's national states. They may have limited capacity beyond the capital city. Additionally, Africa's transnational challenges—environmental problems, arms proliferation, and organized crime—do not recognize national borders.

However, regional and subregional institutions may not be able to meet U.S. expectations or play a desired role in security and economic development. Also, a regional focus does not necessarily mean relying on large bureaucratic institutions. Faced with declining resources, U.S. and European policymakers ultimately may have to select key countries that are regionally important and hubs of development.

A subregional engagement within a multilateral framework is the optimal strategy to promote African security, democracy, and economic reform. U.S. policy should focus on those countries with significant regional impact, like Nigeria, South Africa, Sudan, Angola, and the DROC.

The selection of such countries will depend on U.S. foreign policy priorities.

Criteria for selection might include countries with economies and populations large enough to affect the subregion. Another criterion might be countries in which the United States has long-standing interests and which offer an opportunity to build on past successes. Finally, countries might be selected on their importance to the U.S. and global economies. Clearly, responses to humanitarian crises will be easier and more effective in an Africa with a stable Nigeria, South Africa, Angola, Kenya, Sudan, and DROC. These countries could serve as the basis for mobilizing broader regional actions.

The policy focus will vary with the country. For example, South Africa would be seen as a U.S. ally with a positive regional impact. The DROC would be seen as a potentially destructive regional force. Sudan is seen as pursuing domestic policies counter to U.S. interests. Nigeria, Angola, and Kenya are transition countries where U.S. economic interests are protected but democracy has yet to take root. It is necessary to adapt approaches to meet the varied challenges of Africa's subregions and to avoid the development of unipolar regions.

We may indeed be in the early stages of an African renaissance ushered in by the violent transformation of Africa's 20<sup>th</sup> century colonial order. The long-standing debate between "Afro-pessimists" and "Afro-optimists" may result in an "Afro-pragmatist" approach that takes into account African environment, history, and culture.

## Net Assessment

Africa is making progress, but it has a long way to go before democracy and prosperous markets succeed. In the future, marginal progress can be expected in ways that will have a cumulative effect over the long haul. In the interim, areas of Africa will continue to experience local instability, ethnic strife, and wars. This mixture of caution and hope provides the framework for shaping U.S. policy toward Africa in the coming decade.

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# The Western Hemisphere: *Rethinking Strategic Relations?*

**W**here will democratization and market-based economic reform lead neighboring states? Will today's positive trends and "do-it-ourselves" attitude endure and prosper? How should the United States react to the international system emerging in Latin America and the Caribbean? The region's outlook is hopeful, more so than others, as this chapter will discuss.

Western Hemisphere modernization has come a long way in a relatively short time.<sup>1</sup> Fundamental economic developments and political changes have pushed inter-American relations toward subregional integration, hemispheric interdependence, and increased Latin American autonomy in world affairs. The region has become the least militarized and one of the most peaceful in the world. Negotiations ended Central American civil wars early in the decade. Peru and Ecuador just settled South America's most difficult border dispute, and Colombia is trying to end nearly four decades of internal armed conflict.

However, progress toward improved competitiveness in the global economy and more effective democratic governance has a downside.

The experience has been uneven, difficult, and sometimes contradictory. When managed poorly, it has perpetuated socioeconomic inequalities, weakened political institutions, and encouraged private armies and criminal elements.

Epoch-making changes in the Americas suggest the need for the United States to adapt its policy framework to a different strategic setting. This step is difficult, however, because it challenges traditional assumptions about U.S. regional security interests and a comfortable mindset about how to pursue them. Historically, the United States generally has handled its hemispheric concerns in well-meaning but occasionally clumsy and erratic ways. Regional instability has been met with policies ranging from disengagement to invasion. The ambivalence of policymakers often is a function of deeply ingrained geostrategic analysis. Countries to the south have long been regarded as geographically isolated from the mainly east-west currents of international relations. Except for the 1962 Cuban missile crisis, no Cold War military threat to the U.S. homeland appeared in the hemisphere. Consequently, the United States accorded the region a low priority. The relatively small U.S. military presence in the Americas since 1945 has been more politically motivated

**President Clinton welcomes President Carlos Menem of Argentina during a visit to the White House in January 1999**



AP/Wide World Photos

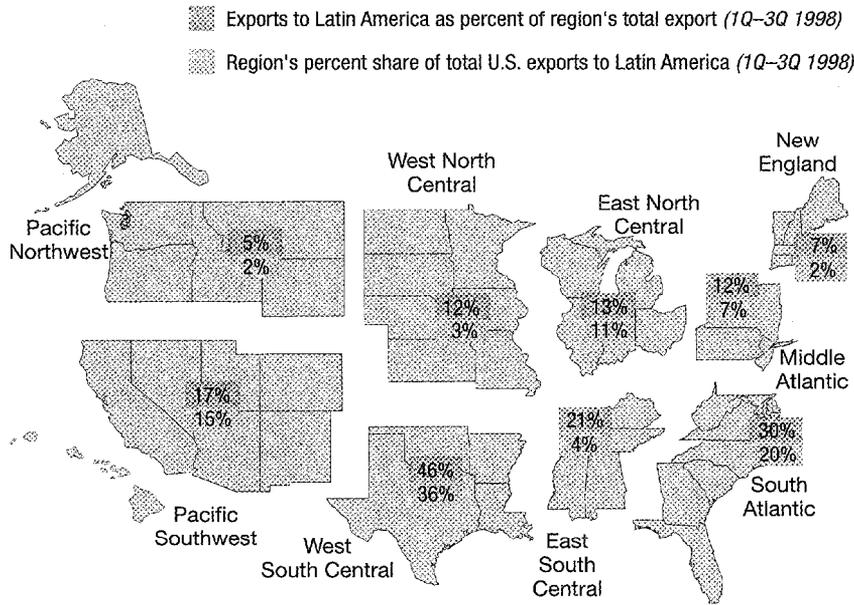
than defense related. The withdrawal of U.S. forces from Panama by the end of 1999, in accordance with the 1977 Panama Canal treaties, after a failed, controversial attempt to retain a reduced counternarcotics presence, highlights continued U.S. ambivalence.

For over 100 years, Washington has sought to ensure that the hemisphere remains a secure, peaceful, and stable strategic base of operations from which to conduct unilateral and allied actions in other parts of the world. The ability to tap the region's significant economic potential has been an important corollary. In essence, three long-range security goals have remained relatively constant. First and foremost, the United States has tried to reject any extrahemispheric influence or presence hostile to its interests (as specifically defined at different times). Second and closely related, the United States has sought to encourage political stability, particularly in the Caribbean Basin, and reduce any vulnerability to

foreign intrusions. Finally, the United States has wanted to remain the regional leader, imposing its standards and unilateral sanctions. In pursuing these goals, America traditionally has economized in the commitment of its political and military capital, although on occasion Pax Americana has required the use of overwhelming power.

Neighboring states have not always enjoyed living within the U.S. sphere of influence, where Washington's views, actions, and even indecision can create apprehensions and insecurity. The history of diplomatic or military interventions in Latin American and Caribbean affairs, offending national sensibilities and pride, has not been forgotten. Resentment persists at being described as peripheral, developing, subordinate states. The unintended paternalism in U.S. offerings of support and assistance is offensive, but the United States often is the only source of support available. Latin and Caribbean leaders still criticize U.S. policymakers for their tendency to see the region through North American eyes and to impose decisions without consultation or a clear understanding of the inherent complexities.

**Exporting to Latin America**



**1997 Exports to Latin America, by Selected State**

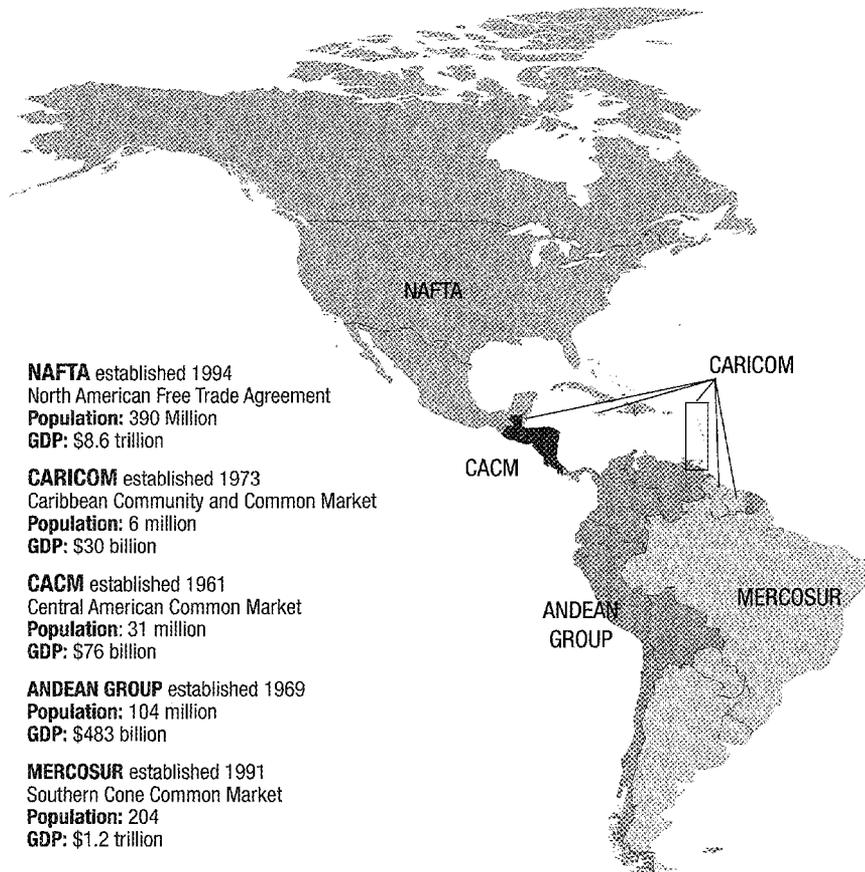
State	Amount (in millions)	Share of State Exports	Share of Gross State Product
Florida	\$13,380	48.5%	3.5%
Texas	39,547	46.9	6.6
Wyoming	154	25.2	0.8
Alabama	1,635	24.4	1.6
Michigan	7,465	21.5	2.7
Mississippi	573	21.1	1.0
Delaware	456	19.7	1.5
Arkansas	496	19.2	0.8
Louisiana	3,900	18.9	3.0
Georgia	2,676	18.2	1.2
Arizona	2,577	17.3	2.1

Today, for the most part, nations no longer fear U.S. intervention. Latin America and the Caribbean states have embraced free markets, cooperative subregional trade regimes, and constitutional democracy that in turn have stimulated closer economic relations with the United States and spurred international trade and investment. These changes have encouraged a sense of community based on values and interests shared by independent countries. The 1994 Miami Summit of the Americas was a milestone for the emerging hemispheric system—the first summit held in 27 years, the first hosted by the United States, and the first in which all political leaders represented democratic governments. President Clinton described the unprecedented development as “a unique opportunity to build a community of free nations, diverse in culture and history, but bound together by a commitment to responsive and free government, vibrant civil societies, open economies, and rising standards of living for all our people.”

Transformations in the hemisphere’s political, economic, and military-strategic environment at the end of the millenium have produced a growing sense that the region’s historical experience with security matters is no longer a reliable guide for relations among North American, Latin American, and Caribbean states. The heads of state and government participating in the 1998 Santiago Summit of the Americas recognized the need for change and directed the Organization of American States (OAS) to investigate the security implications of the emerging international system.

What are the implications for the United States of this new multifaceted American security context? Should Washington keep pace with Latin American and Caribbean transformations? Policymakers and analysts preparing for the Santiago presidential summit expressed concern about the U.S. reality that emerged between 1994 and 1998—the narrowness of its regional interests, the restraint in commitments, and an unwillingness to exploit fully the unprecedented opportunity presented by new hemispheric relations. The traditional ambivalent mindset has encouraged Latin American and Caribbean nations to pursue their own intra-regional interests, develop economic, political, and security links in other regions of the world, and define their own niches in the international community. Has the hemisphere’s strategic importance for the United States changed? Has the United States changed? What role should the United States play in the next decade—unitary actor or regional partner?

## A United Hemisphere?



Sources: Inter-American Dialogue, Commission for Latin America and the Caribbean, World Almanac, Political Handbook, World Bank

## Key Trends

*Strategic Assessment 1995* highlighted six important security-related dynamics in the Americas:

- Constitutional democracy's silent revolution
- Economic reform and its impact on security
- Governmental reform's role in consolidating this progress
- Regional steps toward peace
- The uncertain role of Latin American militaries
- A shifting U.S. agenda regarding inter-American security relations.

These trends have evolved, and the significance of some has changed. The key trends in 1999 continue to be primarily economic, but they also underscore the increased importance of democratization, institutional reforms, social issues, and the changing nature of regional security.<sup>2</sup>

## Influences on the Region's Economic Development

### Latin America's Economic Potential

In September 1998 and January 1999, international financial institutions and leading industrial countries drew a line in the sand regarding Latin America. They sought to stem the flight of global capital that had already triggered the Asian and Russian economic crises and renewed uncertainty about emerging countries. Brazil was pivotal. Its collapse might precipitate a domino effect throughout Latin America, with dire consequences for other economies worldwide. In 1997, about 20 percent of U.S. foreign direct investment, \$172 billion, was in Latin America, over \$39 billion in Brazil alone. More than \$160 billion of the region's loans are from European Union banks; more than \$60 billion are from U.S. banks. Although extreme volatility in international finance and trade in 1998 dampened the region's growth, economies performed reasonably well. The UN Economic Commission for Latin America and the Caribbean (ECLAC) reports an average growth rate of 2.3 percent, down from 5.2 percent for 1997 but higher than the figure for the world economy as a whole—estimated at less than 2 percent.

Brazil remains the eighth-largest economy in the world. \$750 billion in 1995, equal to China's and larger than Canada's, which is the largest U.S. trading partner. Argentina's economy was \$325 billion, approximately the same as Australia, Russia, or India. Mexico's economy was \$237 billion, fifth largest in the hemisphere. The economies of Colombia, Venezuela, Chile, and Peru were less than \$100 billion, but in the world's top 30. Central American, Caribbean, and smaller South American states had economies less than \$20 billion.

Latin America and the Caribbean continue to be a main source of many raw material imports, particularly petroleum. Almost 40 percent of the crude oil consumed in the United States comes from the Caribbean Basin. The hemisphere also is an increasingly important export market for the United States. The region's average inflation rate is expected to remain under 20 percent, down from 1200 percent in 1990. The total population will grow to be more than 515 million by the year 2000, almost twice the expected size of the United States. Over the last decade, the value of U.S. exports has tripled, surpassing \$134 billion in 1997. In that year alone, almost 50 percent of exports from Florida and

Texas, \$13.4 and \$39.5 billion respectively, went to Latin America. The United States normally captures 40 percent of the Latin American market, as opposed to 20 percent in other regions. Excluding Mexico, this is one of the few regions worldwide where the United States has a trade surplus. In terms of continental partners, Brazil tops the list, followed by Mexico and Argentina. The absence of free-trade agreements beyond Canada and Mexico, however, is beginning to cost U.S. firms export sales. In Chile, for example, they face an 11 percent duty.

### Trade Integration

In the late 1980s, Latin American countries began transforming trade policies and restructuring national economies. This made them more compatible with one another and with Canada, and the United States. Economic homogeneity facilitated an external orientation that fostered intraregional cooperation designed to achieve integration with the global economy. Argentina, Brazil, Paraguay, and Uruguay formed the successful MERCOSUR, the Southern Cone Com-

Before the external shocks of 1998 slowed economic growth, intraregional trade had steadily increased in volume, encouraging greater interdependence, especially in the Southern Cone. In its first 7 years, trade among MERCOSUR states more than tripled, growing from \$6.2 to \$21.4 billion. Today, Brazil absorbs one-third of Argentina's exports. MERCOSUR, already the world's third-largest trading bloc with some 204 million people, had external exports averaging \$60 billion between 1995 and 1998. It is negotiating trade arrangements with the European Union (EU), neighboring countries in South America, Mexico, and Canada. Chile and Bolivia are associated with MERCOSUR but not full members. Chile has chosen to establish bilateral trade relations with most countries in the hemisphere.

Increasing inter-American trade integration presents hard decisions. The Caribbean Community and Common Market (CARICOM), representing 6 million people, differs from other trading blocs. Lower tariffs and reciprocal trade relations present profound challenges. In order to keep people employed and avoid a drain on foreign exchange, the small size of CARICOM has required an unusually high degree of protection. Movement toward free trade ultimately will end the Caribbean region's preferential access to the U.S. market under the Caribbean Basin Initiative (CBI), increasing pressure on these nations to compete in the market place. This situation is complicated by U.S. efforts to end the preferential treatment the EU gives to bananas from its former colonies in the Caribbean and elsewhere. The potential consequences of having to compete in the international marketplace not only may include adoption of new domestic enterprises, including the illegal cultivation of marijuana, but also may trigger a new wave of problems in migration, domestic security, and politics.

### Growth of U.S. Exports, 1995-98

(nominal) %

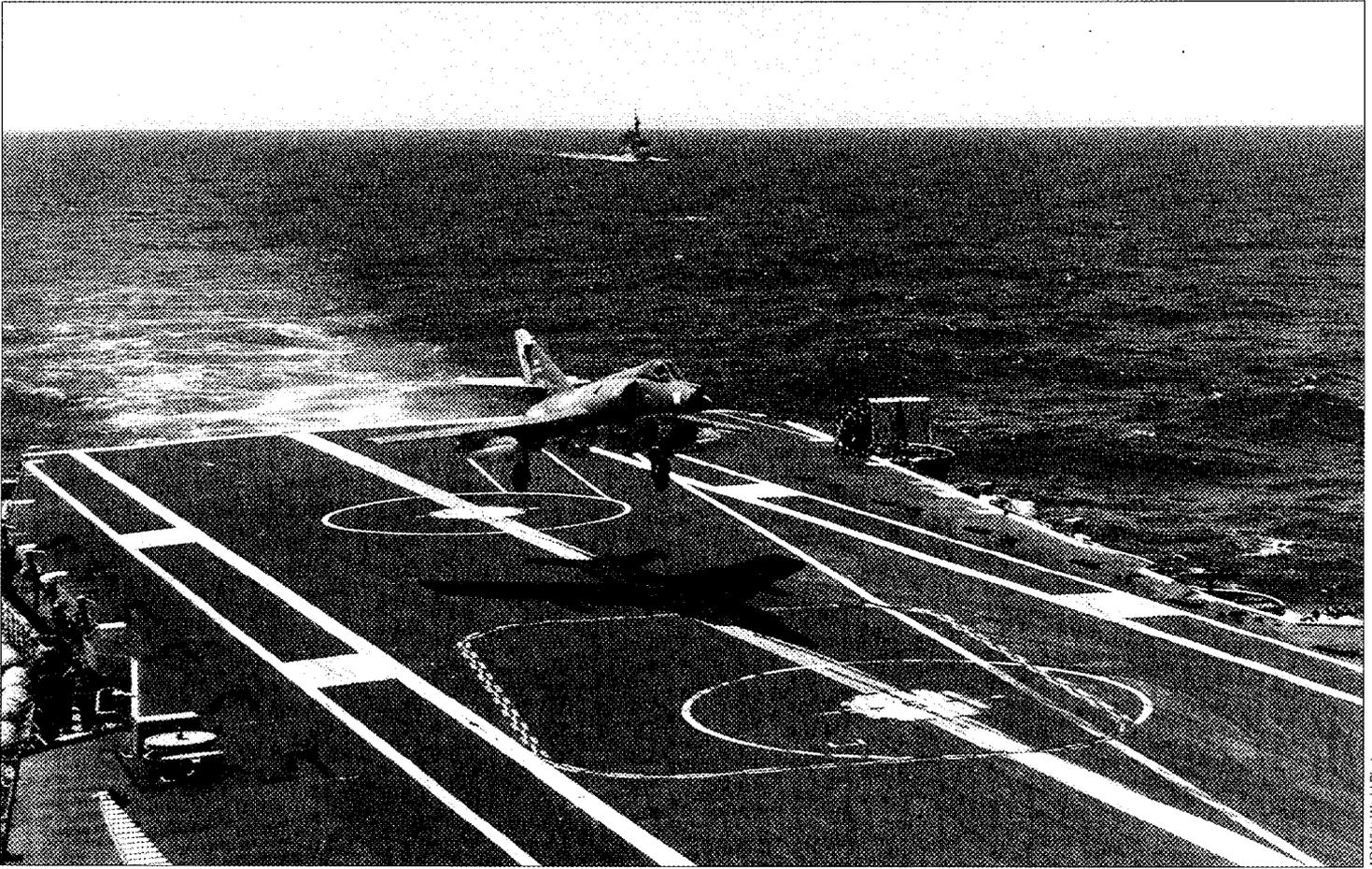
	1995	1996	1997	1998 (7 months)
Total	14	7	10	0
Latin America & Caribbean	4	14	23	12
European Union	20	3	10	7
Canada	11	5	13	-4
Pacific Rim	22	4	3	-15

Source: World Trade Atlas, 1998.

mon Market, in 1991. Dormant subregional economic groupings were awakened in the Andean countries, Central America, and the Caribbean. The unprecedented North American Free Trade Agreement (NAFTA) furthered this trend in 1994. At the Miami Summit of the Americas later that year, the 34 heads of state and government agreed to negotiate a Free Trade Area of the Americas (FTAA) by the year 2005. Preliminary talks have commenced among trade ministers, who now are supported by nine technical working groups.

### Expanding Foreign Economic Inroads

While the United States remains by far the region's largest trading partner, the EU has significantly enhanced its position. The EU exported \$83 billion in 1995 and recently became the largest trade partner for Brazil and Argentina. The EU also has signed Framework Agreements with MERCOSUR (1995) and Chile (1996) and embarked on negotiations with Mexico in 1998. The EU seeks progressive and reciprocal liberalization of trade in conformity with World Trade Organization rules, establishment of free-trade areas, and political and economic cooperation. Germany is the undisputed top European trading partner, followed by Italy, France,



**Argentine A-4 touch-and-go on Brazilian aircraft carrier**

Spain, and the United Kingdom, in that order. Trade among the eight largest Latin American economies and these countries reached \$61.3 billion in 1997, an increase of 10.2 percent over 1996. Open market policies have made joint ventures quite common. A few European companies, such as Volkswagen and Royal Dutch Shell, are deeply entrenched in the region.

Asian presence in Latin America is apparent in Brazil, Panama, Chile, Mexico, and Argentina. China and Taiwan play major roles, followed by South Korea and Japan. Trade among these nine countries reached \$41.5 billion in 1997, an increase of 7.2 percent over 1996. Asian companies see Central America as the bridge between the booming U.S. economy and markets in South America. Central America provides inexpensive labor for the production of light industrial goods and apparel for export. In Guatemala, South Korean companies operate 180 *maquila* assembly plants that employ 100,000 workers. The Panamanian link between the Pacific and Atlantic Oceans has become a key maritime and air hub for distributing Asian goods. The Colon Free Trade Zone on

Panama's Atlantic coast is the world's largest free-trade zone after Hong Kong. It trades billions of dollars each year in Asian imports, re-exporting throughout the hemisphere.

The Asian approach to growth reinforces subregional integration. Taiwan, for example, seeks to reinvigorate Central American structures and institutions for economic development that the United States encouraged in the 1960s. Taiwan is a nonregional member of the Central American Bank for Economic Integration and provides small business loans. Production takes place in the *maquilas*, following the owner's workplace labor standards. Many analysts believe that Asian influence is changing traditional agriculture-based economies and that this will have an irrevocable affect on subregional structures.

Until late 1998, the influx of foreign capital soared because of the privatization of government industries. Brazil, for instance, attracted

portfolio and direct investment in mining, electricity, port operations, and telecommunications. Foreign interests purchased seven of Brazil's ten largest banks. The banking system generally is considered more stable than Russia's or even Japan's. The fact that most outside investments are made by private investors remains a problem. Latin American and Caribbean countries are vulnerable to capital flight if private investor confidence wanes, as occurred at the close of 1998. The outlook for 1999 remains highly problematic.

Analysts agree that recent worldwide declines in investor confidence do not reflect fundamental strengths of Latin American economies. They point out, however, that the crises require governments to work harder to retain investor confidence. Executive and legislative branches together must curb government spending and enact such institutional reforms as restructuring tax and social security systems. Domestic policies are vulnerable to market forces. Elected leaders have less

manpower, and information among neighboring countries is changing the nature of intraregional relations. Economic integration has improved communication, which in turn has encouraged political and security coordination. The other MERCOSUR states, for example, played important and active roles in helping Paraguay abort a 1996 military coup attempt and to resolve a related 1999 constitutional and institutional crisis. National instability has become a regional concern.

Latin American states are cultivating the investment and trade of non-American partners, and some have begun to explore political and security relationships with the EU, Japan, China, Taiwan, South Africa, and others, seeking an extrahemispheric counterbalance to U.S. influence. This is part of a trend toward showing less deference to the United States as neighbors shape their development plans and overcome past disadvantages in dealing with the industrialized world.

## The Rocky Process of Democratization

Twenty years ago, the region's democracies included three Latin states, the Commonwealth Caribbean, the United States, and Canada. The prospects for more were bleak. As the 21<sup>st</sup> century dawns, 34 of 35 American nations conduct national elections. Only Cuba lacks a representative government.

Democratization envisions a gradual and not necessarily smooth transition from authoritarian rule to democracy. The process begins with free elections that allow previously excluded groups to participate in a meaningful political process. Democratic norms and procedures, however, do not equate to effective democratic governance. Most Latin American and Caribbean countries are developing the mechanisms that consolidate democracy and provide transparent, accountable, and professional governance. They have not yet constructed representative and responsible political parties, influential legislatures, effective legal/regulatory systems, and skilled civilian government agencies. The public's trust has not yet been earned. The older and still venerated two-class, corporate-paternalistic system retains considerable influence. In some societies, group rights, or *fueros*, continue to take precedence over individual rights and the rule of law.

By failing to respond to domestic and global pressures during the region's debt crisis in the

### Defense Spending in Latin America

	Defense Expenditure (as % of GDP)		Total Armed Forces 1995 (thousands)	Total Defense Expenditure (\$ billions)	Defense Expenditure per Man in Arms (\$ thousands)
	1995	1985			
Brazil	1.5%	0.8%	295.0	\$6.9	\$23.0
Mexico	0.9	0.7	175.0	3.7	51.0
Colombia	2.0	1.6	146.4	1.2	8.0
Chile	3.8	7.8	99.0	1.9	21.0
Venezuela	1.1	1.3	46.0	.68	12.0
El Salvador	1.8	4.4	30.5	.13	4.0
Dominican Republic	1.3	1.1	24.5	.11	5.0
Honduras	1.3	2.1	18.8	.05	2.5

Sources: UNDP Human Development Report, 1997. USS Strategic Balance 1997

room for mistakes and quickly find that they must attack high national unemployment and the worst distribution of wealth of any world region.

### Political Impact of Economic Change

The decade of the 1990s is a milestone in the hemisphere's modern development. The increased movement of goods, capital, energy,

late 1970s and 1980s, Latin American governments precipitated democratization. States now face the difficulty of building modern institutions that can deliver public services effectively and efficiently and are accountable to an electorate and to elements of government. Strong resistance, particularly in the six areas below, slows the progress of democratization.

- *Poverty.* Privatization and downsizing initiatives that attract foreign trade and investment also have negative effects—high unemployment, low wages, and slow growth. Latin America has the most uneven distribution of income and wealth of any region. The poorest 40 percent of the population receives only 10 percent of the region's annual income, while the wealthiest 20 percent receives 60 percent of the income. Poverty is widespread. The most severely affected are indigenous groups, racial minorities, women, and children. Living on the margin prevents people from investing in their own human capital. Weak education and health systems provide little support. Social safety nets are uncommon.

- *Population Growth.* Although the annual population growth rate slowed from 2.1 to 1.5 percent in the last 20 years, in 2000, Latin America and Caribbean populations are expected to exceed 515 million, three-quarters of whom will live in cities that already lack adequate infrastructure. Approximately 52 percent will be under age 16. The number of people entering the work force annually surpasses the number of jobs available. These conditions have serious implications for already inadequate education, health care, and other social services and encourage migration.

- *Domestic Crime.* Nearly every Latin American city will be more dangerous in 2000 than when the liberal reforms began in the 1980s. The region's surging murder rate is already six times the world average. Kidnappings are rife. Half of the world's abductions occur in Colombia, where an estimated \$100 million is paid annually in ransoms. The causes of domestic crime include drug consumption and trafficking, income disparity, inadequate urban infrastructure and services, corrupt police, and discredited judicial systems. Conviction rates are typically under 10

## The Center for Hemispheric Defense Studies

The National Defense University Center for Hemispheric Studies (CHDS) supports the U.S. commitment to security, prosperity, and democracy in the Western Hemisphere. The center's mission is to develop civilian expertise in the planning and management of security, defense, and military affairs, as well as to promote civilian and military collaboration in defense matters and to encourage national, regional, and international dialogue on defense and security themes.

The center was created in response to a need—identified at the first Defense Ministerial of the Americas in Williamsburg in 1995—for more qualified civilians to lead the region's growing number of civilian-headed defense ministries. Secretary of Defense William Perry announced U.S. support for a regional defense studies center at the Second Defense Ministerial in Argentina, in 1996. The center opened its doors at National Defense University in September 1997. Defense Secretary William S. Cohen appointed Dr. Margaret Daly Hayes, a civilian educator and expert on Latin American defense issues, as the center's first director.

The center held its first core seminar in March 1998 and by April 1999 had graduated 224 fellows representing nearly every country in the region. This 3-week executive seminar focuses on the knowledge and skills critical to managing a defense or security ministry. Participants review and discuss comparative defense organizations, traditions, values and ethics of the military profession, roles and missions of the armed forces, the economics of defense, planning and budgeting, human resource management, logistics, intelligence management, external control and oversight, public communications, interagency collaboration, and legislative relations.

Other center programs include a Defense Education Conference for defense specialists from civilian universities and heads of military service education and training, a Senior Leader Seminar with senior legislators and legislative liaison officials, on-site seminars in the region, and an active outreach program conducted over the Internet. The center aims to become a center of excellence in comparative defense studies; a catalyst for regional and national dialogue, research, teaching, and dissemination of information and materials on management of the defense sector; and an influential forum for new and practical thinking on defense planning and management. To fulfill that vision, the center is developing teaching tools and original defense and security case studies focused on Latin America and the Caribbean. It is promoting scholarship in these areas throughout the hemisphere. The center is encouraging dialogue on defense and security issues by developing a defense-studies bulletin board, chat-room, resource center, and distance-learning program through its web site. The center also plans to increase its resident fellowships and to expand the number of activities it hosts in the region. Additional information is available at the center's web site: [www.ndu.edu/ndu/chds](http://www.ndu.edu/ndu/chds).

percent. Vigilantism is increasing: more than 100 lynchings were reported in Haiti and Guatemala in 1997. The demand for protection has generated a proliferation of private security firms. In Guatemala, where there are 10,000 policemen, there are 17,000 private security guards who are better armed and paid. In Colombia, strong paramilitaries challenge the national government as well as the drug cartels and insurgent groups.

● *Weak Government.* Government agencies have been described as "overstaffed and under-competent bureaucratic disaster zones." In traditional Iberic-Latin systems, those in power have benefited from government charging fees for service rather than serving society. This trend continues. Over-regulation and red tape can easily be overcome with well-placed bribes. Concepts such as professional civil service and intergovernmental coordination are not yet common practice, but some local, state and national governments are making major efforts to improve management and accountability.

● *Traditional Behavior.* In Latin American societies, attitudes toward constitutional, legal, and regulatory systems are lax; the roots go back to the colonial period. This "*obedezco pero no cumplo*" [I obey but do not comply] behavior leads to a quiet but stubborn resistance against those in power. This mindset must change if modernization is to succeed. National leaders are confronting this challenge by implementing institutional reform and mass education.

● *Globalization.* Countries do not have the luxury of time to demonstrate progress in institutional development. International financial institutions make loans and investments on the condition that specific social, economic, or legal changes are being implemented. Private foreign investors are less tolerant.

Numerous surveys suggest that Latin American and Caribbean societies want democracy rather than authoritarian regimes. But, they also reveal massive disillusionment with the performance of representative government. This is evidenced by a high degree of electoral turmoil. Voters search for candidates they believe can resolve basic problems. Traditional political parties often are shunned as inflexible and corrupt. The loss of political faith increases as successive administrations fail to reduce the level of inequality and to increase labor opportunities. The recent landslide election of Venezuela's President, Hugo Chavez, a former coup leader and critic of the country's traditional political and economic order, is an important example of this trend.

Citizens are demanding greater participation in institutional change, beginning at the local level of government, and protection from the adverse impacts of reform policies. Domestic groups are increasing in number and influence. Organized community associations, nongovernmental organizations, and social and religious movements are making local decisionmaking more important. Rudimentary ties among the local, provincial, and national levels are addressing socioeconomic inequalities. Direct elections of mayors and governors have begun in some Latin states. Time is needed to broaden the social base of new democracies and promote political participation.

Despite the internal problems described, a positive trend is emerging. Grass-root forces are gaining strength and cohesiveness. Popular democracy in Latin America seems here to stay.

## Security Dilemmas— Multidimensional and Subregional

### The Improved Security Environment

The region has a remarkable record of peaceful change and conflict resolution. War between neighbors has lost appeal, particularly as economic integration continues. Except in Colombia, civil wars have ended. Small terrorist groups still exist in Mexico and a few other countries. The region's thorny border disputes, once a primary source of tension and occasional conflict, are largely resolved. The 1998 peace accord ending such a dispute between Peru and Ecuador demonstrated the combined effectiveness of diplomacy and military peacekeeping achieved for the first time by Argentina, Brazil, Chile, and the United States.

Latin American and Caribbean states have declared the region a nuclear-free zone and renounced other weapons of mass destruction. Countries are more interested in military modernization within national means, strategic equilibrium, transparency in defense policy, and subregional cooperation. Geopolitics is losing its traditional attraction as the basis for strategic thinking. The Brazilian and Argentine Governments have stated publicly that they have no enemies. The new biannual Defense Ministerial meetings, begun in 1995 by Secretary of Defense William Perry, have created an important channel for dialogue. Under OAS leadership, countries are beginning to accept confidence- and security-building measures, including transparency in arms purchases.

On the subregional level, the Central American governments have gone beyond confidence building and are discussing the integration of defense institutions. The Eastern Caribbean's Regional Security System has developed an effective operational orientation. When required, the organization can marshal military and police contingents from member states and provide command and control. In South America, the MERCOSUR partnership is studying the security ramifications of trade integration. The spirit of economic and political confidence building already has contributed to improved relations between the Argentine defense institutions and counterparts in Brazil and Chile. This has led to bilateral meetings of service and defense staffs, unprecedented bilateral military and naval exercises, an effort to develop a common "strategic dictionary" for Southern Cone countries, and Argentine and Chilean plans to coproduce a frigate.

### Changing Security Concepts

The international security system emerging in the Americas at the end of the century de-emphasizes the need to balance power against other states, perfect military deterrence, or seek collective defense arrangements against threats from outside the hemisphere. This approach to security has been eclipsed by threats to the domestic order challenging the state's ability to hold the country together and to govern. These threats can be divided into three categories:

- Natural disasters, including the aftermath that can be worse than the disaster itself, and environmental degradation.
- Domestic threats, such as poverty, socioeconomic inequality, ordinary crime, social violence, and illegal migration.
- The challenge of private actors—terrorist factions, international organized crime (trafficking drugs, weapons, goods, people), and nonstate armies (ideologically focused organizations, paramilitary groups, and modern-day pirates simply seeking wealth and personal power).

Governments face security problems that are multidimensional and localized. The multidimensional characteristic recognizes that a state may face simultaneous challenges in all three categories. This requires an aggressive strategy that draws upon a variety of national and international capabilities—humanitarian, environmental, economic, political, law enforcement, and military—to protect national interests. Today, armed rebellion, paramilitaries, drug cartels, poverty, and ecological problems undermine

stability in Colombia and Mexico. All are intertwined, making it impossible to isolate individual threats and focus national efforts on their sequential elimination.

Threats to national security do not recognize interstate boundaries. The transnational aspect of such problems as environmental degradation, epidemics, and private armies raises the need for multinational cooperation. Caribbean and smaller Latin American states have traditions of an integrated response that are embodied in the Regional Security System and the Central American Security System. The United States often has shared interests and been willing to help, but, increasingly, local instability is the interest of neighboring states concerned that insecurity in one country could affect international trade and investment in the subregion. Paraguay's partners in MERCOSUR were key in stopping a coup attempt there in 1996 and encouraging the continued defense of democracy over the last 2 years.

Reflecting the new environment in the Americas, security challenges pose important questions for the next decade. Will Latin American and Caribbean states complement and support economic and political advances in hemispheric cooperation with regional or subregional security mechanisms that facilitate multilateral responses to common concerns? Or will nations continue to define their security in strictly national terms? The OAS initiated a program in early 1999 to analyze the meaning, scope, and implications of international security concepts emerging in the hemisphere.

Whatever the answer, the U.S. role in hemisphere security will remain important in the years ahead. While there is no longer fear of U.S. invasion, and Latin American nations have been better able to control, or inhibit, U.S. actions, Washington still resists constraints that would curb its freedom of action. However, the United States has been willing to defer to the views of neighboring governments, actively collaborate, or rely on international organizations when other nations have been able to engage a problem themselves or harmonize their position with that of the United States.

### Antidrug Cooperation— Tense But Improving

The drug trade threatens national security and public health in practically every country in

## Situations Requiring Significant Attention

In 1999, events in Caribbean Basin nations continue to delimit the scope and nature of U.S. security attention in the Western Hemisphere. There is no distinct U.S. policy on this subregion, but there are a number of country-specific interests tied together. Each has strong roots in U.S. domestic politics. Five countries, listed from least to most concern in the near-term, are discussed briefly below.

**Panama.** Washington's primary policy interest is the departure of U.S. military forces by noon, December 31, 1999, in accordance with treaty obligations. U.S. Southern Command's headquarters relocated to Miami in 1997. The Command's Army component moves a force significantly reduced in size and capability to Puerto Rico this year. The United States is seeking agreements with several countries to establish temporary forward operating bases for U.S. Government aircraft used in counterdrug operations. The departure from Panama ends almost 100 years of U.S. military presence in a Latin American country. The "military withdrawal" (term used by Latins) to U.S. territory and downsizing of the force will send practical and symbolic messages to the region's leaders and influence national geopolitical thinking.

**Cuba.** Washington and Havana remain profoundly divided; the possibility of compromise and reconciliation is still remote in Castro's 40th year in power. The January 1999 announcement of a limited relaxation of the U.S. economic embargo against Cuba was correctly perceived there not as an attempt at détente, but as a shift in strategy to erode the government's control through humanitarian and social contacts. Havana is working hard to improve the effectiveness and efficiency of its economic management and to retain the support of the people, but political control has not been relaxed. The limited opening of the Cuban economy, especially for tourism, has attracted significant foreign investment.

**Mexico.** Only recently, with NAFTA, has Mexico begun to modify its insular and defensive stance toward the United States. North of the border, government leaders are beginning to realize that Mexico influences this country in multiple ways and is very important. However, Mexico is on the unsure and difficult path of democratization, marketization, and social reform. Efforts to move away from an embedded system of patronage and deep societal inequities without modern institutional capacities and adequate resources have been complicated by major domestic drug-trafficking organizations. Their criminal activities generate violence, feed corruption, and in many ways undermine Mexico's political transition and socioeconomic stability. Mexico is slowly building capacity for effective governance, and both countries are working closely to address common challenges forthrightly while upholding the principles of sovereignty, mutual respect, territorial integrity, and nonintervention. Counterdrug programs are a priority. Progress will come with time, trust, and cooperation.

**Haiti.** Five years after U.S.-led forces overthrew the military regime and gave democracy a second chance, there is major concern that the country is slipping back to chaos and a new refugee flow. Critics argue that Washington has provided over \$2.2 billion, but the nation's poverty, fraud, and corruption remain relatively unchanged and political turmoil and domestic violence are growing. At the crux of these problems has been gridlock between the President Prival government and the legislature since June 1997, when the Prime Minister resigned. The dispute over economic reforms reflects the intense distrust between political parties and social classes, and between the countryside and Port-au-Prince. The impasse has denied Haiti nearly \$1 billion in assistance from international financial institutions. In January 1999, President Preval dissolved the parliament, effectively implementing one-man rule. The Clinton administration recently rejected ending the presence of nearly 500 troops working on humanitarian projects because of the increasing turmoil, arguing that U.S. aid is having specific, measurable results.

**Colombia.** The United States faces its most alarming yet elusive policy difficulty in an internal Colombian war that has surged and faded for over three decades. Since late 1997, well-organized, -equipped and -paid rebels have consistently defeated government forces in pitched battles involving multibattalion size forces. The Revolutionary Armed Forces of Colombia (FARC) and the smaller National Liberation Army (ELN) now control 40 percent and operate at will in nearly 70 percent of the country. Their achievements and the military's poor performance have encouraged paramilitary groups to act. They have become more formidable and ruthless. In this unstable environment, narcotics businesses with rebel and some "para" support operate with impunity. President Pastrana's administration, sensing a national desire for peace, has initiated a dialogue with the FARC in hopes it will result in peace negotiations. While the United States supports the initiative for peace, Washington's primary interest continues to be drug trafficking. The U.S. Congress is playing an increasingly assertive but ambiguous role, designing limits on U.S. engagement with the Colombian military while prodding the Clinton administration to improve its counterdrug efforts. In sum, this war poses two conundrums. In Colombia, the government is unable to hold the country together. Many citizens are demoralized, yet the society is unwilling to engage fully in defending its democracy; civil authority has not mobilized the country nor taken fundamental steps needed to win, particularly in the area of defense reform. In the United States, the breakdown in Colombia adversely impacts several national security interests—democracy, narcotics trafficking, and stability in neighboring states—but suboptimized U.S. engagement has been focused on the secondary problem. Peru's recent success is instructive. Once its insurgency was defeated, the state was able to mount a more effective national campaign against drug-trafficking organizations, and U.S. assistance had a more substantial impact.

the hemisphere. The threat encompasses the production of cocaine, heroin, marijuana, and synthetic drugs, consumption-abuse, trafficking, and money laundering. Its more indirect consequences include illegal arms trafficking, street crime, and corruption. The drug trade presents an almost irresistible opportunity for many American societies to increase wealth. The full impact on each nation varies and is not well documented, leaving neighbors unable to agree on the immediacy and seriousness of the challenge. Latin and Caribbean ambivalence hampers the ability of the United States to move beyond bilateral antidrug agreements to more effective subregional or regional arrangements.

The hemisphere's drug problem is a continuous challenge fraught with contentious issues and frustrations for all countries. The United States criticizes pervasive drug corruption that has reached unprecedented levels, particularly in Mexico. Interdiction operations and crop eradication often are seen as limited, too slow, and ineffective. Some governments regularly refuse to extradite suspected drug traffickers to the United States. On the other hand, Latin American and Caribbean officials argue that U.S. counterdrug policies often detract from cooperative efforts, complaining about violations of sovereignty. Two examples are U.S. certification of a country's full cooperation in combating drugs, and the "ship-rider" agreements with Caribbean states to facilitate "hot pursuit" of drug traffickers in territorial waters and air space. Governments often accuse Washington of diplomatic extortion: using U.S. drug assistance as an incentive to change national policies, or using it to circumvent national procedures to achieve an outcome America desires. Recently, the U.S. Congress provided Colombia with several hundred million dollars of unsolicited military aid that was designated for spraying peasant coca and poppy fields. The Colombian strategy emphasizes crop substitution rather than eradication.

There has been progress since *Strategic Assessment 1995*. There are more bilateral counterdrug programs that are being conducted with less friction. U.S. drug-threat assessments, drug-control strategy, and domestic operations are becoming more available to the public. The U.S. Office of National Drug Control Policy published its first 10-year national drug-control strategy in 1997. It established a clear direction for U.S. actions and provided quantifiable measures of effectiveness. The strategy was a major step toward improving coordination with more than 50

government agencies. The Clinton administration now is speaking more openly about the domestic drug situation, its efforts to reduce U.S. demand, the complex challenges facing neighboring states, and U.S. initiatives to cooperate more effectively with other governments. Most recently, in an effort to reduce the friction associated with certification and improve regional collaboration, the United States presented a proposal at the 1998 Santiago Summit that became the Multilateral Counterdrug Alliance. Essentially, the heads of state and government agreed to improve national efforts in stemming the production and distribution of narcotics and to evaluate each country's progress, including America's, in achieving agreed counterdrug goals.

## Defense Reform's Formative Stage

Reform of civil-military relations has been partially achieved in most Latin American and Caribbean states. Democratization has emphasized the military's subordination and resulted in three closely related defense reforms. The first is structural: the creation or reorganization of a ministry for the formulation of national defense policy and the control and management of the armed forces. Among democratic states, Brazil was the last to transition to a ministry of defense, which President Cardoso established in January 1999. The minister is a civilian. This is not the case in all democratizing states. Military officers serve as the minister in Mexico, Peru, the Dominican Republic, and Venezuela.

Historically, new defense ministries are established with a relatively narrow focus and a small staff. Over time, the organization gains experience, expands its authority, and overcomes structural weakness. In several countries, the new civilian ministers are secretaries of state for defense, meaning that legally they have limited authority in shaping military expenditure and investment. Most have very few senior civilian officials, and military and civilian staffs are seldom integrated. Time is needed to develop initial national defense policies, modify the legal basis for the ministries, and create modern civilian personnel systems.

The second reform targets the subordination of the armed forces, which often includes the national police, to the legislative branch of government. While the region's legislatures universally approve defense budgets, relatively few



**An Air National Guard C-130 crew, with the assistance of Netherlands soldiers, delivers rice sacks to victims of Hurricane Mitch in La Mesa, Honduras**

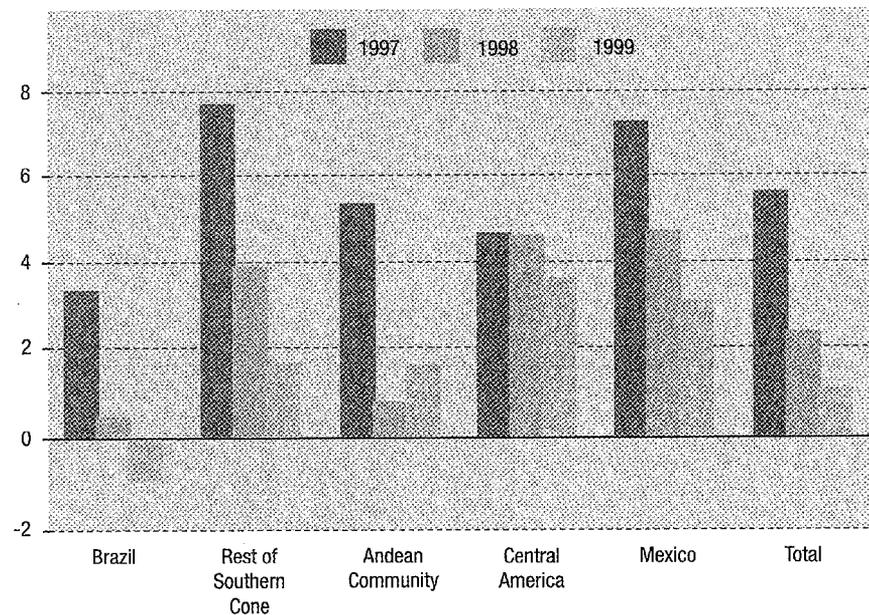
actually have an effective oversight role that requires a defense committee and staff, hearings, investigations, and open debate of security issues. The legislature, like the executive, lacks adequate military expertise, the custom of exercising oversight, and sufficient funding. However, this is changing with the emergence of academic and policy research capabilities focused on security studies and defense management. The U.S. Center for Hemispheric Defense Studies at National Defense University and similar programs for civilian and military students offered by Latin American defense colleges and national universities are part of growing effort to produce greater expertise in defense.

The last reform focuses on officer corps and the main issues that divide them. While they have accepted civilian control, these corporate bodies are still trying to reconcile their traditional

role in society with emerging democratic liberalism. Historically, their self-perception, ingrained through education and culture, has adapted slowly to national reforms and changes in global security-related affairs. The *"uniformados"* continue to see themselves as the symbol of the nation and custodian of its values, the core of national security, and a vital element in national development. Most officers recognize that past forays into politics, even if successful, diminished their professionalism and standing in society.

Two issues divide officer corps. The first is the definition of the armed forces' missions with the absence of military threats. External defense, dissuasion, border control, and protection of a nation's natural resources remain important. A

### Latin America and the Caribbean: GDP Projections for 1999 (percent)



Source: ECLAC, Statistics and Economic Projections Division.

new generation of officers advocates peacekeeping, but not peace enforcement. Most are reluctant to participate in counterdrug operations. In some countries, humanitarian operations in underdeveloped areas are controversial. There is general agreement that the military must be reorganized and modernized to fulfill its role. With smaller defense budgets, often less than 1 percent of the gross domestic product, restructuring the armed forces and replacing obsolete equipment are slow processes. Several countries have ended conscription, affecting the social makeup of the military and requiring the institution to change the way it interacts with society. In many states, members of the officer corps question their ability to accomplish these missions when the military institution is slowly bleeding to death. As resources decline, second jobs become the norm, morale sags, equipment deteriorates, and talented officers leave the profession.

The second issue concerns surrendering real control to political leaders, whom the officer corps distrust and perceive as not understanding the armed forces. Responses range from efforts to better educate civilian leaders and inform society about military views and prerogatives to aggressively defending traditional autonomy and *fueros*. In some countries, the institution has quietly staked out new options within the law.

In Ecuador, Paraguay, Venezuela, Nicaragua, and Honduras, for example, the military is part of the entrepreneurial class with its own business interests. Some investments are funded by the retirement system. These ventures provide an independent source of revenue and cultivate political and commercial support for the institution. By and large, civilian citizens of Latin American and Caribbean democracies show little interest in these issues.

### Conflicting U.S. Signals

With the growth of good relations in the Western Hemisphere, U.S. companies are increasingly attracted by countries to the south, their receptiveness for investment, and the large numbers of consumers for new technology, products, and services. The commercial sector is in front of the government in shaping U.S. relations with the Americas in the next century.

Washington's vision is harder to read. The United States highly prizes the emergence of liberal political and economic values and is becoming more sensitive to the views and needs of maturing democracies. It has quickly provided the necessary economic support to financially troubled Mexico and Brazil and sent various types of assistance to the Caribbean and Central America after Hurricanes Georges and Mitch. At the 1994 Miami Presidential Summit, the United States strongly advocated the creation of the FTAA by 2005. Following the U.S. lead, 33 countries agreed to collaborate on such a partnership. President Clinton's visits between 1997 and 1999 to Mexico, Central America, the Caribbean, and South America and his return to a second summit in April 1998 suggest strong interest in regional partnership, but there are inconsistencies.

It was 3 years after the 1994 Miami Summit before fast-track authority was first half-heartedly pursued and rejected. Critics of the administration point to the Helms-Burton Act (Cuba), the certification of countries receiving U.S. counterdrug assistance, failure to include Chile in NAFTA, and, above all, the rejection of fast-track authority in 1997 and 1998. Policy for Haiti and Cuba continues to be driven by determined domestic interest groups. President Clinton has not convinced the Congress and the public to look beyond drug trafficking and natural disasters and, in some states, illegal immigration and environmental issues, to see the great potential of regional partnership.

South American governments surprised by the absence of an overall policy are uncertain about Washington's real intent. Several U.S. actions imply a new strategic relationship with the Southern Cone: the unprecedented cooperation on the Rio Protocol ending the Peru-Ecuador border dispute, the relaxation of U.S. arms transfers to the region, and Argentina's designation as a major non-NATO ally. However, the United States has not explicitly espoused a new relationship. The higher visibility of U.S. defense programs, particularly arms sales, and pressure for Latin military involvement in counterdrug efforts causes concerns for new civilian governments trying to control and downplay political-military relations. Overall, the messages received from the United States are confusing.

In the Caribbean Basin, where U.S. disaster relief is widely appreciated, there is frustration over immigration policy changes, which affect family remittances. In El Salvador alone, the 1995 remittances were \$1.15 billion, the biggest single source of hard currency and a major factor in the country's growing stability. Several countries in the Basin also are angered by U.S. deportation of thousands of felons without what they believe is adequate coordination with national law enforcement agencies.

## U.S. Interests

Key central interests shape U.S. policy and strategy. In defining them for the Western Hemisphere in 1999, traditional concerns undoubtedly have some validity, particularly in political circles, where memories count. However, assessments of today's prevailing circumstances, rather than outdated assumptions, should define the interests.

Historically, Washington has sought to keep North America, the Caribbean Basin, and, to a lesser degree, South America free from foreign political ventures and ideological interference. In the pursuit of its primary goal of strategic denial, the United States has sought to promote two closely related regional interests—stable countries and cooperation. Because military security provided the basic rationale during the Cold War, neighboring states followed the U.S. lead. Washington also sought to maintain an economic advantage, protect private U.S. interests, and promote democracy. These complementary interests emerged at different times and with different intensities. However, over the last decade, maturing regional

trends and changing global affairs suggest a different situation. U.S. economic and political interests are far more important than military security. Latin America and the Caribbean have new meaning for the United States

Regional stability and cooperation must be defined in a broader sense. Stability is no longer tied to the goal of strategic denial; it is important now because it affects the individual and collective welfare of U.S. citizens. Cooperation should be viewed in terms of interests shared with neighbors, reciprocity, transparency, and mutual accountability. These broader definitions encompass efforts to promote democratic governance, expand access to markets, respond to the criminal drug trade, and control migration. At the end of the century, U.S. relations with neighboring countries are transitioning from sporadic, aloof interactions to a symbiotic association. The shift toward hemispheric partnership is not foreordained, however. Whether a genuine cooperative relationship can emerge despite power asymmetries, old rivalries, and the U.S. penchant for *tutelage* is uncertain.

In discussing U.S. interests in Latin America and the Caribbean, two contextual points need emphasis. First, Washington has long placed global interests ahead of purely hemispheric ones and has followed an economy-of-force strategy. However, there are signs that regional interdependence is challenging this approach. The United States has been significantly affected by events in neighboring states during the last decade. In retrospect, the Clinton administration's successful financial intervention in the 1994 Mexican Peso crisis may have been a turning point. While the U.S. bailout was unpopular with Congress, the implications of Mexico's growing economic impact here have become unquestionably clear. In 1998, there was little congressional or public opposition to stabilizing Brazil's economy and avoiding a worldwide collapse of investor confidence.

The second contextual point is that the line between U.S. domestic and hemispheric policy is blurred. This is particularly true regarding trade, immigration, counterdrug issues, and most matters affecting Cuba and Haiti. Western Hemispheric issues continue to be tied to U.S. domestic interest in jobs and the environment, and numerous aggressive lobbies exert a powerful influence on government policies.

## Sustaining Regional Stability

U.S. interest in stability originated in the late 19<sup>th</sup> century. Washington was concerned that local turmoil in the Caribbean Basin would attract foreign involvement. Today, the basis for sustaining stability rests on growing regional interdependence. U.S. prosperity now depends on global economic forces, including those originating in the region's advanced developing countries. Latin American and Caribbean nations are more industrialized and offer expanding markets for U.S. capital goods. Governments have borrowed extensively from U.S. banks and international institutions, which significantly ties the U.S. financial system to this continent. To avoid potential negative economic repercussions in the United States, Washington already has intervened three times in the last 4 years to stabilize major Latin economies. Finally, regional issues, like migration, drug trafficking, and environmental degradation, affect the welfare of U.S. society.

Stability is closely tied to the promotion of democracy. The United States encourages democratization. Democratic governments have proven to be reasonable, predictable, and trustworthy neighbors. Washington's long-range vision is a hemisphere with states that are governed by its citizens, that advocate free-market economics, that cooperate with other democratic states, and that are peaceful neighbors. Such an environment will attract international trade and investment, which further reinforces regional stability. The United States works with governments to achieve this success, attacking corruption and helping to build solid democratic institutions that are accountable to citizens and effectively deliver public services. All neighbors benefit when these conditions reduce drug trafficking and illegal migrants.

Changing demographics will affect how Washington views Latin America and regional stability. The United States is already the fifth-largest Spanish-speaking country in the world. By 2005, the U.S. Census Bureau projects Hispanics will be the largest minority. As shown in the 1998 national election, voters of Hispanic and Caribbean origin are beginning to play a crucial role in such key electoral states as Texas, Florida, and California.

## Regional Cooperation— A Growing Interest

Improving regional stability requires a spirit of cooperation. The United States has found no substitute. Most of today's hemispheric challenges are transnational in nature, and their resolution requires interstate collaboration. Even such traditional problems as institution building, fighting poverty, and redressing inequities have multinational dimensions and cannot be managed well in isolation. Bilateral and multilateral cooperative ventures are occurring more regularly among Latin American and Caribbean states, providing them with greater influence on the United States than they would have otherwise.

Such cooperation depends on America's bridging a huge gap in relative power as well as significant cultural differences. Latin American and Caribbean governments, concerned that Washington may use cooperative arrangements to impose its policy preferences, naturally seek collaborative efforts that will constrain U.S. actions. The United States will foster mutual confidence and cooperation only if it genuinely respects neighboring governments, acts in consultation with them, and offers coherent and consistent approaches to common issues. Washington can lead by example rather than by domination. Today, leadership means adapting old patterns of thought and action to produce a mindset conducive for partnership. In the OAS, U.S. diplomats have on occasion successfully adopted this leadership style. An important test for Washington continues to be its commitment to a FTAA. The United States has already taken a positive step toward this goal. It is working as one of 34 nations at the technical level, negotiating framework agreements.

## Consequences for U.S. Policy

A distinguished scholar of Latin American affairs identified four reasons why neighboring states in the Western Hemisphere matter to each other. First, collectively they have economic and political weight. Second, they are demographically linked to the United States. Third, they have a capacity to affect such global problems as organized crime and drugs. Finally, they can help promote such basic U.S. values as human rights and the rule of law. These four factors

suggest that U.S. interests are most fully engaged in Mexico, Brazil, and the Caribbean Basin states. Mexico is so inextricably linked to its northern neighbor that domestic events in either country quickly resonate in the other. As the wealthiest and most populated Latin nation, Brazil is key to South American and hemispheric economic stability. Because of hemispheric migration, Caribbean countries have a disproportionate influence for their size. The four factors underscore the importance of Washington's developing policies adapted to the changing strategic environment that avoid contributing to hemispheric problems.

### A Comprehensive Framework for the Americas

A modern policy framework is needed to sustain the region's stability and enhance cooperation, one that accommodates the region's transformation. Latin American and Caribbean states now operate in the mainstream of the global economy. Consequently, they are less tied to the United States than previously. They pursue their own interests in the Americas and in the world arena unilaterally and as part of subregional groups. Foreign economic competition for markets in this hemisphere is strong, and its political and security ramifications are serious. Washington's freedom of action in the Americas regionally is less assured, while the United States today is more tightly tied to its neighbors than its activities outside the hemisphere suggest.

The Western Hemisphere has become an important showcase for U.S. intentions worldwide. With the increasing importance of the Americas, Washington has reason to reverse its erratic pattern of reactive, often interventionist relations. A new framework should demonstrate commitment to the region through informal and formal multilateral partnerships. Only then can the United States ensure its own domestic stability. Partnership development has begun. It includes the region's commitment to the FTAA and the ongoing efforts to build it. The new relationship includes the agreement at the Santiago Summit to form a Multilateral Counterdrug Alliance. The weakness in the development process, though, is that no blueprint is guiding it, and U.S. commitment is suspect.

Future U.S. partnerships with Canada, Latin American, and Caribbean states can build on three important trends:

- *Open Trade.* Creation of the FTAA builds on existing subregional and bilateral initiatives to integrate economies. MERCOSUR is already the world's fourth-largest unified market. U.S. credibility as a leader in regional trade liberalization depends on "fast track" trade-negotiating authority.

- *Confidence Building.* Under the auspices of the OAS, regional conferences in Chile (1995) and El Salvador (1998) on confidence-building measures have set forth recommendations to improve security relations. The spirit of this effort has been captured in initiatives to promote transparent defense policy, improve information sharing, and encourage local cooperation.

- *Cooperative Security.* This popular regional concept, closely linked to confidence building, seeks to make organized aggression impracticable. It involves openness, dialogue, and collaboration. Growing acceptance of cooperative security is demonstrated by institutionalizing Defense Ministerial meetings, the highly successful Military Observer Mission Ecuador-Peru (MOMEP) experience, unprecedented exercises and exchanges among former Central and South American adversaries, and the new study of hemispheric security by the OAS. This modern strategy offers the opportunity to develop military interoperability that would facilitate such ad hoc operations as humanitarian assistance and search-and-rescue operations. Some standards already have been adopted for international peacekeeping.

### Improving the Effectiveness of U.S. Counterdrug Operations

The 10-year U.S. national strategy for domestic and international drug control is fundamentally sound. It recognizes that the war on drugs will require time, popular will, adequate resources, domestic persistence, and close cooperation with neighboring states. Publication of the strategy in 1997 coincided with President Clinton's acknowledgement of the role played by the United States in exacerbating illegal drug trade and Washington's need to work more closely with other countries.

Two policy-related weaknesses require attention: one is structural and one is strategic. First, much of the counterdrug effort works in spite of the organizational structure, not because of it. U.S. efforts to interdict drug trade and work with

Latin American and Caribbean countries to reduce drug availability have improved over the last 10 years. However, at home, inter-governmental coordination is weak. A half-dozen government departments and 22 Federal agencies are involved in interdiction operations along the U.S. southwestern border, for example. These organizations have one or more areas of exclusive jurisdiction or responsibility. Many areas overlap and require careful coordination. No overarching operational structure ensures coordination and interoperability of communications and intelligence systems, establishes accountability, allocates responsibility and resources in overlapping areas, and provides decisionmaking authority. The Office of National Drug Control Policy has attempted to correct this situation, but several departments and agencies resist ONDCP intervention, fearing infringement on their authority and budgets. Until greater centralization of counter-drug operations occurs, improved efficiency and effectiveness of policy implementation will not be fully achieved.

At a strategic level, annual U.S. certification is viewed increasingly from abroad as an intrusive and one-sided process. It also undermines Washington's attempts to improve cooperation in other sectors. One foreign diplomat recently captured the views of many American leaders by his description of the second Cold War. Both wars, he observed,

imply efforts to control threatening groups, although in the past the job was to contain the free movement and action of Communists and today it applies to drug dealers. . . . Both wars have an increased role for the military and intelligence apparatus and U.S. support of them. The traditional military security environment of the 1950s has given way to more specific and intrusive . . . drug-policy driven "shiprider" agreements. The presence of Military Assistance and Advisory Group (MAAG) teams in the 1960s and 1970s has given way to the presence of Drug Enforcement Administration (DEA) representatives. Washington's hostility to governments soft on drugs has [replaced]. . . similar attitudes toward countries soft on communism.<sup>3</sup>

One way to pressure foreign governments to act against drug trafficking organizations is through public scrutiny of their counterdrug record. The U.S. Government does this in its annual certification process. The performance of other countries is evaluated in terms of cooperation with U.S. efforts, or unilateral efforts to

comply with the objectives of the 1988 UN Convention against Illicit Traffic in Narcotics, Drugs, and Psychotropic Substances.

However, few policies have aggravated Latin American and Caribbean leaders more than this one. It is considered punitive, counter-productive, and indicative of past heavy-handed unilateralism. In their view, the United States does not acknowledge its overwhelming drug demand nor the disproportionate costs, human and financial, borne by its neighbors. Fortunately, signs of a compromise can be discerned. Senior Washington officials have become more willing to speak openly about the domestic drug situation. The 1998 Presidential Summit also produced an agreement to "establish an objective procedure for the multilateral evaluation of actions and cooperation (including the United States) to prevent and combat all aspects of the drug problem and related crimes." This is to be accomplished within an OAS framework, a body that has enjoyed some success during the last decade in coordinating regional counterdrug initiatives. Such efforts demonstrate U.S. awareness of the region's sensitivities and indicate a new willingness to compromise.

## Adapting U.S. Policy to Contemporary Regional Trends

*A National Security Strategy for a New Century* (October 1998) advocates shaping the security environment. This strategy "enhances U.S. security by promoting regional security and preventing or reducing the wide range of diverse threats. . . . These measures adapt and strengthen alliances and friendships, maintain U.S. influence in key regions and encourage adherence to international norms. . . . Our shaping efforts. . . aim to discourage arms races, halt the proliferation of weapons of mass destruction, reduce tensions in critical regions and combat the spread of international organized crime."

Understanding how to adapt the shaping function wisely is crucial to realizing U.S. interests in the Western Hemisphere. As suggested earlier, one of the greatest dangers in the coming era is that the United States will fail to understand the region's unfolding strategic context and how to deal with it. Washington could shape the environment in ways that contribute to problems, rather than solutions.

Fitting U.S. shaping efforts to the Americas begins by recognizing weaknesses in the traditional policy implementation and by being willing to think creatively to improve it. Washington

should evaluate past assistance programs and military activities for their contribution to U.S. policy. A determination can then be made regarding whether to retain, modify, or drop them. Many initiatives have fallen short of policy objectives. Military assistance programs, for example, have not provided Washington with powerful political leverage. Unless desperate for aid, governments often have chosen to do without rather than acquiesce to U.S. pressure. On occasion, military-to-military programs have been developed without the knowledge of civilian officials, undercutting their control. U.S. professional military education courses, other than Latin programs, are designed for U.S. students and do not focus extensively on such topics as human rights and civil-military relations. This can give foreign students the impression of indifference toward policy-relevant subjects. In sum, past policy implementation needs to be examined closely and creatively to discover how to influence professional cultures not predisposed to accept democratic norms.

The United States should acknowledge the fundamental differences between Anglo-American and Iberic-Latin political and military cultures. Latin societies are not transitioning to a model that looks North American (U.S. or Canadian). The Iberic-Latin culture is hierarchical, based on class, social ranking, and the existence of functional corporations, such as the armed forces, municipalities, and the Catholic Church, each possessing charters set in law. Within the state, specific responsibilities and powers have been established. These societies have strong executives and weak legislatures. Venerated Iberic-Latin traditions remain influential, although Latin nations have proven to be permeable and flexible. They have assimilated such modern developments as free trade and economic liberalism without losing their characteristic cultural features. The region's reform-minded governments see the need to introduce wide-ranging institutional changes, but they want to remain as true as possible to traditional culture.

Washington should broaden its concept of defense engagement. While a U.S. unified command is the primary military actor in the region, other elements of the Defense Department also perform shaping functions. Latin American and Caribbean relationships with the Office of the Secretary of Defense, the Joint Staff, and Defense Department agencies and schools are equally important and influence long-term stability. An

association with the Pentagon often is better suited to collaboration on issues affecting regional policy and defense management. The Defense Department has developed an unprecedented capacity to educate civilian officials and build functional expertise in such areas as resource management, public affairs, and emergency management. Its activities tend to fall into five categories: high-level contacts, staff talks, sharing professional expertise, developing an understanding of defense issues and requirements among civilian defense officials, and research support.

Finally, defense engagement in the Americas should be expanded to encourage the development of military interoperability among forces in the hemisphere. This will facilitate further multinational communication among military and civilian officials and improve effectiveness and efficiency in dealing with transnational problems.

## Net Assessment

Far-reaching changes over the last 20 years have enabled Latin nations to achieve greater autonomy in world affairs. As long as it remains stable, the region's weight in the world economy and in international politics should increase. Today, Latin American states are integrating economically and seeking free-trade agreements with other regions. Hemispheric governments desire harmonious relations with Washington, the partner of choice, but not at any price. Resentment about the past U.S. policy and style lurks just below the surface. Like Canada, many Latin American and Caribbean states today have options. They are seeking partners in economic terms, and perhaps political and security terms as well. The European Union is exploiting this reality.

The customary U.S. security relationship in the Western Hemisphere is changing. The region's transformation has introduced serious anomalies in U.S. relations that present policies did not anticipate and cannot overcome. New economic, political, and security conditions require a broader strategic response. Latin America and the Caribbean states have new significance for the American leader. Washington has an interest in rethinking what its traditional regional interests—stability and cooperation—mean in a new security environment and what strategies are required to achieve them.

In this new setting, the United States must contemplate its policy responses carefully. Two fundamental alternatives are possible. A narrow and more conservative approach would try to preserve as much of the traditional strategic framework as possible. It would minimize multilateral solutions, partnerships, and the region's role in international affairs. A more progressive alternative would recognize that recent changes in the hemisphere are the result of unprecedented globalization. In this case, the ongoing transformation demands forward-looking U.S. goals and policies that end ambivalence toward the hemisphere and begin a new commitment to the region through partnership. It is not clear which way the strategic relationship will evolve.

#### NOTES

<sup>1</sup> Canada, the United States, and Mexico, along with the 32 countries in Central America, South America, and the Caribbean constitute the Western Hemisphere, which is synonymous with such terms as "the Americas," "the continent," and "the inter-American region." The historical and cultural differences among 19 Latin American states and among 14 non-Spanish-speaking Caribbean countries make generalizations suspect. There are, nonetheless, certain similarities that make it possible to discuss the region as a whole.

<sup>2</sup> Over the last 4 years, uncontrollable forces have badly distorted one or more of these trends. Damaging weather patterns linked to the "El Nino" phenomenon, unusually destructive seasonal storms, such as Hurricanes Georges and Mitch, and the economic turbulence of volatile financial contagion worldwide linked to unpredictable perceptions and moods of investors have slowed and complicated the pace of economic development and social reform. Similar powerful forces may impact regional trends unexpectedly beyond 2000.

<sup>3</sup> Bernardo Vega, "The Second Cold War: U.S. And Caribbean Law and Order" (Washington: CSIS American Program, September 9, 1998), 1-2.

# The Democratic Core: *How Large, How Effective?*

**W**here is global democratization headed? How effective will be the core of Western democracies at handling common security problems? Democratization remains a key goal and a viable enterprise. However, promoting it will not be easy and will require careful handling.

Those countries with a democratic government are the world's "democratic core." Enlarging it has been a goal of U.S. foreign policy in recent years. This is not new, for presidents as far back as George Washington have encouraged the spread of democracy. What is new is that it has seemingly become a feasible goal after communism's decline and the Cold War's end. Today, U.S. policymakers believe that enlarging the democratic community can expand international cooperation while reducing instability abroad.

The 20<sup>th</sup> century witnessed a monumental struggle between democracy and various forms of totalitarianism. Democracy emerged triumphant, exposing totalitarianism as a hollow ideology. Totalitarianism denied human rights, failed to produce economic prosperity, and fostered war. Conversely, democracy championed human rights,

produced growing economic prosperity, and fostered peace. In the Cold War's aftermath, optimism flourished regarding democracy's global prospects. Emerging trends reinforced this optimism. Former Warsaw Pact countries pledged to adopt Western values, including democracy and market economies. The 1980s witnessed democracy's spread in Asia, Latin America, and, to a degree, Sub-Saharan Africa. Only Cuba, the Middle East, and Communist China seemed to be hold-outs, although some observers saw China as adopting market economics and becoming more pluralist.

More recently this optimism has dimmed. Democracy remains intact in many places, but many democratic countries are not necessarily secure, and the international system is not stable. Democracy's progress has slowed, especially in Russia and Eurasia. Some democracies' domestic and foreign policies have shown signs of being illiberal. With the global economy's slowdown, many worry that democracy's appeal might diminish in countries struggling to create a viable economic order. Some areas remain turbulent and dangerous, especially those where democracy is showing no serious signs of development.

This chapter takes stock of democracy's future, examining where democracy is firmly entrenched, where it is struggling to develop, and

where it is not progressing. It also considers a key issue: will the core Western democracies cooperate on common security interests? Will they combine their strengths, or dissipate their energies? The answer will heavily influence how they deal with the world's future turbulence.

A balanced perspective is required. Democracy's pursuit must be guided by both idealism and realism. The challenge ahead will be to consolidate new democracies while encouraging the adoption of democracy elsewhere as conditions permit. Equally important, the current democratic community must deal with new security dangers. It will require effective U.S. and allied policies, supported by cooperative diplomacy and diligent efforts to build new capabilities.

### Eastern Europe: Democratization Success Story

Recently, democracy's biggest success story has been in Eastern Europe. Little more than a decade ago, the countries there were all led by Communist governments. The revolutions of the late 1980s not only toppled Communist rule and dissolved the Warsaw Pact but also led to the widespread adoption of democratic governments and market economies. The transition has not been easy, but for the most part it has been successful.

Today, democracy reigns in Poland, the Czech Republic, Hungary, Slovenia, Romania, and Bulgaria, plus the three Baltic Republics of Lithuania, Latvia, and Estonia. Elsewhere, democracy has been partly adopted in Slovakia, Croatia, Albania, Macedonia, Moldova, and Ukraine. Prospects for further progress in building democratic institutions and creating prosperous market economies are good.

Nearly all these countries have been seeking integration in Western institutions. Poland, the Czech Republic, and Hungary joined NATO in early 1999. Nine others have applied to join NATO. All these countries, plus many others, participate in the NATO Partnership for Peace (PFP) programs. Several have applied for European Union (EU) membership and may join in the coming years. While serious problems persist in the Balkans, Europe seems well on the way toward full democratization and integration by 2010.

## Key Trends

Several trends are affecting democracy and the democratic core. Some trends favor democracy's spread, others slow it and dissipate its integrative and peace-enhancing effects. Some trends encourage cooperation among Western democracies, others dampen it. These trends indicate that the prospects for enlarging the democratic core are still alive, but also that some constraints exist.

Analysis of trends requires defining "democracy." The simple definition is that it is

government by the people, for the people. Many political scientists have a more elaborate definition. To them, democracy is a representative form of government, anchored in rule by all citizens. A "market democracy" has these political features plus an open economy based on private property, profit seeking, and capitalism. Democracy's four components are as follows:

- Public election of officials, through multiparty competition and ballots
- Government decisionmaking based on a division of powers
- Constitutional protection of individual rights and the rule of law
- Policies that focus on the common good.

This definition means that democracy can have different forms. The United States has one type, Britain another, and Japan yet a third. It also means that while democracy has its origins in Western values, it can rest on other values. The U.S. division of powers reflects Madisonian values in the U.S. culture, but they are not universally required. Democracy can flourish in a Christian society, but also in other cultures. Different values and experiences result in alternative approaches to distributing power and organizing society, as long as democracy's basic conditions exist.

This definition leaves wide latitude for a country's economic order. In the West, democracy typically is coupled with a market economy, but in many places, considerable state ownership exists. Indeed, democracy need not preside over an industrial economy. An agrarian democracy is also possible.

Democracy can also come in degrees. Some countries can be more democratic than others. The United States and Western Europe have fully developed market democracies. Some countries have emerging market democracies. Although democratic and capitalist in name, their transition is incomplete. Vestiges of traditional or authoritarian rule remain, and their market economies are still unstable. Democracy has a broad as well as a meaningful definition.

Democracy's spread beyond the developed world began after the Second World War and the end of colonialism. It accelerated during the 1980s and early 1990s after the Cold War. Democracy is no longer an exception to the rule; rather, it is becoming the rule. The annual Freedom House survey, *Freedom in the World*, classifies 117 of 191 independent countries in the world as

**Electoral Democracies Scorecard by Region**

Region	Free Democracies	Partly Free Democracies
Western Hemisphere	25	8
Europe	28	8
Former Soviet Union	4	4
Greater Middle East and South Asia	1	6
Africa	9	7
Asia and Pacific	14	3

Source: *Freedom in the World* (Washington: Freedom House, 1998).

"electoral democracies," because their leaders are chosen in free elections.<sup>1</sup> When considering the four components previously described, the number declines. Writer Fareed Zakaria states that if respect for law and human rights is included, the number could drop by one-half.<sup>2</sup> Today, about 70 percent of the democracies are located in the Western Hemisphere, Europe, and the Asia-Pacific. Democracy is less common in the former Soviet Union, the Greater Middle East, South Asia, and Africa.

The democratic nations can be divided into two groups. The first is the "inner core," which includes the United States, its NATO allies, and key Asian partners like Japan, South Korea, and Australia, plus a few others. This group encompasses about 30 countries and is bonded by security and economic ties. The second and larger group, the "outer core," has a mixture of full and partial democracies. It includes most Latin American countries, the democratizing countries of Eastern Europe and Eurasia, several Sub-Saharan countries, several Asian countries, and a few Greater Middle East and South Asia countries. This second group does not have close ties among themselves or with the inner core. The difference between this inner core and outer core is key to evaluating democracy's progress.

### Thriving and Cooperating Democratic Core

The Cold War's end a decade ago greatly transformed the strategic situation of the core democratic countries for the better. Before, their

democratic values were under ideological attack. While the borders of some were directly threatened, the nuclear standoff with the Soviet bloc threatened the survival of all. Imposing security burdens mandated large defense budgets.

The Cold War's end eliminated most threats and greatly lessened security burdens. The victory in the Persian Gulf War secured, at least temporarily, their access to oil supplies. Since then, democratic values have gained broader appeal, economies have prospered, societies have become more stable, and cooperative ties have become stronger. In Europe, multilateral institutions, such as NATO and the EU, are deepening internally and enlarging eastward. In Asia, bilateral ties between the United States and key countries have held the region together, but multilateral economic cooperation is gaining momentum.

Why does this Western community continue to coalesce and expand, even after the Soviet threat is gone? Earlier political theories suggested that alliances disintegrate after external threats vanish, because members no longer have an incentive to continue to cooperate, particularly if cooperation constrains their sovereignty. Since the Cold War ended, these theories have been rebutted. The Western community is demonstrating that it does not need an external threat to sustain it. Its shared interests are reason enough for it to continue, prosper, and enlarge.

This tight community's bonds make war among its members almost inconceivable. Multilateral cooperation has become more attractive, because it enhances interests and allays fears. For example, France has no reason to fear that in some areas of cooperation, Germany will gain a strategic advantage. Conversely, Germany need not fear France's relative gains in some areas. By eliminating concerns, this community has knocked down imposing barriers to cooperation and provided the opportunity for multilateral ventures that serve all members' interests.

Even in tranquil times, multilateral security cooperation makes sense. NATO enables its members to meet peacetime defense needs at significantly lower cost than otherwise would be the case. It also ensures they are prepared for crises.

Economically, an open market is the best means of promoting the prosperity of all countries. Multilateral cooperation is needed to reduce trade barriers and promote common policies regarding financial affairs, monetary relations, and technology transfers in the information age. As a result, current members want to sustain the community, while outside countries seek admission.

The democratic core's future appears bright. Cooperation is more likely, not less, especially in Europe, as NATO and the EU grow larger and stronger. Yet the future is not entirely bright. In several regions outside its enlarging boundaries, the Western community faces turbulence and potential dangers. This community has powerful incentives to cooperate in meeting the security and economic problems ahead. The capacity of its members to forge this kind of cooperation, however, is uncertain.

## Market Democracy's Growth

Only about one-half of the world is democratic. The rest is undemocratic or even anti-democracy and more prone to turbulence and war. Especially outside the Western Alliance system, democracy is no certain guarantor of integrative policies or peace. This holds true where democracies border authoritarian countries. It also can be the case when democracies border each other and lack trust and respect for each other's interests. In today's world, some democracies may be in one or both situations.

Although democracy defines a country's internal order, it does not mandate any type of external conduct. Generally, democratic values influence foreign policy in an important way. A

country that safeguards its own citizens' human rights has reasons to respect its neighbors' legitimate interests and international law. Nonetheless, most nation-states pursue their individual interests on the global scene. These interests can reflect democratic values. They also can be influenced by classic geostrategic aims, like secure borders, profitable foreign trade, access to resources, control of assets, weak rivals, and stable nearby regions. Respect for democratic values can stop at the border, if a country is consumed by nationalism, distrusts its neighbors, or otherwise is insensitive to the neighbors' legitimate interests.

What democracy guarantees is that foreign policy will be made through pluralist procedures. It does not dictate a specific foreign policy. For democracies, as for other political systems, foreign policy is a variable, not a constant.

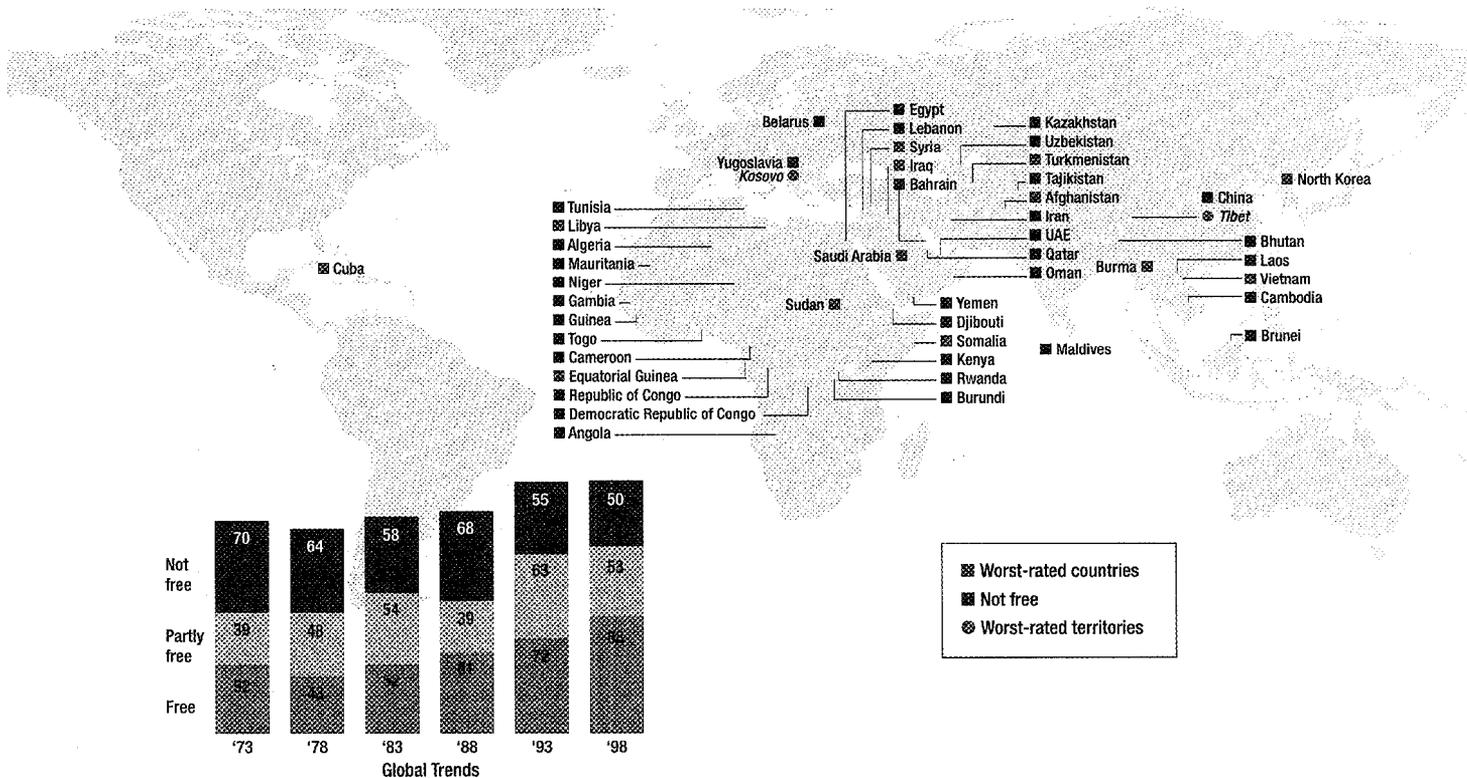
Democracies undeniably are capable of conducting strong foreign policies. This is especially true for wealthy democracies that can marshal large resources. Democratic policies are also marked by widespread agreement among society and government. When a consensus emerges regarding a foreign policy issue, democracies can

Pro-democracy and labor activists marching through the streets of Hong Kong



AP/Wide World Photos

Countries Rated by Level of Political Freedom



Source: *Freedom in the World* (Washington: Freedom House, 1998) *The Washington Post*, January 16, 1999.

act with great strength, because they can mobilize widespread support from within society and the government. As a result, democracies have proven themselves effective in pursuing peace and also waging war. Within a democracy, checks and balances also help prevent the adoption of policies on the basis of whim, or the views of a few. Public opinion can restrain the government's impulse. Similarly, government can restrain the public's impulses. Within government, competing political parties can prevent bipartisan support and dampen policies.

Like human beings, democracies seem to pass through stages in life—infancy, childhood, adolescence, young adulthood, and eventually maturity. In their early stages, democracies may act in boisterous and immature ways toward their citizens and their neighbors. In this stage, immoderate nationalism, democratic imperialism, and even militarism have been common, if only temporary. Many new democracies today may be prone to such conduct, especially in troubled regions. The North Atlantic countries are old democracies, generally content with life, settled in their ways, and moderate in foreign policies.

Recent experience suggests that Western democracies pursue peaceful foreign policies and do not wage war against each other. They often cooperate in taming the anarchy of the nation-state system. While this is true, it masks a darker history. In the two centuries since democracy appeared, many of its practitioners pursued bullying foreign policies that were animated by nationalism, imperialism, or simply the raw-boned pursuit of state interests. Democracies may not have gone to war with each other, but they often came close. They were restrained more by traditional diplomacy than by popular passions and respect for each other's democratic values.

During the 19<sup>th</sup> century, Britain's relations with France and the United States were tense, even though all three countries were democracies. The American Civil War is a powerful example of how war can occur in democracy over disputes about constitutional law, regional power relationships, and civil rights. Across Europe, the gradual spread of democracy did not

stop the continent from sliding into competitive geopolitics and an unstable balance of power. When World War I erupted in 1914, Britain and France allied with Russia, a rigid traditional monarchy, against Germany, a constitutional monarchy that was gradually becoming democratic. Democracies can treat each other in tough-minded ways, and their conduct can be influenced by the prevailing geostrategic order.

The big breakthrough in integration and peace enhancement came when totalitarianism became a threat. World War II compelled Western democracies to create a global alliance to defeat nazism and fascism. In the Cold War, the threat of Communist aggression led the United States to develop a close transatlantic bond with Western Europe, and European powers overcame their differences with each other. Britain, France, and Germany became close allies. In Asia, the United States similarly allied with Japan and South Korea. What began as a necessary marriage of convenience flowered into the powerful, cooperative Western community that exists today.

Elsewhere, such interstate bonds are not well developed. Consequently, some transition states seeking democracy show little enthusiasm for actively joining the U.S.-led Western community. Russia, China, and India are examples. All three are big powers in pursuit of state interests. All three seek limited cooperation with the Western inner core. They believe that fully integrated membership would not serve their interests. Accordingly, they choose to remain outside and pursue their interests and to oppose U.S. and Western policies when it suits their purposes.

Other countries, including democracies, may behave in similar ways. Some new democracies may join the chorus of complaints against alleged U.S. hegemony. Others may view the Western Alliance and economic system suspiciously. Still others may see few practical advantages in joining the community. A few may have ambitious agendas that cause them to keep their distance in order not to be restrained by the Western powers. The overall effect could be that many new democracies choose to keep the United States and the democratic inner core at arm's length. This development may not prevent democratization, but it could weaken progress toward greater integration and cooperation among democratic countries. If so, democratic

integration may continue in the North Atlantic and Europe, and less so in Asia, but it will not be the model for the rest of the world.

A lack of integration does not mean that all these regions are destined for perpetual conflict. Some regions may preserve peaceful conditions, even if they do not make great strides toward integration. This might be the case in Asia, where collective thinking is the exception rather than the rule. Some regions might not be so fortunate. In South Asia, for example, India and Pakistan are both democracies, yet they are mired in a deep political conflict that has led to dangerous nuclear proliferation. The two governments distrust each other because their state interests are in conflict. Their case is not unique. It illustrates that, if neighboring countries distrust each other, they can become involved in a serious confrontation, even if they are democracies.

Democratization is unlikely to solve the principal threat to peace—regional rogues willing to use force, including weapons of mass destruction (WMD). Today's rogue states are firmly authoritarian and are unlikely to become democracies soon. The same is true for countries that could become rogue states. Some new democracies could become so nationalistic that they become rogues. Nonetheless, further democratization will likely reduce the number of potential rogues. Yet, the number of nondemocratic states will remain large enough to ensure that the potential for other rogues remains high.

Democratic enlargement and integration are not a cure for all the world's troubles, but they do help narrow those troubles and make them more manageable. Democracy's spread increases the prospects for integration and peace. It creates common political values, respect for international law, and a spirit of cooperation. What ensures peace among countries is a long legacy of reassuring relations with respect for mutual interests and beneficial reciprocity.

## Market Democracy's Spread

Harvard scholar Samuel P. Huntington's 1991 book, *The Third Wave: Democratization into the Late Twentieth Century*, celebrated democracy's steady expansion into new regions over the two previous decades. Huntington forecasted a bright future for democracy. He was not alone. At the time, many observers concluded that communism's collapse seemed to open the door for market democracy's spread.<sup>3</sup>

Two years later, Huntington published *The Clash of Civilizations*, a pessimistic article that

forecasted confrontation between Western democracies and other cultures in the Middle East, Eurasia, and Asia.<sup>4</sup> Again, this change is not unique; it reflects many observers' increasing pessimism. What happened, and why? Are market democracy and the West losing their appeal?

A balanced appraisal is needed. The earlier optimism was exaggerated. It reflected a triumphant Western attitude that was not justified with still existing barriers to democracy, pro-Western attitudes, and cooperative conduct. The current pessimism reflects awareness of these barriers, but it could be overstated. Market democracy is expanding, but more slowly than hoped. Its success is not predestined, nor is it even a viable near-term choice in some places.

The emerging trends for market democracy vary from one region to the next. In Europe, market democracy is in full flower and expanding steadily in most places. As discussed above, the West European countries are healthy market democracies, and most of them are full-fledged members of the inner Western core. In Eastern Europe, market democracy continues its steady enlargement. Most countries have made considerable progress in adopting markets and democratic governments, and, even though problems are being encountered and some reversals experienced, several are preparing to join NATO and/or the EU, as well as other Western institutions. The only exception to this positive trend is the Balkans, where ethnic conflict continues to consume the former Yugoslavia. Yet even there, Slovenia has become a pro-Western market democracy, Bulgaria is moving toward this goal, and even Albania and Macedonia have applied to join NATO.

In Asia, market democracy has also made progress in recent years. In the past, several Asian countries chose the alleged "Asian model" to progress, whereby a corporatist or even authoritarian government presided over creation of market capitalism and only later allowed for democracy to be adopted—after economic prosperity was first achieved. Regardless of the wisdom of this approach, it seemingly has run its course in many places. Japan, with its prosperous market economy, has moved from one-party corporatist politics to a more pluralist order. South Korea, Taiwan, and the Philippines have adopted more pluralist democracies with market economies. Other Southeast Asian countries are moving in this direction.

In several other regions, market democracy continues to make progress. In Latin America, most countries continue to be market democracies, even though some backsliding has occurred recently. Even Cuba might fall into the democratic camp once Castro passes from the scene. In South Asia, market democracy is the model, even though the countries there have serious problems with their economies, societies, and interstate relations. In Sub-Saharan Africa, democratic progress is being made in several key countries, although the overall trends are checkered across this vast continent of many different nations.

Where are the major exceptions to this positive trend? One partial exception, in the form of a worrisome question mark, is Russia and Eurasia. Russia is encountering big trouble in making the transition from a socialist economy to a market economy. Yet, its government is a democracy, or at least a quasi-democracy. It has a constitutionally ultrastrong presidency, a weak parliament, few organized political parties, powerful special interests, and an alienated society—all worrisome features. But it continues to hold elections that are taken seriously—a good sign. Its future political trends are uncertain because democracy was adopted quickly, at a turbulent time, leaving it vulnerable to the charge that it is responsible for the country's severe economic troubles. Yet, its fledgling democracy continues to function, or at least to exist, and seemingly there is no widespread consensus in favor of restored totalitarianism. The same applies to Ukraine, whose independence and evolution are also key to the West.

Elsewhere in the former Soviet strategic space, the future of market economies and democratic governments is uncertain across Central Asia and the Caucasus. The recent trend back toward authoritarianism, however, does not ensure that the cause is permanently lost. Much will depend upon whether these countries can establish their identities, invigorate their economies, and settle their social troubles. To the extent they succeed, democracy will be on firmer footing there; if success is elusive, trouble lies ahead. For the most part, however, these countries are not centrally important to the stability of the international security system or to vital Western interests.

A big exception to democratic enlargement is China, which is making strides toward adopting a market economy, or at least an economy with more capitalism and less state ownership. Although its ruling Communist party seemingly is becoming more diverse, it is not making parallel strides toward democracy or even major political

pluralism. Another big exception is the vast region encompassing the Middle East and the Persian Gulf. Apart from Israel and Turkey, this region has few democracies and few prosperous market economies. Many of its governments reflect Islamic traditionalism, several are authoritarian, and some are run by dictators. Islamic fundamentalist values are gaining ground in several places. If this trend gains strength, it is more likely to produce populist theocracies than democracies.

Market democracy has an enduring appeal. It safeguards human liberties and enables economic prosperity. No other political-economic system offers the same promise. The possibility is low that a worldwide rival ideology will emerge to seriously oppose market democracy. Its competitors are likely to be local and diverse, rather than global and singular, and are unlikely to be effective in precluding market democracy in the future.

Market democracy's expansion has slowed in recent years, but this was inevitable. The easy victories have already been made. Expansion in many countries will be more difficult, because the conditions for market democracy do not exist there. Whether these countries ultimately become market democracies remains to be seen, but the lack of rapid progress does not mean that market democracy is losing ground or even advancing less rapidly than should reasonably be expected. Its gains are likely to hold, and it will likely progress slowly in difficult regions.

## Market Democracy in a Good and Bad Global Economy

The booming world economy appears to have contributed to democracy's spread in recent years. Prosperity and wealth presumably enhance the appetite for democracy and clear the political path for its adoption. If so, concern arises when the world economy turns downward, which has occurred with the Asian economic crisis. Does such a downturn spell doom for democracy's current and future gains?

The main reasons for adopting democracy are individual freedom, civil rights, and representative government. Provided these are the reasons for adopting democracy, it should not collapse in its new locations because economic times are troubled. Democracy took root in the United States and Europe before the age of industrialization, urbanization, and capitalist corporations.

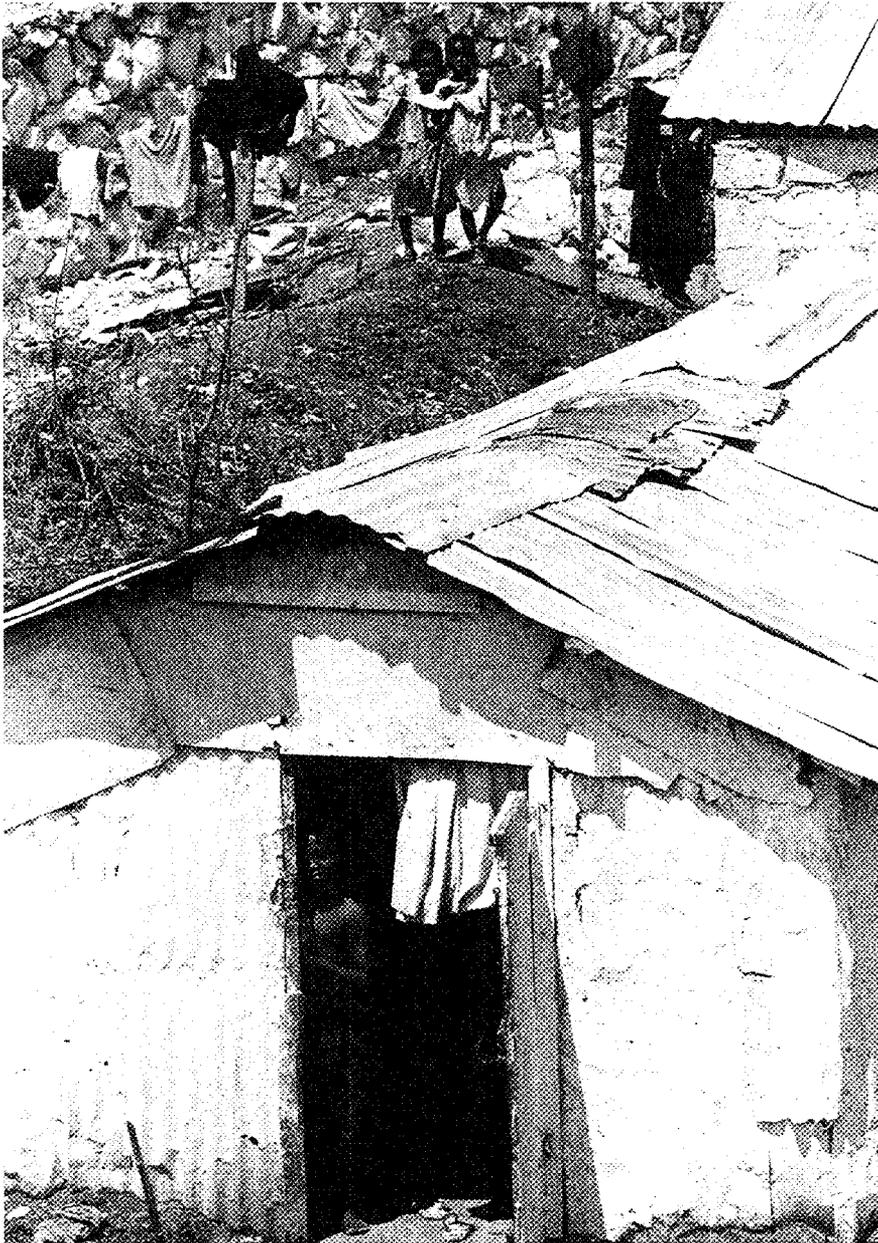
What produces economic prosperity is free-market capitalism. Democracy enables capitalism to flourish, and successful market capitalism helps create the social and economic conditions that allow democracy to take permanent root.

Democracy is unlikely to be scuttled because it fails to manage the business cycle, but its abandonment might be deemed sensible if the reliable consequence of losing human rights results in better economic conditions. However, the economic record of authoritarian governments has been dreadful. Because of their quest for centralized power, they have been unwilling to promote the human freedoms, private property, and profit motives that enable capitalism to come to life. Societies are unlikely to choose a proven economic and political loser over an imperfect but promising political system like democracy.

Most democracies of the Western core are well entrenched. Their political systems have scarcely been affected by the economic downturn this past year. While some parties are rising and others are falling, this is democracy at work, not its elimination. The new democracies with sound institutions are seemingly weathering the storm. Examples include South Korea and Taiwan. In other countries, the principal remedy for dealing with sluggish economies has been elimination of corrupt political support for vested interests, flawed banking, disastrous finances, bad real estate speculation, and other practices more characteristic of authoritarian rule than democracy—examples are Indonesia and Thailand. In many places, the ultimate result of the global economic downturn may be more democracy and better market capitalism, not less.

Global prospects are not uniformly reassuring. Democracy faces trouble in some places, if economic trends deteriorate further. This especially is the case in Russia, Ukraine, and elsewhere in Eurasia, where democracy was quickly adopted amidst revolutionary upheaval. However, after free-market shock therapy initially was pursued, a catastrophic loss of the gross national product (GNP) occurred. This happened in democracy's early stages, leaving many citizens likely to conclude that they were better off economically under communism, even though they had fewer liberties. The recent global downturn exacerbated this situation, just when some of these countries seemed to be slowly recovering.

Democracy is being blamed for the ongoing economic turmoil, especially by those who want authoritarianism reinstated. Rationally speaking, free-market reforms may slow, but any restoration of authoritarianism and state-run economies



**Democracy City in Port-au-Prince, Haiti, where the return of democracy to Haiti has not improved living standards as much as anticipated**

seems unlikely. However, inside political maneuvering is occurring at a time of mounting public worry, confusion, and ignorance. Plausibly democracy could become a casualty, although maybe not a fatality. Only time will tell. The global economic downturn endangers democracy in these countries and could affect parts of Asia.

Elsewhere the current economic downturn seems unlikely to greatly damage market democracy and could even help in some places. If the world economy rebounds, market democracy

likely will emerge just as strong as before, or even stronger. This will be the case only if the current downturn is nothing more than a mild overall recession. The real threat to democracy is a lasting global depression, such as in the 1930s, when it triggered mass anger and hysteria in many countries. The result was a number of irrational responses that deepened the depression, created major social strife, and called into question the established political order. Democracy held firm in the United States and Britain, but it was replaced by fascism and nazism in Italy and Germany. Elsewhere, communism threatened to overthrow democracy. The consequence was World War II. Although antidemocratic political extremism is not the inevitable byproduct of a depression, it can result from it in devastating ways.

## Market Democracy's Challenges

Promoting market democracy faces two difficulties. First, it may not work everywhere, at least now. Second, it might not produce the near-term liberalization commonly associated with the democratic core. These difficulties exist in many places. Over the long term, these difficulties may gradually be brought under control.

Democracy may not work if it cannot maintain national defense, public order, and a viable economy. Slowing democracy's transition may be adopted in some places, until it can manage these basic survival functions without becoming overloaded. The realization that democracy might not be highly effective everywhere is not surprising when considering the daunting requirements facing it. This is especially the case for countries trying to adopt democracy in the face of deep social conflicts and troubled economies. In Russia and Eurasia, new democracies are being asked to perform functions and produce miracles that may not be possible.

Democracy was created to protect human liberties, not to engage in social and economic engineering. In the United States, it was designed to limit government, thereby allowing social decisions to be made by the people, and economic decisions to be made by the marketplace. Essentially, it was set up to prevent a few leaders from gathering too much power, and fashioning society and the economy without the consent of the governed. Fifty years ago, democracy was seen as being weak at engineering, while communism was regarded as a better model because of its central control mechanisms. Today, democracy has a reputation for economic genius, while

communism has been judged a failure. Consequently, new democracies have been saddled with high expectations as they confront the formidable job of cleaning up communism and socialism's wasteland. Whether they succeed remains to be seen. The problem, however, lies with the wasteland, not democracy's failings.

In some countries, the conditions needed for democracy's evolution are almost wholly lacking. Much of Eurasia was ruled by the Russian czar for a reason. A strong authoritarian regime was needed to control the region's deep social differences and violent proclivities. The consequence was the loss not only of civil liberties, but economic dynamism when the industrial age began. The U.S. and West European historical experience was decidedly different. The American and European democracies grew from the bottom up. Also, they inherited civil societies and productive economies when they were born. Favorable conditions allowed these democracies to mature in a gradual fashion that paralleled the ongoing evolution of their societies and economies. As a result, democracy's pluralist mechanisms and penchant for incremental policies resulted in healthy societies, vibrant economies, and strong democracies.

Democracy has been successfully imposed from the top down only twice—in Germany and Japan after World War II. Both, however, had integrated societies and well-functioning economies. These features, plus massive outside assistance from the United States, helped democracy succeed.

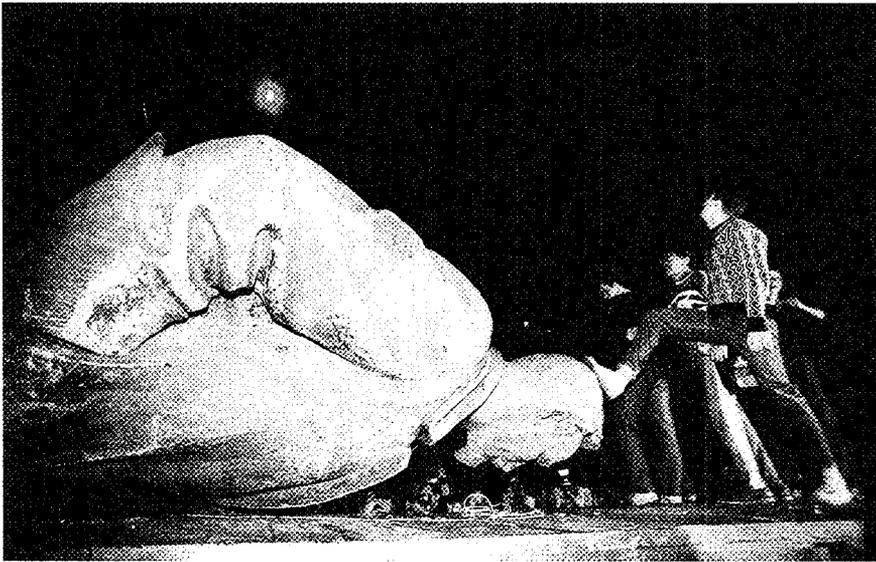
Today's new Eurasian democracies also have been imposed from the top. They are expected to achieve the same successes that the Germans and Japanese did, but without the underlying prerequisites. Even as democratic institutions are being built, they are being asked to guide social and economic revolutions under conditions whose outcome is unclear.

These new democracies have faltered, at least temporarily. Parliamentary rule created so many barriers to decisive political choice that sweeping economic reforms became impossible. Some accompanying economic failures were the result of either a failure to reform or unwise reforms, while others were inherent in the situation. However, democracy was blemished. The absence of political parties amidst deep social cleavages made it unlikely that democratic mechanisms could be mobilized and disciplined to deal with the deteriorating situation. As a result, a shift back toward central control and authoritarian practices has occurred.

Such situations have raised questions about not only whether democracy will survive in these countries, but whether it should. The answer was perhaps best stated by Winston Churchill: democracy is the worst form of government except for all others. In Eurasia and other places, democracy may be stumbling in economic and social engineering, but it is gradually succeeding in its core functions—protecting liberty and promoting elections. It clearly is doing a better job than previous authoritarian governments, which denied human rights. If authoritarianism returned, it would largely eliminate these rights. Whether its economic management would be better is far from clear. It might consolidate recent changes, but it likely would be hard pressed to carry out the further economic reforms needed for market capitalism to succeed. If retrenchment occurs, one hopes it will be temporary and for the purpose of performing necessary managerial functions, while allowing democracy to continue laying its foundation. The judgment that democracy may not work everywhere in the near term does not mean that authoritarianism can work in the long term. If these countries are to prosper, building a market democracy remains their best alternative.

The illiberal democracy phenomenon may also be the result of its environment. An "illiberal democracy" is a new democracy that creates electoral mechanisms for popular choice of government officials, but fails to protect human rights through a constitution and laws. As a result, a majority is able to elect officials that can abuse the rights of minorities. Many new democracies in Africa, Latin America, the Middle East, and Eurasia reflect this trend. In some, such illiberal behavior may be increasing. The plausible explanation is that illiberalism previously existed in these countries, only now it is being conducted under the mantle of democracy, not authoritarianism.

Illiberal democracies have appeared because of the unusual way they evolved. In the United States and Europe, constitutions and laws protecting liberties were established before democracy, with its electoral procedures, was created. The result was that when democratic elections were held, elected officials were legally constrained from abusing minorities and otherwise behaving improperly. By contrast, some illiberal democracies created electoral mechanisms before



**Statue of the infamous Soviet secret police chief Felix Dzerzhinsky, which was toppled by pro-democracy demonstrators in 1991, and restored by the Communist-dominated Russian parliament in 1998**

AP/Wide World Photos

their constitution and laws evolved. The result is that majorities with uncivil motives engage in brutal conduct and elect officials to do their bidding. Consequently, democracy is becoming blemished there.

In reality, these countries are not true democracies. In the West, democracy means more than elections. It also means constitutions and laws. Illiberal states, at best, are partial democracies. They lack one of democracy's central characteristics—they must protect the people, in order to be "for the people." The key question is whether these partial democracies will evolve toward real democracy. The outcome is uncertain and will vary with each country.

Ideally, democracy's adoption should be planned carefully and implemented slowly. Such transition in government is best not attempted when the economy and society are already being refashioned. Likewise, democracy's innocence is best preserved if it is introduced only in countries where humanitarian values already exist.

Contemporary affairs are not producing such conditions. Democracy's widespread adoption is occurring at a time of great upheaval and in places where liberal social values do not exist. As a consequence, some emerging democracies may falter and backslide, and others will be questioned regarding their viability. As a result, prospects for democracy's future in these places will be mixed. However, democracy's long-term appeal will remain. Some local setbacks for democracy may occur, but a global, enduring reversal is unlikely.

## The Democratic Core: Common Interests

The inner core possesses huge resources. From secure positions, it has the capacity to look outward and act decisively in common ways. The problem is that it has not been especially skillful in doing so. Many of its European and Asian members do not want to accept new responsibilities. Consequently, the United States has more burdens than it should fairly carry and more tasks than it can realistically perform.

This judgment does not deny the democratic core's ongoing cooperative efforts in many areas. In Europe, the EU and NATO are not only enlarging but also deepening their multilateral activities. Globally, the inner core is working together to confront new challenges, from currency turmoil to transnational threats such as terrorism and drug trade. Global cooperation is taking place on the environmental agenda developed by the Rio Summit, in efforts by the G-7, the World Trade Organization, and the Organization for Economic Cooperation and Development on new rules for international trade and investment, and in key arms control agreements to control nuclear proliferation as well as chemical and biological weapons. Likewise, regional economic bodies have emerged in recent years, including the Southern Cone Common Market and the Andean Pact in South America, the Association of Southeast Asian Nations, and the Asia-Pacific Economic Cooperation organization. Cooperation in UN-sponsored activities, such as the World Health Organization, is another indicator of how the democratic core is responding to the challenge of globalization in integrative ways.

Multilateral cooperation in the defense and security realm, however, is more checkered. Existing alliances in Europe and Asia remain quite capable of protecting traditional borders, but they have not yet been realigned to deal with new threats to common interests outside those borders. In Europe, NATO has recognized the need to adapt in these ways, but its progress is slow, currently focused on Europe's periphery and measured in limited steps taken over several years. In Asia, progress is slower yet, even though the U.S.-Japanese relationship is beginning to change. Globally, the risk is that these adaptations will not be strong and fast enough to deal with threats and challenges.

Why this lack of greater multilateral activity in security affairs? The interests of the United States, its European allies, and its Asian partners are sufficiently alike to permit common action.

For example, all have a shared interest in maintaining stability, preserving access to critical resources, and controlling proliferation. Where they differ is in how they pursue these interests. The Cold War's heritage resulted in a pattern whereby the Europeans and Asians mostly focused on their local security needs, and the United States accepted the lion's share of responsibility for security missions elsewhere. The only major exceptions were Britain and France, which themselves sharply contracted their force deployments outside Europe.

Today this pattern lingers and is reinforced by prevailing political priorities. European countries are principally preoccupied with unifying their continent and building the EU in ways that leave little energy for other distant priorities. In Asia, Japan is involved in Asia's economic affairs, but its history leaves it loathe to undertake wider security responsibilities, not only because of its own preferences, but also because other countries do not want it to play a bigger role.

Reinforcing this pattern are sometimes differing policies for handling regional security affairs. In the Persian Gulf, for example, U.S. policy has called for defending oilfields while carrying out dual containment of Iraq and Iran. This policy has produced an emphasis on becoming capable of rapidly deploying large military forces to the region and on using them to handle periodic crises. Although Britain has commonly backed U.S. efforts, other European countries often have been more prone to use diplomacy, unaccompanied by the use of force. The result has been differences of opinion over how to handle rogues, differences reinforced by disparities not only in political judgments but also in military capabilities. Until these differing strategic perspectives are better harmonized, and similar military capabilities are acquired, the capacity for multilateral action will be limited to grave crises like the Gulf War, when a major threat creates compelling reasons for a big Western coalition to form.

## U.S. Interests

Market democracy's spread serves the interests of the United States, the democratic core, and the international community. The more it spreads, the more these interests are served. Yet, strong U.S. and allied foreign policies will be

needed if these democratizing trends are to be encouraged and channeled in the right directions.

## No Decrease in Security Requirements

Democracy's spread does not greatly reduce U.S. security requirements in the new era. Obviously the democratic core's health contributes to the greater sense of optimism in U.S. global strategy than in the Cold War. Keeping this healthy situation is a top strategic priority. Its loss would be an overwhelming strategic disaster for the United States as well as its allies. As history shows, even close allies can drift apart if they lose sight of each other's needs. They also must upgrade common interests, not just national interests. With care, the democratic core likely will remain intact. Its maintenance and effectiveness will greatly depend on dealing with other turbulent regions, not just protecting the inner core.

## Extension of Strategic Horizons

Democracy's spread into less-stable, more-turbulent regions also serves U.S. and Western interests, but emphasizes the need for strong Western policies. It validates democracy's future and enhances the prospects for greater regional stability. Yet, the proliferation of new democracies extends U.S. and Western interests into new areas of the world. The democratic core has powerful interests in protecting and encouraging these democracies.

The United States must now be concerned about, and involved with, more countries than before. This is already apparent in Eastern Europe, where the United States and its European allies are actively engaged in supporting democracy-building efforts. A similar prospect may exist in other regions as democracy spreads further. However, these regions are quite unstable. Although new democracies will have a calming effect, it will not fully stabilize them anytime soon. New democracies that pursue foreign policies focused on state interests may become part of the problem in the near-midterm. This situation makes strong U.S. and allied foreign policies even more important. It also may entangle them in a host of trouble-filled places.

## Staying the Course

The problems of new democracies are a looming setback to U.S. interests, at least in the short term. These countries are struggling to preside over major social and economic transformations, under difficult conditions that could result

**Cambodian pro-democracy demonstrators hold an American flag during a march in Phnom Penh**



in their failing or at least not realizing their full potential. The world economy's downturn exacerbates their troubles. Also, some new democracies are showing signs of being democratic in name only, while carrying out illiberal domestic and foreign policies.

Such trends do not serve U.S. or Western interests. This especially is the case in such important countries as Russia, where democracy is endangered. These negative trends may subside in the long term, but this is not assured. In the near term, they emphasize the importance of discriminating and effective U.S. policies toward critical countries. The United States does not have the resources to shore up democracies everywhere, but it does have a compelling interest in shoring them up where their success has important strategic implications.

Although key countries are encountering serious problems, the United States and its allies should not diminish support for their democratization. Abandoning them would damage their efforts more than the current setbacks they are experiencing. The solution is not less support for democratization but the kind of support that is responsive and effective in the current situation.

## Developing New Allies

The spread of democracy enhances prospects for stability and cooperation. New market democracies can produce common values on which to build international cooperation. Recent experience shows that in the near term, new democracies do not necessarily produce close allies for the United States. This reflects their own lingering perceptions of themselves or of the United States.

In areas where market democracy is spreading, some countries are motivated not only by their own interests, but also by suspicion of the United States and its alliance network. The United States is paying an unavoidable price for its role as the world's only superpower. Irrespective of how it acts, its policies generate controversy. It often is criticized for being a hegemonic bully, but when it shows restraint, it is criticized for acting weak. In some countries, an underlying resentment exists regarding the wealth and allegedly materialist values of the United States and its allies.

Consequently, some new democracies will choose to keep their distance from the inner core not only out of their strategic views, but also because it is needed to maintain domestic credibility.

Democratization contributes to the number of potential U.S. partners. However, realizing this potential will be a long-term enterprise that will develop as confidence builds. In the near term, support for U.S. and Western policies likely will be stronger in some areas than others.

The democratic core's inability to pursue common policies in endangered regions is a serious liability for U.S. and allied interests. While the democratic core's potential strength is significant, it is inconsequential if it cannot be realized in dealing with global security and developmental problems. If new democracies could survive on their own and critical regions could stabilize themselves, the situation would not be as serious. But neither is the case. Progress will be achieved only if the democratic core acts strongly and effectively, especially in places of strategic importance.

The democratic core currently is experiencing a lack of willpower in some places, an absence of common goals and strategies, and inadequate military assets for power projection. These deficiencies can be remedied over time. Until this occurs, however, the United States and its principal democratic partners will lack the collective means to handle new era problems

under conditions that eventually could damage their own solidarity.

## Consequences for U.S. Policy

Promoting global democratization is a key goal of U.S. foreign policy and will remain so. Current U.S. strategy calls for strong efforts to help ensure that democracy is frequently adopted and accompanied by effective institutions and respect for human rights. The basic objectives of U.S. policy are not in question, but rather the actions and resources needed to achieve them.

The appeal of democracy offers the United States the opportunity to guide democratic enlargement to a successful outcome. However, this opportunity has its challenges. The United States must forge an effective strategy for democratization that is anchored in environment shaping, responds to crises, and prepares for an uncertain, demanding future. The task requires setting concrete goals that are visionary and realistic in balanced ways. It also means establishing clear priorities. Moreover, the United States must ensure that resources adequately support policies. The same applies to allies, whose actions will bear importantly on the outcome.

## Democratic Enlargement

Some form of democratic enlargement will remain embedded U.S. national security strategy. A few years ago, democratic enlargement was

**The Honduran legislature voted unanimously in 1999 to end 41 years of military autonomy and place the armed forces under civilian control**



AP/Wide World Photos

often seen as a dominant element. It was regarded as so important that it seemed to eclipse the other elements of global strategy for the future, including traditional diplomacy, military preparedness, alliance leadership, and crisis response.

This one-dimension calculus was overemphasized. Democratic enlargement is not proving to be as far reaching, as simple to achieve, or as peace enhancing as once hoped. Recently, it seems to be fading. The need for a more realistic emphasis does not mean its abandonment. Recent events do not call for democratic enlargement to be discarded, but for it to be placed in proper perspective regarding what it offers and how it can best be pursued. Democratic enlargement faces ample difficulties and shortcoming in the near term, but still has strategic potential in the long term.

The United States has an interest in retaining democratic enlargement as a key part of its strategy. The emerging situation suggests that democratization should not replace the traditional elements of strategy, but neither should it be overshadowed by them. Instead, it should complement these traditional elements, so that they reinforce each other in ways that better serve the national interest.

## Flexible Policies

Some years ago, democratic enlargement seemed simple and clear cut. Popular thinking held that democracy should be quickly and completely installed in key receptive countries. It further held that their economies should become market based and capitalistic through radical changes and shock therapy. This thinking concluded that diplomatic relations with them should be guided by the normal standards of cooperation and integration observed within the democratic core. Recent experience has dispelled this view.

The emerging situation calls for a more discriminating approach. It entails taking greater care in how democratic political institutions are created and how market economies and civil societies are reformed. A gradual, step-by-step process that has a powerful cumulative impact over several years may work better than a sweeping transformation implemented as fast as possible. How this should be carried out will vary with each country. Recent experience suggests that U.S. policy should focus on building the enduring foundations of democracy and constitutional law, rather than support for particular

personalities, radical economic reform agendas, and elections as the sole measure of progress. Each situation must be handled on its own merits, with flexibility being the watchword.

Even where the effort proves successful, recent experience suggests that U.S. policy should not necessarily expect new democracies to pursue foreign policies that reflect those of the inner core. The latter's multilateral cooperation and integration have emerged over a long period. They are also unique and unrepresentative of the world as a whole. Most new democracies arrive on the global scene in pursuit of their own interests, which are often defined in traditional terms and sometimes pursued in unsophisticated ways. These countries will help forge new international politics, but the initial consequences may not be uniformly stabilizing. These countries and the new international system will need to be treated in the context of determining how Western values and interests can best be served.

## Defense of Common Interests

Effective policies are needed for harnessing the democratic core's potential to defend common interests. They especially will be needed if the world becomes more turbulent and dangerous in the future. Emerging trends suggest that this goal should be elevated to a position of primary importance on U.S. and allied strategic agendas.

How can this goal be accomplished? How can fair burdensharing, effective common policies, and adequate combined capabilities be achieved? The task will not be easy, but NATO experience suggests that it can succeed. During the Cold War, NATO harnessed the potential of its members. NATO achieved this goal because transatlantic nations realized their interests could best be served through combined actions. Regardless of the approach, the United States must lead, but the allied countries have a reason to follow—their own interests are at stake.

An effective U.S. policy response must begin with mobilizing allied consensus regarding the fact that their interests are endangered. Such awareness exists in some quarters, but it is not yet widely discussed by many countries. As this goal is accomplished, a great deal of labor-intensive work can begin. Common military capabilities will need to be developed that ensure fair

burdensharing, sensible sharing of roles and missions, and operational effectiveness. Additionally, diplomatic goals and priorities should be harmonized to permit combined operations when the situation demands.

For the United States, this effort requires not only leading, but also sharing authority when responsibility is shared. For the allies, this effort means sharing responsibility in a manner that justifies any claims on authority. If the coming challenges are to be mastered, they will require the same spirit of cooperation that existed during the Cold War. A coalition response is difficult to forge and sustain, but, a division of labor that overburdens some countries while others are unchallenged will not work.

## Net Assessment

Democratization should be kept in strategic perspective. This is a global phenomenon that will transpire over the long term, even though its short-term success is important in such places as Russia and other key countries. An appropriate U.S. policy response is needed, one that is realistic, yet idealistic, and above all, effective.

The past two decades have produced significant increases in the number of market democracies. The rate of expansion could slow in the coming years. The number of additional democracies may not be large. A few more may be added to the democratic community, but some may drop out. A question is whether existing new democracies will take the steps needed to fully institutionalize democracy. Because many countries have only a few democratic features, such as elections without constitutions and laws, their future will be shaped by whether they can carry out the demanding task of democracy building.

Further democratization will not necessarily produce more allies of the United States seeking integration into the Western security-economic system. Some may decide to join, but others may remain on the periphery. Still others may either keep their distance or outwardly oppose U.S. policies. Regardless, most new democracies will have one thing in common: their foreign policies will be determined more by local interests than by larger strategic affairs. Small and medium powers will have a regional focus at best. The sheer sizes of big countries like Russia, India, and China require them to think in broader geographic terms. Yet, their foreign policies are also likely to be determined more by their pragmatic interests than by whether they practice democracy in their internal affairs. As for today's



**Defying the ban on supporting opposition Culture and Democracy Party in Algiers**

rogues, democratization does not promise to reform their foreign policies for the simple reason that they appear to be among the least likely candidates to become democracies.

Democratization significantly affects the internal affairs of many countries, but it is unlikely to alter international affairs overnight in fundamental ways. Over the long term, however, democratization can be expected to temper foreign policies as new democracies mature.

Gradually, the scope for international cooperation and integration should expand. This development will serve U.S. and Western interests in important ways.

The United States should not expect miracles from democratization. It should be realistic about the troubles ahead and the constraints on further rapid progress. It still has reason to believe that investments in political reform will pay some dividends in the near term and major ones in the long term. This justifies staying the course in patient ways, even if it sometimes seems long, rocky, and frustrating. In the interim, the main challenge will be working with the existing, well-established democracies to enhance their capacity for combined action in the face of serious international troubles that are likely ahead. This venture will largely determine how the future unfolds.

#### NOTES

<sup>1</sup> *Freedom in the World*, using a weighting based on political rights and civil liberties, identifies 81 of the 117 electoral democracies as free, 36 as partly free. Among the latter group several are making progress toward greater freedom. *Freedom in the World: The Annual Survey of Political Rights & Civil Liberties, 1997-1998* (Washington: Freedom House Survey Team Staff, 1998).

<sup>2</sup> Fareed Zakaria, "The Rise of Illiberal Democracy," *Foreign Affairs* 76, no. 6 (November/December 1997), 22.

<sup>3</sup> Samuel P. Huntington, *The Third Wave: Democratization in the Late Twentieth Century* (Norman, OK: University of Oklahoma Press, 1991).

<sup>4</sup> Samuel P. Huntington, "The Clash of Civilizations," *Foreign Affairs* (Summer 1993).

# Transition States: *New Destinies?*

**C**hina, India, and Russia are three of the largest and most important states in Eurasia. They are also undergoing transition. The question is, where are they headed? These states are unlikely to join the Western democratic core any time soon, but they are also unlikely to become full-fledged adversaries. All three are likely to have mixed relationships with the United States. Their pragmatic interests will cause them to shift between cooperation and difficulty. Each country will display differences that reflect its unique strategic circumstances. The United States will have to deal with them individually, on their own terms.

China, India, and Russia are undergoing far-reaching transitions aimed at creating the foundations for regional and even global power in the next century. When this decade of transition began, these states were headed toward market democracy. Today, their destinations are less certain. Yet, their great size, geographical location, and historical tradition ensure them an influential role in key regions—East Asia, South Asia, and Central and Eastern Europe. Their success or failure will significantly affect these regions.

The outcome of their transitions is difficult to predict. All three seek expanded regional and global roles; all three possess impressive economic potential. They have also achieved successes in reforms while experiencing serious internal shortcomings and external challenges. These states, especially China, inspire exaggerated hopes and fears. Some analysts see them wielding great power and influence in the next century; others see them as sources of instability as reforms fail to keep pace with spiraling populations, ecological degradation, regional separatism, and political weaknesses. Such dramatic success or failure is unlikely in the next decade. However, none is likely to be a peer competitor of the United States, nor will any become so engulfed in internal chaos that it ceases to be significant.

Each will focus on sustaining internal political and economic momentum, improving military capabilities, and preventing internal instability. Each will increasingly attempt to influence its neighborhood, while dealing with traditional or emerging rivals. In the next decade, the futures of China, India, and Russia depend on how they manage internal and external challenges.

The United States must be concerned about what kind of states they will become and what kind of role they will play in their respective regions and the world. The United States must

**Population and Gross National Product in China, India and Russia**

	Population (in millions)	GNP (billions of U.S. dollars)	GNP per capita (U.S. dollars)
China	1,232.7	\$639	\$518
India	983.4	385	392
Russia	146.6	1,100	7,483

Sources: *The Military Balance 1998/1999*, The International Institute for Strategic Studies (London: Oxford University Press, 1999).

forge policies that help shape both internal and external outcomes. Such policies must balance support for traditional friends and allies with the engagement of these three states, a particularly difficult task regarding postnuclear India. They must also demonstrate U.S. commitment to being a significant actor in Eurasia while accommodating the rise of new players. These policies must combine more sophisticated incentives and constraints if they are to respond adequately to the challenges posed by the transitions of China, India, and Russia.

## Key Trends

Even when the more dramatic scenarios are rejected, a wide range of outcomes is possible. Which outcomes emerge will be determined largely by the seven following trends.

### Global Power Aspirations

The political leaderships in China, India, and Russia have sought reforms and sacrifices that are intended in the long term to benefit individuals and provide global influence for their respective states. The appeal of these aims is reflected in the Chinese public's enthusiasm over Hong Kong's return and the Indian public's support for nuclear tests. Russia's public demonstrates the opposite, however. It has shown widespread indifference to even the most important foreign policy issues. None of the three states is currently an anti-status quo power. Yet, all three want to see fundamental adjustments to the existing system and their place assured in it.

China and India want to reverse more than a century of weakness and inferiority vis-a-vis Western states. They sense the time is ripe to overcome colonial legacies and internal inadequacies to assume their rightful place in world affairs. Speaking at Harvard University in 1997, Chinese President Jiang Zemin noted proudly,

"After 100 years [of] struggle of the entire Chinese nation, China has stood up again as a giant."<sup>1</sup> Indian Prime Minister Atal Behari Vajpayee invoked India's past and future greatness, when threatened with sanctions by the United States and other countries after India's nuclear tests. He stated "India will not be cowed by any such threats and punitive steps. India has the sanction of her own past glory and future vision to become strong—in every sense of the term."

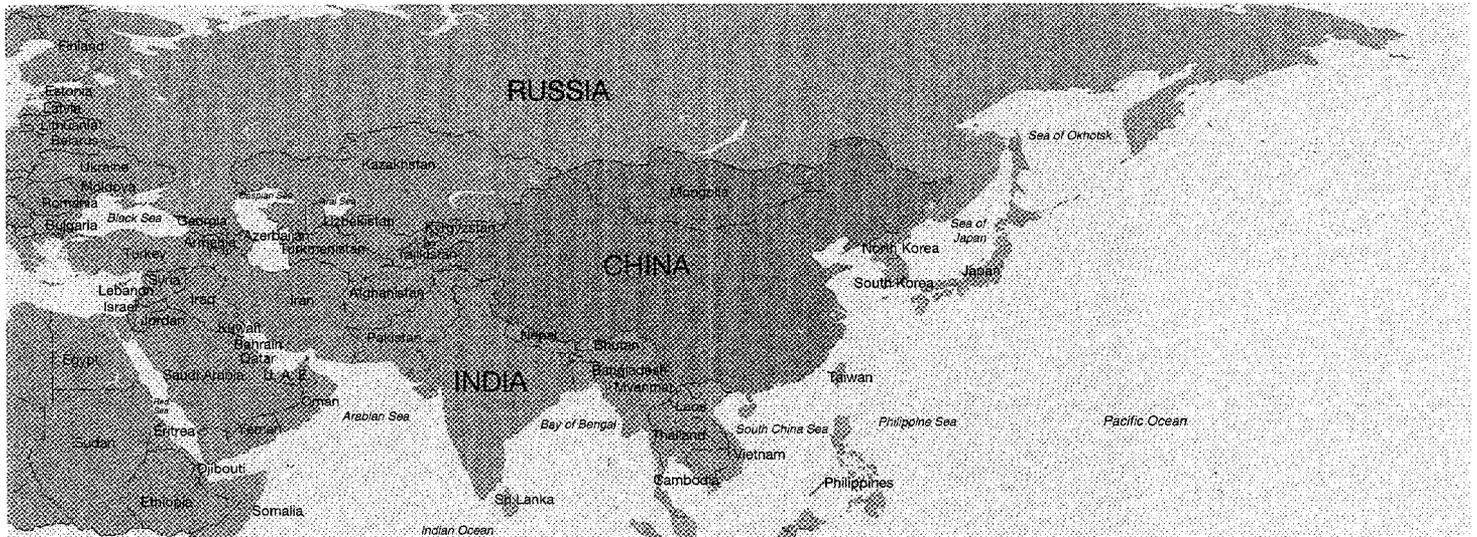
Russia's leading statesmen seek to ensure that Russia is a country to be reckoned with. Former Prime Minister Yevgeny Primakov's remarks are typical: "Russia was and remains a great power. And like any great power, its policy must be many-vectored and multifaceted."<sup>2</sup> The complex world situation requires that "Russia be not merely a historically great power, but a great power right now." Russia's limited capabilities should not be seen as a bar to an active world role, because Russian policy is being carried out "by no means on the basis of current circumstances but on the basis of [Russia's] colossal potential."<sup>3</sup>

To varying degrees, all three states are suspicious of a U.S.-dominated global order. Each prefers versions of a "multipolar world" as described in the April 1997 Russia-China communique. Each sees itself as a pole in this multipolar world. They view this world as better accommodating their respective national interests. They do not see themselves as challenging the existing international system, particularly if it means huge costs. However, each seeks a revision of the status quo that will reduce U.S. influence and increase theirs.

### Serious Internal Transformations

None of the three has simultaneously sustained comprehensive political and economic reforms. China has taken the greatest strides. Since launching economic reforms in 1979, China has tripled its GNP. The past two decades, China has had the world's fastest growing economy. The success of these reforms has given rise to both optimism and pessimism among China watchers. Continued economic growth could mean China's integration into the world economy and international system. It could also mean China's assertion of power. China maintains strong control over massive economic changes; it has not

## The Transition States: Russia, China, and India



pursued political reform as vigorously. Progress has been made in legal reform and local self-government. However, the state remains highly centralized and imposes enormous restrictions on freedom of speech, religion, and the press.

India also has experienced substantial economic growth since reforms in the early 1990s. The reforms opened up key sectors of the Indian economy, such as telecommunications. The Indian leadership moved away from state-dominated economic development. They deregulated most industries, devalued the rupee in 1991, and introduced a market-determined exchange rate in 1993. The Indian Government also liberalized the capital market and encouraged foreign direct investment, except in some consumer goods.<sup>4</sup> Growth rates hit over 7 percent in 1996 and about 5 percent in 1997. Until recent years, one party dominated India's democratic system. Now the caste and Hindu nationalist parties have gained favor.

Russia has seen its GNP decline steadily in the 1990s, despite economic reforms that began in 1992. After signs of growth in 1997, Russia's economy was dealt a severe blow by the Asian financial crisis. The government is unable to raise adequate tax revenue. Wages and pensions are still in arrears. The old manufacturing sector makes a product worth less after its manufacture than the raw materials used to make it. Large portions of the economy still operate on barter. A small group of Russian financiers, energy moguls, and government insiders are accumulating huge wealth. Russia has created a sustainable

system of democratic elections, but its policy-making is far from responsive to the public.

### Serious Internal Weaknesses

China, India, and Russia face substantial internal challenges to their stability. China and India are developing countries with the world's two largest populations. Russia has the opposite problem: it is the only developed nation where life expectancy is declining. China and India are growing economically, but this growth must be sustained and expanded. Sanctions may affect India's economy in the near term. The Russian economy is still contracting.

Chinese officials remain confident that centralized control of economic reform is the right way. Jiang Zemin defended this approach in a public debate with President Clinton, during the 1998 Summit. Yet China's high economic growth rates cannot be sustained. More moderate growth will reduce the ability of urban centers to absorb the surplus rural population, which could be over 300 million working-age adults. Experts believe that China must create at least 100 million new jobs to absorb enough of this surplus to avoid instability.<sup>5</sup>

Growth alone will not address overpopulation, resource exhaustion, and continued disparities between rural and urban China. Liberalization is also creating conditions that could

**Chinese Premier Zhu Rongji meeting with Former Russian Prime Minister Yevgeny Primakov in an effort to boost trade and political ties**



AP/Wide World Photos

challenge political centralization. China's large ethnic minority population—over 90 million according to the 1990 census—is a concern, particularly in Tibet and Xinjiang. China must sustain Hong Kong's prosperity, after it has been hit hard by the Asian economic crisis. Taiwan's status reflects negatively on the regime's ability to look after what it calls China's fundamental national interests.

Most experts are confident that China will muddle through these problems and continue to advance economically and as a world power. Yet population and social trends will stress the political system already challenged by economic liberalization. Serious instability in China would not only prevent the country's emergence, but profoundly alter the situation in East Asia.

India also has a large and expanding population, low per capita income, urban-rural disparities, and potential separatist challenges. The most striking political development is the rise of caste, regional, and Hindu nationalist parties led by the Bharatiya Janata Party (BJP) that directly challenges India's past politics.

Russia remains in economic and political crisis. Its economy has contracted since independence. In 1985, Soviet GDP was 13.5 percent of the American, Canadian and European GDP. By 1995, it had fallen to 4.6 percent. Russia's population has been declining since the 1990s. Male life expectancy declined from 63.8 years to 57.7 in the first half of the 1990s. In 1997, 21 percent of the population remained below the official poverty level.<sup>6</sup>

Political consensus for reform does not exist in Russia. For the first time in recent history, the Russian citizen has more reason to worry about a weaker state than a stronger one. The Asian financial crisis and Russia's debt crisis ended the reform-oriented government, which was replaced by a coalition headed by former Foreign Minister Yevgeny Primakov and included senior Communist ministers. Now another new government under Prime Minister Sergey Stepashin has passed economic reform legislation in the Duma and is seeking International Monetary Fund (IMF) support and debt relief.

## Military Capabilities in Transition

China and India are modernizing their militaries and pursuing force projection capabilities. This led some analysts to predict their emergence as formidable or at least niche military powers, supporting more assertive foreign policies. This military modernization has brought important improvements, but not an overall transformation of forces. Both countries lack land, sea, and air capabilities required for force projection and sustainment. Russia is trying to reform forces inherited from the Soviet Union, but they continue to decline in quantity and quality. Their future is seriously in doubt.

### Selected Russian Military Production

	Main battle tanks	Fighter aircraft	ICBMs
1990	1,600	430	115
1996	5	1	10

Sources: *The Military Balance, 1997-1998*, International Institute for Strategic Studies (London: Oxford University Press, 1998).

Modernization of China's People's Liberation Army (PLA) was one of Deng Xiaoping's four modernizations announced in 1979, but it was last in priority. This initiative came after Vietnam defeated China in their 1979 war. Several trends have caused renewed concern over Chinese military power. In 1985, China adopted a military doctrine, that shifted emphasis from a major nuclear conflict with the Soviets to regional conflicts. Force improvements were emphasized in the areas of mobility, power projection, and sustainability. Since 1989, the Chinese military budget has experienced several years of double-digit increases, although not resulting in improved military capabilities. Russian-Chinese rapprochement provided opportunities for China to acquire advanced fighters, guidance technology, surface ships, and other equipment.

The PLA has made some real improvements. Elite units, such as the 15th Group Army and marine units, comprise China's so-called "fist" (quantou) and "rapid response" (kuaisu) forces, within an excessively large and antiquated land army. China has acquired some 50 Russian SU-27s, along with the right to co-produce 200 more. Russia has provided upgraded avionics and air-to-air missiles. Israel, Iran, and Pakistan have sold China airborne warning and control

systems and in-flight refueling capabilities. However, most of its 4,400 aircraft are outdated MiG-17s, 19s, and 21s. This air force is no match for U.S., Japanese, or Taiwanese Air Forces.

The Chinese navy has acquired Russian Kilo-class submarines and Sovremenny-class guided-missile destroyers. Its carrier program is a disappointment. The Chinese navy has extended its reach but lacks adequate air and missile defenses. China is moving toward second generation ICBMs and SLBMs, with multiple warheads. By this century's end, this program should improve Chinese nuclear capabilities, although they will remain modest by U.S. and Russian standards. The PLA has acquired increasing numbers of medium- and shorter range mobile missiles with global positioning system links and terminal guidance packages. It has increasingly emphasized cruise missiles, acquiring key Russian and Israeli components.

The PLA is improving, particularly in key force projection areas. However, it falls far short of large force-projection operations in a modern combat environment. The PLA seeks to complicate regional scenarios of interest to the United States. For example, the PLA cannot sustain a large-scale assault on Taiwan, but its increasing power could influence future scenarios. The PLA could make gradual improvements that lead to "near peer" capabilities in 20 to 30 years. Such possibilities are of the utmost importance to the United States. Developments in the next decade will help determine whether China is headed toward being a world-class military power and, if so, how fast. In the near term, China's military modernization raises the stakes in any regional dispute involving the United States, Japan, or an outside coalition. Coupled with an adequate nuclear deterrent, this may be all Beijing needs to influence regional issues in the near term.<sup>7</sup>

India's May 1998 nuclear tests focused attention on its capabilities and intentions. Its air force is also upgrading its older Soviet MiGs to include advanced radar and air-launched missile capabilities. India is attempting to produce its own nuclear submarine. India's missile development has been impressive, including the Prithvi (250-kilometer range) and the Agni (1,500-2,500 kilometers). India is also working on a new ICBM (Surya) and SLBM (Sagarika).

By comparison, the Indian military has not received the same attention or experienced the

same improvement as the Chinese. In 1996–97, India's defense budget declined in real terms. Its plans of the last decade to modernize ground forces and expand by 11 divisions foundered on budget constraints. Yet, it is formidable enough in the region to influence Pakistan and smaller neighbors.

The Russian military is in precipitous decline. Economic conditions did not allow the maintenance of the massive military establishment inherited from the Soviet Union. Key conventional and nuclear systems will reach the end of their service life by the next decade's end. Russian ground forces are a small fraction of those of the Soviet Union.

The navy has experienced a steep decline in readiness. Most experts predict its consolidation into Northern and Pacific fleets, which will operate mostly as a coastal defense and nuclear deterrent force. Military production in key systems, such as tanks and aircraft, plummeted in the mid-1990s to a handful of units annually. This production has increased, but it is intended mostly for export.<sup>8</sup> Morale, training, readiness, and housing are poor.

Russian forces have been actively engaged in conflicts around the former Soviet Union (FSU), from Tajikistan to Moldova. While these were hot wars in 1992–95, they have largely cooled. Yet, deployments continue. The Russian military's performance in Chechnya, from 1994 to 1996, raised questions about its cohesion. Before intervening in Chechnya, then-Defense Minister Pavel Grachev declared, "Just one regiment of Russian paratroopers would have been enough to settle the problem with 2 hours." After 2 years of humiliation, Russian divisions were unable to stave off defeat.

Reliance on nuclear weapons increasingly compensates for Russian conventional weakness. The 1993 military doctrine abandoned its "no first use" policy. Russian declarations increasingly address the importance of a nuclear deterrent. The utility of tactical nuclear weapons is also seriously considered. Although better funded, Russian nuclear forces face their own crisis. Only a modest portion of the total 6,250 deployed warheads (4,278 on ICBMs) is operationally ready. Only two of Russia's ballistic missile submarine fleet routinely deploy, with the bulk remaining in port. This decline of Russian nuclear forces will accelerate early next century.

Many systems will grow old and unreliable. The Russian Strategic Rocket Forces commander states that SS-18s and SS-19s, carrying nearly 3,300 warheads, will reach the end of their service life by 2007. Similar problems plague other platforms and the command and control system that supports them. Some predict that Russian nuclear forces will number 1,000 warheads or fewer by 2015.<sup>9</sup> The stability of Russia's nuclear posture is a serious concern, given deteriorating forces, decaying early warning, command and control systems, and increasing operational reliance on these forces.

Russian planners realize they will have much smaller forces, but whether they can sustain and modernize them on future military budgets is uncertain. Without economic growth and political commitment to devoting more resources to reform, a smooth transition for the Russian military is doubtful.

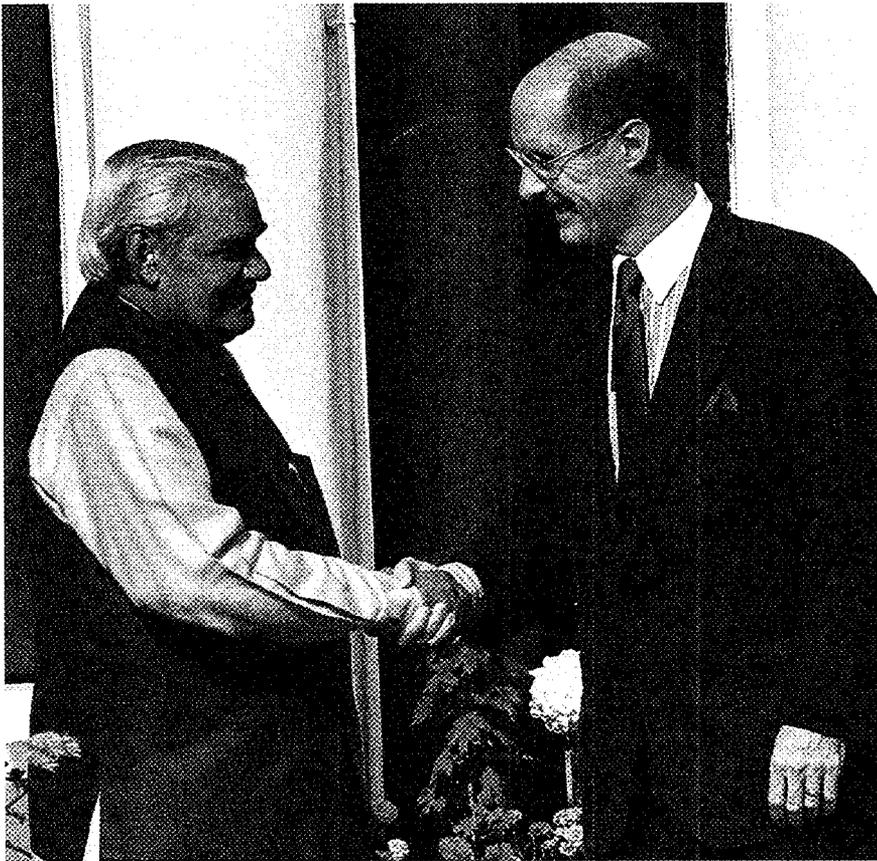
## Energy: China and India's Demands, Russia's Supply

India and China are destined to become large-scale importers of energy, increasing demand on Persian Gulf supplies. Russia and other former Soviet states have large gas and oil resources and could become a key source of energy for Asia.

China's average per capita energy consumption is currently at 40 percent of the world's. As economic development continues, this per capita consumption will surge. Since the late 1980s, production has grown 1 to 2 percent annually; consumption increased nearly 8 percent. China's production has met this rising energy demand as well as provided exports.

However, it is estimated that China may import as much as 1.3 million barrels a day (mbd) of oil by 2000 and 7 mbd by 2015.<sup>10</sup> This rising energy demand has made China an active seeker of foreign energy. China is exploring fields in Venezuela, Iraq, and Kazakhstan. It has signed a \$4.3 billion contract for a 60 percent stake in Aktyubinskmunai, plus an agreement to build a pipeline to Xinjiang. It also has sought natural gas from Siberia.<sup>11</sup> Chinese energy demands will have far-reaching implications. Its continued reliance on dirty coal will mean acid rain in Japan. It also could become a competitor for new energy sources in Central Asia.

In 1996, India decided to revamp its domestic energy industry and open it up to foreign investment. India's state oil firms met over half of India's oil demand in 1996–97. The Petroleum



**Indian Prime Minister Atal Bihari Vajpayee meeting with U.S. Deputy Secretary of State Strobe Talbott, after India agreed to sign the Comprehensive Test Ban Treaty**

Ministry estimates domestic oil production will stabilize at about 42 million tons in 2000. However, strong economic growth will demand 100 million tons or more.<sup>12</sup> Even if sanctions slow economic growth and reduce demand, the trends are clear. Local oil production will cover less than 30 percent of demand by 2000. Annual import costs could reach over \$25 billion by 2010.<sup>13</sup>

Chinese and Indian rising demands will place additional stress on Persian Gulf oil. Both India and China are astride crucial sealanes that connect the Gulf to East Asian and Pacific Rim countries dependent on oil imports. More than 90 percent of Japan's oil sails past India and China, raising questions about intensified energy competition and energy security.

Russia could benefit from these rising energy demands. However, massive capital inflows are needed to modernize production, repair pipelines, and construct new lines. Rising Asian energy demand will likely exacerbate pipeline politics in the FSU, as Russia seeks continued primacy in developing energy transportation in the region.

## Ambitious Regional Agendas

All three states act like regional hegemony based on their size, history, and military and economic potentials, and all three have ambitious regional agendas—but only China possesses the potential to achieve them over the long term.

China's emergence as a rising power has resulted in a more expansive role in Asia. This greatly depended on the gradual elimination of tensions along the Sino-Soviet border. The Soviet Union's collapse permitted China to significantly reduce its forces in the north and devote greater resources in the south and southeast.

Beijing has expanded its participation in the Association of Southeast Asian Nations (ASEAN) and in the ASEAN Regional Forum. Its economic success has enabled it to assume a new leadership role after the Asian economic crisis. It has provided a \$1 billion loan to Thailand through the IMF. It is one of the four powers involved in negotiations on the Korean peninsula's future. China has become more assertive regionally. It zealously claims Taiwan is an inalienable part of China. Its main challenge to this claim is Taiwan, which has grown richer, more confident, and more democratic. Beijing also claims the Senakaku Islands, putting it at odds with Japan, and the Spratly Islands, which are claimed by the Philippines, Vietnam, and other neighbors. To support this latter claim, China seized Mischief Reef in the Spratlys in 1995. In May 1996, China formally expanded its claimed sea area from 370,000 to 3,000,000 square kilometers. Whether or not these expanded territorial claims can be enforced is uncertain. However, Chinese policies create obstacles to any commercial developments. Any foreign company seeking to develop potential energy reserves in the area must take into account China's claims.

The Soviet Union's demise was a serious blow to India, eliminating a major strategic partner although the links with Russia are still important. Russia has continued to be an arms supplier, but it has sought more favorable returns. After worldwide condemnation of India's nuclear testing, the Russian Ministry of Atomic Energy announced a major nuclear reactor deal.

India continues to exercise regional influence over such surrounding states as Bangladesh, Sri Lanka, Nepal, and Bhutan. It faces two serious obstacles. The first is China. While New Delhi has improved relations with Beijing, China remains a serious strategic rival. President Jiang Zemin's visit to India in late 1996 led to a significant thaw in relations, with the two sides agreeing to set

aside border disputes. However, the Sino-Indian relationship could be a long-term rivalry over regional influence, global status, energy access, and foreign investment and trade. Senior Indian officials identified China, not Pakistan, as the key reason for the May 1998 nuclear tests. The growth of China's military potential and its emergence as a world power have alarmed and perplexed Indian officials. China has also established an important listening post near the Indian-controlled Andaman Islands.

The other obstacle is Pakistan. India frequently regards Pakistan as an unworthy rival. India's size and economic potential dwarf its neighbor, yet Pakistan has considerable resources to maintain military parity. Islamabad has cultivated important friends, who have provided advanced military technology that has sometimes surpassed India's. Sino-Pakistani cooperation has enormously helped Pakistani missile and nuclear programs, leaving many Indian observers feeling threatened on two fronts.

Since late 1991, Russia has sought integration of the FSU. Moscow was the driving force behind the creation of the Commonwealth of Independent States (CIS), which included all former-Soviet states except the Baltic republics. However, the CIS has not become an effective organization. Member states have disagreed about its purpose and institutional arrangements. Many wanted economic assistance from Russia, not integration. Led by Ukraine, others were suspicious of attempts to recreate a new centralized state. Consequently, the CIS has adopted thousands of decisions but implemented almost none. It has made the transition to independence more predictable and preserved communication channels among new political leaders. However, it has not produced the results Russia intended.

Russia now seeks to increase its influence through bilateral ties. It has fostered a bilateral Russian-Belarusian Commonwealth. It has signed important treaties of friendship and military cooperation with Kazakhstan, Armenia, and Georgia. It also has tried to normalize relations with Ukraine. Russia has agreed to create a community of four with Belarus, Kazakhstan, and Kyrgyzstan. Its energy companies have attempted to develop and transport oil and gas supplies outside Russia.

Russia sees the former Soviet territory as a zone of special interest and pursues policies that shore up its position. However, it has been hampered by economic troubles, the fragmentation of policymaking and implementation processes,

and the reluctance of the newly independent states to pursue new arrangements.

Russia's regional ambitions also face a new geopolitical situation. Western institutions, such as NATO and the European Union, are expanding toward Russia's western borders. In the east, Russia faces a rising China, with which it has formed a "strategic partnership aimed at the 21<sup>st</sup> century." Although it engages in anti-Western rhetoric, this partnership is incapable of opposing the United States. Despite higher hopes, trade has stalled and even declined. They are more likely to be focused on one another, rather than the outside world. China will likely have enormous economic and political influence on Central Asian states and the Russian Far East. This region has already been influenced more by East Asian economic trends than by European Russia. However, it is unlikely that Russia and China will return to past animosities.

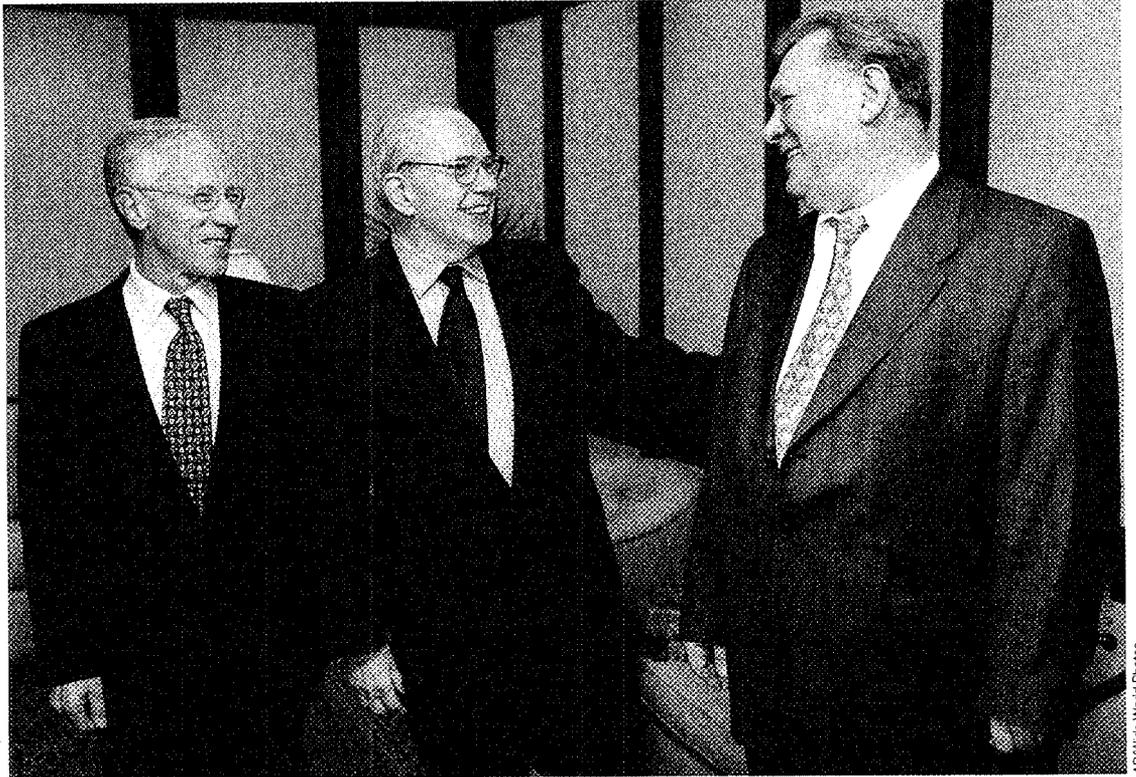
## Facing Regional Instability

Even if the three transition states pursue stabilizing regional policies, their neighborhoods remain potentially unstable. The Asian economic crisis has unsettled Eurasia. The Korean peninsula's future is uncertain. Southwest Asia still feels the effects of the Iran-Iraq and Gulf Wars, and six unresolved conflicts still complicate stability in the FSU. Russia worries about NATO enlargement, the fragmentation of the FSU, Siberian and Far Eastern vulnerabilities, and the growth of Islamic radicalism to its south.

Southern Eurasian rimland countries seek advanced conventional weaponry, missiles, and/or weapons of mass destruction (WMD). Iran and Iraq have already used chemical weapons warfare. Iraq seeks WMD and delivery vehicles. Regional conflicts of the future will feature these military capabilities.

Proliferation of WMD is the biggest threat to regional stability, and all three states play key roles. The most dangerous problem is the Indian-Pakistan confrontation. Their nuclear tests altered the regional security situation. Despite evidence of new moderation, China has been a key provider of advanced missile and nuclear capabilities to Pakistan and Iran. Russia remains a prospective supplier of WMD expertise and materials. This prospect will become more likely as the Russian Government's oversight weakens,

**IMF Managing Director Michel Camdessus, center, meeting with Russian First Deputy Prime Minister Yuri Maslyukov about additional loans for Russia**



TRANSITION STATES

AP/Wide World Photos

the situation in the Russian defense industry becomes more dire, and greed prevails. Reversing this trend will require substantial efforts on the part of all three transition states, the United States, and its allies.

These regional conditions could produce strong or weak outcomes for these key states. China will likely continue rising, gathering political, economic, and military momentum. This growth is likely to occur at a more moderate rate, which will deepen internal problems. China could suffer serious setbacks, particularly if it cannot handle these problems. The current political system might also be in for a shock, as it tries to maintain strong control over an increasingly less centralized China. Economic developments may yet lead politics in unwanted directions. If a political crisis emerges, it could well mean a period of swift and unpredictable change.

India's immediate future is complicated by its nuclear status. The economic sanctions imposed on the country will certainly affect the economy. India or Pakistan's deployment of nuclear weapons would seriously destabilize South Asia. The rise of caste, regional, and Hindu nationalist parties promises uglier, less stable politics. The BJP party's use of national security policy to shore up it up politically is not encouraging. India probably will be unable to keep pace with

China as an emerging world power. It will likely react negatively to the increasing gap between itself and China, given India's suspicions of long-term Chinese ambitions and frustrations with the world courting Beijing. If it does react negatively, Sino-Indian relations and South Asia could experience difficulties.

In the next decade, the drama for Russia will be a transition to a post-Yeltsin era. This successor generation will still face the central government's shortcomings, regional tensions, rising debt services, and burgeoning social needs for young and old. Even if Russia comes closer to integrating into European institutions and the global market, which would be a long and difficult process, it will still be in a questionable neighborhood.

Despite its weakness, Russia will have relatively strong influence over even weaker neighbors. However, it will not be able to impose centralized authority over this vast space. Russia's security environment will be far more uncertain than that of any other large power. Moscow's reliance on nuclear weapons as a hedge against uncertainty will not solve its security problems nor serve as a useful tool.

The more serious outcomes warrant consideration. These might result from internal failure. In Russia, this outcome might be long-term stagnation or the rise of a nationalist regime. In China, it would be economic failure or the inability of the Chinese leadership to maintain the dichotomy between liberal economics and authoritarian politics. In India, the outcome might be a similar loss of economic dynamism, the rise of a separatist challenge in Kashmir, or the erosion of India's democracy through the rise of ugly and violent ethnic, religious, and caste politics. These possibilities exist in each country; their probabilities are unlikely.

These outcomes would significantly affect all three states, externally as well as internally. Leaders of these nations might conclude that their countries would not achieve regional and global ambitions through economic and political integration with the international community. Alternatively, they might behave more aggressively toward the outside world.

The growth of Chinese, Indian, or Russian power will also test the United States and the international system. The international system's accommodation of newly ambitious powers is never easy. It is a difficult balancing act for existing powers.

## U.S. Interests

As weak or strong states, China, India, and Russia have the power to influence the key regions of Eurasia. Their internal failures alone could fundamentally alter their regions. Moreover, the Western world cannot wall out instability in these great transition states. The world's increasing interdependence makes it vulnerable to such instability.

These three states are already significant global actors. China's near-term military modernization will alter U.S. and allied perceptions of various Asian regional contingencies, even if Russia retains an enormous nuclear arsenal. India's recently demonstrated nuclear capability challenges regional stability and the basic premises of the nonproliferation regime. The United States has enduring interests that must be supported by policies toward these transition states and their surrounding regions.

## Promoting Stability

The dominant U.S. interest is to encourage stability and management of change on the Eurasian landmass. The United States has much at stake in Eurasia, to include an interest in stable transition states, their neighbors, and U.S. allies. The European Union and Japan are pillars of a global structure and cannot be insulated from global economic trends, regional instabilities, or long-term challenges to the existing economic and political order. What occurs in these transition states will eventually affect U.S. friends and allies.

## Promoting Market Democracy

The United States has an interest in the establishment of market democracy in these key transition states and in their neighbors as well. In the early 1990s, these transition states were seen as eventually developing pluralistic political systems and free markets. While this was overly optimistic, encouraging transition states to seek these goals remains a fundamental U.S. interest.

## Preventing Regional Hegemony

The United States has an interest in preventing a hostile power from dominating the key regions of Eurasia. None of the transition states appears to seek hegemony. In fact, Russia seems headed in the opposite direction. However, Washington cannot be indifferent to the rise of these states to global status. It must be concerned about the size and shape of their armed forces, regional ambitions, and political and economic power.

## Promoting Integration

The United States has an interest in the internal stability of states and their long-term integration into the global economy and into regional institutions. Transition states are difficult challenges, because their internal failings and weaknesses could disrupt regional or global order. The United States must continue to enlarge the Western system that has fostered stability, economic growth, and democracy in many countries. The United States wants these countries to seek integration into this system, rather than try to topple it. The United States wants these states to be neither too weak nor too strong. Although the United States has an interest in the successful transformation of these states into normal and stable countries, it must prepare for their possible failure to integrate.

## Hedging Against Transition Failure

The United States has reasons to hedge against transition failure. This will require retaining a military capacity to deter aggression, responding effectively if deterrence fails and restoring and reshaping a region. The United States has an interest in shaping the strategic perceptions of potential allies and adversaries, to include shaping Chinese, Indian, and Russian military doctrines and forces in ways that discourage them from challenging U.S. regional and global interests or helping rogue states at odds with the United States. Accomplishing this goal will require unilateral actions, coordinated steps with allies, and direct interaction with the transition states themselves, particularly regarding the proliferation of weapons of mass destruction.

## How Transition States Affect U.S. Involvement

The United States remains aware of the interaction between the rising regional ambitions and capabilities of the three transition states and their neighbors. It clearly recognizes what is at stake where allies or crucial sea lanes are involved. What is not so clear is how the three transition states will affect U.S. involvement in regional contingencies. Is instability in Central Asia a potential problem? What is at stake in Russian-Ukrainian relations?

## Preventing Proliferation

Stopping the proliferation of WMD and their delivery systems remains a key goal for the United States. This interest will become more intense as defense and dual-use technologies proliferate throughout Eurasia in the years ahead. The prevention of the weaponization and deployment of Indian and Pakistani nuclear weapons has become an urgent need. The United States also must act with other countries to prevent destabilizing conflicts on the Indian subcontinent and elsewhere in Eurasia. Ultimately, the United States and the world community must restore the integrity of the global nonproliferation regime after the Indian and Pakistani nuclear tests. Efforts must be redoubled to prevent the movement of WMD materials and expertise from Russia.

The opportunity for the United States to shape the world, particularly regarding nonproliferation, may be fleeting. To some degree, U.S. power is the result of its own capabilities. However, it is also relative. As a result of the Cold

War's end, it is the world's only superpower. U.S. policy must use its current preeminence to shape tomorrow's world to be more favorable to itself and its allies.

## Consequences for U.S. Policy

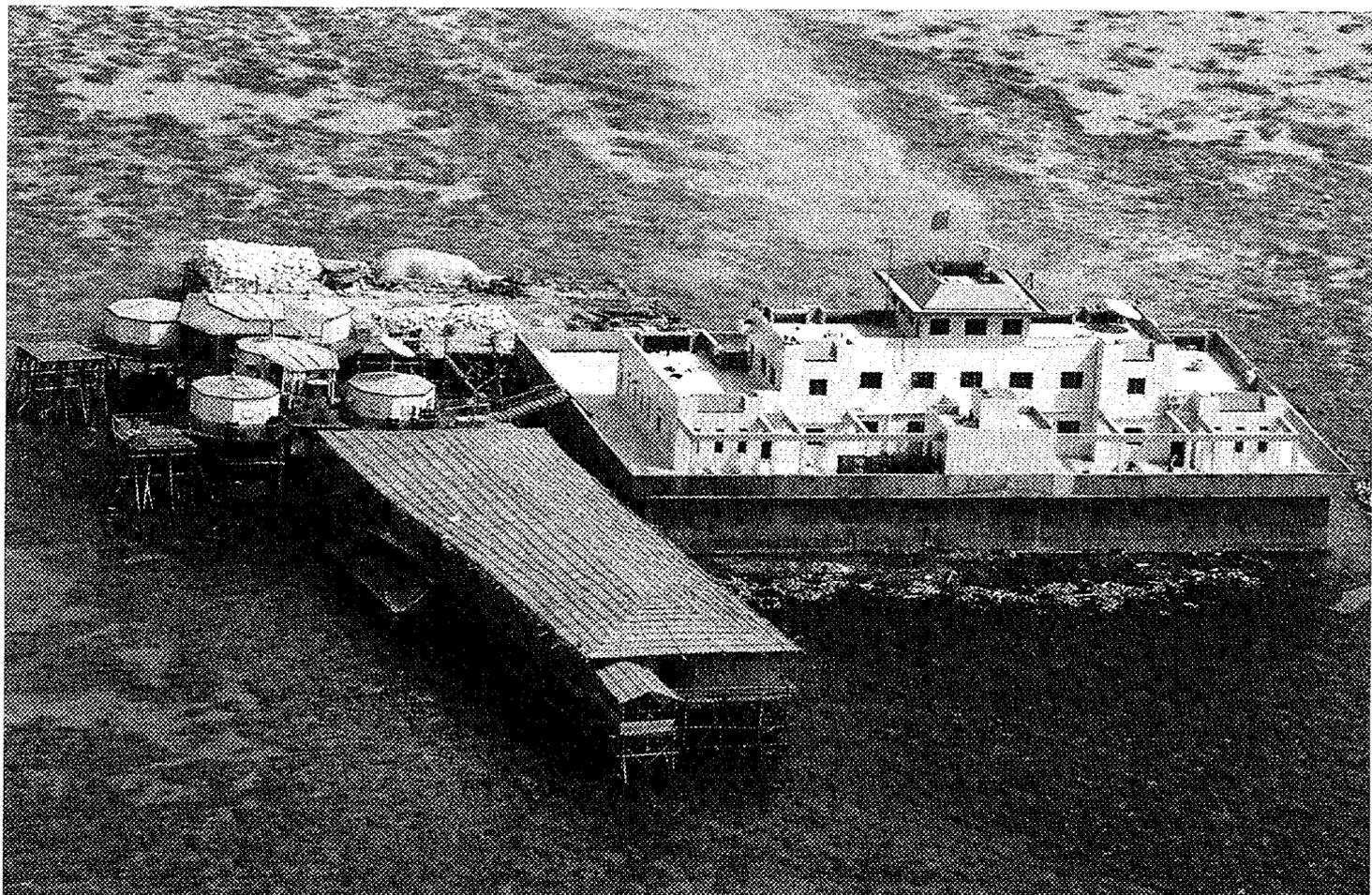
Current U.S. foreign policy is based on cooperative relationships with all three transition states. These three countries are developing new strategic identities and changing in other ways. Maintaining these cooperative relationships likely will be a challenging task in the future.

Describing U.S. interests with regard to the transition states is easier than prescribing policies that will support them. The transition states pose special policy challenges. Because transition states have the potential to influence their respective regions, the United States wants to engage these states and positively influence their transition. Yet, many U.S. allies and friends fear the power of these transition states. Washington must balance its relations with the transition states with those of its friends. It must be careful not to alienate current allies and friends and, at the same time, must not appear to be containing these transition states rather than engaging them.

Managing these relations will be extremely challenging. These states pursue their own agendas and view other powers, like the United States, with suspicion. Russia is by no means the continuation of the Soviet Union. Yet, its security leaders still struggle with the Soviet legacy of strategic rivalry with the United States. They tend to see the United States as an interloper and suspiciously regard strategic cooperation as constraining Russia.

The problem is not simply historical or perceptual. The United States would like to alter the development of these states in ways quite different from any other states in the world. Washington wants to increase their interdependency and expand U.S. influence in and around these states. It sees these developments as good for these transition states and for itself. Whether the three transition states will adopt these views is uncertain, but they do not see it this way now.

Engaging these transition states has become an important strategic requirement. Engagement is a universally accepted theory but faces considerable difficulties in practice. It requires immense



**Chinese "fishermen's shelter" on Mischief Reef in the disputed Spratly islands**

changes in strategic approach to the three transition states themselves. It also requires enormous patience on the part of U.S. and allied policy-makers. The time required may equal or exceed the Cold War in duration. Moreover, every engagement of these transition states will also require allaying the fears of their neighbors, particularly those who are U.S. allies and friends.

### Direct Engagement

President Clinton stated, "Bringing China into the community of nations rather than trying to shut it out is plainly the best way to advance both our interests and our values."<sup>14</sup> Engagement, however, must include incentives and disincentives. It must actively promote cooperation, but deter aggression.

The most visible aspects of engagement are expanded and institutionalized bilateral relationships. Events involving these transitional states

do not make it easy to establish such relationships. Tiananmen Square severely disrupted U.S.-Chinese relations, which recovered some momentum after President Clinton's visit to China in mid-1998. As we saw with the Kosovo conflict, the U.S.-Chinese relationship remains vulnerable to disagreements over human rights, Taiwan, trade, and other issues. India's nuclear test has complicated U.S. efforts to expand and deepen ties with New Delhi. However, India and Pakistan are nations that cannot be isolated from the world.

The United States has gone the farthest with Russia, building on the legacy of U.S.-Soviet relations but considerably expanding cooperative mechanisms. Yet U.S.-Russian relations are at a difficult stage and complicated by Russia's internal problems and strategic differences over NATO enlargement, Iran, Iraq, Caspian oil, and Russia's role in the FSU. This downturn does not necessarily mean a rekindling of global strategic competition. The United States pressured the IMF to provide a financial rescue package for Russia in July 1998. Moreover, the effects of the

financial downturn are ameliorated by U.S.-Russian mechanisms created to deal with differences. Serious engagement with the other two transition states would require building similar institutions of high-level interaction.

Engagement also means new forms of cooperation with the transition states. The greatest steps have been taken in Euro-Atlantic institutions. The United States and its allies have radically reshaped these institutions to provide new forms of partnership and cooperation. NATO has redesigned its military strategy and posture and created outreach institutions, including the Partnership for Peace and the NATO-Russian and NATO-Ukrainian Councils. It has included non-members in a pan-European peacekeeping operation in Bosnia. The European Union is slowly enlarging. A former Soviet Republic, Estonia, is on the list of states for accession talks. It has also fashioned partnership agreements with Russia and other newly independent states.

Engagement also will require creating new institutions or adapting old ones. While Euro-Atlantic efforts are not perfect and not a model for everywhere, this level of institutionalization contrasts sharply with deficiencies in East and South Asia. The four-power talks on Korea represent a modest beginning in this regard, bringing China into key negotiations. Yet they exclude both Russia and Japan. ASEAN and its Regional Forum also represent small steps forward, but fall far short of what has developed in Europe. The United States could act as a catalyst for broader multilateral security dialogue in the region. A key building block in the future has to be strengthening the web of existing arrangements and expanding them to include the transition states and other regional players.

Finally, engagement is a precondition for deterrence and responding to challenges should deterrence fail. Military-to-military exchanges are intended to develop greater cooperation. They also promote an understanding of interests, capabilities, and policies. Additionally, allies may fear engagement overturning longstanding U.S. commitments. However, the key to responding to a challenge from one of these transition states may very well be a track record demonstrating that Washington had done its utmost to avoid such a confrontation.

### Addressing Nonproliferation

The testing of nuclear weapons by India and Pakistan resulted in automatic and draconian responses, including economic sanctions. Yet, neither is a rogue state. They are important members

of the international community that will not remain isolated. The two states must be convinced of the dangers of weaponizing and deploying nuclear systems, but these efforts must be linked to incentives as well as sanctions. Any solution that does not restore normal relations between the United States and these leading countries of South Asia is not practical and will not last. The United States must be in a position to offer incentives in order to encourage India and Pakistan to restrain themselves. The woeful situation of poor early-warning systems might well be addressed by outside powers providing both sides with rudimentary U-2 and satellite coverage.

Russia will be a source of military and nuclear technology for some time to come. It is not in Russia's interest to become a leading supplier of advanced conventional and WMD capabilities to Eurasian rimland nations. However, this could occur as a result of weak state oversight and strong-willed entities in the old Soviet military industrial complex. U.S. efforts to survey and secure nuclear and other WMD materials must be expanded. Efforts like the Nunn-Lugar program must continue to provide financial and other incentives for the secure storage and dismantlement of nuclear weapons. The United States should expand ongoing joint aerospace and high-technology projects, such as the U.S.-Norwegian-Russian-Ukrainian Sea Launch project. These programs create alternatives for those in the old military industrial sector. However, there are simply not enough of them to prevent the illicit sale of materials and expertise related to WMD. The United States also has to communicate its message beyond the traditional proliferation community. Emerging business interests in Russia often do not understand the potential impact that sensitive technology sales to rogue states can have on legitimate business opportunities.

### Net Assessment

The external identities of these transition states are becoming clearer. They will probably not rise as great power rivals in the early 21<sup>st</sup> century. However, the successes or failures of these states will have an enormous influence on the stability of key regions in Europe and Asia. Nearly every significant security problem the United States will face in and around Eurasia will be made simpler by the cooperation of these three

states. Their indifference or outright defiance will also make problems more difficult. U.S. policies alone cannot determine the outcome of these transition states, but they can make it more likely that the states will choose cooperation. The United States and its allies should also be prepared to respond if they do not.

#### NOTES

<sup>1</sup> *Asia 1998 Yearbook*, 16.

<sup>2</sup> *Krasnaya zvezda*, April 2, 1996, 3.

<sup>3</sup> *Trud*, June 25, 1996, and *Krasnaya zvezda*, April 2, 1996.

<sup>4</sup> *Economist Intelligence Unit Country Profiles: India*, December 10, 1997.

<sup>5</sup> Kenneth Lieberthal, *Governing China* (New York: W. W. Norton, 1995), 245; H. Yuan Tien, Zhang Tianlu, Ping Yu, Li Jingneng and Liang Zhongtang, "China's Demographic Dilemmas," *Population Bulletin* 47 (June 1992): 28-31.

<sup>6</sup> Efim Khesin, "Economic Security," draft for East-West Institute volume, *Russia's Total Security Environment: The Euro-Atlantic Region*, 6-7. "State structures of power are unstable," was the blunt conclusion of Yeltsin's 1996-draft national security report. *Nezavisimaya gazeta*, May 23, 1996, *NG-Stsenarii*, no. 2, May 1996, 1-3.

<sup>7</sup> This section on the PLA relied heavily on three main sources: Paul H. B. Godwin, "From Continent to Periphery: PLA Doctrine, Strategy and Capabilities Towards 2000," *The China Quarterly*, no. 146 (June 1996): 464-487; Paul H. B. Godwin, "Uncertainty, Insecurity and China's Military Power," *Current History* (September 1997): 252-257; and Avery Goldstein, "Great Expectations: Interpreting China's Arrival," *International Security* 22, no. 3 (Winter 1997/98): 36-73.

<sup>8</sup> *Jane's Defence Industry Report*, March 1998

<sup>9</sup> Vladimir Bogomolov and Sergei Kortunov, "Russian Nuclear Strategy," *International Affairs* 4, no. 2 (1998): 29, is one source among many.

<sup>10</sup> *Asia 1997 Yearbook*, 54

<sup>11</sup> *Asia 1998 Yearbook*, 47-48

<sup>12</sup> *Asia 1997 Yearbook*, 55

<sup>13</sup> *Asia 1998 Yearbook*, 48

<sup>14</sup> Remarks by President Clinton on U.S.-China Relations in the 21st Century, June 11, 1998

# Rogue States and Proliferation: *How Serious is the Threat?*

**H**ow many rogue states will the United States face in coming years? Moreover, how will their access to weapons of mass destruction (WMD) affect their conduct? How will they affect regional stability? This chapter's theme is that the *combination* of assertive rogue states and accelerating proliferation will result in major threats to U.S. national security.

Rogue states are proving more durable than anticipated. They also are likely to increase in number as more societies experience globalization's negative effects. This greater number of rogues will be qualitatively more dangerous as the proliferation of WMD accelerates. The problem is aggravated by declining support from the core Western states for U.S. efforts to isolate rogue states and by increasing political and material support from transition states.

These trends will make protecting U.S. interests increasingly difficult. Rogues armed with WMD will aim to destabilize key regions and to constrain U.S. forces operating in areas like the Strait of Hormuz or on contaminated battlefields. The United States may find coalition building more difficult. Partners and allies may become reluctant to support the United States openly, as rogue states increasingly target vulnerable homelands and such threats become less

attributable. The endurance of rogue states is also making it difficult to maintain international sanctions against them, especially when sanctions affect their societies more than their leaders. The greatest challenge may be the development of coalitions between rogue states and states that are disaffected with the Western democratic core. Such coalitions could provide rogue states with improved military capabilities while making it difficult to build international opposition against them.

The trend toward a growing number of rogues, with some of them acquiring WMD systems, poses an important challenge to U.S. policy and strategy. A variety of response options is available and will need to be pursued—for example, creating effective regional security strategies, mobilizing support from allies, and strengthening U.S. forces.

## Key Trends

Previous *Strategic Assessments* have argued that the international system is divided into four groups of states: market democracies, transition states, rogues, and failing states. This framework assumed that the threat of rogue states was in decline because their conventional military capabilities had been diminished.

This assumption requires adjustment. Trends now suggest that the world is becoming a murkier and more dangerous place. They suggest the emergence of a greater number of rogue threats, increased use of terrorism, breakdown of nonproliferation regimes, diminished support for isolating rogues, and an emerging group of stagnant states neither in the democratic core nor actively working against it.

## Enduring Rogue States and the Growing Disaffected

Rogue states are not disappearing from the scene. Of those on the U.S. Department of State's list of states sponsoring terrorism, the majority are ruled by long-standing leaders. Saddam Hussein has survived the Gulf War and 8 years of stringent UN sanctions. While signs of resistance occasionally appear, there are no indications that Hussein is in serious jeopardy. Kim Jong-il appears to have consolidated power in North Korea and received the military's backing despite catastrophic poverty among the people. Libya's Muammar Ghadafi may be more vulnerable, but there is little evidence of organized opposition or a more moderate leadership to follow. Syria and Iran are likely to remain rogues as long as their current leaders remain entrenched. Serbia's ethnic cleansing of Kosovo has been enough to provoke military action by NATO.

In addition to rogues not being displaced, globalization may be creating new rogue states and organizations. Although no major ideology challenges market-oriented democracy, globalization is dividing the world into camps of winners and losers. The less developed a state is, the less it seems to benefit from globalization. The winners are winning more and the losers are losing more. Consequently, the core of market democracies is managing globalization and becoming increasingly integrated, while less-developed states are disintegrating from the pressure of globalization. The growing chasm between the democratic core and the "have nots" portends a greater number of states and groups that see themselves excluded from the benefits of globalization. They have little stake in preserving international norms. Such states, as well as disenfranchised transnational organizations, are likely to join existing rogue states.

Rogue states have differing ideologies and specific aims, but what unites them is that they commonly have local and regional agendas aimed at altering the status quo by violence if necessary. Both Iraq and Iran aspire to control the Persian Gulf region. North Korea seeks control of the Korean peninsula. Syria seeks to intimidate Israel and to control its sector of the Middle East. Serbia seeks ethnic domination of the Balkan region. Such aspirations typically lead rogues to threaten their neighbors, many of which are friends and allies of the United States, or to control local resources that are needed by the Western community.

Recent experience shows that rogues are often willing to behave assertively, especially against vulnerable neighbors, even when the United States and the Western community are aligned against them. They do not respond by tempering their ambitions and behavior when the normal array of political and economic pressures are applied. Their desire to alter the regional status quo leads them to be willing to pay high costs and accept major risks.

What constrains them is that they tend to be only medium-sized powers with poor economies, which limits their national power. Yet, except on the Korean peninsula, they often are larger and stronger than their immediate neighbors. In the past, they have relied upon conventional military power and offensive capabilities to intimidate their neighbors; Iraq and North Korea are good examples. If they acquire WMD systems, this will enhance their national power and coercive capabilities. Their main aim will likely be not to challenge the United States on the world stage, but to pursue their regional agendas against neighbors that will be even more intimidated than before, and to weaken Western resolve to oppose them. Access to WMD systems will not necessarily transform all rogues into fearless aggressors, nor does it make them undeterrable. But all the same, this development spells trouble.

## Improving Rogue Arsenals

While nonproliferation regimes remain important, they appear to be breaking down in key regions. While not rogue states, India and Pakistan openly tested nuclear weapons and declared their intention to deploy nuclear systems despite the clear threat of severe political and economic sanctions by the United States.

### What is a Rogue?

The Clinton administration has defined rogue states as "recalcitrant and outlaw states that not only choose to remain outside the family [of democracies] but also assault its basic values." While this definition is a source of contention, rogue states and organizations tend to correlate with sponsors of terrorism. They can threaten U.S. and international interests by unconventional and violent means. Rogues may include nonstate actors. Rogues do not conform to norms of international behavior and do not respond to usual means of suasion.

**Serbian police and bodies of Kosovo Liberation Army soldiers**



ROGUES AND PROLIFERATION

AP/Wide World Photos

Iraq seems impervious to international pressures to abandon its WMD programs. In September 1998, Saddam Hussein refused to permit continued inspections by the United Nations Special Commission (UNSCOM). Moreover, French laboratories verified the presence of VX nerve gas on missile fragments from the Iraqi arsenal. Absent UN restrictions, Iraq would almost certainly reconstitute its ballistic missile program, as well as its nuclear, chemical, and biological programs.

North Korea's August 1998 test of a three-stage Taepo Dong missile variant, in an attempt to put a satellite into orbit, and construction of hardened underground facilities suggest that it, too, continues to pursue better and longer range WMD. The Rumsfeld Commission assessed that North Korea could reach major U.S. cities in Alaska and the Hawaiian Islands with its current

## Foreign Terrorist Organizations

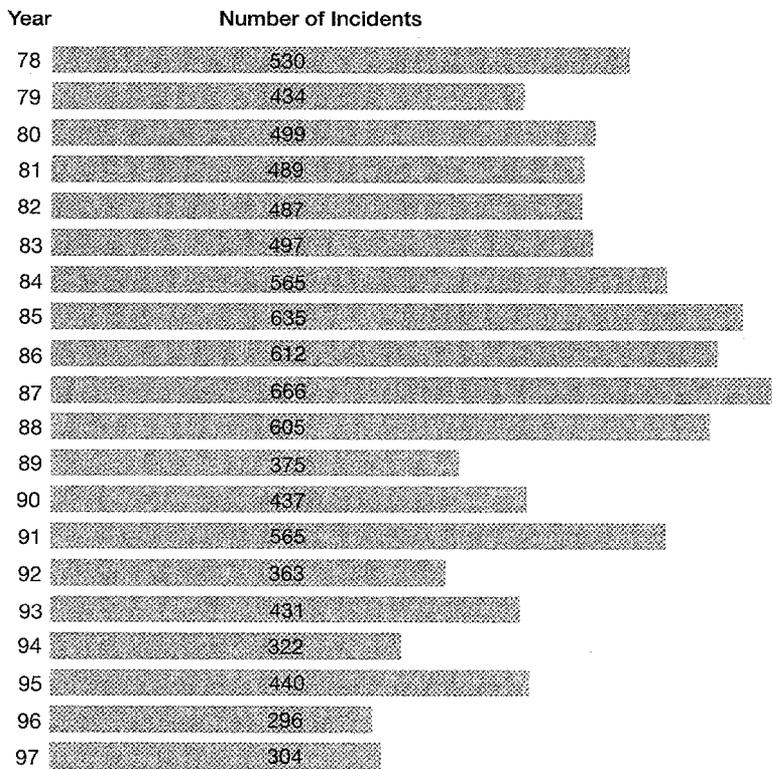
Released by the Office of the Coordinator for Counterterrorism, U.S. Department of State, October 8, 1997.

- Abu Nidal Organization (ANO)
- Abu Sayyaf Group (ASG)
- Armed Islamic Group (GIA)
- Aum Shinrikyo (Aum)
- Euzkadi Ta Askatasuna (ETA)
- Democratic Front for the Liberation of Palestine-Hawatmeh Faction (DFLP)
- HAMAS (Islamic Resistance Movement)
- Harakat ul-Ansar (HUA)
- Hizbollah (Party of God)
- Gama'a al-Islamiyya (Islamic Group, IG)
- Japanese Red Army (JRA)
- al-Jihad
- Kach
- Kahane Chai
- Khmer Rouge
- Kurdistan Workers' Party (PKK)
- Liberation Tigers of Tamil Eelam (LTTE)
- Manuel Rodriguez Patriotic Front Dissidents (FPMR/D)
- Mujahedin-e Khalq Organization (MEK, MKO)
- National Liberation Army (ELN)
- Palestine Islamic Jihad-Sharqai Faction (PIJ)
- Palestine Liberation Front (PLF)
- Popular Front for the Liberation of Palestine (PFLP)
- Popular Front for the Liberation of Palestine-General Command (PFLP-GC)
- Revolutionary Armed Forces of Colombia (FARC)
- Revolutionary Organization 17 November (17 November)
- Revolutionary People's Struggle (ELA)
- Shining Path (Sendero Luminoso, SL)
- Tupac Amaru Revolutionary Movement (MRTA)

inventory of Taepo Dong missiles—and could modify existing platforms to reach the majority of the United States. Both the Taepo Dong and the medium-range No Dong missiles could reach Japan and South Korea. Additionally, North Korea maintains an active WMD program and has a record of proliferating technologies.

groups alike are gaining access to WMD, long-range delivery systems, and accurate guidance systems. Market mechanisms that allow easier movement of people, goods, and services than before also make tracking and preventing proliferation a more challenging task. Some WMD devices can be delivered by terrorists driving trucks or carrying briefcases.

**International Terrorist Incidents, 1978–97**



Source: U.S. Department of State.

Despite Iran’s less aggressive rhetoric about harming Israel or the United States, renunciation of the *fatwa* death sentence against Salman Rushdie, cooperation with Saudi Arabia, and President Mohammad Khatami’s claims that Iran will no longer support terrorism, Iran continues to pursue a ballistic missile program. It has already tested the medium-range Shahab 3 missile and has the technical capability and resources to produce an intercontinental ballistic missile similar to the Taepo Dong 2. Iran’s capability will increase exponentially if it succeeds in acquiring nuclear weapons, as is likely in the coming few years.

As WMD technology becomes cheaper, it becomes more available. States and substate

**Asymmetric Threats**

The possession of WMD by rogue states poses several risks. One risk is that they may use these weapons to coerce their neighbors. Another risk is that WMD may allow rogues to deter outside intervention. This would permit them to conduct conventional aggression against neighbors. This risk will increase if rogues achieve conventional force superiority over their neighbors.

Rogue states with WMD are less likely to directly challenge U.S. forces. U.S. nuclear forces and conventional strike capabilities are overpowering. Instead, rogue states may increasingly use asymmetric strategies to challenge U.S. military power in indirect but potentially effective ways. Such strategies may attempt to find a way to prevent U.S. forces from being used at all, or at least prevent them from being used effectively.

Asymmetric strategies encompass attacks on “soft” targets, such as U.S. civilians and nonmilitary facilities. Osama bin Laden’s terrorist network bombings of U.S. embassies in Nairobi and Dar es Salaam exemplify such a strategy. Terrorism is increasingly being incorporated into asymmetric strategies. President Clinton placed terrorism at the top of America’s security agenda. Secretary of Defense William Cohen characterizes terrorism as “the new global struggle,” replacing the confrontation with the Soviet Union.

While the State Department’s *Patterns of Global Terrorism Report* indicates that the number of terrorist incidents has declined, the number of casualties has sharply increased. The number of international terrorist incidents fell from a peak of 666 in 1987 to a 25-year low of 304 in 1997. Two-thirds of these attacks were “minor acts of politically motivated violence against commercial targets which caused no deaths and few casualties.” Yet the deaths from terrorism climbed from 163 in 1995 to 311 in 1996, indicating a “trend toward more ruthless attacks on mass civilian targets and the use of more powerful bombs.” Terrorist attacks are increasingly focused on the United

States and symbols of its power, rather than commercial interests or the West in general.

### Assistance from Transition States

Previous *Strategic Assessments* assumed that transition states were moving inexorably toward the Western democratic core. However, many states are likely to be neither market democracies nor clearly opposed to them. These states do not accept the Western assumption that democracy and vibrant economies are natural partners. Chinese and Singaporean leaders, for example, seem to be adopting free-market economies but rejecting democracy, claiming an "Asian values" model as their long-term stasis. Conversely, Russia appears to accept democracy without fully embracing the principles of a market-oriented economy.

As a result of this more complicated pattern of development, transition states are less likely to support the values of the Western core or identify with their interests. Many countries are actively proliferating technical expertise for commercial and political gains. The Russian Government claims to oppose nuclear and missile proliferation but either cannot or will not

prevent Russian companies and individuals from doing so. China provided design and material assistance to Iran's nuclear and ballistic missile programs. Transition states are substantially contributing to the arsenals of rogues, and this is likely to increase over time.

Transition states also are helping defend the interests of rogue states in international arenas. Russia has long sought to prevent NATO military action against the Serbs in both Bosnia and Kosovo. China and Russia opposed U.S. military action against Iraq during the September 1998 crisis. Many transition states see their interests served by preventing what they perceive to be U.S. hegemony.

### Diminishing Support for Isolating Rogues

Not only are transition states not supporting policies to isolate rogues, even America's closest allies contest the policy of isolating rogues. European allies categorically reject extraterritorial U.S. action to punish companies doing business with Cuba, Libya, or Iran. France's oil consortium openly challenged U.S. sanctions by investing in Iranian oil fields. Canadian companies invest in Cuba with regularity.

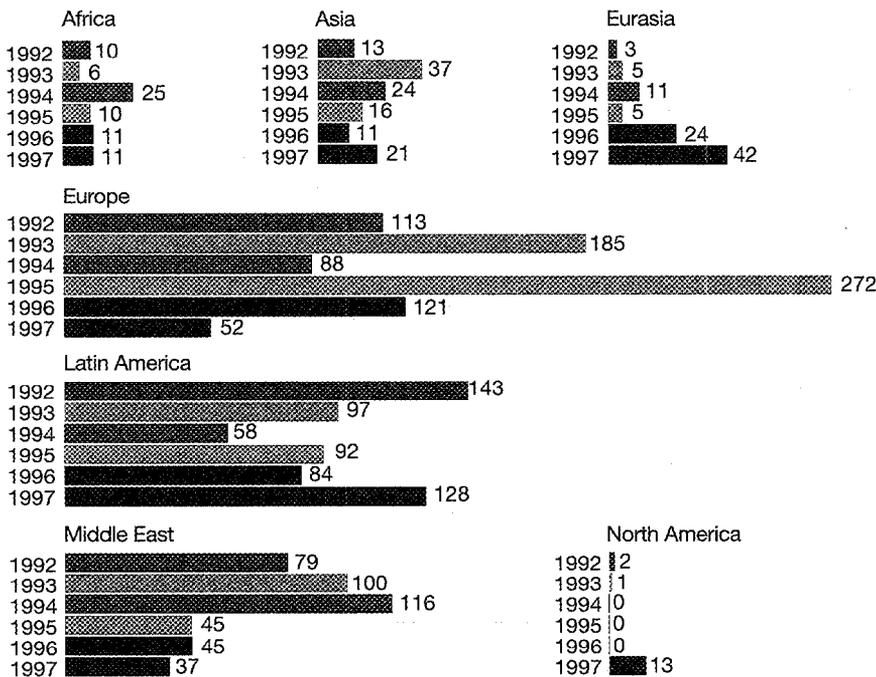
### U.S. Interests

The increasing number of rogue states and accelerating proliferation are key reasons for the more dangerous international security environment than was envisioned in previous *Strategic Assessments*. The United States will likely be confronted with a greater number of states and organizations that pose threats to our interests. Those organizations will resort to terrorism and local coercion of neighbors rather than directly engaging U.S. conventional forces. The breakdown of nonproliferation regimes will enable these states to acquire a variety of WMD and long-range delivery systems. They are likely to receive support from transition states, and the core of democratic states may be less likely to support U.S. interests. These changes will further compound the problem of protecting and advancing U.S. interests.

### Protecting U.S. Territory and Citizens

Protecting U.S. citizens and territory, while carrying out commitments to allies, remains the paramount U.S. security interest, but the United

International Incidents by Region, 1992-97



Source: U.S. Department of State.

States will need to adapt its policies and military forces to address the new threats. The increase in rogue states and organizations will make the security environment less predictable, which will require greater flexibility in policies and forces. The United States will also have a strong interest in preventing coalitions among rogues. Some rogues already share information and technology and conduct coordinated attacks. The United States needs to carefully monitor and, where possible, prevent such collaboration.

## Countering Terrorism

Increased terrorism portends a serious challenge to protecting U.S. citizens and territory. The openness of U.S. society makes the problem

because of logistics support, and are likely to be within range of ballistic missiles, whose short flight times will make interception difficult.

## Nonproliferation and Counterproliferation

The increasingly apparent breakdown of nonproliferation regimes does not negate U.S. interest in continuing existing regimes as long as possible and finding better ways to prevent proliferation. But more rogues armed with more accurate, long-range WMD argue strongly for better protection of U.S. citizens and territory than may have seemed necessary in the past. Protecting U.S. citizens and territory will also be an important element in preserving public willingness to remain engaged in the world and defending U.S. interests beyond U.S. borders.

In addition to defending against WMD attacks where possible, figuring out how to deter acquisition of WMD and their use against U.S. targets should be a top priority. It is unclear whether the same calculus that determined the behavior of nuclear weapons states in the past will motivate rogues. An important component of deterring WMD attacks will be demonstrating that WMD will not deter the United States itself from defending its interests. U.S. forces will need to have the capability to operate effectively in WMD polluted environments, and the American public will need to become inured to the prospect of the U.S. military fighting in these environments.

## Reducing the Potential for Rogue States

Integrating states into the global economy and the democratic core will be important to managing the threat of rogues and WMD. The Clinton administration's national security strategy of enlarging the core of market-oriented democracies may not produce states willing to support U.S. security interests, but it will likely reduce the number that could later become rogue states. It will also give them more incentives to uphold international norms and fewer incentives to support rogue regimes.

## Increasing Cooperation Among Friends and Allies

The disengagement of America's allies from the problems of rogue states and WMD proliferation is already straining alliance relations and

### Rumsfeld Commission Findings

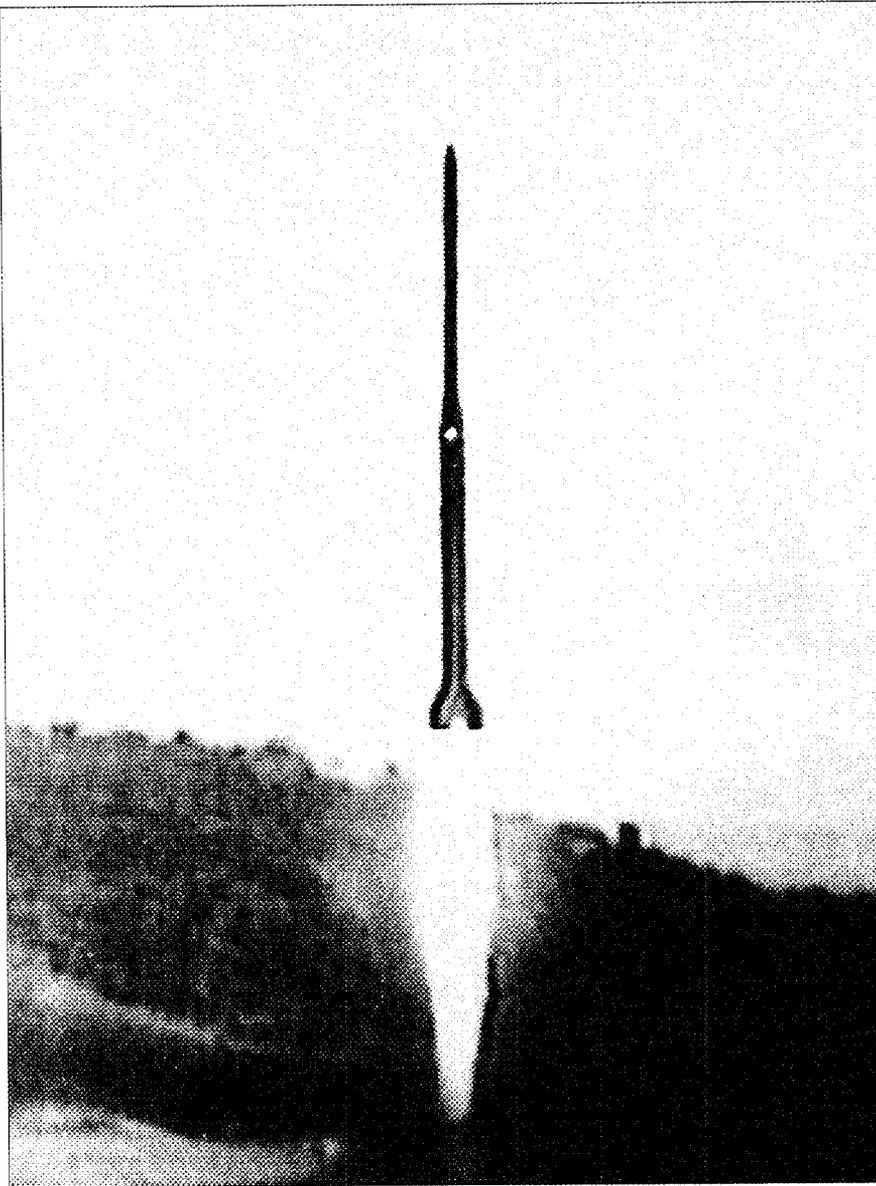
The Rumsfeld Commission was established in 1997 to assess the nature and magnitude of the existing and emerging ballistic missile threat to the United States. In July of 1998, the commission submitted its unanimous findings to the Congress. The commission recommended that U.S. analyses and practices be revised to reflect the reality of an environment in which there may be little or no warning. Other findings include:

- Concerted efforts by a number of overtly or potentially hostile nations to acquire ballistic missiles with biological or nuclear payloads pose a growing threat to the United States, its deployed forces, and its friends and allies.
- Developing threats from North Korea, Iran, and Iraq will not match U.S. systems for accuracy or reliability, but could inflict major damage on the United States within 5 to 10 years of a decision to acquire the capability.
- The threat posed by emerging capabilities is broader, more mature, and evolving more rapidly than the intelligence community has reported.

The intelligence community's ability to provide timely and accurate estimates of ballistic missile threats is eroding and needs to be strengthened.

all but unmanageable: four hundred million people travel to the United States each year; eight hundred thousand aircraft land at U.S. airports; and nine million cargo containers arrive by ship. Rogues are likely to exploit these vulnerabilities. The United States will be unable to effectively manage a defense against all possible threats absent a major redirection of funding for intelligence, monitoring immigration, controlling borders and coastal waters, and better coordination across agencies.

Protecting forward-deployed U.S. forces and ensuring their operational effectiveness will also be more difficult because of rogues armed with WMD. U.S. military bases are large, vulnerable targets for terrorist attacks. Deployed U.S. military forces also have a large footprint, primarily



**Rocket fired by North Korea across Japan into the Pacific Ocean on August 31, 1998, purportedly as the country's first satellite launch**

has the prospect of creating several very damaging effects. First, the United States will see a lessening value to its alliances if allies whose security the United States underwrites are unwilling to share the burden of mutual interests. Second, by not participating in a common defense approach to these threats, America's allies will, over time, be less able to contribute to coalition operations. Third, the United States may become more unilateralist, feeling less constrained by allied concerns.

## Consequences for U.S. Policy

The major policy choice confronting the United States is whether to attempt to contain rogues or engage them and thereby modify their behavior. The current policy of isolating rogue states is morally appealing. It castigates behavior that is contrary to U.S. interests. When the United States has formed international coalitions to isolate rogues, the policy has limited their threats. However, even with international support for such isolation, the United States has not succeeded in removing rogue regimes or changing their behavior. International support for isolating rogues may diminish as their numbers increase and they pose greater risks for allies and partners.

Theoretically, engagement avoids these drawbacks. It does not punish societies living under already oppressive authoritarian regimes. Building coalitions based on engagement is easier than those attempting containment. However, engaging rogues also has its drawbacks, as difficulties implementing the Framework Agreement with North Korea make clear. Engagement can be seen as legitimizing the behavior of rogue states. In many cases, engaging rogues may not change their behavior, but may simply reduce the penalties they pay for it. In the worst case, engagement may actually facilitate rogue behavior.

In practice, a mixed approach will likely be preferred. Broad sanctions and other actions that punish whole societies are unlikely to garner support, especially if rogues continue to survive. Allies also are unlikely to support commercial embargoes over the longer term. Yet, simply engaging rogues would probably not be supported by the U.S. Congress or public, or succeed in many cases. Finding narrowly targeted ways to prevent threats from spreading and to penalize rogue leaders while minimizing the affects on their societies should be a priority in policy development.

## Managing Proliferation and Promoting Stability

Maintaining existing nonproliferation regimes and creating more restrictive ones are desirable. Such regimes seek to limit commercial traffic in key components, monitor potential suppliers, and conduct inspections. Theoretically, nonproliferation regimes could separate the problems of WMD from rogue states. However,



Osama bin Laden

there are compelling reasons why sole reliance on nonproliferation regimes is not practical. At most, the United States will be able to extend the length of time it takes rogues to acquire WMD. Nonproliferation makes acquisition of WMD more difficult and time consuming; as such, it is a management tool, not a solution to the problem of rogues and WMD. The best policies are those that restrict sensitive technologies, reward states that choose not to proliferate, and penalize violators.

As more states possess WMD with long-range delivery systems, the United States must develop a clear evaluation of which states threaten U.S. interests and develop a graduated spectrum of corresponding policies. Broad sanctions against any

WMD possessor state are too blunt an instrument to always serve U.S. interests. Sanctions should remain one of our instruments, but the United States needs to punish rogue leaders and stabilize regional security affairs once proliferation occurs.

## Maintaining Effectiveness as Support Diminishes

The increasing threat of rogues armed with WMD will likely decrease the open support provided by America's partners. U.S. power projection depends on host nation support from many regional partners. Maintaining allied support will require careful statecraft and coordination of policies. Reliance on host nation support can also be minimized by reducing the operating footprint for U.S. forces, as envisioned in *Joint Vision 2010*. Finding other ways of meeting the operational needs of U.S. forces when expected support is not forthcoming should be a priority in U.S. planning.

The Department of Defense currently views the Quadrennial Defense Review's "prepare function" primarily in terms of equipment modernization. However, preparing for the more hostile and less predictable international environment requires a more expansive set of tasks. Military operations in an environment with more and better armed rogue states will entail preparation in several areas:

- Enhancing protection of the U.S. homeland
- Increasing protection of partner countries and forward deployed U.S. forces

- Realizing *Joint Vision 2010*'s focused logistics concept to reduce the operating footprint of U.S. forces
- Ensuring effective operations in a WMD environment with less support from allies and partners
- Developing public acceptance of military operations in a WMD environment
- Maintaining military forces capable of conducting major theater wars in two regions nearly simultaneously.

## Redirecting Defense Efforts and Resources

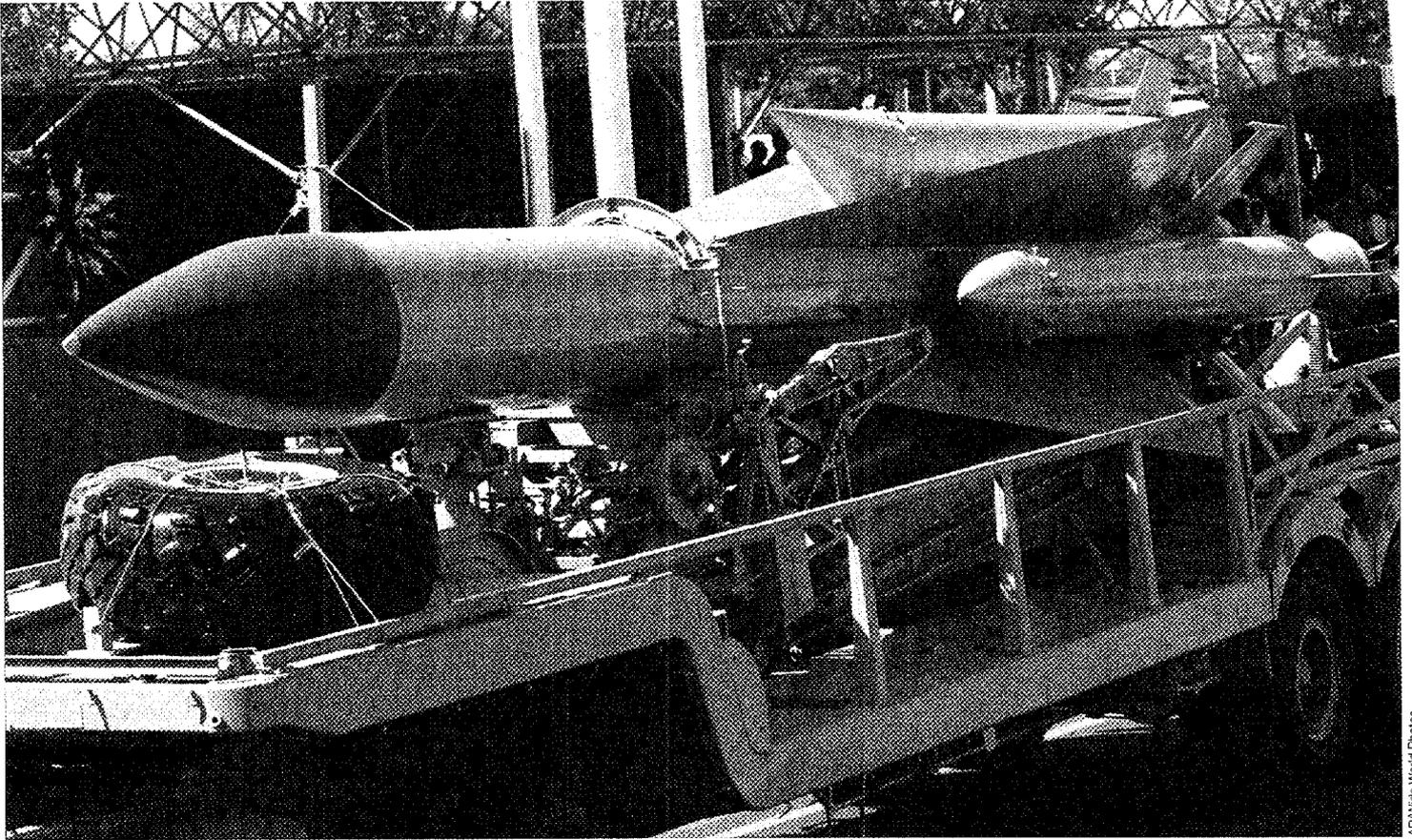
The United States spent \$268 billion on defense last year and only \$6.7 billion on countering terrorism. As terrorism increases, Congress likely will question why the U.S. defense establishment is not doing more in this area. A marginal shift in emphasis is needed to counter terrorism, proliferation, and new types of regional conflicts. Countering an increasing number of rogue states and accelerating proliferation is as important to U.S. interests as fighting and winning major theater wars. And, the United States so dominates the battlefield that major theater wars are arguably the least challenge of full-spectrum dominance. Moreover, weapons of mass destruction are not separate from regional wars; they may well be used to fight regional wars.

Increased spending in four areas is needed to better manage the problem of rogues and WMD proliferation.

- *Intelligence Collection and Assessment.* The U.S. must be able to identify and penetrate emergent rogue states and organizations, monitor their connections, assess likely actions, and prevent, wherever possible, proliferation or terrorist acts.

- *Procuring Standoff Weapons.* The United States has displayed a tendency in recent engagements to employ standoff weapons as the instrument of choice in retaliating against rogues, in order to limit the exposure of U.S. service members. More rogues resorting to asymmetric strategies argues for further reducing reliance on manned systems and spending much more on unmanned vehicles and penetrating weapons.

- *Targeting Regimes.* The capability to attack ruling regimes raises the stakes for rogue states. Holding the leadership at risk requires timely, actionable intelligence and accurate attack capabilities. Limiting collateral damage and achieving the intended result without weapons of mass destruction will make targeting rogues more acceptable to U.S. public and world opinion.



Iranian Shahab-3 missile, which has a range of 800 miles and can reach Israel

● *Ballistic Missile and Other Defenses.* Accelerating proliferation and more rogues make defense of the U.S. homeland ever more pressing. Greater attention should be focused on resolving the problems associated with ballistic missile defenses. Defenses against cruise missiles and other long-range delivery systems are also needed.

### Focusing on Threatening State Actions

Rogue states will vary in the degree of threat to U.S. interests. The challenge will be to determine which pose the most serious threats to U.S. interests and to discriminate among them. This will require a sophisticated set of U.S. policies. Focusing on rogue state actions rather than their values is a first step and offers several advantages. This policy characterizes the behavior of states rather than their nature. It also makes it likely that changes in state behavior will be detected. Additionally, it encourages states to adopt preferred norms of behavior. It avoids stigmatizing states that do not share our values, reducing the likelihood of a clash of civilizations. Finally, this policy broadens the basis

for diplomatic and military coalitions by not excluding those states that may share U.S. interests but not necessarily our values.

### Preparing Domestic Agencies for WMD Threats

The U.S. homeland is unprepared for terrorist attack involving weapons of mass destruction. The Department of Defense has initiated a program using National Guard units to train civil authorities in major U.S. cities. More programs are needed, even though some might blur the distinction between domestic and foreign operations. A public information campaign to educate Americans about the risks and how the government plans to manage them is necessary. Stockpiling chemical and biological antidotes would also facilitate crisis response.

Responding to such asymmetric attacks on U.S. interests will require closer cooperation between the U.S. military and other government agencies. Traditional barriers between internal

and external security and intelligence gathering will need to be overcome. Lack of coordination between domestic and foreign responsibilities will be a major vulnerability. In May 1997, the Clinton administration took a major step to address this problem by issuing Presidential Decision Directive 56, Policy on Managing Complex Contingency Operations. If this policy is implemented by the affected departments and agencies, cooperation will be vastly improved and government will be moved significantly toward unity of effort.

### **Building Consensus on Allied Approach to Threats**

For nearly a decade, the United States has sought greater allied support in containing rogue states and the proliferation of weapons of mass destruction with little effect. Unless allies begin to participate soon, the United States will develop institutional avenues, military practices, intelligence networks, and military systems that render allies unable to join in combined operations. Acting unilaterally not only reduces the international legitimacy of using military force, it also reduces U.S. leverage against rogue actions. Consequently, the United States should develop a concerted strategic effort drawing on all the instruments of national power and premised on the full cooperation of allies and friends.

Discarding the concept of rogue states, or at least not demonizing them, could help build a consensus approach. However, the United States should not hesitate to confront allies regarding the need to address threats to shared interests. The continued presence of U.S. forces and alliance participation might become contingent on

meaningful allied contributions to combating the rogue and WMD threat.

The United States has an interest in improving surveillance of potential threats and intelligence gathering cooperation with other states' intelligence organizations. Several states maintain intelligence operations in countries and other organizations that are more difficult for the United States to penetrate. Cooperation with other states' intelligence efforts is mutually beneficial because it ensures more equitable burdensharing. The United States might also share information and communications technologies to facilitate allied participation in counterterrorist and counterproliferation operations.

### **Net Assessment**

In contrast to the optimistic projections of past *Strategic Assessments*, the international environment is seemingly more dangerous with respect to rogue states and proliferation. The number of states or movements hostile to U.S. interests is likely to increase. States unable to benefit from globalization will grow disenfranchised. Technological improvements and deteriorating nonproliferation regimes are providing these groups with accurate, long-range WMD. Unable to succeed by directly challenging U.S. military forces, rogue states and organizations are likely to resort increasingly to terrorism. Together rogue states and proliferation will be a central threat to U.S. security interests.

# Troubled States: *How Troubling, How Manageable?*

**T**roubled states lack either the capacity or intention to fulfill the basic needs of a substantial element of their population, often casting fundamental doubt on the legitimacy of the regime in power. Recent examples include the collapse of governmental institutions (Somalia), economic dysfunction coupled with brutal repression (Haiti, North Korea), and genocidal assault by the state on an entire segment of its own citizenry (Rwanda, Bosnia, Kosovo). The troubled state is at the root of many contemporary security challenges, causing considerable retooling of various instruments of national security policy.

Troubled states are not merely a temporary irritant associated with the transition from a bipolar world order. Indeed, they are a permanent feature of international politics, as indicated by their prominent role during the Cold War as the preferred terrain for conflict between the superpowers (Southeast Asia, postcolonial Africa, Central America, Afghanistan). Although fragile and dysfunctional states are not new, their strategic salience today differs fundamentally from previous eras.

In the past, troubled states were significant because of their potential to affect the balance of power, especially when turmoil in one state could be exploited to destabilize an entire region. In the absence of great power rivalries and the spheres of influence associated with them, however, troubled states are no longer very useful geopolitically. Nevertheless, fragile states continue to disintegrate, generating humanitarian catastrophes that tend to disrupt the social or political stability of their neighbors (Haiti, Rwanda, Bosnia, Kosovo). The failure of their institutions of law and order, moreover, can convert them into an incubator for transnational threats, such as organized crime, terrorism, arms trafficking, and even the spread of weapons of mass destruction (WMD). Troubled states are strategically significant today, therefore, because they lie at the heart of many contemporary security challenges. Accordingly, the strategic focus has shifted to devising strategies to remedy rather than exploit vulnerable and failed states.

Converting a troubled state into a contributing member of the international community is a task that requires considerable retooling of various instruments of national security policy. The military must become adroit at nurturing peace while simultaneously maintaining its combat



**Demonstrators supporting Haitian President Rene Preval against Parliament**

edge. Institutions constructed for collective defense against aggression, such as the United Nations and NATO, are being used today to orchestrate multilateral interventions to rescue states in distress. Adequate mechanisms still remain to be devised for effectively integrating the contributions of military actors with their civilian counterparts from international and nongovernmental organizations. At a systemic level, in sum, the contest is between the sources of disorder that render states ungovernable and the institutions of multilateral and civil-military cooperation required for remedy.

## Key Trends

### Weak States and Global Instability

Ironically, it is often the weakest states that are the source of disruption in global affairs today (Somalia, Haiti, Rwanda, Albania, Zaire, and the former Yugoslavia). In an era of permeable borders, free trade, and an omnipresent media, a state in chaos anywhere is apt to send reverberations across the globe. This is likely to continue to be the case, moreover, owing to the enduring consequences of nationalism and globalism.

Nationalism, taken to excess, contributes to the collapse of multiethnic states. The notion that

every nation or culturally distinct group deserves its own sovereign state has a visceral appeal. This sentiment is especially prone to trigger separatist movements when the minority involved suffers economic, political, and social deprivation. Additionally, autocratic rulers may opt to exploit societal divisions as a means of maintaining power by inciting popular passions against ethnic minorities (for example, Slobodan Milosevic in Yugoslavia). Although nationalism was a factor in the Cold War struggle between East and West, its impact was muted. The Soviet Union's disintegration has exposed the nationalism latent there, as well as among other members of the Second World and in former colonial areas of Africa and Asia. The ledger since 1989 has included brutal but futile repression in Chechnya, genocide in Rwanda, and ethnic cleansing in Bosnia and Kosovo. Rather than performing its most basic function—protecting its citizens—the state thus becomes a predatory threat to an entire segment of society. This can generate acts of wanton brutality, genocide, wholesale migration of internally displaced persons, massive flight of refugees, and destabilization of surrounding states.

Globalism is another enduring phenomenon that will inexorably contribute to the incidence of troubled states. The outcome of the Cold War demonstrated that command economies are less rational and efficient at organizing resources than competitive markets. To maximize the economic capacity of the state, interference with the invisible hand of the marketplace must be kept to a minimum. Not only commodities but investments and information must flow across international boundaries largely unimpeded if the benefits of this economic model are to be achieved. For states that either are unable or unwilling to compete, however, globalism will likely cause grave difficulties.

Even states that reject free trade will still be governed by the logic of the market, because their capacity to meet the needs of their citizens will in many cases decline. In particular, this will be the case where birth rates are high, which is often characteristic of the poorest countries.<sup>1</sup> For many states, the incapacity to satisfy basic human needs (jobs, food, shelter, health care, education) for their burgeoning populations is the real and present danger.

To retain power, rulers in such regimes typically opt to suppress demands levied against them. This may set in motion a downward spiral that ultimately concludes with the masses being driven to a subsistence level, or below. The international community may unintentionally abet this process by imposing economic sanctions aimed at pressuring repressive regimes. As seen in Haiti, those who have the means to do so will flee to neighboring states. If this is not possible, mass starvation may occur, as in North Korea, unless the regime collapses or is overthrown.

Globalism will also generate strains in states that are unsuccessful in their attempt to adapt to market economics. Former Communist states and other authoritarian regimes will be particularly vulnerable. They confront the dual challenges of privatizing their economies while pluralizing their political systems.<sup>2</sup> The pervasive internal security organizations that once ensured state control and public order tend to metastasize as these societies become exposed to global competition. The result has often been a bonanza for the criminal underworld as gangster elements insinuate themselves into emerging corporate and political power structures. The outcome has ranged from "cowboy capitalism" in Russia to "gangster communism" in the remnants of Yugoslavia. Once transnational criminal networks gain a foothold, they are extremely difficult to dislodge, undermining prospects for democratic consolidation and long-term economic vitality.

Transnational threats such as terrorism, organized crime, arms smuggling, and financial scams have become a severe challenge, because the combination of permeable borders and fragile institutions makes many weak states dangerously vulnerable. While the basic aim of criminal enterprises is not the overthrow of governments, they nevertheless neutralize such core institutions as the courts, police, and even the military, so as to facilitate their illicit operations. Control over entire regions of countries has been forfeited to drug lords as a result, and the tenacity of guerrilla movements has been accentuated by linkages with organized crime as in Colombia.<sup>3</sup> Illicit contributions from the criminal underworld can pervert and delegitimize the electoral process, especially in newly democratizing states.<sup>4</sup> Ultimately, the apparatus of the state may be suborned by international outlaws, converting national territory into a sanctuary for

transnational crime, as was the case with Panama under Manuel Noriega and Bolivia under General Garcia Meza. North Korea provides a variation on this theme; the government has resorted to trafficking in drugs as a means of generating revenue.

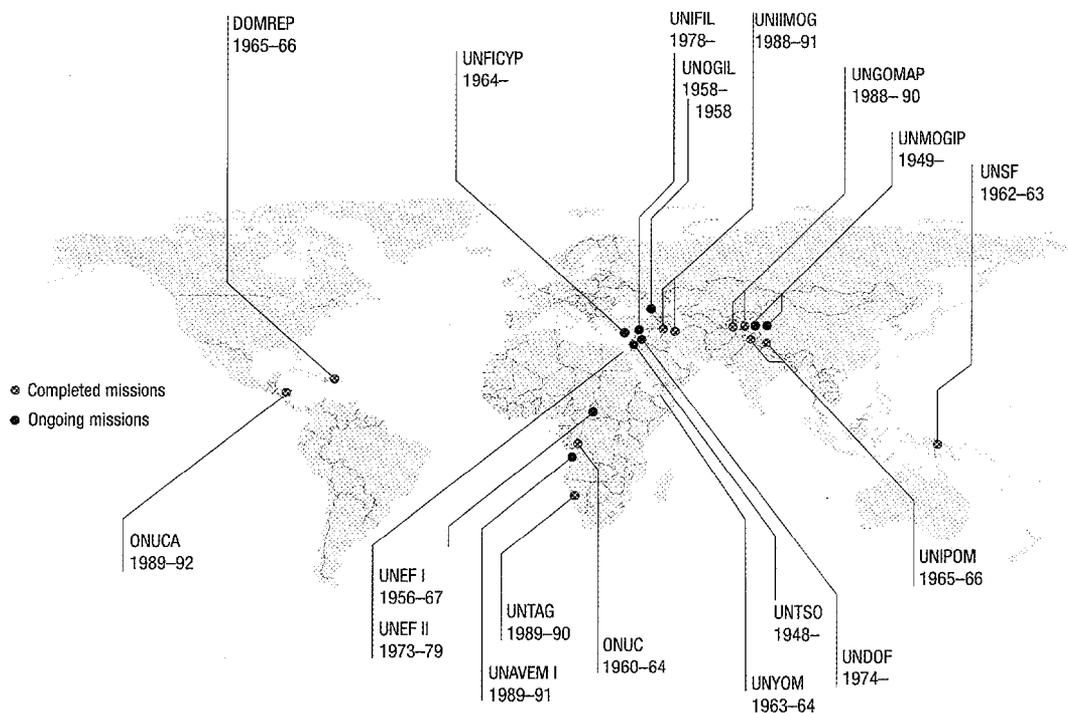
Another destabilizing consequence of globalism is the volatility of capital flows. For emerging economies, external investment is crucial if they are to become competitive globally. Without it, the process of opening protected internal markets can simply result in the loss of domestic sales to foreigners with no compensatory gains in penetration of external markets. International investors can be fickle, however, and the magnitude of daily international financial transactions dwarfs the annual gross national products of most states.<sup>5</sup> The vulnerability this generates was demonstrated by the Mexican peso's collapse in 1994 and more recently in Asia's financial crisis. These events precipitated severe economic downturns in the surrounding region with damaging consequences for political stability (Indonesia and Malaysia), and the reverberations were felt in emerging markets worldwide.

The troubled state phenomenon is persistent, because the underlying dynamics of nationalism and globalism are enduring. Nationalism will continue to disrupt multiethnic states, especially those governed in a repressive and exclusionary manner. In such cases, the state is liable to be thrown into a crisis over its basic identity. Globalism, on the other hand, can lead to a crisis of governability. Economic survival and the resources available to the state have become increasingly dependent on vibrant trading relationships. This places immense strains on authoritarian regimes that refuse to open their economies to outside competition, and also on nascent democracies that mismanage the economic transition. States that are subjected to the disruptive implications of *both* nationalism and the failure to adapt to globalism will be particularly vulnerable to disintegration and collapse.

## Capacity to Respond to Troubled States

Peacekeeping was an innovation during the Cold War that was intended to keep interstate conflict from spiraling out of control and sparking a superpower conflagration. During its first four decades, the United Nations was called upon to conduct 18 peacekeeping missions (an average of one new mission every other year), almost all of which resulted from conflict between

## UN Peace Operations During the Cold War (1949–89)



Source: UN Department of Public Information.

states.<sup>6</sup> Between 1990 and 1999, the United Nations conducted 31 peace operations, or an average of three per year. Almost all were in response to *internal* conflicts in troubled states. The UN has been unable to deal adequately with this surge of new missions. Contributing factors include the high cost in terms of financial assessments to member states as well as peacekeeping troops, a perceived lack of national interests, a limited understanding of how to rehabilitate a failed state, and embarrassment in Somalia and Bosnia. One consequence is that some failing states have been neglected, with dire consequences (Rwanda, Zaire).

Another serious limiting factor is the incapacity of the UN to conduct the type of large-scale military operations that have often been required.<sup>7</sup> The UN is well suited for peacekeeping activities, such as monitoring and verification, that are premised upon strategic consent among the disputants about the role of the intervening

force. These conditions characterized the traditional peacekeeping of interstate disputes during the Cold War. When consent was lost, UN forces withdrew, as occurred prior to the 1967 Arab-Israeli War.

Troubled states have been the focus of post-Cold War peace operations, and consent has been more conditional and fragile. In successful cases like El Salvador and Mozambique, the conflict had been stimulated in part by superpower rivalry. Once this ceased to be a factor, local consent became obtainable. The UN has foundered when consent has been marginal and the requirement to wield force credibly has been high. Because the UN lacks a standing force, a viable command-and-control system, and consensus among UN Security Council (UNSC) members regarding use of coercive force in internal conflicts, it cannot manage the robust enforcement operations often required, at least initially, to deal with troubled states.

These deficiencies are unlikely to change. Many countries, including the United States, oppose an autonomous military capability for the



constraint, however, is the incapacity of the UN to manage the use of force credibly. Hence, future UN-led peace missions will likely be confined to relatively benign circumstances where the consent of the disputants is reasonably assured.

In spite of these limitations, the U.N. performs several essential functions in managing troubled states. No other international body possesses the same degree of legitimacy to issue a mandate for intervening in a sovereign but dysfunctional state. Various UN agencies, such as the High Commissioner for Refugees and the High Commissioner for Human Rights, make vital contributions to mitigating the consequences of state failure. The UN has also developed extensive expertise in electoral monitoring and civilian policing and has an established mechanism to fund peacekeeping activities through assessments on member states. Owing to these competencies, the United Nations is well suited for the later phases of a peace operation, when the emphasis is on long-term institution building as in Haiti.<sup>10</sup> The United Nations also has the potential to prevent the regionalization of internal conflicts by mounting preventive deployments in areas bordering a troubled state (UNPREDEP in Macedonia).

The greatest deficiency, therefore, arises during the initial phases of an intervention, when a credible coercive capability may be essential for peacemaking or peace enforcement. The United Nations cannot be relied upon for this. Thus, this is another area where demand exceeds capacity, at least until other mechanisms are adapted or developed for this purpose.

### Adapting Other Security Instruments

Although the United States cannot be the world's policeman, this proposition provides little insight into who should deal with troubled states. No amount of reform at the United Nations is likely to fully address this source of global instability. Two alternatives remain: regional security organizations and ad hoc coalitions of the willing.

Regional security organizations have made limited contributions to the management of troubled states in Africa and Latin America. The most significant operations in Africa have been carried out under the aegis of the Economic Organization of West African States. Dominated by Nigeria, which has supplied the bulk of the troops and material support, it has been involved in bringing

an end to the civil war in Liberia and is presently enmeshed as a protagonist in the civil war in Sierra Leone. The Organization of American States has also contributed to resolving regional security concerns in Nicaragua and Haiti.

In general, however, few regional security organizations have much potential to address the more demanding tasks of peacemaking and peace enforcement. Because they operate on consensus, they will often be paralyzed when faced with situations that might require using coercive force. Unlike the United Nations, where only five states wield a veto, any member can thwart action. Even if a mandate is forthcoming, member states are likely to have competing national interests in the troubled state that will militate against a coherent and constructive role. Thus, most regional organizations suffer from the same defects as the United Nations in dealing with the use of force. In more benign situations where the disputants provide their consent for an external intervention, the United Nations would normally be the preferred option, on the basis of its greater legitimacy, extensive experience, and established procedures for cost sharing.

NATO is qualitatively different, in large part because of U.S. leadership and the Alliance's demonstrated capacity to conduct multilateral operations. NATO allies share a set of values and interests that can be put at risk by a troubled state on their periphery, such as the former Yugoslavia. Indeed, this "non-Article 5" mission has provoked the Alliance's first operational use in Bosnia and first use of force in Kosovo. This issue is also a major component of the Alliance's revised "strategic concept." In addition, NATO continues to incorporate partner states into its operations in Bosnia and to develop civil affairs capabilities in many allied military establishments to facilitate collaboration with international and nongovernmental organizations (NGOs).

Despite considerable NATO advantages, its freedom to act will continue to be constrained by concerns about a mandate. Despite the precedent set by the use of air power against Serbia without an explicit mandate from the UN Security Council, many allies will be reluctant to undertake future interventions in the absence of a specific UN mandate. It remains possible for a regional body, such as the Organization for

Security and Cooperation in Europe (OSCE), to provide an alternative mechanism for legitimizing collective action. Unmandated NATO operations will remain a viable policy option, provided they are consistent with international law.

Another potential response to the troubled state phenomenon would be for European states to develop the capacity to act alone when the United States opts to remain on the sidelines. Although the UNPROFOR experience in Bosnia was unfavorable, the inefficacy of that mission had much to do with the unworkable "dual key" command and control arrangement with the UN. One avenue for development of an all-European capability would be the European Security and Defense Identity. Essentially, this would involve NATO capabilities without active U.S. participation. The other alternative would entail collaboration between the Western European Union and the EU.

As a regional organization, NATO cannot address troubled states everywhere. Nevertheless, it has given itself a measure of flexibility, because it has refrained from defining its "out of area" interests in geographic terms. This theoretically allows the Alliance to mount operations anywhere, if there is a consensus that its security interests are sufficiently threatened. Realistically, however, this is likely to be confined to Europe's periphery. NATO also is limited in its ability to address the nonmilitary aspects of rehabilitating a dysfunctional state. The United Nations remains the leading potential partner for this; however, the OSCE was called upon to conduct the Kosovo Verification Mission and could be a major participant in any future peace implementation mission in Kosovo involving such activities as restructuring the public security apparatus and organizing elections.

To cope with troubled states beyond the penumbra of the NATO security umbrella, "coalitions of the willing" may be the only other alternative. For situations with a potential for high-intensity combat, or at least forcible entry, the United States undoubtedly will be indispensable, as it was for the Multinational Force in Haiti. If the scenario is more permissive, such as the lawless conditions encountered after a nationwide financial scam produced anarchy in Albania, then an operation might be built around another lead nation, as Italy demonstrated in that case. Use of ad hoc coalitions will be contingent on the availability of capable coalition partners and a mandate from the UN or an appropriate regional security organization.

Since Africa has the greatest concentration of fragile states, the United States (via the African Crisis Response Initiative), France, and the U.K. have all undertaken programs to train and equip chosen African military forces to enhance their peacekeeping capabilities. The operational use of this capability, however, is liable to be confined to the more benign peacekeeping activities under the UN banner or a UN-mandated ad hoc coalition.

Asia is the other major region with a potential to experience serious instability from future troubled states. To date, the only major post-Cold War peace operation in the region occurred in Cambodia. Consequently, Asian nations have been involved primarily as troop contributors for missions in other regions. Future developments in North Korea, or deterioration in fragile regimes like Indonesia or Malaysia, could provide an incentive to develop a collective regional capacity to respond to failing states.

## Intervention Before Peace

While the international community continues to search for the proper set of tools to manage troubled states, the task has simultaneously become more demanding, because the threshold for intervention has been lowered. Until recently, there was a sense that a peace mission should occur only after a dispute had become "ripe" for resolution. That is, the parties should have first exhausted themselves, moderated their war aims, and demonstrated a willingness to adhere to a peace accord. By following this prescription, the international community can avoid prolonged entanglements in violent conflicts; however, it also means that instances of genocide would be allowed to unfold and surrounding regions might be destabilized before effective action is taken. By the time such situations become ripe for intervention on the ground, the cost in terms of lives and resources can burgeon. Having learned the price of delay in Bosnia and Rwanda, the United States and its European allies sought to avoid a repetition in Kosovo. Consequently, the OSCE fielded the unarmed Kosovo Verification Mission in late 1998 with merely the promise of a final agreement between the government of Yugoslavia and representatives of the Kosovar community. When this effort failed, NATO became enmeshed in a war with Yugoslavia to stop its assault on the ethnic Albanian population.

Two factors contribute to this trend. First, many wars are now internal to the state, and it is these conflicts that have increasingly become the focus of international interventions. Second, many of these internal conflicts involve wanton use of force by armed elements against civilian masses. As in Iraq, Somalia, Bosnia, Rwanda, and Kosovo, humanitarian catastrophes are a likely result. Indicative of this trend, civilians today suffer the preponderance of casualties from armed conflict, whereas at the turn of the last century, 85 to 90 percent of casualties were military combatants.<sup>11</sup>

When a humanitarian calamity looms, immense pressure will be brought to bear from the media and concerned interest groups to "do something." Aware of this, secessionist forces, such as the Kosovo Liberation Army, are as likely to pursue a media "war of attention" as they are to conduct a guerrilla war of attrition. As a result, sovereignty no longer confers an absolute right on autocratic rulers to wield unbridled violence against their own people. By the action that has been taken on behalf of the Kurds in Iraq and ethnic Albanians in Kosovo, the international community has begun to establish a tenuous, countervailing right to intervene to prevent wholesale slaughter and displacement of civilian populations. Thus by lowering the threshold for intervention, it has become easier to get involved but more difficult to get out and riskier to remain. The policy dilemmas associated with management of this aspect of the troubled state will not disappear, making the outcome of the action in Kosovo a watershed event for many reasons.

## U.S. Interests

As a global power, the United States has a stake in avoiding or alleviating the chaos caused by troubled states. Owing to the increasing permeability of national borders, moreover, the pathologies that contribute to their demise can affect our domestic welfare, as well. As the October 1998 *A National Security Strategy for a New Century* states:

*Globalization—the process of accelerating economic, technological, cultural and political integration—means that more and more we as a nation are affected by events beyond our borders. Outlaw states and ethnic conflicts threaten regional stability and economic progress in many important areas of the world. Weapons of mass destruction (WMD), terrorism, drug trafficking and organized crime are global concerns that transcend national borders.<sup>12</sup>*

To shape the international environment in a manner conducive to democratic polities and

free market economies, it will be necessary to mitigate the consequences of chaotic states.

If a troubled state were to collapse in an area of strategic consequence, vital interests could be endangered in various ways:

- When collapse of a state could precipitate the use of or loss of control over WMD or intercontinental delivery systems (examples are North Korea, Russia, or China)
- When access to strategic minerals might be denied or severely restricted, for example, by a major oil-producing nation
- When domestic turmoil might stimulate a massive exodus of refugees to the United States (seen recently in Haiti and Cuba).

Even when vital U.S. interests are not involved, the rationale for intervention can still be compelling, if other strategic concerns are at risk. While the United States is unlikely to intervene when only peripheral interests are at stake, pressures to intervene will mount if major interests can be preserved at acceptable risk and cost.

## Regional Instability

When an oppressed domestic group becomes the target of systematic violence, this inevitably spawns a mass migration in search of safe haven, either internally or in a foreign land. If the turmoil persists, the prospect of a destabilizing exodus of refugees will increase. Regional stability will be especially precarious if rebel groups become mingled with the flood of refugees. This often happens, because refugee camps offer sanctuary and a ready source of recruits. In response, opposing government forces will be tempted to conduct operations across international boundaries. The state receiving these refugee flows may be further destabilized because of cultural links between the refugees and a restive population of its own, and other regional powers will predictably act to protect their interests as this chain of events unfolds. As a global power, the United States clearly has a substantial stake in preserving regional stability. It is not in the national interest to permit this escalatory cycle to unfold to the point that an entire region is in turmoil.

## Transnational Threats

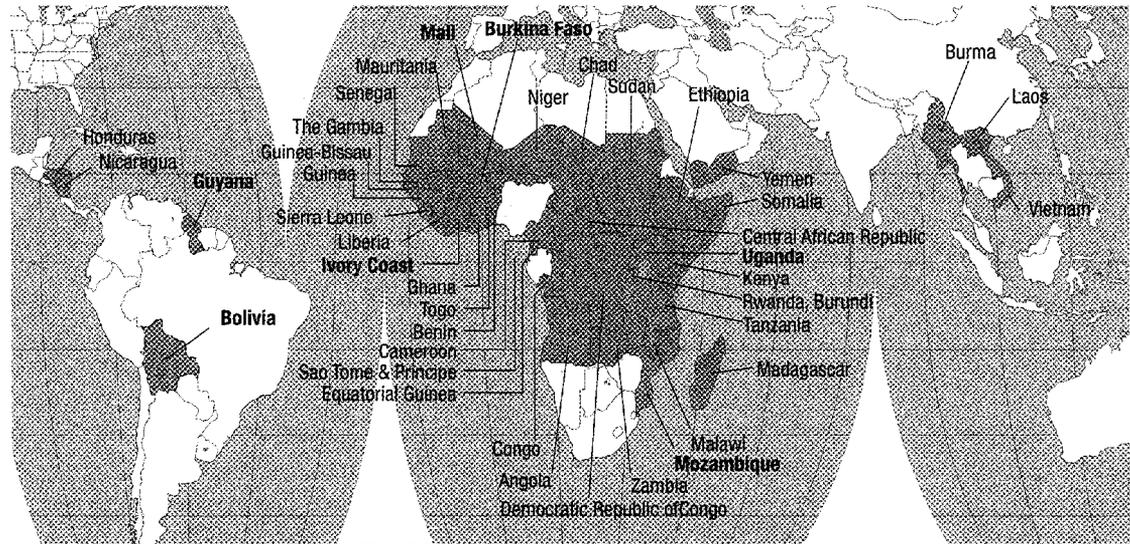
Transnational security threats are a major factor in the institutional deterioration that produces dysfunctional states. The relationship cuts the other way as well, because the failure of a state creates an institutional void that may be exploited by transnational actors of various sorts. Osama

**Most Heavily Indebted Nations**

Country	Accumulated debt per person	Debt * service per person	Annual income per person
Congo Republic	\$2,278	\$147	\$817
Guyana	2,039	131	829
Sao Tome/Principe	2,008	22	315
Ivory Coast	1,332	91	662
Nicaragua	1,318	49	372
Mauritania	985	50	433
Angola	983	64	320

Country	Accumulated debt per person	Debt * service per person	Annual income per person
Guinea-Bissau	852	10	242
Zambia	757	35	350
Liberia	753	1	351
Honduras	730	92	657
Cameroon	715	40	634
Equatorial Guinea	705	12	608

People in other highly indebted nations owe between \$100 and \$700 each, and in about half of these countries, people produce less per capita than what each person owes, theoretically. Bold type indicates countries that have qualified for debt relief under the World Bank program.



\* Payment of interest and principal due annually, when calculated per person.  
Source: World Bank, Oxfam International, Jubilee 2000, *The Washington Post*.

bin Laden's terrorist network, for example, exploited turbulent conditions in Afghanistan to establish a base of operations. The absence of law enforcement in Albania, moreover, was used to project his operation throughout Western Europe and to support activities against U.S. embassies in Kenya and Tanzania. Drug traffickers have also exploited anarchy in the Balkans, expanding their smuggling networks across Europe to Scandinavia, where half the heroin traffickers currently in Swedish jails and 80 percent in Norwegian prisons originated in Kosovo and Albania.<sup>13</sup> The well being and social order of the U.S. homeland is similarly vulnerable to troubled states, even those

in remote and obscure locations. In an era where continued prosperity depends on the international movement of products, money, and information, sealing U.S. borders is not a realistic option. While economic globalism is a boon for U.S. consumers, its corollary will be domestic insecurity, unless transnational threats emanating from troubled states can be contained.

**Humanitarian Concerns**

An enduring feature of the American character is a desire to assist victims of major international calamities. When natural disasters strike,

the United States contributes its fair share and more. Man-made disasters, however, are more complex, because there can be a considerable risk that U.S. lives will be lost, especially if the United States becomes enmeshed in an internal conflict. As Somalia demonstrated, the public will not permit the shedding of American blood unless substantial national interests are at stake. Humanitarian impulses alone, therefore, will not justify U.S. intervention when the costs are likely to be denominated in lost U.S. lives.

The most intractable situations entail *internally displaced persons* (IDPs). In this case, the victims remain under the sovereign jurisdiction of the same regime that has caused their displacement. IDPs may assert a right to independence and seek recognition for a sovereign state of their own, and their cause will invariably be supported by international human rights organizations. Intervention will be opposed by governments interested in preserving the primacy of national sovereignty, and by concerns about altering of national borders through force. As a result, a clear international mandate for intervention is not likely. Resistance can also be expected from the state involved, especially if it views the displaced masses as the center of gravity for eradicating an opposition movement. Unless other strategic interests are also at stake, therefore, it would normally not be prudent to use U.S. forces to protect the delivery of humanitarian assistance to internally displaced persons.

Most of these impediments do not arise when dealing with *refugees* who, in contrast to IDPs, have fled their native land. The crucial difference is that international assistance is likely to be sought by states that are the recipients of refugee migrations. If decisive action is taken at the earliest stages, it should also be possible to maximize prospects for preventing the spread of instability throughout the surrounding region. This would involve developing a capability to provide a secure environment for refugees and relief activities. Additionally, this would likely entail controlling the same rogue elements—guerrillas, local gangs, arms smugglers, and criminal syndicates—that would spread disorder transnationally, as well. Since protecting humanitarian assistance for refugees would typically serve both U.S. humanitarian values *and* identifiable national security interests, it provides a more prudent basis for action by the United States

## Consequences for U.S. Policy

The demands on the United States and the international community will vary as a troubled state degenerates toward chaos, becomes the subject of multilateral intervention and, under favorable circumstances, is nurtured back to responsible membership in the community of nations. At the earliest stage, statesmen may be able to avert a crisis or, if they fail, they may be able to prevent the internationalization of the domestic conflict. If a major intervention is warranted, there will be the complex task of laying the foundation for stable governance. The response to a dysfunctional state, therefore, involves a broad spectrum of overlapping security challenges associated with conflict prevention and mitigation, full-scale peace operations, and peace building.

## Averting Collapse of Troubled States

The fundamental challenge is not early warning, nor is it simply a matter of early response. The most vital requirement is to identify cases where preventive action can make a difference and where it is in our interest to try. The criteria suggested below would limit the number of potential cases as follows:

- Democratic regimes under extreme duress (an example being Colombia)
- Countries aspiring to a democratic transition that falter, in part because of external or transnational sources of instability (Macedonia, Indonesia)
- Countries where larger U.S. geostrategic interests are at stake.

Preventive action normally begins with a traditional package of diplomatic, military, and economic assistance programs. If one source of instability is the spillover of conflict from a neighboring state, then the international community might mount a preventive peace operation similar to UNPREDEP in Macedonia. If these efforts fail and a general climate of lawlessness develops, there would not be time to await the results of typical training and assistance programs. To reverse this downward spiral, the performance and legitimacy of state institutions must be reinforced quickly, especially those dedicated to providing law, order, and justice.

The option of using an unarmed international civilian police (CIVPOL) organization would probably be inappropriate, because it

A soldier of the Kosovo Liberation Army



AP/World Wide Photos

would be incapable of self-defense. An international constabulary or armed police organization, however, could be mobilized to monitor, train, and operationally assist local police and judicial authorities. The guiding principle would be to inculcate in the local public security establishment principles of democratic policing and equality before the law. In extreme cases, a constabulary force might also require reinforcement by an international military contingent. Mounting an effective border patrol could also be extremely important in such situations. Over the long term, public security assistance offered by international organizations, individual governments, and NGOs would play a valuable role in the evolution of stable governance.

## Mitigating the Humanitarian Consequences

Relief workers have traditionally depended on neutrality and an unarmed, nonthreatening posture as their primary means of defense. These principles lose their protective value, however, when the relief community is seeking to assist a population that has itself become a primary target in the domestic conflict (for example the "ethnic cleansing" of Albanians in Kosovo). The risks will be compounded if refugee camps become safe havens for rebel forces. Under such circumstances, humanitarian workers may be targeted for kidnapping or assassination (the International Committee of the Red Cross, in particular, has suffered deadly

consequences in recent years in Rwanda and the Chechen Republic). Rival groups may commandeer relief supplies. Order at warehouses and distribution centers may also be precarious owing to food riots and the activities of armed gangs. Unless security can be provided, relief activities may need to be suspended, or the situation may even be too perilous to mount relief activities in the first place.

Protecting the delivery of humanitarian assistance could entail a range of tasks, including:

- Security for convoys, warehouses, and living quarters of humanitarian workers
- Protection of refugees and safe areas
- Demilitarization and disarmament of combatants
- Public security within refugee camps.

Each of these tasks may require a different combination of capabilities, because none of these protection options is available without significant liabilities.

Standard *military combat units* are not well suited for the task of protecting humanitarian assistance. Without nonlethal force options, the danger of excessive use of force can be high when they are thrust into a situation where petty crime and gang activity are rampant (as befell the elite Canadian airborne brigade during UNITAF in Somalia). Military units can perform a crucial function, however, by ensuring that legitimate law enforcement agencies are able to establish their writ over throngs of refugees.

One way to address the public security void in refugee camps might be to deploy units of *constabulary or armed police* to work with the international relief community. Operating in concert with local security forces to the maximum extent possible, they could keep armed elements (gangs or guerrillas) away from refugee camps and help to maintain order at food distribution points. The mere presence of a capable international security force of this sort would tend to encourage local civilian and military security forces to perform their duties more responsibly. A constabulary force might help local authorities curtail the activities of armed gangs inside refugee camps using investigative techniques, expertise at community policing, and, when confronted, nonlethal control measures. This would improve the security climate within the camps and increase the likelihood that humanitarian assistance would arrive in the hands of the neediest rather than the most heavily armed.



**Refugees at a nutrition center in Acucareira, Angola**

*Civilian Police* units typically comprise individual volunteers from various countries. Thus, they do not have an organized capability to conduct operations, such as demilitarizing refugee camps; moreover, they traditionally are unarmed. Once a secure environment has been established, however, they can cull out abusive personnel from existing police forces, recruit trainees, establish training programs, and monitor the performance of the entire public security apparatus. Bilateral assistance programs, coordinated with or managed by CIVPOL, provide the bulk of financial and technical support for retraining of domestic police forces.

One common alternative, especially for humanitarian organizations dealing with IDPs, has been to hire *local security guards*. This can be risky, however, because these personnel may be aligned with one of the warring factions, which could invite retaliation from their rivals. Private international security firms are another alternative. They may be cheaper than a military intervention force, but quality control and adherence to human rights standards could be compromised.

Governments hosting refugees have the obligation to provide for their security. In reality, however, they often lack the capability to do so.

One attractive option, therefore, is to provide international assistance, through CIVPOL and bilateral assistance programs, to *local security forces* so they can perform this mission more competently. Local governments will be more likely to cooperate with the relief effort, moreover, if they receive something in the bargain. International monitoring would also be required to prevent further victimization of refugees by a police force that would be alien to them.

Another promising option would be to train *cadres from the refugee community* itself to maintain law and order inside the camps. Known as "encadrement," this would provide employment for military-age males who might otherwise cause problems and also create a security force familiar with the refugees' distinctive legal traditions. This option would require international training assistance and monitoring and would probably work best if implemented in concert with local police, judicial, and penal systems.

In general, humanitarian protection missions that are the least reliant on military resources are the most likely to receive an international mandate. Nevertheless, there remains a need to develop concepts and coordination mechanisms that integrate military quick reaction forces effectively with constabulary units, international civilian police monitors, and local authorities. One way to promote this sort of collaborative effort would be to establish a protection coordinator for every situation requiring protection of humanitarian relief.

## Developing Nonlethal Capabilities

Normally, an international mandate directs a peace mission to establish a safe and secure internal environment. During the initial phase of an intervention, the military contingent often will be the only source of order and is apt to be tested by civil disturbances, violent clashes between antagonistic local factions, and theft of its resources. The military can be a blunt instrument, however, and if even a single incident is mishandled through the use of excessive force, the entire mission can suffer because local consent will be squandered. Inaction, on the other hand, can risk the loss of credibility (the disorder that accompanied transfer of the Sarajevo suburbs under IFOR, for instance). The media spotlight will be unavoidable, and the consequences for the success of the peace mission can be enduring.

To limit loss of life and destruction of property in the anarchic circumstances often encountered at the outset of a peace mission, nonlethal capabilities should be included in the initial force mix. Constabulary have training and expertise in crowd control, nonlethal force options, and general experience in policing and could be deployed simultaneously with the military contingent. Until the CIVPOL contingent becomes operational, the constabulary could also begin organizing an interim local security cadre and monitoring its performance.<sup>14</sup> In this manner, a constabulary presence could help to accelerate the process of reconstituting the local police force.

In addition to reestablishing order, a multilateral peace operation must also shape the political context in a manner favorable to the peace process. Unless this is done successfully and peace becomes self-sustaining, other reconstruction and peace-building activities will be still-born.<sup>15</sup> Since disgruntled political elites or "spoilers" may attempt to disrupt the peace process, military peacekeepers may be required to respond to various forms of violent resistance, including civil disturbances.

Military forces are reluctant to engage in confrontations with civilians, because they generally are not trained in the measured use of force, riot control, negotiating techniques, or deescalation of conflict. Unarmed CIVPOL personnel are not capable of handling such violent challenges, either. Constabulary forces can counter this vulnerability to stage-managed civil unrest, as demonstrated by the deployment of the Multinational Specialized Unit (MSU) as a part of the Stabilization Force (SFOR) in Bosnia in mid-1998.<sup>16</sup> Composed initially of Italian carabinieri and Argentine gendarmes, the MSU has given SFOR the information-gathering capability to detect incipient unrest and to deter it by concentrating MSU patrols in restive areas. The MSU has also successfully defused potentially violent confrontations through negotiation. Only very rarely has the MSU actually had to use force, suggesting that by eliminating this gap in SFOR capabilities, the likelihood that the peace force will be challenged in this manner has been greatly diminished.<sup>17</sup>

## Building Sustainable Peace

For peace to be sustainable, core institutions such as the courts, prisons, and police require

more than training and restructuring; their fundamental mode of operation must be transformed. Indigenous institutions must be coaxed into functioning in rough accordance with internationally acceptable standards. This will usually entail a radical transformation of the culture of law enforcement. The public security system often will have operated as an instrument of state repression; it must begin to serve the public interest instead, functioning in a manner that respects the political and human rights of members of all groups, whether they wield political power or not. This transformation requires time.

Training a new police force is regarded as a multiyear project. Subsequently, the conduct of police, judges, and jailers must be effectively monitored and supervised. Without such oversight, the training and assistance that the international community provides could merely result in making these forces more competent at repressing their own people. Reconciliation will never happen under such conditions.

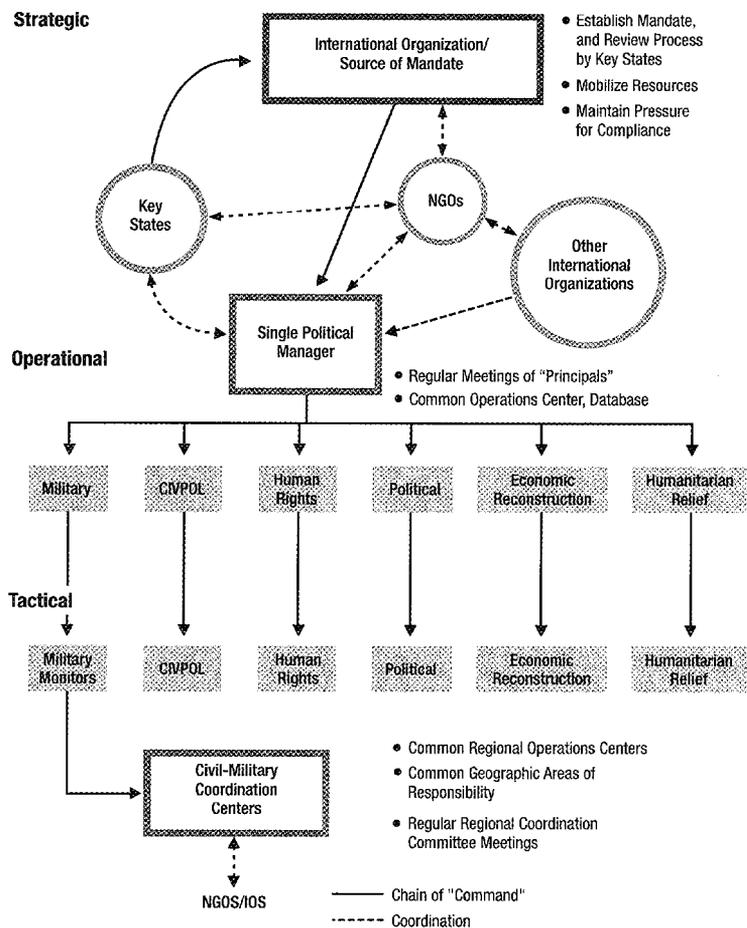
Innovative approaches to this challenge have been attempted in Bosnia by the International Police Task Force (IPTF). The concept developed there, termed "co-location," entails placing seasoned IPTF police officers alongside local police chiefs and senior Interior Ministry officials. Similar programs would also be warranted for the courts and penal systems. One of the primary constraints on implementing such a transitional phase is lack of an adequate international mechanism to mobilize and field sufficient numbers of highly qualified personnel.

## Assessing Impact on Military Readiness

The post-Cold War "peace dividend" has now been collected, and the U.S. defense establishment is scarcely two-thirds the size it was at the end of the 1980s. Operational deployments, however, have tripled. Not all this increase is attributable to the exigencies of troubled states, of course, because natural disasters and more conventional security challenges, such as Iraq and North Korea, account for much of this. Nevertheless, there are serious concerns whether the armed forces can retain their fighting edge while engaged in continuous operations aimed at managing troubled states.

The experiences of the 25<sup>th</sup> Infantry Division in Haiti (as part of the Multinational Force) and the 1<sup>st</sup> Armored Division in Bosnia (as part of the Implementation Force) provide invaluable insights. In both cases, a minor but temporary

**A Generic Structure for Peacekeeping**



NOTE: For peace enforcement operations, the military commander may be co-equal to the political manager, and the success of the mission will be dependent on their capacity to cooperate.

Source: INSS

degradation of some perishable combat skills (gunnery, for example) occurred. However, these skills were quickly restored, and within a couple months were at predeployment levels. The positive impact on leadership skills and organizational proficiency for complex warfighting tasks, in contrast, was significant and enduring. Daily patrolling in the challenging and unpredictable environments of Haiti and Bosnia placed a premium on decentralized decisionmaking and small-unit leadership. Such maturation could not have been achieved in artificial training environments. These are capabilities that will be central, moreover, to the decentralized and digitized battlefields envisioned in the future. After refresh in perishable skill sets, therefore, both

units were more combat capable after the peace operation than before.

To achieve this outcome, certain essential steps had to be taken. Unit integrity was maintained,<sup>18</sup> and commanders conducted an active training program throughout the deployment. Finally, they deployed with overwhelming strength, so as to be prepared for a worst case scenario. Under the more benign circumstances actually encountered, it was possible to satisfy requirements both of the mission and an active training program.<sup>19</sup>

While the direct impact of peace missions on readiness is not necessarily negative, the cumulative impact, along with numerous other smaller-scale contingencies and continuing exercise commitments, has been an unacceptably high tempo of operations and level of personnel turbulence. This is having a major impact on quality of life and contributes to a severe retention problem. In sum, the recent tempo of operations cannot be sustained with the present force posture and is having a particularly harsh impact on specialized career fields, such as military police and civil affairs, that have uniquely valuable skills for managing troubled states.

**Integrating Civil and Military Contributions**

Troubled states are distinguished by their failure to perform such essential functions as sustaining life, resolving political conflict, maintaining public order, and generating employment.<sup>20</sup> Mounting an effective response to such abysmal political, social, and economic conditions requires the integration of a wide array of both military and civilian specialties.<sup>21</sup> The need for the international community to act, however, is more apparent than the proper formula for response. The key is to be found in recognizing the interdependent relationship between military and civil components of contemporary peace missions and constructing effective regimes for their collaboration.

Integration of effort always will be imperfect, because the array of states, international organizations, and NGOs involved will each have its own interests in a given troubled state. Nevertheless, U.S. leadership often is essential to mounting an international response. It may be possible to leverage this need to ensure that mechanisms conducive to an integrated effort are established. Among these would be to designate a single political manager (such as a Special Representative of the Secretary General for a UN-led

operation) to oversee implementation of the peace process and a common operations center for key international agencies involved. More fully exploiting the integrative potential of information technology (such as Geographic Information Systems) could greatly facilitate information sharing, which is the first step toward task sharing and coordinated planning. Additionally, military civil affairs officers (also known as civil-military cooperation, or CIMIC, in NATO) perform an invaluable integrative function during interventions of this sort, and proper account needs to be made for this in military force structure.

The other key to unity of effort is to rectify the many missing links in global capacity for addressing troubled states. Some have been suggested, such as availability of constabulary forces and senior police administrators. Various other areas require attention if a cost-effective transition from the military phase of an intervention is to be made to one where international civilian efforts predominate, followed ultimately by return of control to indigenous authorities. Improvement is needed, for example, in the capacity to mobilize CIVPOL personnel, to address the judicial reform issue, and to disperse funds for reconstruction activities during the early stage of an intervention.

## Net Assessment

Bismarck once observed that there was no interest in the Balkans "worth the healthy bones of a single Pomeranian grenadier."<sup>22</sup> By the calculus of his day, there was little utility in seeking to "manage" a troubled state such as Bosnia. The costs, measured in units of national power such as Pomeranian grenadiers, would have been substantial, yet the gain would have been nil. Nothing has happened since Bismarck's time to make Bosnia a more lucrative strategic asset. The international calculus about the utility of managing troubled states like Bosnia, however, has changed.

The most troublesome cleavage future soldiers and statesmen may confront internationally is not likely to be East-West or North-South; rather, the schism that is apt to be most problematic is the divide between governments that function and those that do not. Weak, dysfunctional, and failed states are at least as likely to threaten global stability and domestic tranquility in the years ahead as are the powerful.

In this global context, the national security of the United States is most effectively buttressed by the consolidation of democratic regimes and

by expansion of the realm of prosperous market economies.<sup>23</sup> U.S. policy seeks, therefore, to encourage the democratization of tyrannical regimes and to strengthen emerging democracies. Autocratic rulers, however, sensing that power is slipping from their grasp, will be far more likely to go down with a bang than a whimper. As Slobodan Milosovic has demonstrated in Kosovo, the internal humanitarian consequences of these ruthless attempts to cling to power can be abhorrent, and the destabilizing impact on surrounding states can directly imperil prominent U.S. interests. Democratic regimes, moreover, are at their weakest in their infancy, and it will be during the desired transition to democracy that many regimes will be prone to failure.<sup>24</sup> In contrast to Bismarck's world, therefore, there is little virtue today in disregarding all weak and troubled states.

At the moment, the trend is not positive with regard to international capacity to cope with this recurring phenomenon. The United Nations is at a low ebb, there is a serious rift among the permanent members of the Security Council about its role in addressing this issue, and there is not sufficient enthusiasm within the United States at the moment to revitalize the body. Somewhat by default, NATO became the preferred option, but its capacity to deal with anything but the Balkans will be negligible until that region is stabilized. That leaves the residual UN capability, a few regional organizations, and ad hoc coalitions as options to deal with the collapse of future troubled states. The outcome of the intervention of Kosovo will have a major bearing on the capability and willingness of other members of the international community to continue to join with the United States in seeking to shape a more democratic, prosperous, and benign global environment. Because troubled states are not a transitory phenomenon, coping with them will be one of the leading security conundrums of the coming age.

## NOTES

<sup>1</sup> One path-breaking study of the incidence of state failure found that among nondemocratic states, in particular, the factors most closely linked to breakdown are a low level of trade and a demographic bulge in the number of youths age 15–29.

<sup>2</sup> In general, new regimes are at a considerably higher risk of failure than those with greater longevity.

<sup>3</sup> The Government of Colombia has effectively lost control of a vast portion of its interior bordering on Brazil, Peru, and Ecuador.

<sup>4</sup> The Samper government in Colombia (1994–98) was irreparably tainted by well-founded allegations that his campaign accepted a \$6 million contribution from a local drug trafficker.

<sup>5</sup> Some \$800 billion worth of transactions take place each day.

<sup>6</sup> The Congo operation was the major exception.

<sup>7</sup> See John Hillen, *The Blue Helmets: The Strategy of UN Military Operations* (New York: Brassey's, 1998).

<sup>8</sup> The United States is responsible for funding 30.7 percent of each peace operation, and the costs associated with intervening in an internal conflict vastly exceed those involved in a simple monitoring mission between two rival states.

<sup>9</sup> For example, none of the 19 states that had designated standby forces was willing to make them available to the United Nations when a mission was proposed for Rwanda.

<sup>10</sup> The Haiti mission transitioned from a coalition of the willing—the Multinational Force—to the UN Mission in Haiti.

<sup>11</sup> Dan Smith, *The State of War and Peace Atlas* (Oslo: International Peace Research Institute, 1997), 14.

<sup>12</sup> *A National Security Strategy for a New Century* (Washington: The White House), 1.

<sup>13</sup> Swedish Foreign Minister Jan Eliasson pointed this out in a conversation with Amb. Robert Oakley and Col. Michael Dziedzic, USAF, on March 6, 1998, in the Swedish Foreign Ministry.

<sup>14</sup> The rules of engagement would be identical to those of the military force, most likely authorizing use of force to prevent loss of life or serious injury to members of the international community and, if indigenous authorities are unresponsive, innocent local civilians as well.

<sup>15</sup> If the peace process falters, refugees will be extremely reluctant to return to their homes; private investors will assuredly calculate that the risk to their venture capital outweighs any potential gain; the outcome of future elections could easily be determined more by bullets than ballots; and resources spent on

relief and reconstruction could merely result in a prolongation of the conflict. Transnational criminal organizations, moreover, are prone to seize upon such openings to intimidate or suborn even the most senior government officials and insinuate themselves into positions of influence.

<sup>16</sup> This does not negate the overarching objective of placing the burden of policing on local authorities. Until the dominant sources of political resistance have been quashed, however, it would be unwise to rely totally on a politically motivated police establishment to maintain order.

<sup>17</sup> The controversial decision regarding the status of Brcko was announced in March 1999, and in spite of Serb verbal protests about the outcome, there was no orchestrated campaign of public disturbances.

<sup>18</sup> If units had been formed from individuals drawn from across the Army, the impact on readiness would have been decidedly negative.

<sup>19</sup> The 1st Armored Division in Bosnia had an advantage in this regard, because ranges were available in theater for periodic use by their units.

<sup>20</sup> "Essential functions" are defined as clusters of related activities (political, social, or economic) that must be performed at least at some minimal level to preclude a return to conditions that originally provoked the international intervention.

<sup>21</sup> In cases where a peace operation is undertaken, the extent to which "essential functions" are regenerated will vary. Some may not be addressed at all (with likely implications for achieving a stable outcome). However, all peace operations will address at least some of the areas.

<sup>22</sup> Edward Crankshaw, *Bismarck* (Middlesex, United Kingdom: Penguin Books, Ltd., 1981), 348.

<sup>23</sup> The fundamental economic law of comparative advantage that provides the rationale for free market economics is clearly a "positive sum" concept. The notion that democracies are not prone to wage war on each other also is conducive to a "positive sum" conclusion that the United States will be more secure in a global environment populated by increasing numbers of stable, consolidated democracies.

<sup>24</sup> Unpublished U.S. Government study on troubled states.

# Transnational Trends: *New Threats?*

**T**he term “transnational” means a phenomenon that cuts across national borders and often is not directly controlled by national governments. Transnational threats include terrorism, organized crime, drug trafficking, illegal alien smuggling, smuggling of weapons of mass destruction (WMD), widespread environmental degradation, and a host of others. What security challenges do transnational threats pose, and what do they portend for the future? These threats are already affecting global affairs and could intensify in ways that further damage U.S. interests. This chapter will focus primarily on terrorism, international organized crime, and drug trafficking.

Many transnational threats are interrelated. Although they are politically motivated, terrorist and/or insurgent groups often provide armed protection to narcotics operators in exchange for money or arms. Conversely, organized crime groups and drug traffickers commit terrorist acts that target government agencies and personnel who attempt to bring them to justice. These activities also rely on clandestine networks that operate across the frontiers of several states. Additionally, these operations violate international

laws. Thus, while their motivations may not intersect, many of the actions of international criminal narcotics networks and terrorist groups frequently do. The point is that these actors are clandestine networks that operate fluidly across the frontiers of several states to threaten public order, undermine the rule of law, and disrupt good governance.

President Clinton’s *National Security Strategy for a New Century*, published October 1998, articulated the need for a coherent U.S. policy approach to deal with these transnational threats. Accordingly, the Department of Defense is examining how its strategies and missions may shift to meet these dangers. This is being done with the realization that a reactive policy and a disjointed strategy will not be effective. The future challenge facing the United States will be to design more comprehensive policies to meet these threats.

## Key Trends

The lack of predictability in the post-Cold War international system has become one of the larger problems confronting policymakers. Magnifying this uncertainty is the weakened state of numerous countries resulting from internal economic and social strife. Some governments have been debilitated in struggles against their own



**Sergei Mikhailov (right, in a bullet-proof jacket), accused of heading a Russian Mafia organization with operations in New York, Los Angeles, Houston, and Miami**

citizens or as one of many groups vying for power in fragmented and disputed territories. For many Third World states, the loss of windfalls from the old bipolar rivalry has further compounded these difficulties. Many regimes that were propped up for decades by aid and assistance now lack backing and financial support. Indeed, while the Cold War competition to obtain and keep allies was problematic for numerous reasons, it was a boon for many in the Third World. It maintained a semblance of economic stability and stifled bids for power by ethnic, religious, and opposing political groups. With foreign aid and Cold War restraints now declining, festering internal problems have toppled onto the international stage and now pose myriad threats to global stability.

### **Fertile Ground for Transnational Threats**

Transnational threats are growing because of fertile ground. In many formerly authoritarian states, there has been a long tradition of using coercion, violence, and numerous forms of corruption to resolve disputes in society. Further, such arbitrary regimes left a strong legacy of reliance on roles and relations rather than rules and regulations in which personal affiliations and connections were the preferred means of achieving monetary and political success. With the most recent wave of democratization, there was an expectation that the mechanical features

of personal government would be eradicated from political cultures as quickly as votes could be cast. However, while it may be true that in many new democracies elections are now regularly held and there is the ability to form an opposition, it is questionable whether these are sufficient credentials to allow for the label liberal democracy. Superimposing a system of laws and constitutional ideals on top of an entrenched culture of reliance on arbitrary and personal government using the coercive instruments of the state to advance its own purposes of monopolizing power has not met with the advertised success. Indeed, establishing a constitution and the rule of law is a tall order, especially for those people who climbed the slippery slope of power under authoritarian governance only to reach the pinnacle and find that the structure had changed. Hence, in many of the emerging democracies, the underlying system continues to be plagued with factional loyalties that take precedence over the commitment to public policies, and indeed the constitution. Robert Jackson refers to countries displaying this lack of empirical statehood as "quasi-states." He argues that while these states may enjoy juridical sovereignty in the international system, internally they not only lack "institutions capable of constraining and outlasting the individuals who occupy their offices" but they cannot guarantee a stable social order, and therefore freedom, for most of their citizens.<sup>1</sup>

In this setting, criminal elements are able to co-opt government officials through bribery or threats of violence. In effect, these criminal groups become a shadow government. In some regions of Colombia, for example, insurgents and drug mafias replaced the state as the governing authority for lengthy periods of time. In the city of Medellín in the 1980s, the drug cartels became famous for rivaling the government in their provision of housing and other amenities to the poor. Former Medellín cartel leader Pablo Escobar was well known for his contributions of housing and soccer stadiums in the poor areas of the city.<sup>2</sup> However magnanimous these deeds were, these groups and individuals were not elected representatives of the people. Rather, they insinuated themselves using large quantities of money and have continued to operate with relative impunity like barons of medieval feudal fiefdoms, with the law of the jungle as a guide for the dispensation of their largesse and

their justice. Hence, while the citizens in many states are subject to well-written and just constitutions on the formal level, at the informal level they are subject to as much arbitrary rule as exists in any authoritarian state. The lack of liberty and fear for personal safety that are characteristic of authoritarian government amount to the same thing, but the coercion is simply being employed increasingly by groups other than the government. Nor have organized criminals and terrorists limited their activities solely to the territories of their home states. They have increasingly extended their empires into other states' jurisdictions, while simultaneously hiding behind the sovereignty of their home states. While they pose a threat to the international system, these groups have been difficult to target because of the customary international legal premise of noninterference in the internal affairs of states.

The challenge now is to identify and evaluate old and new transnational dangers and retool national security policy to address them. Transnational threats may be subcategorized as those that pose a longer term danger, and those that pose an imminent danger. Longer term dangers are those with effects that are currently less discernable. Consequently, fewer resources have been dedicated to understanding and countering them. They are, nonetheless, a gathering storm and pose a distinct danger to global security. These threats include environmental degradation, cybermanipulation, smuggling of WMD, global contagion and health issues, smuggling endangered flora and fauna, and smuggling of illegal aliens.

The immediate and more apparent dangers are currently being experienced in the global community, with disastrous consequences. They include terrorism, international organized crime, and drug and arms trafficking. Leeching off weakened and failing governments, organized crime and terrorist groups have slowly ravaged their host states. Their spreading influence has become a global scourge that often rivals the power and economic assets of sovereign states.

These threats require different policy approaches. Treating long-term threats the same as imminent threats may deflect attention from and weaken planning for more immediate concerns. For instance, using crisis action planning to deal with global warming will likely result in a short-sighted approach to a long-term problem. Likewise, clear and present dangers to national security would be underestimated if placed in the same category as deforestation and refugee problems.

The threats of terrorism, international organized crime, and drug trafficking have the potential to significantly disrupt the U.S. social order. These threats are mutating and multiplying. Criminal groups often make "power sharing" arrangements with each other and threaten aspects of state sovereignty and security that have, traditionally, been taken for granted. They are increasingly proving the permeability of national borders, gaining access to states through clandestine methods, destabilizing and corrupting governments, and perverting systems of justice to the point that states cannot maintain order. The United States is endangered; other countries are even more so.

## Terrorism: Growing and Mutating

In recent years, there has been a surge of terrorism against U.S. targets, some of it international, much of it domestic. The August 1998 bombings of U.S. embassies in Nairobi and Dar Es Salaam by the Osama bin Ladin terrorist network followed the June 1996 bombing of the Khobar Towers near Dhahran, Saudi Arabia, and the 1994 bombing of the U.S. military Assistance Headquarters in Jiddah, Saudi Arabia. These acts represent a resurgence of anti-U.S. Middle East terrorism reminiscent of the mid-1980s. At the same time, U.S. domestic terrorism has increased, as evidenced by the bombings of the Alfred P. Murrah Federal Building in Oklahoma City, Centennial Olympic Park in Atlanta, the World Trade Center in New York City, and abortion clinics in various locations.

Bin Laden has become the inspiration for Islamic radicalism and the principal source of financing and coordinating Middle East terrorism. He supports two dangerous Egyptian terrorist organizations, the Islamic Group and Islamic Jihad. They have extended their operations into Albania and have attacked foreigners and government facilities in Egypt. Bin Laden also supports active terrorist groups in Saudi Arabia. His own organization was responsible for the Dar es Salaam and Nairobi U.S. embassy bombings.

On August 20, 1998, retaliatory missile strikes were conducted against bin Laden's facilities. More seriously damaging was an internationally coordinated effort to identify and arrest his organization's members in a dozen countries.



**Wreckage of U.S. Embassy following bombings in downtown Nairobi, Kenya**

Additionally, Saudi Arabia, Pakistan, and others have pressured the Taliban, which protects his network. Yet, he continues to plot against the United States and to seek new targets.

However, bin Laden is not the central element creating or controlling Middle East terrorism. This region is of great importance to the United States, and terrorism in or flowing from the Middle East has periodically been a major problem for the United States and its friends and allies. The two Egyptian groups retain some power in Egypt; however, they have been severely weakened by popular revulsion over the

deadly 1997 attack on foreign tourists at Luxor and by the Egyptian Government's antiterrorist efforts. In Israel and the Occupied Territories, Hamas and Islamic Jihad have been more subdued over the past year because of pressures from Arafat's Palestinian Authority, the Israeli Government, and perhaps an internal decision to await a more propitious time to resume large-scale activities. However, the potential for serious terrorist attacks remains; this was clearly demonstrated by the 1996 suicide bombings which disrupted Israeli domestic politics and the peace process. In the Persian Gulf, there is also substantial potential for terrorism, which has largely been quiescent since the Khobar Towers bombing. Bahrain, Kuwait, and Saudi Arabia are potentially vulnerable countries.

The Middle East may see a resurgence of terrorist activity in 1999, building upon popular anger at the combination of U.S.-led bombing and sanctions against Iraq, Israel's refusal to withdraw its troops in accordance with the Wye agreement, and falling oil prices. Popular pressures may cause governmental controls to be less stringent in response. Organized or spontaneous opposition political movements have grown stronger and provide cover for the development of terrorist activities. Both organized and spontaneous terrorists may become more aggressive in attacking U.S. military or civilian targets in the region as well as in attacking Israel.

Elsewhere in the world, most terrorism is either internal or of less importance to the United States. The Tamil Tigers of Sri Lanka are one of the world's deadliest and most determined groups, but their activities are restricted to that country. The same is true of Sendero Luminoso in Peru and the Revolutionary Armed Forces of Colombia (FARC) and National Liberation Army (ELN), both in Colombia. The Irish Republican Army in Northern Ireland has at least temporarily eschewed terrorism, while Catholic and Protestant splinter groups have either followed suit or been badly decimated.

To complicate matters, a new breed of terrorists is emerging. During the Cold War, traditional terrorist groups often were directed and supported by foreign governments. Such groups were well trained and organized. They also had specific political motivations, making them easier to identify and target. International pressure on sponsoring governments often had an effect over time.

The new breed of terrorists lacks such comprehensible ideals, relies heavily on religious motivations, is less well organized, and has few if any ties or allegiance to a particular state. Their more diffuse and less defined structure makes them more difficult to identify and eradicate. Obscure, idiosyncratic cliques of fanatics with no clear ideological objectives, along with nationalist quasi-religious zealots, have thus introduced a far more dangerous component into the terrorism frenzy. They have a hedonistic desire to wage violence against the U.S. and its citizens, for largely ambiguous motivations; this makes them far more dangerous than the previous generation of terrorists.

Additionally, "amateur" terrorists are now further complicating the problem. The Unabomber, Theodore Kaczynski, and the Oklahoma City bomber, Timothy McVeigh, are American cases in point. They acquired their knowledge and weapons from locally available books, the Internet, and farm supply stores. New foreign amateurs operate alone, without a command structure, plotting schemes in foreign states and operating beyond the scrutiny of U.S. law enforcement. For example, some Hamas terrorists seem surprisingly unprofessional and act out of religious fervor without training or specific instructions. The World Trade Center bombers operated similarly. As disingenuous as these dilettantes were at eluding capture, they did set a new precedent for terrorism. The new amateurs are virtual unknowns, are erratic, and have fewer inhibitions about indiscriminate killing.

Terrorism is also attracting mercenaries. With the Cold War's end, experts in mass killing and destruction became unemployed and therefore available to the highest bidder. They may be used by governments seeking to commit terrorist acts. Rank amateurs for hire may be used as expendable dupes, as well. Attacks that occurred in France in summer 1995 exemplify this trend. In these incidents, terrorists used cooking-gas canisters with nails wrapped around them to kill eight people and wound approximately 180 more. French authorities believe that professionals conducted the first attack. After that, the Algerian Armed Islamic Group (GIA) recruited amateurs from the Algerian expatriate community in France to conduct the remainder of the bombings.

Terrorism is metastasizing and spreading in ways not previously considered. Lacking meaningful ideologies, terrorist groups and amateurs today often do not claim responsibility for their actions or seek media attention as in the past. The new terrorists are less identifiable and more

willing to commit acts of terrorism for money, out of simple malice, or misguided zeal.

The future will be influenced by the actions taken to control, deter, and punish terrorism. At the G-8 meeting in 1997, participating countries reaffirmed their intent to combat terrorism. They also expressed determination to persuade all countries to join the international counterterrorism conventions signed in 1986. If such international cooperation grows, it may dampen terrorism. However, even if success is achieved, terrorism will likely remain a problem to some degree in the foreseeable future.

## Organized Crime Growing

While no uniform definition of international organized crime exists, *World Crime Trends* describes it as, "any group of individuals organized to profit by illegal means on a continuing basis."<sup>3</sup> Additionally, the "Report of the UN Seminar on International Crime Control" states, "This phenomenon is usually understood as a relatively large group of continuing and controlled criminal entities that carry out crimes for profit and that seek to create a protective system against society by illegal means such as violence, intimidation, corruption and large-scale theft."<sup>4</sup>

International organized crime is not well understood, largely because crime is normally thought of as a domestic legal concern. Because these criminal groups have largely economic objectives, they are not viewed as political threats to states. Many transnational criminals with foreign nationalities are thought to be another country's problem, even though they operate across international borders. Additionally, national security structures do not take into account law enforcement issues. Consequently, many political leaders see organized crime as a low-level law enforcement issue that does not require sustained policy attention at the national level, rather than as a major national security threat.

International organized crime is more than an extension of domestic crime. It consists of complex, clandestine, hierarchically organized networks that operate internationally with little regard for the borders of states. The gravity of the problem lies not only in the increasing complexity and number of these organizations, but more importantly, with the serious challenge they pose in their ability to penetrate and operate with relative



**Pedro Nel "Peter" Herrera, arrested on narcotics trafficking charges in Cali, Colombia**

impunity in several states simultaneously. These illegal enterprises not only threaten aspects of state sovereignty and security that have traditionally been taken for granted, but they also prove the permeability of national borders and the vulnerability of state institutions. Their activities are becoming increasingly well organized and more difficult to detect, largely because of the opportunities technology has afforded them.

Organized crime groups are involved in a wide range of illicit global activities. They readily traffic in conventional arms, narcotics, humans, metals and minerals, endangered flora and fauna, and Freon gas. They also engage in large-scale money laundering, fraud, extortion, bribery, economic espionage, smuggling of embargoed commodities, multinational auto theft, international prostitution, industrial and technological espionage, bank fraud, financial market manipulation, counterfeiting, contract murder, and corruption.

The threat is insidious rather than direct. It does not overtly threaten a state in the same manner as conventional military power. Rather, it covertly challenges the state's prerogatives and control over its own activities. It also is baffling law enforcement, as the complexity of the secret networks have become progressively difficult to detect and monitor.

Crime groups further achieve their aims through corruption. Arguably, it is their most socially damaging activity. They have engaged in campaigns of co-opting public officials and political leaders using a combination of bribery, graft, collusion and/or extortion. To alter policy, organized crime has successfully targeted members of governments in countries such as Colombia, Italy, Thailand, Mexico, Russia, and Japan. Criminals pay off or threaten justice officials to alter charges, change court rulings, lose evidence, and not try them at all. By suborning entire justice systems, they attack the very order of society. Corruption encompasses the infiltration of political parties and various government offices, as well as local administrations. While Italy has had a number of successes in fighting organized crime, many states report that members of their police forces and armed forces have been

corrupted by organized crime. Those who resist have often become the targets of hired assassins.

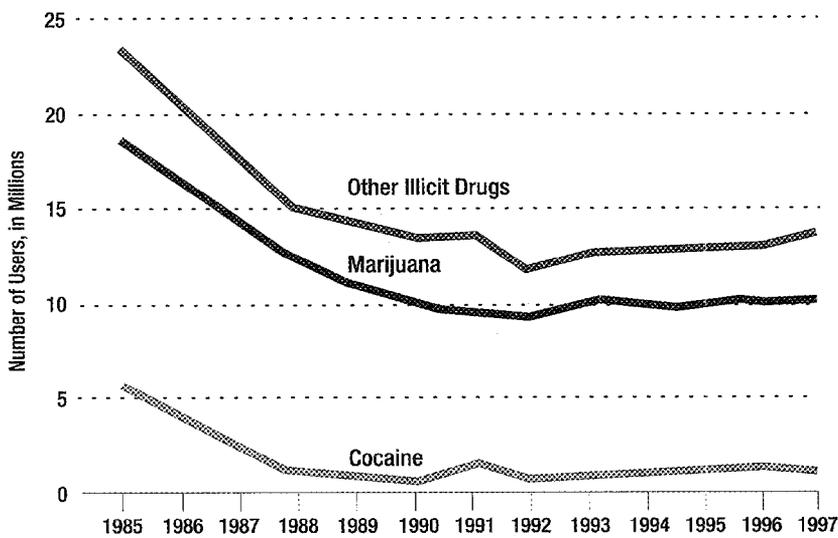
Although a single global crime cartel does not exist, there is evidence of an increasing interdependency of crime groups. This has been referred to as a *pax mafiosa*.<sup>5</sup> The now largely defunct Medellín cartel engaged in joint operations with Russian and Italian organized crime groups to smuggle cocaine to Europe, for example. On the other hand, acrimonious competition has also characterized cartel relations. For example, the Colombian and Mexican drug cartels have actually clashed more than they have collaborated. Rival dealers and distributors increasingly wage campaigns of attrition against each other in New York and South Florida.<sup>6</sup> Violence in many Western European cities, particularly Berlin, is further evidence of strong competition between organized crime groups.<sup>7</sup> This rivalry has been a blessing in disguise. A true *pax mafiosa* might exceed many multinational corporations and even sovereign states in terms of economic clout and power and could operate more fluidly and rapidly in a high-tech world.

The explosion in new technology has significantly abetted the growth and proliferation of international organized crime groups and their capabilities. Access to modern communications and weapons technologies has given these enterprises considerable coercive political and economic leverage. Electronic transfers, unfettered Internet access, and high-tech communications equipment have permitted international criminal organizations to seriously corrode the ability of many governments to maintain order and to outstrip law enforcement and military capabilities. Organized crime groups operate massive transnational economic empires and move their merchandise fluidly among states, with fewer state-imposed constraints than ever before. Organizations, such as certain Russian or Colombian groups, now constitute a "state within a state" or maybe the functional equivalent of some of the smaller states.

## Increasing Drug Traffic

Despite the relative levelling off of drug use in the United States, narcotics trafficking world wide continues to grow, particularly because of foreign demand. It is one of the larger enterprises of organized crime. Few areas of the world have been untouched by the growth in illicit narcotics production, consumption, and trafficking.

## Users of Cocaine, Marijuana, and Other Illicit Drugs



Sources: 1998 and 1999 National Drug Control Strategy (Washington: Office of National Drug Control Policy); National Household Survey on Drug Abuse, National Institute on Drug Abuse, Substance Abuse and Mental Health Services Administration.

Narcotics trafficking has become an “underground empire” involving numerous actors, often employing a high level of violence.<sup>8</sup> These private and public economic networks engage in production and distribution on a national and multinational level. Such systems involve complex relationships with various state governments, which often profit from drug trafficking, both advertently and inadvertently. The vast increase in global trade has also significantly facilitated illicit transactions. Much of this is simply due to the overwhelming volume of international exchanges: customs inspectors are unable to inspect a majority of the cargoes and people entering countries. Consequently, national borders are increasingly porous. This problem is accompanied by the rise in levels of crime, violence, and corruption.

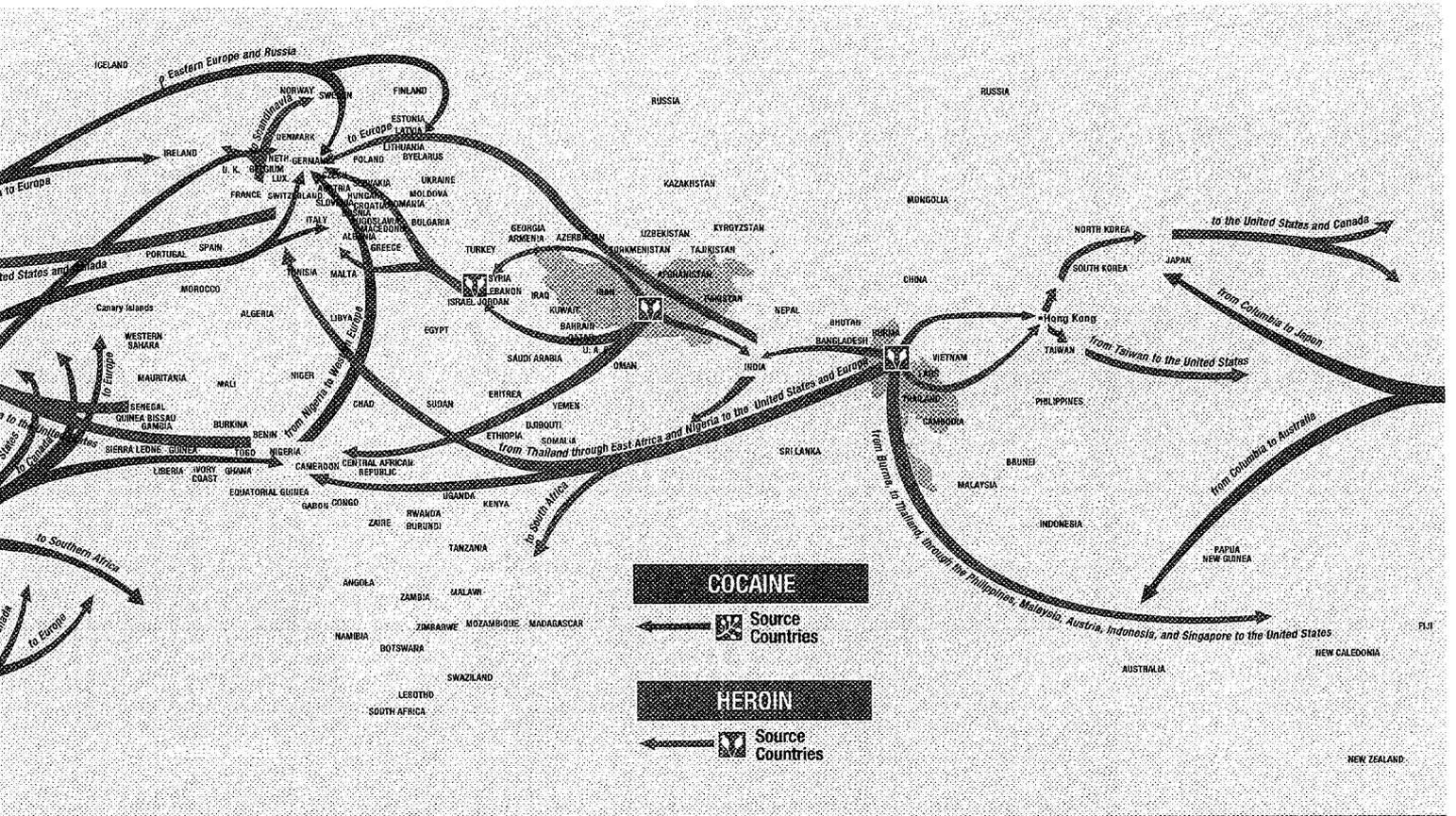
The great volume of illicit drugs invading the United States is symptomatic of a pressing danger. While this is not strictly a military problem, as the term ‘the war on drugs’ suggests, it does pose a significant threat to U.S. security, because it profoundly affects the country’s social and economic well being. The economic and social costs of the illegal drug epidemic in the United States are massive. The U.S. Government estimates that the costs for law enforcement, corrections, and public health reach \$67 billion annually.

Over the past few decades, successive U.S. administrations have been unable to curtail the drug trade from countries such as Peru, Bolivia, and Colombia, although there have been some successes in the first two countries. While a few prominent drug lords have been imprisoned, extradited to the United States, or killed, on the whole, the governments of drug producing and trafficking states have been unsuccessful in significantly reducing the production and export volumes. This failure results from international criminal organizations being consummately adept at resisting government efforts.

The international networks supporting these illicit narcotics operations are a seamless web of drug producers, processors, traffickers, and street vendors, orchestrated by organized crime groups sometimes working ad hoc with each other. For example, one network involved criminals from Pakistan, Africa, Israel, Eastern Europe, and Latin America. In this case, hashish originating in Pakistan was transported to Mombasa, Kenya, where it was added to a cargo of tea and reshipped to Haifa, Israel, by way of Durban, South Africa. The drugs were then transferred to a ship that transports cargo to Constanza, Romania, every 2 weeks. From there, it was directed to Italy via Bratislava, Slovakia. The head of the network was a German citizen of Ugandan origin who worked for a Romanian company. The network was only revealed when some of the perpetrators were apprehended in Constanza.<sup>9</sup>

In recent years, traditional production areas and transit routes have maintained or raised production levels. Heroin for the European market originates primarily in the Golden Crescent region of Southwest Asia, which includes parts of southern Afghanistan, northern Pakistan and eastern Iran, as well as Central Asia. In 1994, Afghanistan is estimated to have produced 3,400 tons of opium, surpassing Burma as the world’s leading producer of this drug. Afghanistan’s Taliban replaced smaller criminal traffickers and have likely become the sole source for drugs trafficked out of that country. Opium for the North American, Australian, and Japanese heroin markets is produced mainly in the Golden Triangle, an area in northeastern Burma, northern Thailand, and Laos. The total annual estimated production of opium from this region is 2,500 tons.<sup>10</sup> Mexico, Guatemala, and more recently Colombia





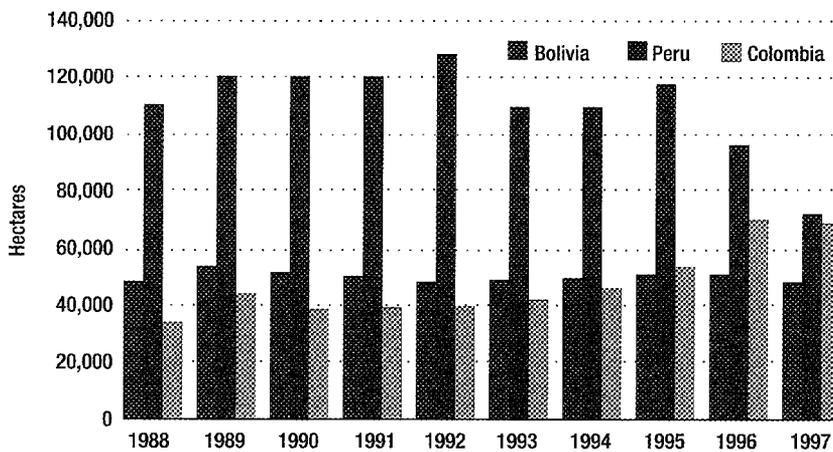
criminal organizations operate throughout the former Soviet republics; 200 of these are international in scope. As many as 26 Russian organized crime groups have a presence in at least 17 major U.S. cities. There they either compete or cooperate with established American, Sicilian, and Colombian crime syndicates.<sup>11</sup> In the Cold War's aftermath, a plethora of intelligence agencies and personnel were much in demand by organized crime groups willing to pay handsomely for such skills. For example, former-KGB agents who once worked abroad can now provide familiar "safe" financial conduits, once used for espionage, as avenues for money laundering.

In the Western Hemisphere, Colombia, Panama, and potentially even Mexico are in danger of becoming criminal-syndicalist states under the control of corrupt government bureaucrats, politicians, businessmen, and criminals.

Normal state-to-state relations with these countries have been severely strained, if not impossible. Passports and fictitious government affiliations and credentials have become problematic. Many diplomats are suspected of being suborned by organized crime. They are further suspected of abusing their immunity and access to the highest offices. For example, the once inviolable diplomatic pouch has been used to smuggle drugs. Such pervasive criminal influence within government presents a serious problem on the U.S. border. If a destabilized criminal Mexican state surfaces, it will cause numerous problems for the United States, to include increasing criminality, illegal immigration, and drug trafficking.

### Money is Key

The sums of money that facilitate subornation are staggering. An illustrative example is the case of the Bank of Credit and Commerce International (BCCI)—the world's seventh-largest banking institution. It is estimated that U.S. \$300

**Net Coca Cultivation (Global)**

Sources: U.S. Department of State, 1998; 1998 National Drug Control Strategy (Washington: Office of National Drug Control Policy).

billion in drug money alone was laundered through BCCI. For this, the bank received only a moderate fine.<sup>12</sup> The illegal narcotics business is estimated to be the second largest industry in the world. The glut of profits from it rivals the GNP of many countries. It can undermine legitimate commerce and affect a country's balance of payments, monetary system, and international bank cooperation.

Profits are so immense that drug traffickers are known to weigh money, rather than count it. The retail drug transactions accumulate mostly \$5, \$10, and \$20 bills. Some distributors amass 1,000 to 3,000 pounds of bills on a monthly basis.<sup>13</sup> Transporting money in bulk poses more of a problem than transporting the drugs themselves; such large volumes of cash are often moved in cargo containers. This necessitates the constant search for safe storage of money, as well as discreet bankers to invest the money in licit ventures.

Consequently, criminal groups have gained control over a significant number of major banks and private businesses. This has the potential to expedite their virtual take-over of smaller states. Worldwide, criminal groups launder an estimated \$300 to \$500 billion annually in illicit profits; they have used that money to generate still more capital. With that capital they bribe officials and legislators to obstruct unfavorable legislation, or to gain preferential treatment.

The FBI states that the United States now faces a well-organized, well-funded, sophisticated, and often brutal criminal conspiracy. It has

gained ground in this country by purchasing with laundered money legitimate U.S. businesses and real estate. Its laundering activity involves placement of currency in financial service institutions. These funds are moved from institution to institution to hide their source and ownership. It concludes with the reinvestment of those funds in an ostensibly legitimate business.

This tremendous amount of money gives international organized crime enormous leverage in developing countries, where democratization has brought with it increasing pressure for a higher standard of living. Many developing state governments are often less worried about the source of foreign exchange and more concerned with political survival.

Frustration over rising expectations is being experienced by the new "middle classes" that have sprung up world wide as a result of modest increases in the standard of living in many states. Better educated and more demanding middle-class groups have made their presence known and have increasingly pressured governments to perform economically. The great influx of foreign exchange from criminal activity assists economic development and relieves pressure on governments to meet citizen demands. Governments increasingly find it is easier to look the other way than to cut off the money source and combat groups using violence and coercion against the state.

## Terrorism and Organized Crime

The coercive power of these groups relative to state law enforcement agencies cannot be understated. Their willingness to use violence in some states has been more destabilizing than the activities of revolutionary or terrorist groups. There is a great deal of confusion in defining international organized crime and international terrorism. Yet, when both are closely scrutinized, the only discernable difference is that most terrorists have political or religious motivations, rather than profit, for their attacks on the state. Organized criminals are motivated by both profit and sometimes power and do not, as a rule, attack state targets, unless they are targets of the authorities. The actions of both groups are nonetheless criminal in nature.

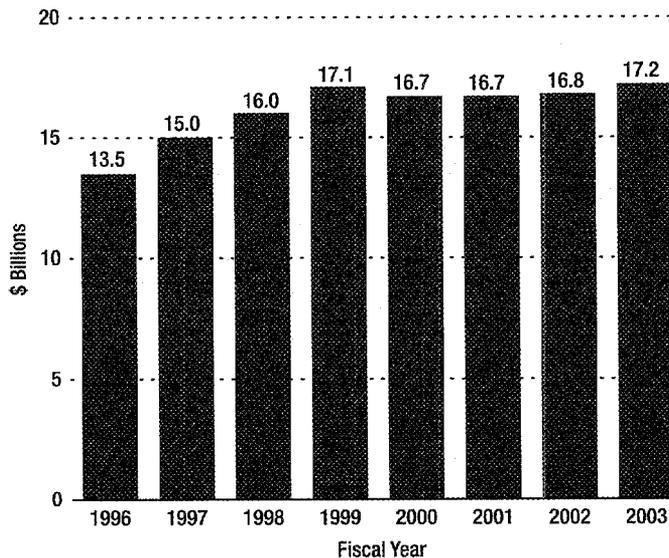
In Italy, for example, the Mafia launched attacks on the judiciary and proved to be a far

## Drug Spending by Department (\$ Millions)

Department	FY98	FY99	Planning Level				% Change 1998-2003
	Enacted	Request	FY00	FY01	FY02	FY03	
Defense	\$847.7	\$882.8	\$870.1	\$886.1	\$896.2	\$911.8	+8%
Education	685.3	739.7	741.7	743.9	746.1	748.5	+9%
HHS	2,522.5	2,812.9	2,812.9	2,812.9	2,812.9	2,812.9	+12%
Justice	7,260.5	7,670.0	7,317.3	7,234.8	7,242.5	7,443.5	+3%
ONDCP	428.2	449.4	449.4	449.4	449.4	449.4	+5%
State	211.5	256.5	263.5	270.5	278.5	286.5	+35%
Transportation	455.0	515.2	528.9	514.9	514.9	514.9	+13%
Treasury	1,327.9	1,388.1	1,317.0	1,322.9	1,337.2	1,359.2	+2%
Veterans Affairs	1,097.2	1,139.1	1,183.1	1,226.9	1,275.3	1,375.7	+25%
All Other	1,141.6	1,215.9	1,217.0	1,236.4	1,258.2	1,280.7	+12%
<b>Total</b>	<b>\$15,977.4</b>	<b>\$17,069.8</b>	<b>\$16,700.9</b>	<b>\$16,698.8</b>	<b>\$16,811.3</b>	<b>\$17,183.2</b>	<b>+8%</b>

Sources: 1998 National Drug Control Strategy (Washington: Office of National Drug Control Policy).

## The National Drug Control Budget

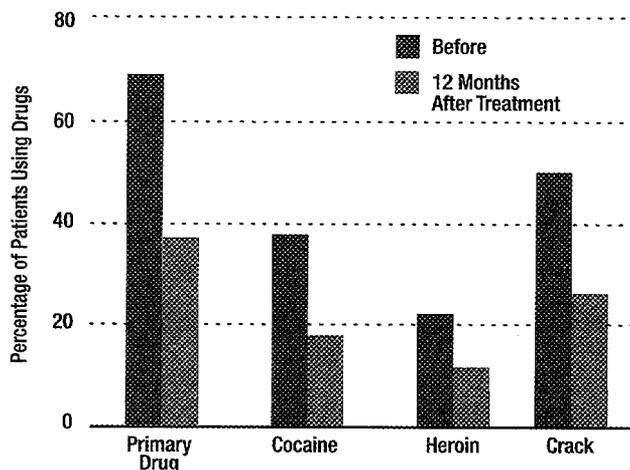


Source: 1998 National Drug Control Strategy (Washington: Office of National Drug Control Policy).

more formidable opponent than the terrorist Red Brigades. The Mafia had created an effective authority structure with its own territory, population, laws, and armed forces. It expanded its operations over the years and routinely used corruption and violence to further its aims. It had close links with the Christian Democratic party and infiltrated government at all levels. It also used the assassination and subornation of judicial personnel to avoid prosecution.

In Colombia, the now infamous *Plomo ó Plata* (Lead or Silver—a bullet or a bribe) option has virtually destroyed judicial independence. Three hundred and fifty judicial personnel, including ministers of justice and attorneys general, have been murdered since the mid-1980s. Police officers routinely have prices on their heads. Judges and prosecutors trying drug cases are threatened that if they do not take a bribe (making them complicit from that point), they and their family members will be systematically executed. This terrorism has rendered the justice system all but defunct and opened a window of opportunity that has allowed insurgent groups, such as FARC, to seize ever-larger areas of the country. The central government has little option but to negotiate with guerrillas if it wishes to avoid all-out civil war.

### Changes of Drug Use as a Result of Treatment



Sources: National Treatment Improvement Evaluation Study; 1998 National Drug Control Strategy (Washington: Office of National Drug Control Policy).

The term narcoterrorism best describes the symbiotic relationship between international criminal drug trafficking organizations and terrorists, who seek to destabilize the international system. Narcoterrorists are so powerful and organized that they exert an inordinate amount of influence over many governments in certain countries, ostensibly through a combination of criminal acts and terrorist methods.<sup>14</sup> They have committed crimes such as fraud and loan-sharking, in addition to drug trafficking. They have also engaged in such sophisticated activities as money laundering, computer manipulation, planned bankruptcy, and land fraud.

Narcotics traffickers and organized crime groups do not always merge with terrorist groups or engage in their activities; indeed, their goals are often at odds. While organized crime groups seek profits, many terrorist organizations denounce capitalist tendencies, preferring ideological or religious motivation. For example, FARC claims that its members engage in the cultivation and trafficking of narcotics in order to fund its revolution. However, the truth is that ideology has become a convenient cloak behind which to hide their drug-trafficking activities. As U.S. Senator John Kerry noted, the motivation for international organized crime "is not ideological. It has nothing to do with right or left, but it is money-oriented, greed-based criminal enterprise that has decided to take on the lawful institutions and civilized society."<sup>15</sup>

## U.S. Interests

Terrorism, international organized crime, and drug trafficking organizations provoke a reassessment of national security. They pose serious and growing challenges to U.S. interests. Yet, military power alone cannot provide security in such an environment.

One problem lies in quantifying illicit activities in order to assess national security options. Most criminal activities are quantifiable, such as homicide rates. However, many actions of transnational groups are not readily apparent and affect societies in unforeseen ways. Careful attention must be given to identifying the impact on areas of U.S. society. What constitutes a threat to national security can then be defined.

Until recently, criminals and terrorists were perceived as troublesome at the local level of world politics. However, the reality today is that they can be major determinants of political patterns, and ultimately the fate of states. Such actors seriously challenge the prerogatives of state authority and internal sovereignty and profoundly affect the state's social and economic well being.

## Transnational Threats and U.S. Security

There are several reasons why some object to treating international criminal organizations as national security threats. Because such groups have predominantly economic objectives, some conclude that they are more economic organizations than political entities. As such, they are often perceived as not posing overt or obvious challenges to states, as do terrorist organizations. Criminal activity is also thought of as a domestic legal problem and not a great national security concern, and its origins are internal rather than external. Law enforcement and national security organizations see problems from different perspectives. They are based on very different philosophies, organizational structures, and legal frameworks. Additionally, an overwhelming concern is that this defining of international organized criminal and terrorist groups as national security threats will lead to fabricating enemies.

It might be tempting to say that international organized crime does not pose a threat to national security, at least from a military perspective of security. However, these arguments should not prevent the full reassessment of national security threats and identification of non-traditional threats based on strong empirical



**Burmese police preparing to burn narcotics seized in Yangon**

evidence. Moreover, if they threaten the effective functioning of society, then many of the criminal activities of organized criminals currently pose one of the most serious challenges to U.S. national security.

### Meeting Transnational Threats

Combating transnational threats will require a proactive policy that identifies anticrime initiatives, antidrug operations, and action against terrorism, along with other low-intensity mission categories.

A more proactive policy will bring with it tough questions. For example, if U.S. forces were to assume an overseas police role dealing with forms of multinational crime and other foreign threats to national security, might military personnel be called upon to apprehend and arrest suspects? Other questions then arise. How far will this police role extend? How will sovereign states view this intrusive policing in the context of international law? How will the International Criminal Court play a role in addressing major

international crime? How will the other agencies of the U.S. Government view this additional power? Will military justice play a role? Are some crimes, as defined by international criminal law, compatible with those of military justice? Careful thought must be given to redefining the role of the military in matters regarding international criminality.

The Defense Department (DOD) can work more closely with other U.S. agencies in this regard. The three main DOD criminal investigative units operate extensively worldwide. These are the Army's Criminal Investigative Division, the Air Force Office of Special Investigation, and the Naval Criminal Investigative Service. They have developed close ties with local police forces in host countries and with civilian U.S. agencies such as the Drug Enforcement Agency, Customs, the Federal Bureau of Investigation and the Central Intelligence Agency. However, 50 percent of their time is dedicated to criminal investigations

involving U.S. personnel. As the threats increase, so do operations in foreign countries. These require developing cases, cooperating and assisting with training of local law enforcement officials, working undercover, conducting electronic surveillance, and orchestrating a network of paid informants. Despite the prevalence of turf battles between U.S. civilian law enforcement agencies, the military agencies are now poised to expand their role and presence in the international arena.

Clearly, U.S. interagency intelligence gathering efforts are needed. Criminals have access to sophisticated and high-tech equipment. Often it is superior to that of governments, which further facilitates their ability to elude authorities. Hence, timely intelligence reporting will be essential. This intelligence gathering must also enable U.S. agencies to attack international organized crime at its heart. This will entail following the money trail. Disrupting the flow of money will ultimately impede finance operations and international networks.

## Consequences for U.S. Policy

The United States now has widely publicized policies for countering transnational threats. Signed in May 1998, Presidential Decision Directive-62 establishes a systematic approach to countering terrorism. An International Crime Control Strategy has been created. Each year, a U.S. National Drug Control Strategy has been adopted. The main challenge now is no longer recognizing the need for strategies, but implementing them effectively.

One of the most crucial aspects of planning will be identifying the real problem, not just the symptoms. The recent retaliatory airstrikes against Bin Ladin's group in Afghanistan and the Sudanese factory, for example, dealt with only part of the larger problem. The broader problem is that these terrorist groups are proliferating and mutating, and we do not know enough about them. Good intelligence is critical to sound planning. Additionally, treating a problem can sometimes create new problems. While efforts to destroy the Cali and Medellín drug cartels succeeded, they engendered a new problem—smaller criminal entrepreneurs. While these new groups do not have the global reach and financial resources that the larger mafias had, they are more difficult to detect and attack because they have a less visible structure.

## Long-Term Plans, Short-Term Responses

Well-considered plans that integrate the efforts of U.S. agencies with those of foreign countries will help avert the situation that has occurred in Colombia. The government's inability to resolve the drug problem has left successive administrations in a crisis-management mode. Because of repeated attacks on the state, and because most Colombian government agencies have been infiltrated or suborned by criminals, the Colombian Government is severely debilitated. At times, it has been able to react only incrementally to crises. In responding to problems that require long-term planning, it has more often resorted to quick-fix solutions, which in time have themselves created new dilemmas.

In crisis, important and often irreversible decisions are made that can be portentous to a country's future. Avoiding shortsightedness to long-term consequences will require concerted planning that harness the efforts of all government agencies. This does not imply that U.S. Government agencies engaged in fighting the drug war should be incorporated into one agency. In countries such as Colombia and Mexico, the small number of agencies fighting organized crime has made them relatively easy targets to infiltrate and suborn. U.S. agencies are numerous, and diverse and have overlapping jurisdictions, making their activities very difficult to track. Criminals would have to expend extraordinary effort to infiltrate and suborn every U.S. agency involved in the drug war. Turf battles among U.S. agencies mean that not only do they at times duplicate efforts, but also they are less complacent. While this may appear to be negative and inefficient to some observers, it helps keep criminals and terrorists at bay. This highly bureaucratic system has helped keep international organized crime and terrorism from more deeply affecting the United States.

## Better Interagency Planning Needed

This highly bureaucratic system requires better integrated planning among agencies. Most important, long-term objectives must be examined, with a view to assessing their implications. Alterations to existing policy and cohesive strategies must be efficient, effective, and consistent. This requires consistent review of the operating

philosophies of the agencies involved in the fight against organized crime, and the strategies that result from them. It also requires that each organization ensure management integrity and accountability through clear lines of authority. Piecemeal changes in specific areas will be less effective in the long term, and there is a fundamental question as to whether this form of "muddling through" works at all. Extensive sharing of information about past lessons learned will help avoid misallocation of resources.

## Multilateral Approach

Key to countering terrorism, international criminal activity and the drug trade will be the effectiveness of other countries' law enforcement. The United States and some other governments, mainly the European Union, have bilateral programs that assist other countries. However, they are often narrow in focus and limited in resources.<sup>16</sup> The United Nations also has certain programs that assist selected law-enforcement capabilities.

Better coordination, more resources, and a comprehensive long-term plan would substantially improve law enforcement capabilities of selected countries. This also applies to intelligence collection and analytical capabilities. U.S. conduct of these programs would benefit the United States in terms of greater cooperation in sharing information and combined action. Better international cooperation could be obtained by strengthening Interpol and other such mechanisms, so they can provide more assistance to weak governments.

Countering terrorism could be improved by ratifying and making more effective use of the 11 existing treaties and conventions on various terrorist crimes. The presence of bilateral and multilateral experts in planning also makes a positive contribution to increased awareness and effectiveness; this includes surveillance and acquiring information on identities, locations, travel, and financing of terrorists and terrorist groups. Greater use of arrest and extradition is another important weapon. In certain cases, economic and other sanctions against governments that support or shelter terrorists can be useful, especially if approved by the U.N. Security Council.

Terrorism is not new; the struggle against it has been long and will continue. Many governments need outside support and incentives to wage an effective struggle. Also, the root causes

that foster many terrorist movements must be addressed. Severe ethnic, religious, tribal, social, economic, political imbalance, and oppression can lead to terrorism. Terrorism has been drastically reduced if not eradicated in Northern Ireland, the result of a sustained effort to counter terrorist groups and individuals while attempting to resolve the basic political differences between Protestants and Catholics. It was also helped by the upturn in Ulster's economy and U.S. efforts.

## Net Assessment

International criminal organizations obtain access through clandestine methods, minimize state control over their activities, and prevent the exercise of real sovereignty. Yet, governments have responded slowly. Consequently, such criminal groups have gained power at the state and international levels. International organized crime and terrorist groups have a significant advantage over most actors in international relations. They do not observe the rules and constraints placed on sovereign states. Handling the growing transnational threats of terrorism, organized crime, and drug trafficking will be one of the main challenges facing U.S. national security policy in the future.

### NOTES

<sup>1</sup> Robert Jackson, *Quasi-States: Sovereignty, International Relations, and the Third World* (Berkeley, CA: University of California Press, 1990), 21-22.

<sup>2</sup> Luis Cañon, *El Patrón: Vida Y Muerte de Pablo Escobar* (Bogotá: Planeta Colombiana Editorial S.A., 1994).

<sup>3</sup> "World Crime Trends and Justice: Facts, Figures and Estimates," in *The United Nations and Crime Prevention and Criminal Justice* (Paris: Crime Prevention and Criminal Justice Branch, Center for Social Development and Humanitarian Affairs, November 1991), 21-23.

<sup>4</sup> "U.N. International Seminar on Organized Crime Control," Suzdal, Russia, October 1991, unpublished final document, 21-25.

<sup>5</sup> Claire Sterling, *Thieves' World* (New York: Simon and Shuster, 1994).

<sup>6</sup> Peter H. Smith, ed., *Drug Policy in the Americas* (Boulder: Westview Press, 1992), 12.

<sup>7</sup> Louise I. Shelley, "Transnational Organized Crime: An Imminent Threat to the Nation-State?" *Journal of International Affairs* 48, no. 2 (Winter 1995): 465.

<sup>8</sup> James Mills, *The Underground Empire: Where Crime and Governments Embrace* (New York: Doubleday, 1986).

<sup>9</sup> Alain Labrousse and Alain Wallon, eds., *Etat des Drogues, Drogue des Etats: Observatoire Géopolitique des Drogues* (Paris: Hachette, 1994), 252.

<sup>10</sup> Mathea Falco "U.S. Drug Policy: Addicted to Failure," *Foreign Policy* 102 (Spring 1996): 130.

<sup>11</sup> *Russian Organized Crime* (Washington: Center for Strategic and International Studies, 1997), 2.

<sup>12</sup> Roy Godson and William J. Olson, "International Organized Crime," *Society* (January/February, 1995): 17.

<sup>13</sup> Smith, 11.

<sup>14</sup> Bruce Zagaris, "Protecting the Rule of Law From Assault in The War Against Drugs and Narcoterrorism," *Nova Law Review* 703, 15, no. 2 (1991): 704.

<sup>15</sup> Cited in Godson and Olson, 19.

<sup>16</sup> The United States, for example, has DEA and State programs to assist foreign counternarcotics capabilities, including training and equipment. It has a State program to provide counterterrorist training to foreign governments. It has military-to-military programs for counternarcotics. The FBI provides some training for foreign police. The CIA also provides intelligence training to foreign governments.

# Conventional Operations and Warfare: *A New Era Ahead?*

**W**here are warfare and military operations headed in the coming years? What are the implications for U.S. forces? This chapter examines these intriguing and important questions. While Chapter 5 addressed the global military balance, this chapter goes a step further and examines how these forces are likely to operate on the modern battlefield. It surveys trends in technology, doctrine, and force structure and how they will interact to shape future operations not only for U.S. forces, but for other forces as well, both allies and adversaries.

This chapter forecasts continuity and change. The traditional, fundamental principles of war will still apply. Yet, major departures are coming for two reasons. Many military forces are going to become more powerful and capable of high-technology warfare at the high end of the conflict spectrum. And a growing number of conflicts likely will be fought at the low end of the spectrum. Sophisticated technology may not be dominant in many of them. Both trends, and their interaction, will change warfare.

This dynamic is hardly surprising. Warfare has continually evolved over the past two centuries. Military establishments that best anticipated change have generally been the most successful in war. By contrast, those that failed to

foresee the future, and remained complacent and static, have often been surprised and defeated. The French Army in 1940 is an example. It had previously failed to see how new technology and doctrine were changing warfare. It surprisingly fell victim to a reborn German army that had embraced change. The French case is not unique.

The reality is that any military establishment wishing to retain decisive power must anticipate and prepare for the future. The same applies to U.S. forces today. They are the world's preeminent military power. U.S. forces capitalized on trends that influenced weapons and operations from the early 1970s to the early 1990s. However, their superiority is not permanent. They are again faced with adapting to change. Moreover, the key issue is not the absolute strength of U.S. forces, but their relative strength and how they are used. They must be able to prevail over opponents in clearly defined missions. If U.S. forces remain static, their current relative advantage will erode, perhaps quickly, as other countries adapt to changes in warfare.

U.S. forces are embracing change through *Joint Vision 2010* and the revolution in military affairs (RMA). In doing so, they must avoid self-preoccupation and understand where warfare is

headed around the world. This ensures that *Joint Vision 2010* and the RMA are channeled in the right directions. Additionally, high technology can strengthen U.S. forces. Yet, the key consideration is not whether U.S. forces achieve ever-higher levels of technological sophistication, but whether they can actually fight and win the wars of the future. This will require good personnel, high readiness, and mastery of new battlefield doctrine against future opponents.

## Key Trends

New weapons and doctrines set the stage for the success in *Desert Storm* in 1991. The process of transforming U.S. forces began in the 1970s. The Department of Defense began acquiring improved strategic mobility assets for swift power projection to Europe, the Persian Gulf, and Asia.

It accelerated in the 1980s, when a new generation of ground, air, and naval weapon systems was acquired to support new doctrinal concepts of the time. The Abrams tank and Bradley infantry-fighting vehicle permitted ground forces to switch from static linear defense to fast-moving maneuver operations. Acquisition of F-15 and F-16 aircraft allowed air forces to conduct lethal, deep strikes and interdiction missions. U.S. naval forces followed the same approach as they acquired the F-14 and F-18 and cruise missiles.

In some ways, this evolutionary pattern continues. Although a new generation of platforms is appearing, U.S. forces—through 2010 and even later—will still employ tanks, fighter bombers, and aircraft carriers. But in more fundamental ways, a true revolution is occurring, because new technologies are being combined with new doctrines and organizations to alter greatly the conduct of military operations. This revolution is being propelled especially by the widespread introduction of modern information systems, which include not only computers and data banks, but also greatly enhanced ways to guide operational planning and force employment

at all command echelons. These changes will help pave the way to concepts outlined by *Joint Vision 2010*: information warfare, dominant maneuver, precision engagement, full dimensional protection, and focused logistics.

What do these concepts mean? By 2010, U.S. forces will achieve greater synergy from merging ground, air, and naval operations. These joint forces will rely even more than now on swift power projection, information dominance, deep strikes, and rapid maneuvers. *Joint Vision 2010* implies that U.S. force operations may be radically different in character. They will be conducted at greater distances and at a faster pace. More emphasis will be placed on crippling the enemy's command and control, as well as fracturing cohesion. Operations likely will be conducted with different force structures. Equally important, they will bring about a different mentality in waging war.

The RMA will depend on information technologies and integrated networks, greatly enhancing the efficiency and effectiveness of U.S. forces. They will be incorporated into an overall information architecture consisting of four interlocking grids: a communications grid, a sensor grid, an engagement grid, and a defense suppression and protection grid. This will empower battlefield decisionmaking at all levels. This development will further propel changes already underway in all mediums of warfare. U.S. ground forces—Army and Marine—will place greater emphasis on dispersal, fast maneuvers, and deep strikes. These will be conducted with a wide range of assets to include armored, mechanized, infantry, air assault, and amphibious forces. U.S. air forces will conduct their traditional missions of air defense, counterair, strategic bombardment, logistics interdiction, and close air support, but in new ways that combine synergy and lethality. They also will increasingly execute near-real time strikes against enemy forces approaching the battlefield. U.S. naval forces will conduct littoral offensive operations with air and missile attacks. These components will become increasingly interlocked by means of information technologies and joint operations, further enhancing the joint capabilities of U.S. forces.

The magnitude of change will depend upon the field experiments now underway in all services. They also will depend upon the acquisition pace of new technologies, which will be influenced by defense procurement budgets. The 1997

### U.S. Conventional Forces

Current U.S. military manpower includes about 1.4 million active-duty personnel and 877,000 reserve component personnel. DOD also has about 747,000 civilians. Conventional forces are composed of:

#### Land Forces

Army: 10 active and 8 reserve component divisions; 3 active and 18 separate brigades; 6 active and 2 reserve special forces groups/regiments.  
Marines: 3 active and 1 reserve divisions.

#### Tactical Air Forces:

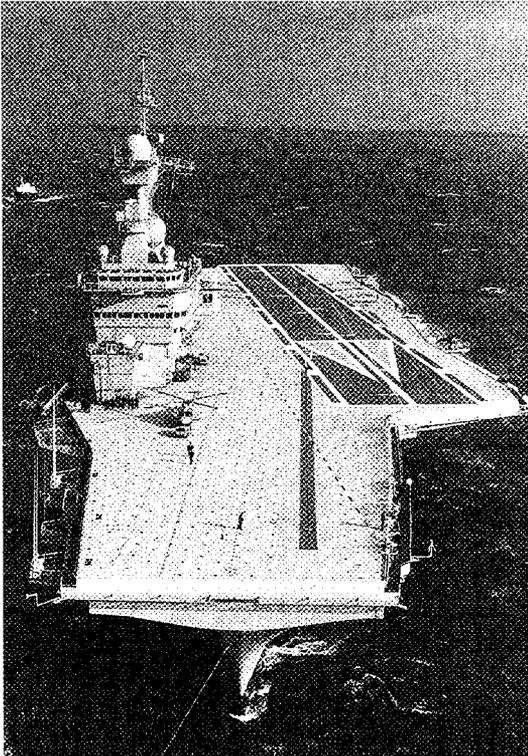
USAF: 955 active and 587 reserve combat aircraft, plus 54 conventional bombers  
Marines: 301 active and 52 reserve combat aircraft  
Navy: 468 active and 39 reserve combat aircraft.

#### Naval Forces:

Major Battle Forces: 257 ships  
Support Ships: 23  
Reserve Ships: 16

#### Mobility Forces:

Intertheater Airlift: 308 aircraft  
Intratheater Airlift: 388 aircraft  
Sealift Ships, Active: 60  
Sealift Ships, Reserve: 96



**The new aircraft carrier Charles de Gaulle, France's largest and its first to be powered by nuclear energy**

*Quadrennial Defense Review* envisioned a moderate rate of transformation. Even at a moderate pace, U.S. forces could acquire significantly greater combat capabilities by 2010.

These changes might seem to ensure that U.S. forces will retain, or even improve their already-wide margin of superiority over potential opponents. Yet, examining U.S. forces in isolation assesses only the degree to which future U.S. forces will differ from those of today. What matters more is "relative" change: the extent to which U.S. forces improve relative to other countries, especially potential adversaries. Moreover, future adversaries may employ adept battlefield strategies that

seek to minimize U.S. force advantages while maximizing their own.

Ensuring future military advantage, therefore, depends on an awareness of worldwide military trends in operations and warfare. The following general trends are best viewed as

hypotheses rather than axioms. They indicate where future warfare may be headed in broad terms. Modern forces will conform to them in varying degrees.

## Politics—Still the Origin and Limits of War

Wars are always outgrowths of political conflict and are waged to achieve political goals, rather than military victory for its own sake. Yet, the degree of political influence over military operations is a variable, not a constant. At one extreme, political conditions can set the stage for war but have little direct impact on military operations, which are conducted in keeping with military strategy and force capabilities. At the other extreme, political conditions can deeply affect force operations, often causing them to depart from purely military considerations. In between these two poles lies a wide spectrum of possibilities.

World War II and the Cold War were intensely political conflicts animated by deep ideological antagonism between competing powers. Yet, they allowed force operations to be heavily influenced by military strategy and related considerations. In the coming era, political considerations are likely to have a greater impact on force operations. Military conflicts in the near future will likely not be global, but regional and local.

## The Kosovo Conflict

**T**he Kosovo conflict may be a forerunner of things to come. The conflict had its origins in regional diplomacy and politics. It erupted when Serbia refused to accept the Rambouillet accords. The savage Serbian ethnic cleansing of Kosovo was carried out within Yugoslavia's borders, but it had larger implications for stability across the Balkans and Europe. By resurrecting some of Hitler's practices, it raised the specter of such heinous values being reinstated and spreading elsewhere. It engaged U.S. and NATO interests not only because of local geopolitical issues and humanitarian concerns, but also because of the wider precedent being set.

Serbia advanced into Kosovo with an outdated army, but with ample capability to overpower unarmed Kosovars and the Kosovar Liberation Army. The result was a sweeping campaign of ethnic cleansing conducted with stunning speed and ferocity—evidently intended to succeed before NATO could respond with decisive force. Initially, NATO responded with a limited air bombardment campaign aimed at degrading Serb forces to compel Milosevic to return to the bargaining table. As the Serb campaign in Kosovo accelerated, NATO responded with an escalating air campaign, but it was constrained by bad weather, concern about collateral damage, and other factors. As the crisis escalated, mounting calls were heard for NATO ground intervention, yet this response was constrained not only by political hesitancy, but also by the sheer difficulty of swiftly moving large ground forces to an area outside the traditional NATO operating area. Fortunately, the NATO air campaign succeeded. In June 1999, the war ended in a partial settlement favorable to NATO.

Kosovo's enduring implications will be debated for some time. But even now, key lessons can be drawn. This conflict was neither a "major theater war" nor a peacekeeping operation. Instead, it was a "smaller scale contingency" with serious fighting and force operations. It exposed the deeply political nature of future wars and the capacity of adversaries to exploit asymmetric strategies. It illuminated the need for swift U.S. crisis responses and joint operations. It also illuminated the need for NATO European members to have effective power-projection assets. Above all, it makes clear that Europe remains a region where wars can still occur.

They are likely not to seek destruction or conquest of opponents but alteration of their policies in specific and limited ways. If so, military operations are likely to be subordinated to and constrained by political considerations.

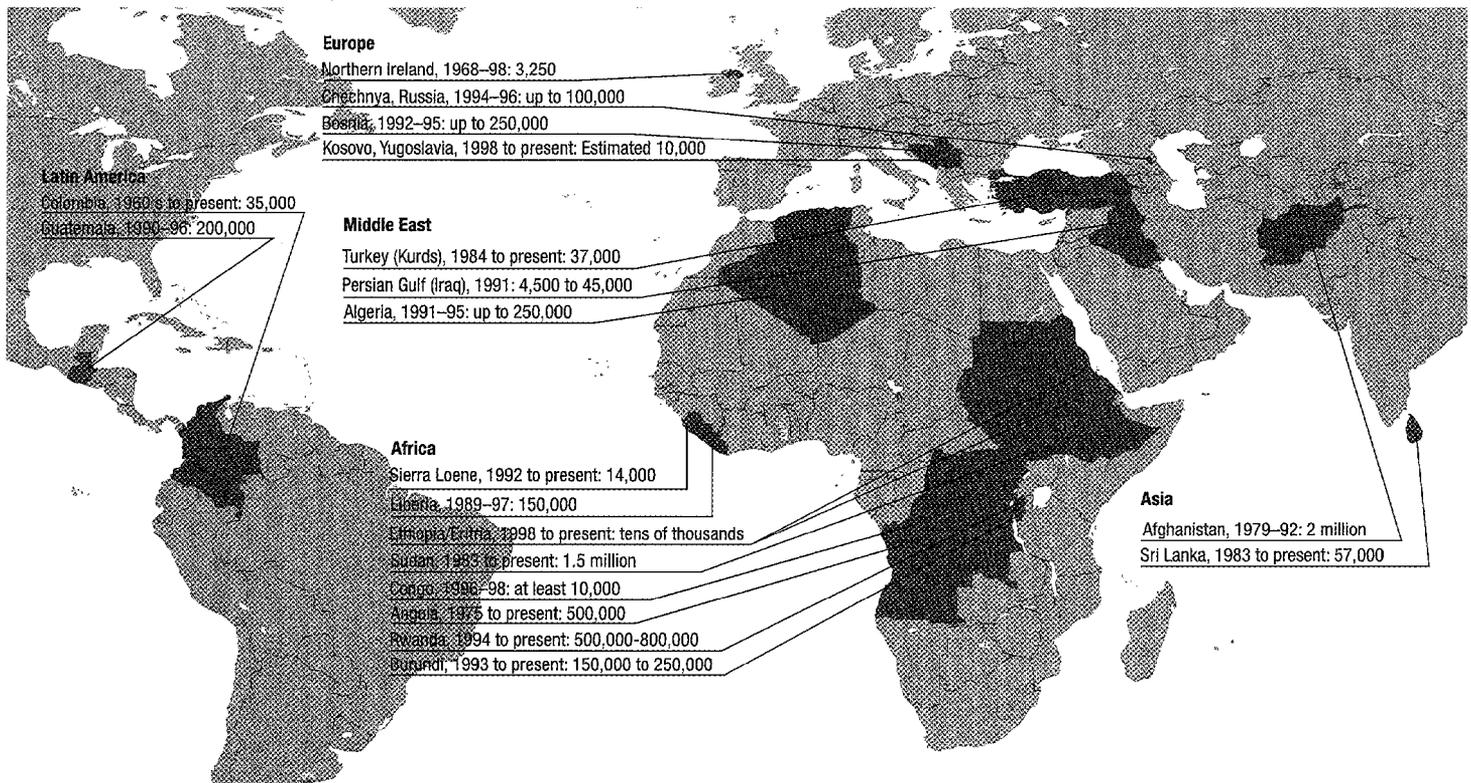
A force operation may be aimed at defeating an enemy on the battlefield. However, an operation aimed at achieving specific political goals, while not necessarily destroying or even defeating the enemy, can be something different. Such use of military forces will vary for each country. Many regional powers will be required to assemble only enough military power to achieve limited political goals, rather than maintain stronger forces needed to destroy opponents. Moreover, the act of pursuing narrow political goals may allow them to focus on developing specific capabilities rather than full-spectrum operations. This situation may allow them to assemble stronger forces than normally would be the case. Even modest defense budgets and limited technology may enable them to build forces that are effective in relation to the specific political goals being pursued.

For the United States, the challenge will be more complicated. It will not be able to optimize

U.S. forces to fit a single political-military situation because of its global role. Instead, the United States will need flexible forces that can quickly execute a wide range of different operations. Moreover, the political setting in some conflicts may constrain U.S. forces from being able to operate to their full military advantage. In the Persian Gulf War, the political setting did not interfere with the U.S. commanders' ability to design a coherent military strategy and effectively employ their forces. The opposite occurred in the Vietnam War, where political considerations placed major constraints on U.S. force operations. Kosovo is a classic case of political goals affecting force operations.

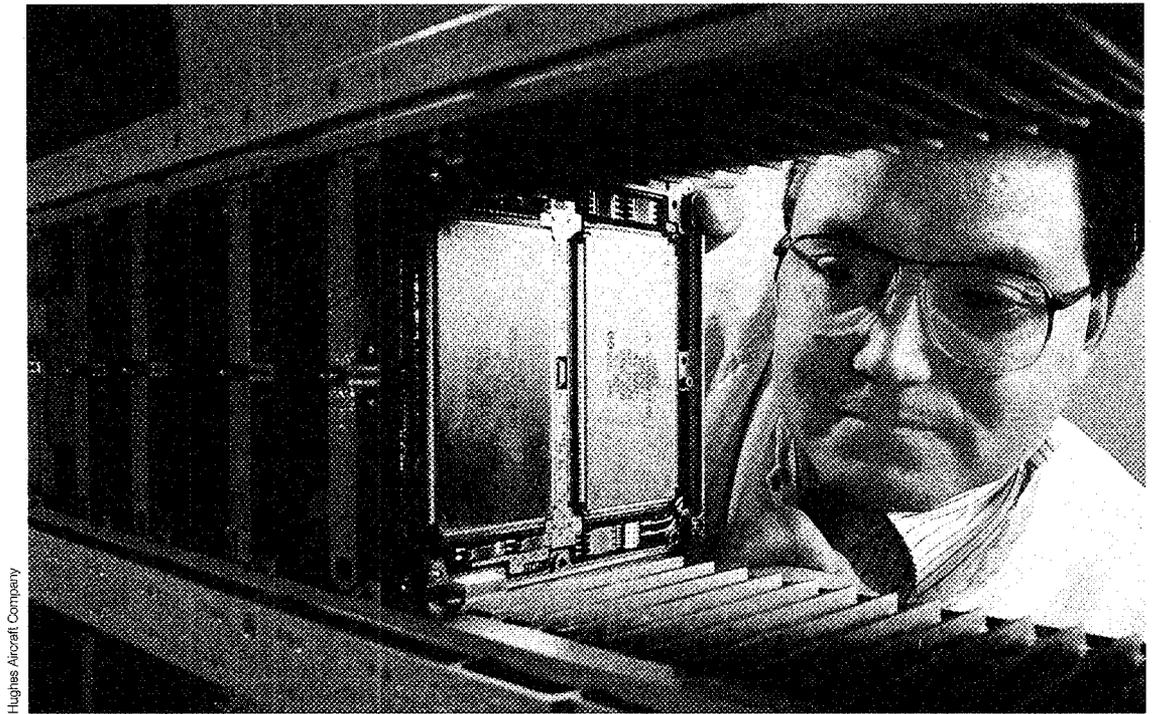
The United States thus will need to be successful not only at designing superior forces but also at employing them skillfully in ways that achieve both military *and* political objectives on the battlefield. Other countries face a similar challenge. Wars will occur in which U.S. forces do not participate. There, too, the outcome will

**Deaths in Key Conflicts**



Sources: *The Washington Post*, April 24, 1999; Associated Press.

The advanced, high-speed computer system (with a common integrated processor) for the F-22 air superiority fighter



Hughes Aircraft Company

hinge on how military force is employed for political purposes.

### Future Wars: A Wide Spectrum of Force Operations.

Future regional wars likely will be waged with modern, high-technology forces and operations. They will not be fought frequently, but they will remain a principal focus of U.S. defense planning, as well as that of other major powers. Their possible outcomes will have major implications. Such wars may be big, involving very large forces. But some may involve fewer forces, yet have widespread strategic consequences.

Smaller wars waged at the lower end of the spectrum are already important and likely will become more so. They are not only heavily political but also span a wide range of operations. These diverse operations include peacekeeping, peace-enforcement, crisis interventions, and limited combat operations. Bosnia, Somalia, and Kosovo are examples of such operations, as are the recent confrontations with Iraq over its compliance with UN nonproliferation efforts.

Such conflicts place unique demands on force operations. While high-technology will likely dominate major regional wars, it may be

less decisive in conflicts at the lower end of the spectrum. Such conflicts may be marked by bad weather, inhospitable terrain, and many small engagements in towns and urban areas, where information warfare, sensors, and smart munitions cannot be employed to full advantage.

Bosnia is an example. Prior to NATO intervention, this was an ethnic conflict waged with light infantry that operated over wide areas on rugged terrain. Small engagements were fought over local control of towns, villages, and roads. They responded to the alternating cycles of politics and weather, and dragged on for months and years, rather than reaching a climax in days and weeks. Many future wars may resemble Bosnia rather than *Desert Storm*.

Many countries will not face the dilemma of having to prepare their forces for both high-technology wars and lesser conflicts at the low end of the spectrum. They must deal only with their local situations, requiring operations focused on a narrow aspect of the spectrum of conflict. However, for the United States, staying prepared for both high-technology wars and low-technology conflicts will be one of the principal challenges confronting defense planning in the future.

The United States will need an effective framework for planning force operations for the full spectrum of future contingencies. The current framework views force deployments as beginning with initial forces focused on immediate

goals, followed by swift deployment of large forces for decisive operations. Force operations are viewed as normally beginning with a halt phase, followed by a buildup phase accompanied by battlefield missions aimed at degrading enemy forces, culminating in a decisive counter-attack. This framework may continue to suffice, but it is a guiding template rather than a blueprint for specific events. The key is that U.S. forces must have the flexibility to respond effectively to all situations and the unique requirements created by each of them.

## Quality Over Quantity

In past conflicts, military quality mattered a great deal, but in most conflicts quantity was the ultimate arbiter. Military and industrial trends in the 20<sup>th</sup> century placed an even greater emphasis on mass. The Franco-German war of 1870 was fought by 400,000 troops apiece. World Wars I and II were waged by millions of troops on each side. In World War II, Germany's superior military quality initially gained major victories but ultimately was overpowered by larger forces. Similarly, during the Cold War, NATO was credited with having better weapons and other qualitative advantages in Central Europe, but many argued this was not enough to offset the Warsaw Pact's 2:1 quantitative advantage. Even though NATO steadily improved the quality of its forces, most observers remained worried about its numerical disadvantages. This seems likely to change. Quality is gaining in significance. This trend was evidenced in the Persian Gulf War. A qualitatively superior coalition force overwhelmingly defeated an equally large, or larger, Iraqi force.

Why is this trend emerging? One reason is that superior readiness, training, and doctrine can make a military force effective beyond its numbers—especially if its opponent is lacking in these areas. Another reason is technology. Previously, a new generation of military technology resulted in a 10 to 20 percent improvement over the last generation. It had only a marginal affect on forces balances, and forces with older weapons but adequate numbers could still hope to prevail in conflict. New technologies are providing a greater effectiveness. A combination of new platforms, information systems, better sensors, and munitions is greatly enhancing the qualitative performance of a force, regardless of its size.

This trend in quality validates U.S. force development and increases the likelihood that U.S. forces will remain capable of highly effective operations, even if they are not overpowering in size in some situations. This will be the case if the United States not only equips its forces with sophisticated technology, but also (equally important) continues to recruit and train high-quality personnel. Quality is a relative thing, though. Much depends upon the quality of adversary forces. While the United States and its coalition partners enjoyed a major qualitative advantage in the Persian Gulf War, that may not always be the case in some future conflicts.

## Information Technologies Enhancing Combat Power

*Joint Vision 2010* reflects this trend toward quality. Information systems and sensors promise greatly to enhance U.S. force effectiveness. They will allow U.S. commanders to see the entire battlefield. This will better enable them to detect enemy forces. They will be able to maneuver and fire with greater effectiveness while using combat power and logistic support with greater efficiency. Precision munitions will significantly enhance accuracy and lethality; this also means fewer munitions and less logistics support to achieve objectives. Previously, U.S. forces needed a high volume of ammunition to support campaigns. For example, daily ammunition expenditure for a ground division in intense fighting was as much as 1,000 tons. In the future, this ammunition requirement will be reduced.

The benefits of these technologies, however, will not be confined to U.S. forces. In varying degrees, they will be available to other countries on the open market. They will be able to pursue qualitative improvements at a relatively modest cost. Wealthier countries will be able to acquire new platforms as well as these force-enhancing technologies. Many countries' military forces will enter the information age, perhaps not to the same degree as U.S. forces, but to significant degrees nonetheless. They will be able to operate more effectively on the modern battlefield.

The use of these technologies reflects military history. At Waterloo, both Wellington and Napoleon viewed virtually the entire conflict from their command posts. The same was true at Gettysburg. Both sides had high battlefield awareness, but superior tactics and favorable terrain decided the outcome. In the late 19<sup>th</sup> century, the situation changed. The battlefield was extended beyond eyesight. Modern information

systems are reviving situational awareness, not creating something new.

Lethal munitions are also indicative of history. At Waterloo and Gettysburg, artillery and infantry fire were so lethal against unprotected troops that they produced very high casualties in a short period. During this era, major battles and entire wars often were fought to completion in a few days, or even one day. This lethality declined with the dispersal of forces over greater distances and the introduction of armor. Today, the new systems are extending the range of fires and reducing the protective effects of armor. This will increase lethality, perhaps not to the degree witnessed in the 19<sup>th</sup> century, but higher than the recent past.

Situational awareness and lethal firepower will help, but will not automatically guarantee success on the modern battlefield. Napoleon at Waterloo and Lee at Gettysburg possessed these capabilities and still lost to adversaries that had the same. In future conflicts, the outcome will depend on whether one contestant has significant advantages in these areas. However, it will also depend on which side can employ its forces faster and more effectively than the other. The advantage will increase for those acting effectively at the onset; the margin for error will shrink. In these ways, modern technologies are reemphasizing old principles of war, not diminishing them. Future forces may have more in common with Napoleon and Wellington than they think.

Information warfare thus will enhance combat power, but effective strategy on the battlefield will continue to play a major role in determining outcomes. U.S. force operations will be driven by a modern doctrine that future adversaries will not be able to match. But adversaries may increasingly emphasize asymmetric strategies aimed at slipping the punch of U.S. forces and delivering strong blows of their own. The key feature of an asymmetric strategy is not only that it differs from U.S. strategy, but also that it has countermanding effects. Such a strategy can allow adversary forces to pursue their goals even in the face of devastating U.S. firepower. During the Vietnam War, for example, enemy forces succeeded in slipping the U.S. punch while remaining viable on the battlefield. They suffered great losses, but they endured in strategic terms and eventually prevailed when political considerations led to the withdrawal of U.S. forces. In future wars, wily adversaries doubtless will try to craft such strategies of their own—for example, by winning quickly before U.S. forces can converge on the scene, or by

dispersing their forces in rugged terrain to reduce their vulnerability. To the extent they succeed, U.S. force operations will be rendered more difficult despite their information warfare assets.

## Increasing Airpower

In the minds of many observers, airpower came into its own in the Gulf War. For many years, military analysts had predicted this development. Modern aircraft have increasingly been able to deliver large amounts of ordnance over long distances. For example, two to three wings of fighter-bombers can deliver the same tonnage of firepower as an armored division, at a range of 300 miles and more. Yet, air power's potential faced major obstacles. Air forces lacked the intelligence systems, avionics, and precision munitions to strike many targets effectively, especially mobile targets. Moreover, air defenses made it hard for attack aircraft to operate safely and effectively over the enemy's rear areas. These constraints are now diminishing. Air forces are able to have a greater impact on all force operations than before.

More accurate deep fires are playing a growing role in modern warfare. This includes more than manned aircraft. Long-range cruise missiles can be launched by naval forces. Ground forces are acquiring deep-fire assets of their own, in the form of tactical missiles. As a result, modern military forces are increasingly able to project large volumes of accurate, lethal firepower over long distances. These fires can engage enemy reserves approaching the battlefield. Deep interdiction missions can be conducted against enemy supply lines and logistic support assets. Additionally, strategic bombardment can attack industrial targets and even military forces.

U.S. forces will be the primary beneficiaries. U.S. forces traditionally have emphasized air power and deep fires more than other military establishments. The United States is making rapid strides in fielding such critical systems as JSTARS, BAT and Skeet antiarmor munitions, cruise missiles, and stealth aircraft. Yet, these benefits will not be limited to U.S. forces alone. The growing capability of air forces will give many countries increasingly potent military assets. In the future, one to two wings of fighter-bombers, equipped with precision munitions and backed by cruise missiles, may provide foreign countries with a



**An A-10 Warthog pilot preparing to take off from Aviano Air Base, Italy, in support of *Joint Forge***

growing capability to deliver devastating firepower. This capability can be used for deterrence and defense, but also for offensive purposes.

The principal effects of improved airpower and deep fires will likely be twofold. They will enable forces to engage at greater distances. They will also provide them greater combat power. Some previously vulnerable countries will be able to better defend themselves and inflict serious losses on aggressors. These capabilities also may permit some rogues to intimidate, coerce, and defeat their neighbors. More so than before, rogues may be able to attack at longer distances and engage arriving U.S. forces in a crisis region.

The effectiveness of U.S. air operations will continue to increase not only through new aircraft and munitions, but also through such new concepts as nodal analysis, effects-based warfare, rapid halt, and strategic control in support of joint operations. But, as Kosovo appears to indicate, air forces are unlikely to replace the need for ground and naval forces. Air forces often can deploy to a crisis zone faster than other forces, but their effectiveness can be degraded by rough terrain and bad weather. Even smart munitions are not perfectly lethal: their impact hinges on the number employed and their kill probabilities. Another factor is that airpower's effects are not manifested at once, but instead build in cumulative ways as a

function of sorties flown over a period of days and weeks. Most important, airpower cannot perform several key missions in war. Only ground forces can protect borders, block invasion corridors, defend cities, generate enormous short-range firepower in a brief time, carry out close battles, protect endangered populations, and conquer large areas of land. Only naval forces can directly protect sea lanes and convoys. Only marine forces can conduct amphibious operations.

In some crises, air forces may be the first to arrive and will be the principal means for halting enemy aggression before ground and naval forces arrive on the scene. Even when buildups are fully completed, the effective use of air power can make it easier for ground and naval forces to perform their missions. This especially is the case when air forces are given an extended period to degrade the enemy before ground operations begin. Afterward, ground forces often will deliver the bulk of firepower for short, violent armored battles. But air forces will be quite important in helping break up enemy formations and disrupt their movements.

Ground operations are not going to disappear anytime soon. If anything, *Desert Storm* shows how U.S. ground forces can conduct swift, highly effective campaigns with low casualties when combined arms tactics are employed. In the future, U.S. ground forces will become stronger as they acquire better information systems, new deep-fire assets of their own, and improved doctrine. The same applies to naval and marine forces, which also are benefiting from smart munitions and the information revolution. As air forces also improve, the result will be an increase in the joint capacity to project power swiftly and to employ force decisively for a wide variety of situations.

Military effectiveness will be the result of all combat arms working jointly, rather than the ascendancy of any single component. Joint operations are critical because they create a synergistic combat power that is far greater than the sum of ground, air, and naval components operating separately. Their flexibility allows a force to conduct a variety of operations, in which the emphasis can shift from one component to another. Additionally, joint operations enable components to be mutually supporting.

U.S. forces are preeminent in joint operations. *Joint Vision 2010* seeks to further increase this preeminence. Few countries are likely to approach U.S. capabilities, but a large number may become skilled in an area of advanced warfare that has

been an exclusive province of U.S. forces and a small core of allies. Better skill at joint operations will broaden their military capabilities.

## Fast-Paced, Nonlinear, Maneuver Operations

Technology and joint doctrine seem likely to change the time-space dimension in warfare. Combat will occur at a faster tempo than previously. For example, U.S. ground forces in *Desert Storm* advanced more rapidly than was previously deemed possible. By 2010, rates of advance are expected to increase further. Air, naval, and ground operations will unfold at lightning speed. Future high-technology wars likely will be short, violent affairs, rather than prolonged conflicts. Likewise, conflict will occur over greater distances than now, largely because of the growing importance of airpower and deep strikes. Ground operations also will be more dispersed.

Fast-paced, high-technology warfare requires a new mentality. The combination of faster speed over a larger space sets the stage for equivalent changes in how high-technology military operations will be performed on the battlefield and in the mentality needed to carry them out. In earlier eras, warfare was often a sequence of unfolding events that could be carefully planned and choreographed. Also, operations could be conducted independently of each other. The moderate pace of combat permitted these operations to be adjusted in relation to each other. However, such operations are history. In the future, ground and air campaigns likely will be conducted with blistering intensity and great fluidity. They will involve real-time targeting, rapidly changing maneuver, and improvised operations. An overall information architecture will network all forces. A battlefield campaign will come to represent a seamless web of interlocking actions rather than a sequence of separate ones. Combat will resemble a fast-break in basketball more than a running game in football.

The future likely will witness the transition from linear operations based on firepower attrition to nonlinear operations based on maneuver and fracturing an enemy's cohesion. Ground offensive campaigns increasingly will be fast-moving attacks on enemy centers of gravity. Defensive campaigns will focus on counterthrusts against the attacker's flanks. Air operations will support ground campaigns through a combination of close support, battlefield interdiction, deep interdiction, and strategic bombardment. Together, air and ground operations will aspire

to unravel the enemy's campaign, separate its force components from each other, paralyze the enemy's ability to respond, and destroy the enemy's will to fight. Surprise, shock, and tempo will also help shatter the cohesion of enemy forces and leave them vulnerable to subsequent defeat-in-detail. This new approach to war will require not only a different mentality but also new force structures and doctrines.

U.S. forces seem poised to adopt this new way of operating. But they likely will not be the only forces to make this transition. To one degree or another, other forces will make the transition as well. To the extent that this is the case, modern warfare will be shaped and conducted by more than one country.

## The Blurring Between Offense and Defense

In most wars in the 20<sup>th</sup> century, the distinction between offensive and defensive operations was clear. The offense was focused on advancing, while the defense was focused on remaining stationary and repulsing the attack. Forces also were organized differently. During the Cold War, for example, the Warsaw Pact had an offensive strategy and therefore structured its forces quite differently from NATO forces, which were designed for a defensive strategy.

In the coming era, the distinction between offense and defense may increasingly blur, largely because of technologies and doctrines that will make warfare more fast paced. In future wars, the strategic intentions of the contestants may differ greatly, but their force operations on the battlefield may resemble each other closely, because both will rely upon information warfare, operational mobility, deep strikes, and fast maneuvers.

Understanding the emerging interaction between offense and defense will be key to future military planning. The struggle for supremacy between the offense and defense is one of the richest dramas in military history. A great deal of theorizing has accompanied new technologies and doctrines. Yet, when wars broke out, contemporary opinion often proved wrong. For example, the machine gun was initially viewed as aiding the offense. However, in World War I, it was so decisive for the defense that trench warfare resulted. In the 1920s and 1930s, the defense was viewed as superior, but during World War II the offense predominated. The debate waged

back and forth during the Cold War, but no modern wars were fought to test prevailing theories.

Some argue that new technologies and doctrines will strengthen the defense at the expense of the offense. The idea that the defense will predominate is partly based on the ascendancy of U.S. forces over likely opponents. But the likelihood that U.S. forces will be operating on behalf of defensive strategic goals does not mean that their superior quality stems from defensive battlefield operations. When U.S. forces gained their shattering victory in *Desert Storm*, they were waging an offensive campaign. Doing so allowed them to seize the initiative and dictate the tempo, while compelling the Iraqis to react weakly to events. Although armored forces on the attack supposedly are vulnerable to defensive fires, few U.S. tanks and infantry fighting vehicles were destroyed. Reacting to this successful experience, *JV 2010* views defensive operations as necessary in the initial stages, but calls for U.S. forces eventually to launch counteroffensives that are viewed as the decisive, victory-producing stage of combat.

Clearly some new technologies will aid the defense, such as systems that enhance the ability to wage anti-armor warfare without large numbers of tanks. At issue, however, is the overall effect of many new systems and technologies.

The idea that the offense may be gaining ascendancy stems from three considerations. First, modern information warfare systems may give the offense an advantage in dominating the critical dynamics of force concentration and counter-concentration. This will be the case if the attackers can exploit gaps in the defense faster than the defender can perceive the attack unfolding. Second, precision weapons may negate the defender's advantage of prepared positions. Third, the defender may have less time to absorb the attack and recover. If these propositions hold true, the attacker may be able to advance and inflict losses faster than the defender can regain balance, countermaneuver, and degrade the attacker's strength.

Much will depend upon the specific capabilities of the contestants in each case. Better-prepared forces will always stand a good chance of winning regardless of whether they are on the offense or defense. Moreover, technology may alternate in conferring advantages on the offense and defense. However, the old adage that the offense must have a large numerical advantage to

win may be no longer valid. In tomorrow's world, an attacker may use the offense to defeat opponents equal in size or larger.

Perhaps the proper conclusion is that defenders can still hope to defend if they have the proper operational concepts and forces. But the act of defending on the modern battlefield may require doctrines and forces that, in many ways, closely resemble what the attacker fields and how he operates. If so, the traditional distinction between offense and defense may do more than blur; it may largely disappear. This, too, will change how wars erupt and how they are carried out. The prospect of two contestants, each primed to deliver a quick knockout punch, may have a deterrent quality of its own. But when political crises occur in situations where the military advantage goes to the side that swings first, swift escalation may be difficult to prevent. In this way and others, the coming interaction between offense and defense promises to be one that merits close study because it will have not only military implications, but larger strategic implications as well.

## The Emphasis on Weapons of Mass Destruction

In the Cold War's aftermath, nuclear weapons are viewed as less important in military doctrine and warfare. For U.S. forces, this conclusion is clearly valid. U.S. and NATO forces relied heavily on tactical nuclear weapons during the Cold War because of numerical disadvantage. The Warsaw Pact's collapse greatly reduced this dependence on nuclear weapons. After *Desert Storm*, many concluded that the United States could defeat opponents without resorting to nuclear weapons. This belief was further reinforced by the revolution in military affairs, especially its information warfare systems and deep strike assets.

However, nuclear weapons and other weapons of mass destruction, like chemical and biological weapons, may have growing appeal for some countries lacking conventional capabilities. This became apparent when Russia unveiled a new military doctrine that declared its willingness to use tactical nuclear weapons first, even against opponents not possessing them. Russia's downsized conventional forces created uncertainty about whether they could conduct combat missions in stressful situations. Since then, India and Pakistan have crossed the nuclear threshold. Additionally, such rogues as Iraq, Iran, and North Korea are pursuing programs that conceivably



Armored vehicles moving out in Exercise Iron Spear in Bosnia. The United States, United Kingdom, the Netherlands, Canada, the Czech Republic, New Zealand, and South Africa participated in the exercise.

could produce weapons of mass destruction, missiles and other delivery vehicles by 2010 or earlier.

The proliferation of weapons of mass destruction could change how some conventional wars will be fought. During the Cold War, the United States and the Soviet Union understood mutual deterrence and took steps to configure their forces in ways that encouraged restraint. Whether future proliferators will be guided by similar beliefs and practices is uncertain. Some countries may not feel constrained in using them. Some may see them as offering tactical advantages against an enemy that otherwise could not be defeated. Other countries might integrate weapons of mass destruction into their conventional forces in ways that facilitate warfighting regardless of the situation.

A key concern is whether, and under what conditions, weapons of mass destruction might be employed in conflicts not involving U.S. forces. The potential for escalation could be high in situations where only one side possesses such systems but has insufficient conventional strength to accomplish its goals. Similarly, the incentives for escalation could be high in situations where both contestants possess weapons of mass destruction, and the side that uses them first gains the advantage. In these settings, use of weapons of mass destruction might be confined to the battlefield, but no guarantees exist that urban areas would not be hit intentionally or unintentionally.

An equal concern is whether future opponents might use weapons of mass destruction against U.S. and coalition forces in regional conflicts. During the Cold War, U.S. strategy called

for a strong nuclear retaliatory response in situations of nuclear use against U.S. and allied forces. Although this option remains available, the emerging situation creates reasons for developing adequate defense systems and strike assets that will provide a broad spectrum of conventional options. Exactly how U.S. forces would be used in a particular situation is a hypothetical. However, a conventional conflict fought under a shadow of weapons of mass destruction likely would be quite different from one without. *Desert Storm* was waged with weapons of mass destruction in mind, but not to the point of greatly altering the U.S.-led coalition's conventional campaign plan. Future conflicts might not be so accommodating.

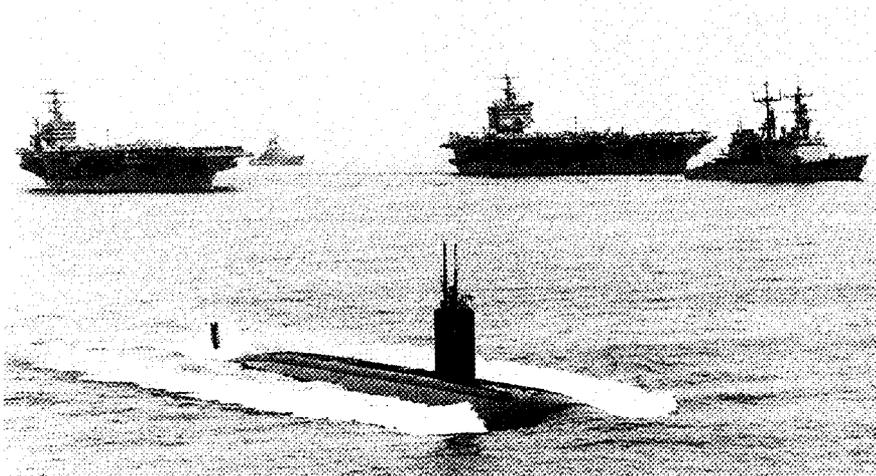
## Effect on U.S. Interests

These trends have important implications for U.S. interests. They suggest that ongoing U.S. force improvement efforts are seemingly responding to broader currents sweeping over global military affairs. The United States can be reasonably confident that it is adapting to change. However, this does not mean the future of warfare can be ignored. The United States also cannot take for granted its military power or that key national goals will always be achieved.

## Future Constraints on U.S. Forces

Improvements in doctrine and technology will enable U.S. forces to remain the world's pre-eminent military power. This superiority will give them high confidence in their ability to defeat opponents. Yet, the coming era may create political conditions that constrain the full potential of U.S. forces. Where crises occur will be one consideration. U.S. forces are best able to operate in regions with an overseas military presence, prepared military infrastructure, and good reception facilities; these exist in Western Europe, Northeast Asia, and Saudi Arabia, but not elsewhere. If crises occur beyond these areas, U.S. forces may be slow to deploy and employ. This could increase the difficulty of rebuffing aggressive enemy attacks in the early stages.

Especially in unfamiliar geographic areas, political considerations could pose further constraints. Politics is not a constraint when the conflict's causes and stakes are clear, U.S. goals are well established, and a clear war-winning strategy exists. When this is not case, and the



**Two aircraft carriers, a fast attack submarine, and two surface combatants participating in Operation Southern Watch**

adversary is adept, U.S. forces may not be able to operate to their full advantage. Ideally, such conflicts should be avoided, but global affairs may not always allow the United States to fight wars of its own choosing.

## **A Challenge to U.S. Force Superiority**

Changes in warfare will affect foreign military forces as well. These trends could have both stabilizing and destabilizing effects. The coming technologies and doctrines promise to place advanced military capabilities in the hands of many countries. Many of the new technologies—especially information systems, sensors, and precision munitions—are not prohibitively expensive. They can be incorporated into existing force structures and platforms. They will significantly enhance the strength of small forces and improve offensive capabilities.

In the hands of responsible countries, these capabilities pose no threat to global order. However, in the hands of rogues or those seeking to change the status quo, these capabilities easily could intensify threats that already exist. They could weaken regional deterrence and increase the frequency of war. Moreover, they promise to make wars more violent and costly.

## **More and Stronger Rogues**

Better armed rogues mean a growing risk of war. Moreover, the number of rogues may increase, thus further increasing the occurrence of wars. This trend can be counteracted through

deterrent strategies and better armed allies and partners. But the trend itself is inimical to U.S. interests.

If the increasing frequency of war threatens Western interests, the United States may be required to commit forces more often than is now realized. In the future, the United States will continue to face the threat of major theater wars in the Persian Gulf and Korea. However, as Kosovo shows, it may face more conflicts than these. Wars may break out in different geographic settings and cover a wide spectrum of contingencies.

## **Challenges of Enemy Strategies**

A key issue will be whether adversary forces acquire the capabilities needed to contest U.S. forces. This seems unlikely. After all, U.S. forces decisively won the Persian Gulf War, and the RMA is expected to transform and enhance their current combat power. Closer inspection, however, suggests a more troubled conclusion. The one-sided conditions of the Persian Gulf War are unlikely to be encountered again. Future enemies may be better prepared to fight than were Iraq's forces. They also may possess some of the same technological innovations that U.S. forces are adopting.

Enemies may employ asymmetric strategies that severely impede U.S. force deployments and employments. In the Persian Gulf War, the United States was allowed 6 months to carry out an uncontested buildup of huge ground, air, and naval forces. It enjoyed widespread international and local political conditions in ways allowing it to shape an employment strategy that played to its military strengths. At no time did the enemy take actions to interfere with this strategy and its force operations. When the fighting began, the United States was able to conduct an air bombardment of 6 weeks before launching a sweeping ground offensive that never was menaced by enemy counterthrusts. Future conflicts may see the opposite of these conditions in some respects. U.S. forces might have to achieve forced entry against stiff opposition. They may not be able to choose an optimal employment strategy. They might encounter enemies that are capable of defending themselves on the ground and even in the air. If so, these conditions could mean difficult fighting for U.S. forces, even with the newest technologies and doctrines.

Ever-changing military technology could affect the degree of U.S. superiority over adversaries. During the Persian Gulf War, two often

unnoticed technological advantages worked to the decisive advantage of U.S. forces. The suppression of Iraq's air defenses enabled coalition aircraft to operate with relative freedom over enemy territory. Iraq's anti-armor weapons were ineffective against U.S. armor, but U.S. anti-armor munitions were devastating against Iraq's armor. Both advantages were a product of recent history. A decade earlier, doubts existed about the effectiveness of U.S. air defense suppression technologies and the ability of U.S. armor to withstand enemy kinetic energy and high explosive anti-tank (HEAT) munitions. By the Gulf War, United States technologies in both areas had pulled ahead in the competitive dynamic. Whether the United States will maintain its advantages in these and other key areas remains to be seen. If it is diminished or lost, future conflicts could be harder to win for U.S. forces with minimum losses.

Forces and operating conditions in conflicts at the other end of the spectrum must be considered. In local conflicts such as ethnic clashes, U.S. forces may conduct peace-enforcement and limited crisis interventions. These operations may be pursued in cities, rugged terrain, and bad weather. Enemy weapons systems may not be

advanced, but they may be adequate for the specific tasks at hand. In these situations, the U.S. technological advantage may be diluted.

## Allied Improvements

Capabilities of U.S. allies and coalition partners could constrain U.S. forces and affect U.S. interests. In the Persian Gulf War, the United States contributed about 80 percent of the coalition forces and performed most of the critical missions. In conflicts demanding greater allied contributions, their capabilities could matter significantly. U.S. forces may be greatly superior to adversary forces, but if allied and partner forces have not undergone a revolution in military affairs and made improvements similar to those envisioned in *Joint Vision 2010*, the coalition may not enjoy superiority. Conflicts could be more closely contested than if U.S. forces did most of the fighting. Differences in capabilities could make U.S. and allied interoperability more difficult. U.S. forces might even be inhibited in their use of some advanced systems in order to facilitate combined operations with allies and partners.

The proper conclusion is that, even for the United States, war is likely to remain a difficult, uncertain, and often costly enterprise. If the United States could count on the sheer momentum of the RMA to preserve its decisive military superiority in all situations, it could afford to put its defense planning on autopilot. It also could afford to pay little attention to what is happening in military affairs abroad. But this seems unlikely to be the case. If the United States is to remain superior not only in the easy wars, but in the hard ones as well, it will need to conduct its defense planning in focused and aware ways. In the final analysis, this type of planning was vital to winning the Cold War and the Persian Gulf War, and it will remain key to dealing successfully with the new types of warfare ahead.

## Consequences for U.S. Policy

The United States will continue to require strong forces for deterring and winning high-technology regional wars, large and small. It will also need forces for lesser operations, including peacekeeping and crisis interventions. Meeting this wide spectrum of operations will require a broad range of U.S. military capabilities. Additionally, these contingencies will demand U.S.

### U.S. Defense Budget: More Money for Better Forces

In February 1999, Secretary of Defense Cohen called for increased U.S. defense spending in the coming years. The purpose is to strengthen U.S. defense preparedness for the coming period of new threats, requirements, doctrines, and capabilities. Cohen's plan for FY2000-05 envisions \$112 billion of additional resources. DOD savings will provide \$28 billion; the remaining \$84 billion will come from increased topline. His plan elevates DOD spending to \$267.2 billion in FY 2000, and to \$318.9 billion by FY05.

The increases include \$36.5 billion for military pay and \$49 billion for operations and maintenance. Much of the additional operations and maintenance money will be used to enhance the readiness of U.S. forces and to pay for rising optempo. For example, additional funds will be spent on such nuts-and-bolts measures as spares, stocks, depot maintenance, and base operations. Enhanced training will be another beneficiary. Steps also will be taken to enhance the preparedness of "low-density/high demand (LDHD)" forces that are especially important to carrying out the mounting number of peacekeeping operations and small-scale conflicts. Many of these forces are operated by the Special Operations Command.

DOD's procurement budget is slated to rise steadily from \$53 billion in FY00 to \$75.1 billion in FY05. This increase will enhance DOD's ability to pursue the sustained modernization called for by the Quadrennial Defense Review. Total funding for National Missile Defense (NMD) is \$10.3 billion during FY00-05, an increase of \$6.6 billion. A decision about NMD deployment is expected in June 2000, and will be influenced by the maturity of NMD technology as demonstrated in development and testing.

## The Three-Block War Concept

Experiences in Somalia and Bangladesh have resulted in the U.S. Marines adapting their training and operations to prepare for the application of tailored force across the full spectrum of military activity. For example, in block one, they will be involved in humanitarian operations, providing food and medical assistance for civilians. In block two, they will be the peacekeepers in a civil war situation, negotiating among the sides, providing some security, being an honest broker. In block three, they will be combatants in conflict, choosing sides and taking casualties. The skills needed for each block are different, as are the rules of engagement.

The key is that until they get there, they may not know which block they are in. Therefore, each individual combat unit must be able to size up the situation quickly, fall back on the set of skills needed for that "block," determine what the rules of engagement should be, and take the proper action. This requires a high degree of agility on the part of fairly junior officers and NCOs. That, in turn, has significant implications for organization and training.

This concept is different, however, from *JV 2010*, which focuses primarily on high-intensity conflict in a 200 x 200-mile grid. The model for *JV 2010* is *Desert Storm* or conflict with North Korea. Both *JV 2010* and the "the three block war" would rely increasingly on an information grid, but the two concepts, the associated doctrine, and the information technologies involved have not been fully harmonized. Marines believe each combat unit needs all the skills to fight a full-spectrum war, while the other services tend to rely more on specialization to achieve a full-spectrum capability.

The two concepts also make different assumptions about the kind of threats we will face in the future. The Marines see situations that are politically and militarily "messy," dealing primarily with failed states. *JV 2010* focuses more on rogue states and the emergence of a possible "near peer competitor."

forces that are flexible and maintained at high level of readiness. The key issue is determining how such forces will be built and maintained. This issue, as well as these trends, suggest that the U.S. defense agenda will remain both complex and demanding.

## Modernization— More Than Just Technology

Whether the RMA and procurement are being pursued fast enough will continue to be debated. Consideration must be given to the full range of factors that will also contribute to U.S. military effectiveness in the coming years. More will be required than sophisticated technology. Forces that are well trained, well motivated, and well led will be needed. Their operations will greatly depend on effective doctrine. Above all, they must have the will and determination to win. These human factors, rather than technology, were primarily responsible for the *Desert Storm* victory. These factors should not be sacrificed for

the sake of new technology. History suggests that if U.S. forces are to win future wars, they will do so because they can fight better than their opponents, not solely because their hardware is better.

## A Flexible and Adaptive Force

In order to remain prepared, the United States will need forces adequate in quantity and quality. The coming years likely will witness a debate over whether the current U.S. posture of 13 active Army and Marine divisions, 20 USAF fighter wings, and 11–12 Navy carriers will meet future strategic demands. The prospect of continuously conducting global environment-shaping, peacekeeping, crisis interventions, and remaining prepared for major theater wars seems likely to stretch this posture thin in the coming years. Pressures may also arise to reduce this posture in order to fund readiness and procurement. Countervailing strategic pressures, however, may arise to retain this posture or even to enlarge it in order to engage globally. The United States will face a difficult task in balancing its defense priorities.

The current posture often is justified in terms of its ability to fight and win two major theater wars in the Persian Gulf and Korea. It also provides forces for combatant commanders to engage in peacetime environment shaping; this includes alliance participation, partnership-building, peacekeeping, and crisis response. In the event of a single, major, theater war, it provides forces not only for that contingency but also for reinforcing other regions and ensuring their stability. If a bigger war occurs, it allows for a stronger response while maintaining a strategic reserve. In these diverse ways, it provides insurance against an uncertain future, rather than just a script for a single event.

The current U.S. force posture provides a great deal of flexibility and adaptability. Unlike other countries, the United States has excellent mobility, ground forces, air forces, and naval assets. Its ground forces have sufficient armored/mechanized, infantry, air assault, and amphibious units. Its air forces can robustly perform a full spectrum of operations, including air defense, strategic bombing, and battlefield support. Its naval forces can defend sea lines of communication, project power in areas lacking bases, and support continental operations with long-range air and missiles. As a result, this posture's principal strength is that it has the inherent, modular capacity to support many different

strategies and operations. In essence, it can respond effectively on short notice when new strategies are adopted or new conditions suddenly emerge. Regardless of how future force-sizing decisions are made, this valuable characteristic should not be lost.

Marginal reductions may not cripple U.S. defense strategy. Such cutbacks could be offset by higher quality U.S. forces and stronger allied contributions. However, significant reductions could erode confidence and increase risks, in more contingencies than the two concurrent major theater wars (2-MTW). In the years ahead, the United States will need not only a flexible and adaptive force posture with sufficiently large and diverse assets but also an effective planning framework for guiding force preparation. In recent years, the 2-MTW framework has sufficed, but something broader and more responsive may be needed in the future.

### Testing for the Most Demanding Contingencies

Emerging military trends suggest that even though the revolution in military affairs may succeed, the quality of U.S. forces should not be taken for granted. How can the United States gauge whether its forces will possess the quality to prevail in future conflicts? What criteria should be used to gauge qualitative adequacy and determine program priorities? Answering these questions goes to the heart of determining how to prepare for the future.

A useful analytical test of U.S. military effectiveness will be contingency analysis: forecasting how future wars might unfold and then

examining the likely performance of U.S. forces. This practice might focus on contingencies ranging from the least to the most demanding. Emerging trends suggest that analysis should examine cases in which well-prepared enemy forces do everything possible to complicate operations for U.S. forces. Such situations may arise with growing frequency in the future. These situations include enemy efforts to deny U.S. deployments to a crisis region, manipulating the political climate, making use of difficult terrain and weather, and aggressively employing conventional forces and weapons of mass destruction. Essentially, such efforts constitute a "countermanding" strategy aimed at negating U.S. operations. Such demanding tests measure the capacity to handle the difficult contingencies, not just the easy ones.

Analysis might examine the capacity of U.S. forces to handle a broader range of deployment and employment requirements than those currently postulated. For example, the "regional building block" of 5 to 6 divisions, 10 fighter wings, and 4 to 5 carrier battle groups can handle one type of regional war. Entirely different contingencies might arise, however, that mandate different force mixes. Some contingencies may call for a larger mix of air forces, others may call for more ground forces, and others may call for more naval and amphibious forces. U.S. forces must be adaptive and flexible. They must preserve the broad portfolio of assets and modular characteristics that allow them to handle a wide range of different contingencies and a broad spectrum of national military strategies

## U.S. Military Modernization: Accelerating Tempo

**D**OD's planned increase of procurement funds, from \$49 billion in FY 99 to \$75 billion by FY 05, owes heavily to the mounting requirement for modernization. This increase is being driven by a combination of normal obsolescence, new threats, new technologies from the research and development pipeline, and opportunities created by the information age.

U.S. air forces will especially benefit. Over the coming decade and beyond, acquisition of the F-22, the JSF, and the F/A-18E/F, JSTARS, and other models will equip the Air Force and Navy with a new generation of combat and support aircraft. In addition, U.S. air forces will be acquiring such new weapons as the AIM-9X, JASSM, JSOW, SFW, JDAM, and SLAM. The effect of these smart munitions will be to enhance the capacity of U.S. air forces for air-to-air and air-to-ground missions, including deep-strike operations.

Modernization of ground forces will feature upgrades of existing platforms, including the Army's Abrams tank, Bradley Fighting Vehicle, and Apache Longbow helicopter. The Army also will acquire the Comanche helicopter, the Crusader artillery system, and such missiles and munitions as ATACMs, BAT, SADARM, Javelin, and Predator. Marine Corps modernization includes the V-22 tilt-rotor aircraft, the Advanced Amphibious Assault Vehicle, and upgrades to utility and attack helicopters. Navy modernization includes the tenth Nimitz-class carrier, cruiser upgrades, and procurement of the DDG-51 destroyer, the LDP-17 amphibious transport dock ship, the T-ADC (X) logistics support ship, the New Attack Submarine, and improved cruise missiles. Airlift forces will be enhanced by procuring more C-17 aircraft and by upgrading the C-5 and KC-135 aircraft.

## NATO: Preparing for the New Era

The new era of warfare will affect not only American but NATO forces. One concern is that although current NATO forces can perform old missions, they are not equally prepared to perform new missions. Many missions will occur on Europe's periphery or even outside Europe. Also, European forces lack the capacity to perform swift power projection and decisive operations in ways that will be needed to stay abreast of U.S. forces.

To help solve these problems, NATO adopted a "Defense Capabilities Initiative" (DCI) at its April 1999 summit in Washington. The DCI aspires to create a "common operational vision" for NATO forces in ways that will preserve transatlantic interoperability. It calls for improvements in NATO C/I systems, logistics support, mobility assets, engagement capabilities, survivability, and sustainment measures. It emphasizes affordable steps that can make effective use of existing resources. For example, it envisions greater use of multinational logistics and commercial sealift to enhance long-distance support and deployability. It is composed of both short-term steps and long-term plans that will take a decade to implement.

Comprehensive in scope, the DCI is similar to such earlier NATO 10-year plans as the LTDP of the 1970s and the CDI of the 1980s. Like all plans, it must be implemented. Provided this is the case, the DCI promises to help reconfigure NATO forces for the coming era of information warfare and new threats.

that may need to be altered as the international security system evolves.

Preparing for the future also mandates serious analysis of U.S. military interventions. Fighting regional wars may involve demanding combat, but execution will reflect clear-cut campaign plans. Recent experience, however, suggests that the future likely will produce many smaller interventions in murky situations where U.S. military operations directly support political goals. Learning how to employ U.S. forces in these conditions

will be key to preparing for the future. The revolution in military affairs and *Joint Vision 2010* will not be fully effective unless military capabilities and mind-sets can deal with these situations. Likewise, they must produce forces that can effectively perform a wide range of peacekeeping missions. These missions may demand capabilities other than those used in high-technology combat operations.

## Ensuring Allied Compatibility with Future U.S. Forces

Finally, a strong U.S. effort must be focused on configuring the forces of allies and partners for future contingencies involving U.S. forces that have undergone a revolution in military affairs. Friendly forces in dangerous regions might be strengthened so that they can deter and initially defend prior to U.S. forces arriving in theater. Allied and partner forces might be configured for rapid deployment and employment alongside U.S. forces in a crisis region. Without this emphasis, U.S. forces will carry unfair and unmanageable burdens.

## Net Assessment

U.S. forces will remain the world's preeminent military power by a wide margin. However, their success in future military operations should not be taken for granted. Handling the wide spectrum of military operations ahead will be a daunting requirement. Moreover, warfare is changing, and adversary forces will benefit from modern doctrine and weapons in significant ways. In addition to pursuing the revolution in military affairs and *Joint Vision 2010*, continued broadening of U.S. defense strategy likely will be necessary.

# Strategic Forces and Deterrence: *New Realities, New Roles?*

**W**here are strategic forces and nuclear deterrence headed? The nuclear tensions that existed in the Cold War have dramatically lessened. However, an overwhelming and growing percentage of the world's population are citizens of states that are either de facto nuclear powers or allied with such powers. Moreover, Indian and Pakistani nuclear tests in spring 1998 reminded many that we still live in a nuclear world. Growing concerns over the North Korean and Iranian nuclear weapons programs are a further reminder. This chapter's theme is that strategic forces and deterrence face changing roles in U.S. national security policy.

## Key Trends

### Declining Strategic Nuclear Threat

The East-West strategic nuclear rivalry that dominated the global security environment for more than 40 years has been fundamentally and, in many ways, irreversibly altered. The bilateral "nuclear balance" that previously occupied center stage no longer dominates U.S. and Russian strategic calculations. The United States is no

longer concerned with large-scale conflict in Europe that could escalate into nuclear exchanges.

These positive changes are apparent in U.S. and Russian nuclear postures. On the U.S. side, 90 percent of theater nuclear forces have been eliminated; these include atomic demolition munitions and artillery-fired atomic projectiles intended to offset Soviet conventional superiority. At the strategic level, the United States and Russia each have reduced deployed strategic warheads accountable under START I from about 12,000 to 6,000. If START II is implemented, each side will reduce these levels to 3,000 to 3,500. The levels under discussion for START III would bring this down to about 2,000 to 2,500 accountable warheads. U.S. megatonnage has declined more than 90 percent, exceeding the decline in the number of delivery vehicles.

### Remaining Strategic Uncertainties

Positive changes have occurred in U.S. relationships with Russia and China. However, strategic uncertainties remain and nuclear weapons are a major factor. Nuclear weapons

appear to play a growing role in Russian declaratory policy and defense planning. Russia has retained between 10,000 and 15,000 (and perhaps more) theater nuclear weapons. It recently deployed the new SS-27 intercontinental ballistic missile (ICBM). It continues to invest in its overall nuclear infrastructure; this includes hardened command and control facilities and the extensive nuclear weapons production complex. The strategic uncertainties with China are perhaps even greater. As an emerging global power, China highly values its own modest but increasingly capable nuclear forces. It tested a new generation of nuclear weapons before signing the Comprehensive Test Ban Treaty.

### Proliferation Threat: Growing and Varied

Growing proliferation of nuclear, chemical, and biological weapons is posing new dangers for U.S. deterrence strategy. It has increased the variety of threats that might be employed against the United States, its forces, and its friends. More than two dozen states are believed to possess weapons of mass destruction (WMD) or have the capability to develop them. Despite the important contributions of international nonproliferation regimes and norms, a determined proliferator will likely succeed.

Such states as North Korea and Iran either have or are aggressively pursuing nuclear, chemical, and biological weapons. Their motives for acquiring these weapons are numerous and overlapping. They range from status seeking, to regime survival, to tools of aggression against neighbors. A key incentive is to deter the intervention of U.S. conventional forces in regions where these states seek to forcefully achieve their goals.

Weapons of mass destruction and their delivery systems are spreading at an alarming rate in regions of key interest to the United States, such as Northeast and Southwest Asia. These capabilities can hold U.S. and coalition forces at risk and pose serious military and political threats.

The threat of WMD is not restricted to military use. A new and equally disturbing proliferation trend is the emergence of terrorist groups seeking WMD. The Japanese cult Aum Shinrikyo conducted a terrorist attack with sarin nerve agent in March 1995. It was subsequently discovered that this group had tried to develop and use biological weapons.

Terrorism experts have argued that moral and political constraints inhibit terrorists from employing weapons for mass killing. In this view, terrorists are rational actors in pursuit of specific political objectives, and mass murder would be counterproductive to their aims. However, such rational constraints may not apply to all terrorist groups. Many terrorism experts now argue that some groups find mass murder consistent with their objectives. The World Trade Center bombers reportedly hoped to kill most of the 250,000 people who worked in the twin-towers complex. The Aum's original goal was to kill millions.

Many analysts believe that some countries may be tempted to use WMD against military and civilian targets on U.S. territory, using either terrorists or their own operatives. The Department of State has identified seven countries as state supporters of terrorism: Cuba, Iran, Iraq, Libya, North Korea, Sudan, and Syria. All are suspected of possessing biological weapons programs. All but Cuba possess chemical weapons programs. Four have nuclear weapons programs (see table).

Concerns that terrorists might employ such weapons against U.S. forces have made defenses against such attacks an important consideration. Many recognize that it may not be possible to deter or stop covert NBC attacks. Increasing attention is being given to consequence management, which deals with the effects of WMD use.

Overall, proliferation and nonproliferation trends are mixed. The majority of the global community supports international norms against WMD proliferation; this includes strengthening the Nuclear Nonproliferation Treaty and the Biological and Chemical Weapons Conventions. Despite this consensus, WMD proliferation clearly will remain a global security problem. The knowledge to build these weapons will continue to exist. Moreover, the value ascribed to them has been increasing. For example, the Indian and Pakistani nuclear tests demonstrated the political and public resolve of these countries, despite the risk of international censure.

#### Current U.S. Strategic Forces

Today, the U.S. strategic forces posture includes the following assets:

##### Land-Based ICBMs:

Minuteman III (three warheads) . . . . .	500
Peacekeeper (ten warheads) . . . . .	50

##### Heavy Bombers (Total Aircraft Inventory)

B-52 . . . . .	94
B-1 . . . . .	43
B-2 . . . . .	21

##### Submarine-Launched Ballistic Missiles (Operational)

Trident . . . . .	432
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This posture contrasts with the larger forces of the Cold War. In 1992, the U.S. strategic posture included 930 ICBMs, 213 strategic bombers, and 464 SLBMs. During the Cold War, strategic forces accounted for about 7.2 percent of DOD's budget. Today, they account for about 2.6 percent.

Source: STRATCOM FACT SHEETS, <http://www.af.mil>. See also: *Annual Report to the President and Congress*, William S. Cohen, Secretary of Defense, 1998.

**State Supporters of Terrorism and NBC Programs**

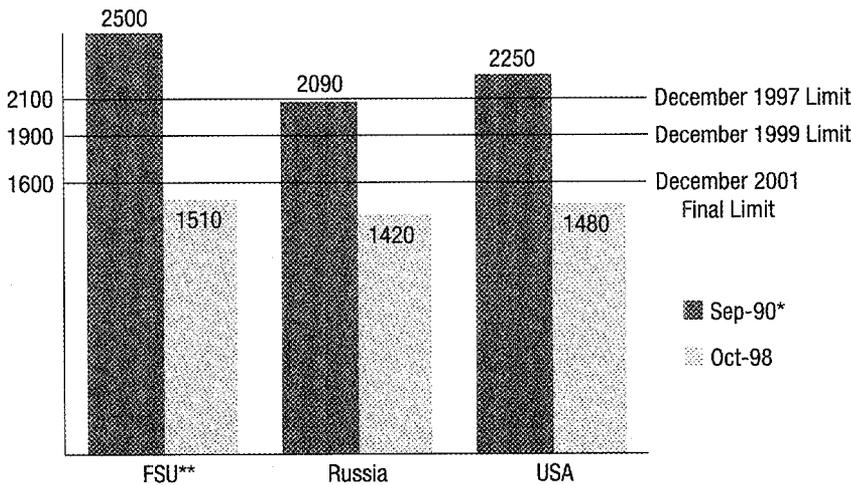
State Supporters of Terrorism	Nuclear Program	Chemical Program	Biological Program
Cuba	None	None	Confirmed
Iraq	Confirmed	Confirmed	Confirmed
Iran	Confirmed	Confirmed	Confirmed
Libya	Confirmed	Confirmed	Confirmed
North Korea	Confirmed	Confirmed	Confirmed
Sudan	None	Confirmed	Confirmed
Syria	None	Confirmed	Confirmed

Sources: U.S. Department of State, *1997 Patterns of Global Terrorism Report*, April 1998. Except for Cuba and Sudan, assessments are based on Arms Control and Disarmament Agency, *Adherence To and Compliance with Arms Control Agreements, 1997*, and Office of the Secretary of Defense, *Proliferation: Threat and Response*, November 1997.

**Missiles: Growing Numbers, Increasing Ranges**

Most proliferators view ballistic missiles as the delivery system of choice. More than a dozen of these countries have operational ballistic missile programs. While most of these missiles are limited to about 600 kilometers in range, longer ranges are being aggressively pursued. For example, Iraq significantly increased the range of its Soviet-supplied Scuds. North Korea is actively exporting longer range Scuds. It also has deployed the 1,000-kilometer No Dong and has launched the Taepo Dong three-stage missile, which may approach intercontinental range. Potential buyers for Korean missiles are numerous. As global positioning technology becomes more available, cruise missiles will almost certainly become more attractive, offering a low-cost, highly effective delivery means.

**Progress toward START I Limits: Missile Launchers and Heavy Bombers**



**Nuclear Weapons: Still Essential**

In the context of the above trends, nuclear weapons continue to play an indispensable role in U.S. security policy. As noted, U.S. nuclear weapons serve as a hedge against uncertainties associated with Russia and China. They also help deter a wider and less predictable group of potential adversaries, including those with weapons of mass destruction. Additionally, nuclear weapons ensure U.S. security guarantees to friends and allies, providing greater stability in the international environment and promoting U.S. nonproliferation goals.

Despite this importance, there are increasing demands for radical reductions in nuclear weapons and, in some cases, their total elimination. Such calls ignore the critical role that nuclear weapons play in national security strategy. Moreover, if the United States were to divest itself of its nuclear arsenal, other states would be unlikely to do the same. To the contrary, some would see this as an incentive to retain or acquire nuclear weapons. Even if nuclear weapons were completely eliminated, a serious deterioration of the international environment would engender strong incentives for nuclear rearmament. An intense multilateral race to rebuild nuclear arsenals could increase prospects for a devastating war. A century ago, no one foresaw the rise of Hitler or Mussolini or the spread of communism. A similar development in the future, coupled with a race to rearm with nuclear weapons, could be catastrophic.

\* Date of initial START I data exchange.  
 \*\* Belarus, Kazakhstan, Russia, and Ukraine (No deployed launchers remain in Belarus or Kazakhstan. Missile launchers and bombers in Ukraine are accountable until officially eliminated.)  
 Source: U.S. Department of Defense.

## U.S. Interests

### Maintaining a Credible Nuclear Deterrent

While advanced conventional capabilities contribute to deterrence, no substitutes exist for nuclear weapons. The United States cannot be certain that all adversaries will be deterred by U.S. conventional capabilities, especially if they perceive weapons of mass destruction as the means to overcome their conventional disadvantages by posing an asymmetric threat. Moreover, there is no guarantee that the United States will maintain its qualitative conventional edge. It could be eroded by funding deficiencies, other states gaining technological advantages, or adopting effective asymmetrical strategies.

The United States plays a unique role on the world scene. It could not meet its international security responsibilities if it reduced its nuclear stockpile to a level comparable to that of a regional nuclear power, such as China. It also cannot rely on the capabilities of any single state to meet these global responsibilities. For a variety of reasons, a country such as Russia could reduce its strategic nuclear systems to relatively low levels, but not the United States.

The United States must maintain a credible nuclear deterrent, structured to counter existing and emerging threats. Based on guidelines for

post-Cold War U.S. nuclear policy issued in November 1997, nuclear weapons remain a central although less prominent element of national security. This policy reaffirms a TRIAD posture consisting of intercontinental ballistic missiles, submarine-launched ballistic missiles, and bombers. This latest guidance takes greater account of threats posed by chemical and biological weapons and the role of nuclear forces in deterring the use of such weapons against the United States and its allies. This contemporary deterrence includes the following central roles for nuclear weapons:

- Deter nuclear threats against the United States.
- Deter use of other WMD and, in some cases, deter large-scale conventional aggression. Nuclear weapons will also enable the United States to control conflict escalation in regions of importance, to include protecting U.S. military capabilities as well as its forces, allied/friendly territory, and civilian populations.
- Prevent undesired proliferation of all WMD by reassuring allies and friends and discouraging adversaries from acquiring WMD.

The credibility of the U.S. nuclear deterrent must never be in question. The U.S. nuclear posture today can be different from the past. At the same time, certain attributes of the nuclear deterrent must endure if the United States is to be perceived as meeting the security challenges it faces.

To achieve a stable deterrent, experience demonstrates that U.S. nuclear forces must meet the following fundamental requirements:

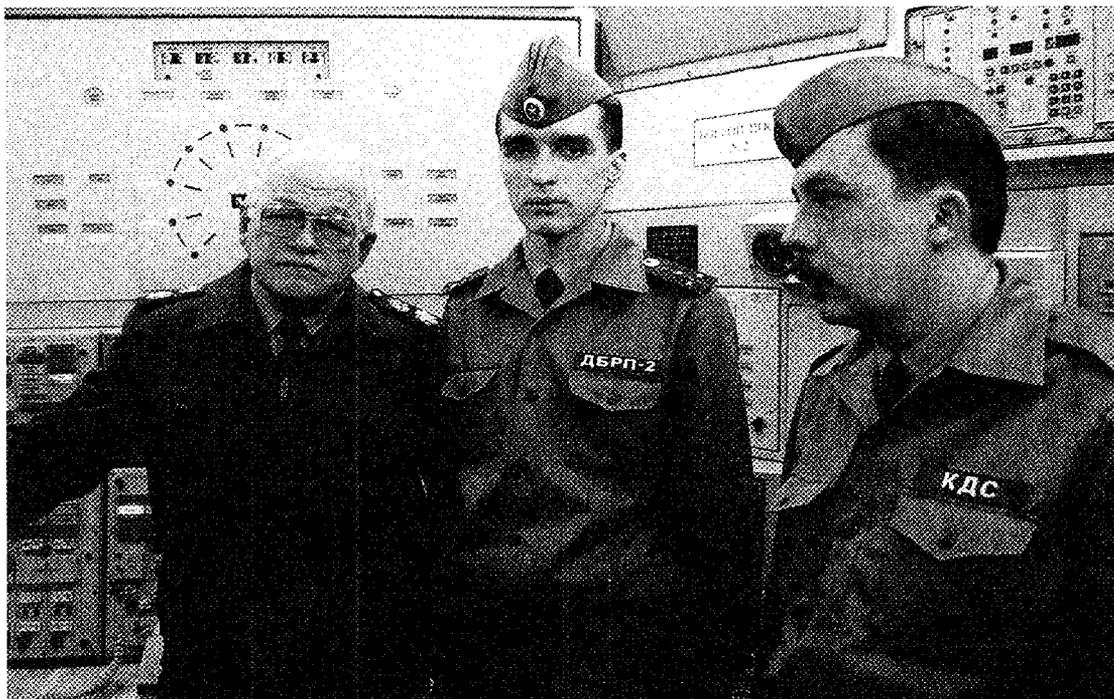


**Ceremony marking the removal of the last of 150 Minuteman III missiles deployed at Grand Forks Air Force Base, North Dakota**

AP/Wide World Photos

Russian Defense Minister Igor Sergeyev meets officers at the control center of the 104<sup>th</sup> Missile Regiment near Tatishchevo, Russia. Sergeyev visited the base to inaugurate Russia's new missile, the Topol-M.

AP/Wide World Photos



STRATEGIC FORCES AND DETERRENCE

- They must be *safe and secure*. The extremely high standards of safety that have been achieved cannot be relaxed.

- Forces must be *responsive* to political control and *effective* against all potential targets contemplated in the strategy. Both U.S. leaders and those of states to be deterred must have confidence in the ability of the United States to strike when and where it believes necessary.

- Overall forces must be *survivable* so that no adversary perceives exploitable vulnerabilities, thus undercutting stability.

## Maintaining the TRIAD

The United States will retain the three legs of the TRIAD. Elimination of any leg would weaken deterrence. These three legs provide synergy, flexibility, and survivability. Together, they strengthen deterrence. Their diverse capabilities and basing hedge against an aggressor's technological breakthrough or the discovery of vulnerabilities within any one system. The following characterizes each TRIAD leg:

### Submarine-Launched Ballistic Missiles

Individual Trident submarines in their patrol areas remain the most survivable forces in the TRIAD and thereby contribute significantly to stability. Yet, too many warheads in a small number of submarines would incur risk of catastrophic failure in deterrence in the event of an

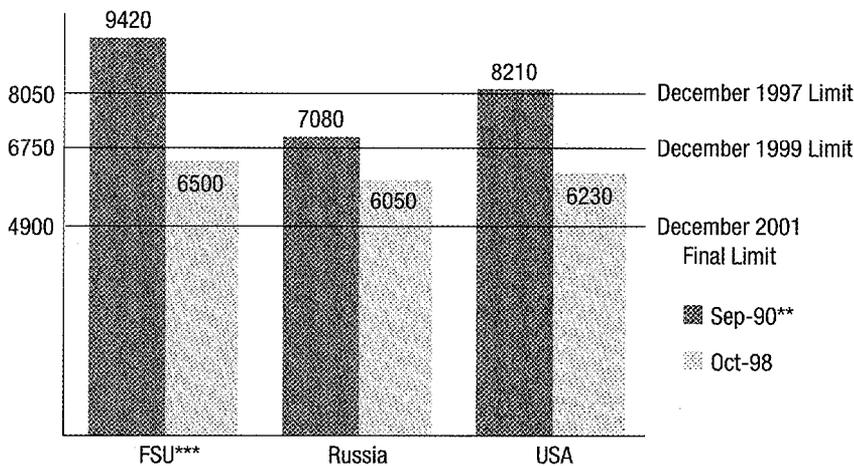
antisubmarine warfare breakthrough or deficiencies discovered in the Trident system. Further, submarines are vulnerable in or near their two operating bases. Over time, limiting the U.S. deterrent to a small number of platforms could invite an adversary to seek a capability for various forms of attack, including an attack that would be difficult to counter. Because the losses would not be replaceable, overall U.S. capabilities could be significantly eroded.

### Intercontinental Ballistic Missiles

This leg further strengthens the TRIAD. Without ICBMs, an adversary might be tempted to conduct a limited surprise attack against the small number of U.S. bomber bases and submarine support facilities. Such an attack could devastate the U.S. ability to respond. Additionally, any decision to retaliate might be difficult, given the ambiguity of the attack and the adversary's remaining forces.

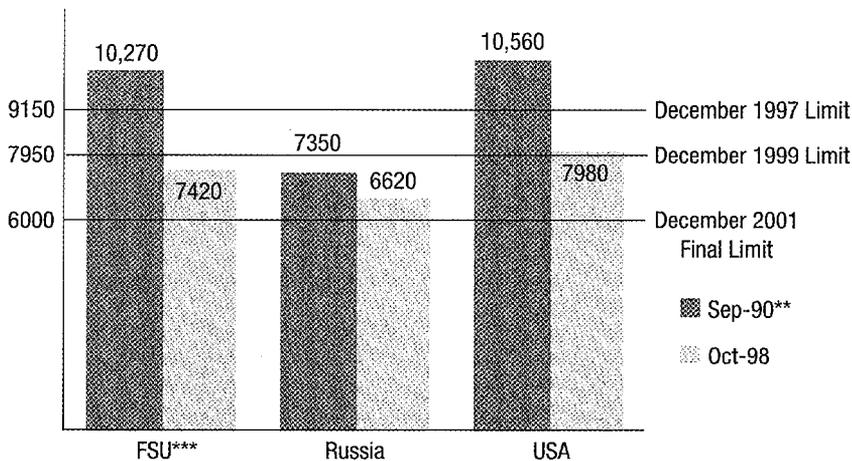
Also, any attack on U.S. ICBMs would have to be large and unambiguous, and a potential attacker would have to assume substantial retaliation. Additionally, a high-confidence attack on the U.S. ICBM force would require an adversary country to commit a large portion of its forces. At least two warheads would probably be needed to attack each silo. If such an attack were successful, the United States would retain SLBMs and

**Progress toward START I Limits: Ballistic Missile Warheads\***



\* Warheads count against START limits until their associated delivery system is eliminated.  
 \*\* Date of initial START I data exchange.  
 \*\*\* Belarus, Kazakhstan, Russia, and Ukraine (No deployed launchers remain in Belarus or Kazakhstan. Missile launchers and bombers in Ukraine are accountable until officially eliminated.)  
 Source: U.S. Department of Defense.

**Progress toward START I Limits: Total Accountable Warheads\***



\* Date of initial START I data exchange.  
 \*\* Belarus, Kazakhstan, Russia, and Ukraine (No deployed launchers remain in Belarus or Kazakhstan. Missile launchers and bombers in Ukraine are accountable until officially eliminated.)  
 Source: U.S. Department of Defense.

bomber forces, which no adversary would likely find acceptable.

The elimination of ICBMs with multiple warheads will change the perception of ICBMs. These weapons were once considered destabilizing because a small number of multiple warhead ICBMs can threaten a larger number of missiles in silos. As Russian nuclear forces are reduced, the U.S. single-warhead, silo-based ICBMs are of

increasing value in deterring large-scale attack. Any attack on them would be unambiguous and require more warheads than would be destroyed.

**Bombers**

The United States will continue to require bombers for conventional capabilities. The issue is whether these bombers should also be nuclear-capable. Strong reasons exist for retaining the bomber leg of the TRIAD. Given its continuing conventional mission, the low incremental cost of maintaining its nuclear capability will be a bargain. Further, bombers can return to full alert in a brief period. Doing so could be a powerful signal of U.S. resolve, which does not pose a first strike threat. Finally without bombers, the United States would be left with a single penetration mode—ballistic missiles—thus simplifying an adversary’s problem of defending against a retaliatory strike. The United States would not have a hedge against the emergence of effective ballistic missile defenses in China or Russia.

**Retaining Theater Nuclear Forces**

Strategic forces can strike targets anywhere on the globe. However, there may be circumstances when the best deterrent will be a visible and more proximate deterrent force. In a crisis, the ability to deploy theater nuclear forces to any region, and use them if necessary, could be the most credible deterrent. In some circumstances, the deployment of nuclear forces could send a powerful message of solidarity to allies and friends in a way that U.S.-based forces could not.

The United States also requires theater nuclear forces that can visibly couple U.S. capabilities to the security of friends and allies. The United States will retain the nuclear capability currently deployed in NATO Europe. The United States will also maintain the capability to rapidly deploy nuclear forces with a range of capabilities to deter regional states that possess weapons of mass destruction. This policy rationale supports the retention of dual-capable tactical aircraft and nuclear-armed sea-launched cruise missiles. Over the long term, it also means ensuring that currently projected aircraft, such as the Joint Strike Fighter, are dual-capable, and that the option to use a naval nuclear land-attack cruise missile is available.

## Maintaining a Robust Deterrent Infrastructure

The U.S. nuclear deterrent infrastructure must be capable of maintaining current forces, as well as adapting to provide new capabilities. This infrastructure encompasses the science and technology base; industrial base; weapon systems; command, control, and communication systems; and personnel needed for operations, management, oversight, and acquisition.

This infrastructure plays an important role in deterrence. A healthy infrastructure makes clear to adversaries that the United States can rapidly respond to any emerging threat with new forces or capabilities, if necessary. To do this, the infrastructure must be sufficiently flexible and robust to respond to major departures in the security environment.

The most immediate challenge for the nuclear weapons infrastructure is that it must be able to maintain the operational status of current forces through their expected lifetime. To be cost-effective, this infrastructure will require refurbishment, using as many commercial and non-nuclear weapon technologies as possible. However, technologies unique to nuclear weapon systems will have to be sustained, as well.

The character and disposition of today's U.S. nuclear forces are the result of post-Cold War reductions. The United States plans to maintain the current generation of missiles and aircraft and their associated warheads well into the next century. No replacement programs are underway for any of today's nuclear forces. The U.S. nuclear deterrent posture will continue to be made up of the Minuteman III ICBMs, SLBMs deployed aboard TRIDENT submarines, B-52 and B-2 long-range bombers, dual-capable tactical aircraft, and air and sea-launched cruise missiles.

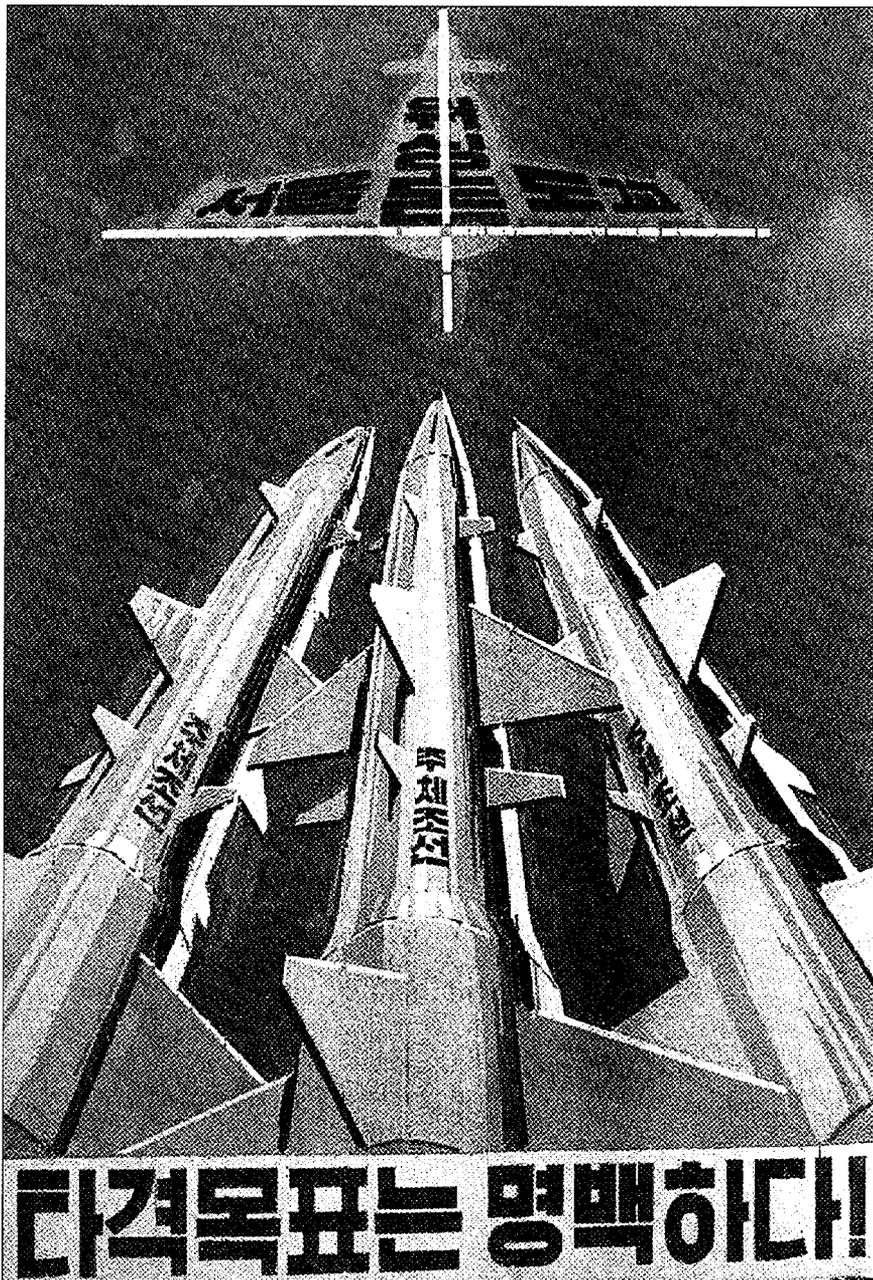
Several programs are under way to sustain the effectiveness of current forces. The propellant and guidance systems in Minuteman III missiles will be replaced during the next decade. Minuteman III silos and launch control centers will be refurbished to keep the system operational through 2020. The B-52 strategic bomber will be operational through 2040 with planned modernization and sustaining engineering programs. The Navy has extended the lifetime of the TRIDENT ballistic missile submarines to 2030. TRIDENT II missiles will be retained for 30 years, and individual missiles will reach the end of their service life beginning around 2015.

The nuclear weapons infrastructure must be able to provide replacements for the current delivery systems when they can no longer perform their missions. Additionally, the infrastructure must be prepared to respond sooner if political and technical changes diminish the effectiveness of the U.S. nuclear deterrent. Prolonging replacement will raise serious questions about industrial competence and professional expertise to perform modernization when it is required. A nuclear weapon system might need to be replaced before the end of its service life because its contribution to deterrence has been degraded. For example, the United States could lose confidence in the penetration capabilities of aircraft or cruise missiles because of more capable air defenses. Changes in target hardness or collateral damage concerns in some situations could lead to the requirement for such capabilities as new reentry vehicles. Some systems might become less survivable.

When new nuclear weapon systems are needed, the infrastructure must be able to provide design, development, testing, and production. When the Minuteman III reaches the end of its life in 2020, more than 40 years will have passed since the last ICBM, the Peacekeeper, was designed. The replacement for the TRIDENT D5 missile will be needed 25 to 30 years after it was designed. When the TRIDENT submarine fleet reaches the end of its life, it will have been more than 50 years since developers designed a ballistic missile launching submarine.

Without specific and sustained attention, there is no assurance that the United States will possess the requisite technological and industrial infrastructure to replace these capabilities. On the other hand, air-breathing systems will also need replacement long after they were first deployed. The existence of the production infrastructure for commercial as well as tactical aircraft should be able to provide successor delivery systems. However, even these systems have requirements unique to nuclear missions. These include the ability to operate in nuclear environments and command and control features that ensure that nuclear weapons will be used only when authorized.

In conclusion, when new systems are needed, whether because of aging or new security requirements, the entire infrastructure—industrial base and personnel, military and civilian—will be involved. The U.S. strategy for



A North Korean poster showing missiles locked on to a plane bearing the markings, "Washington, Seoul, Tokyo" with a subtitle of "The targets are clear"

sustaining its nuclear deterrent forces will require maintenance of critical expertise, including system and subsystem engineering and integration. It will also require reducing dependence on "deterrence unique" technologies and processes. For instance, the potential exists for increased commonality among SLBM, ICBM, and space-launch systems.

In the future, priority must be given to reducing production costs, while balancing costs and performance, and preserving safety and reliability. This effort must include increased reliance on commercial and nonnuclear weapon system

technologies. To achieve this objective, the Department of Defense needs a comprehensive plan dedicated to sustained management of the nuclear infrastructure.

## Promoting Ballistic Missile Defense

During the Cold War, the United States chose not to pursue deployment of ballistic missile defenses owing to its arms control goals. The need for arms control remains, but the increasing missile threat will require the United States to pursue active defenses. This will be especially needed for defense against rogue states armed with long-range missiles. States such as North Korea and Iran are acquiring these systems for delivery of weapons of mass destruction. The United States should not allow a mutual vulnerability relationship to emerge with other states, either intentionally or otherwise.

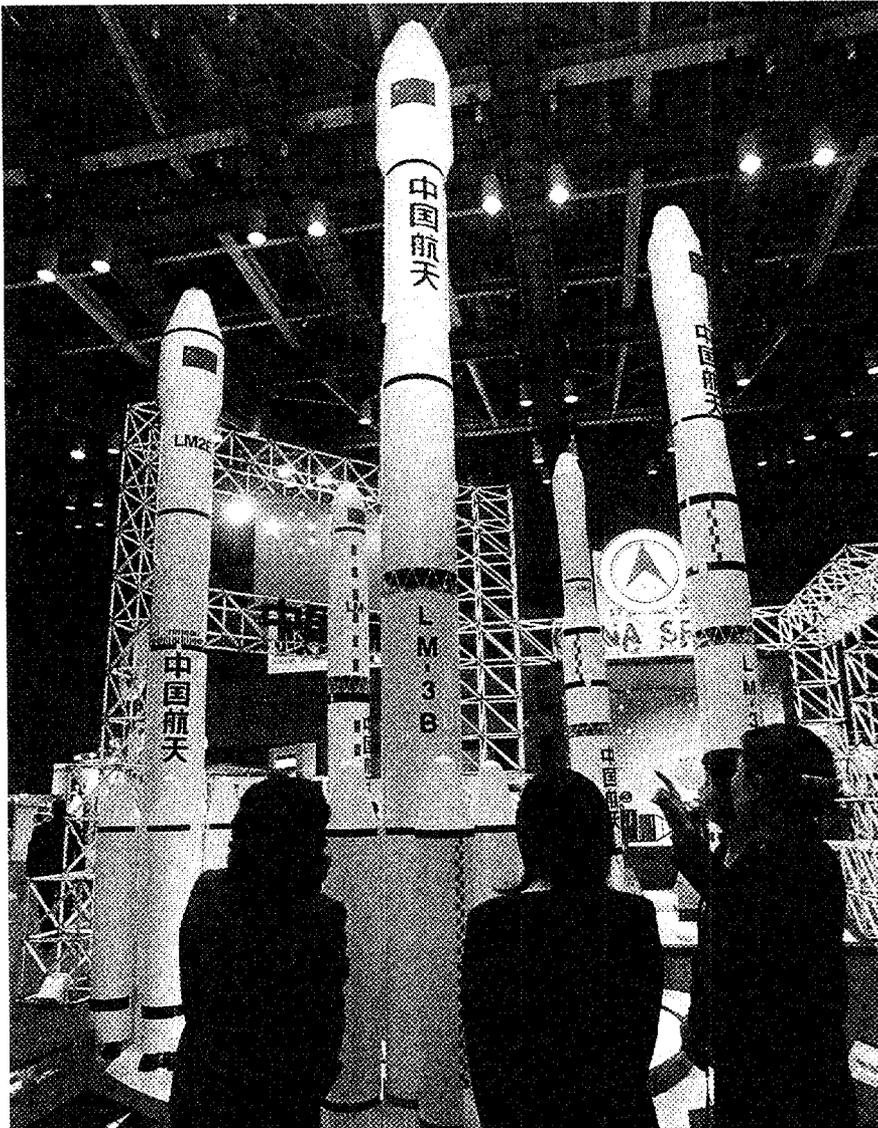
To resist blackmail as well as ensure the viability of alliances, America must have high confidence in its ability to defeat at least several dozen reentry vehicles aimed at cities. The ability of the United States to effectively defend against smaller-scale attacks will also provide protection for forces and populations. Over the next 10 to 20 years, advanced missile defenses are likely to play an increasing role in U.S. deterrence. The coming period will witness key decisions on how this requirement is to be met.

## Promoting Strategic Cooperation

Increased engagement with other nuclear weapon states is required to foster cooperative relationships and strengthen the stability of nuclear postures. America and Russia must continue moving beyond the corrosive Cold War posture of mutual vulnerability and enhance mutual confidence.

Since the Cold War's end, the United States and Russia have made significant progress in addressing problems in nuclear safety and security. The two countries are working, with some success, to improve the overall security of former Soviet nuclear facilities, promote fissile material control, and support dismantlement of some Russian nuclear forces.

Other areas of concern could benefit from expanded cooperation. One possibility is the sharing of early warning data to enhance command and control and increase stability in peacetime



Chinese Long March rockets on display in Beijing

and crises. The United States and Russia began preliminary high-level discussions in 1992 on possible early warning cooperation for the purpose of establishing global protection against ballistic missiles. At that time, it was becoming clear that Russia would experience a loss of radar coverage as a result of sites located outside the former Soviet territory. These discussions explored ways to fill gaps in the Russian early warning system. It was anticipated that such cooperation could lead to better early warning on the southern periphery against states acquiring WMD and ballistic missiles. However, these discussions were discontinued.

The United States and Russia have agreed to resume high-level discussions on early warning. The prospect exists for mutual benefits from such cooperation. Several approaches could be pursued. One approach may be for the United States to provide Russia with selected technology that facilitates the indigenous rebuilding of its early warning systems. Another approach might be to share early warning data. For the United States, there is likely to be substantial value in having access to Russian information that might provide confirmation of third country launch locations from another azimuth, data about missile launches in Asia, and tracking. A third approach might be to establish a direct link between command centers to resolve ambiguity.

The United States will need to broaden today's discussion to encompass total nuclear capabilities. This must go beyond deployed strategic forces and include active defenses that will enhance stability, permit the United States to meet its global security responsibilities, and defend against the growing missile threat from rogue states. Also, the United States must increasingly engage China in this area. Maintaining extended deterrence will require America to sustain cooperative relationships with nuclear and nonnuclear allies.

## Consequences for U.S. Policy

### Declaratory Policy

The United States has consistently eschewed an unequivocal policy of "no first use" of nuclear weapons. Under the "Negative Security Assurance" concept, U.S. policy is not to use nuclear weapons unless (1) the state attacking the United States or its allies, or its military forces, is nuclear capable; (2) the state is not a party in good standing under the Nonproliferation Treaty; or (3) the state is engaged in a conflict where it is supported by a nuclear state.

Moreover, U.S. officials on several occasions have made it a point not to exclude nuclear weapons use in retaliation for use of chemical and biological weapons against the United States, its forces, or allies. This does not mean that a nuclear response is the first line of defense against such an attack or that nuclear weapons use is inevitable, even to destroy biological and chemical facilities and stocks. However, U.S. policy seeks to make clear that no state can plan on using chemical or biological weapons against the United States

without taking into account the possibility of a U.S. nuclear response. This helps to deter use in a crisis and plays a role in dissuading states from pursuing new or improved capabilities.

In some cases, ambiguous declaratory policy may be perceived as a lack of U.S. commitment that could be exploited. If opponents are tolerant of cost and risk, greater clarity may be needed for deterrence. However, such declarations can be situation dependent and made privately without compromising a broader policy of calculated ambiguity and flexibility. At the same time, the overall posture of the U.S. must be able to support such a declaratory policy. This includes a defense against chemical and biological weapons. The United States must also be capable of a credible and proportional response, with nuclear weapons if necessary.

### Updating Old Strategic Concepts

U.S. nuclear forces are the result of Cold War strategic concepts. These concepts include nuclear deterrence, graduated escalation, and flexible targeting options. They were designed for the U.S.-Soviet rivalry and the NATO-Warsaw Pact confrontation. These concepts remain intact today.

The question is whether they will remain relevant in the face of rogues armed with WMD. Will the concept of second-strike deterrence motivate future rogues in the same way it constrained the Soviets during the Cold War? Will flexible response and gradual escalation be relevant in future regional crises? How will rogues view theater defense against WMD? The answers to these questions may be unclear, but they must be addressed if U.S. nuclear strategy is to continue maturing.

### Determining the Future of Missile Defenses

The United States is moving toward a deterrence concept that increasingly emphasizes a defensive component. This was recently reflected in the passage of the National Missile Defense Act of 1999, which makes it U.S. policy to deploy national missile defenses as soon as technologically possible. Funding for this system will be subject to the normal budgetary process. In a separate section, the act also reaffirms U.S. policy on continued negotiated reductions in Russian nuclear forces. Once deployed, these defensive systems will need to be upgraded on a

continuing basis and in tandem with strategic offensive modernization.

Current U.S. policy also places high priority on defenses against theater ballistic missiles and cruise missiles. For theater defense, the United States is pursuing a combination of lower-tier and upper-tier systems. It is working with NATO allies in preparation for an era in which ballistic missile defense of Europe could become a requirement.

### De-alerting

America will need to maintain ready, responsive, and effective nuclear forces as a deterrent against the spectrum of post-Cold War threats. This means that the United States must continue to maintain nuclear forces on alert for crisis stability and crisis management. The level and nature of alert depend on the circumstances.

Compared to Cold War levels, approximately one-third of the American TRIAD has been taken off alert. The United States has removed all nuclear weapons from surface ships and nonstrategic submarines and taken Minuteman II missiles off alert. The entire Poseidon submarine force was deactivated before its scheduled retirement. All B-1B bombers have been converted to a conventional role. All strategic bombers have been taken off strip alert.

Further reducing U.S. nuclear forces and, presumably, Russian nuclear forces on alert has been proposed as a way to reduce perceived risks of unauthorized or mistaken launch of nuclear weapons. These perceptions arise from the alleged unreliability of Russian nuclear command and control systems and attack warning systems. Conceivably, these defects could contribute to preemptive attack or miscalculation.

One should not minimize the risks of unauthorized or mistaken launch, but these risks need to be weighed against the very substantial liabilities of further de-alerting—that is, taking nuclear forces off alert status and rendering them incapable of timely response.

It is not clear that any practical scheme for de-alerting would contribute to reducing the risk of miscalculation. De-alerting could undermine a central element of deterrence, namely, the ability to retaliate promptly. This could make a first strike more attractive to an aggressor, particularly during a period of tension. De-alerting could adversely affect the safety and security of

## China's Strategic Capabilities

ICBMs	Intermediate Range Ballistic Missiles (IRBMs)	Nuclear Capable Bombers (PLA-Air Force)	SSBN (PLA-Navy)
20+	80	120	1@12 Submarine-Launched Ballistic Missiles (SLBMs)

Source: Progressive Policy Institute, Defense Working Paper No. 4, April 1998.

warheads and other nuclear weapons components. For example, storing de-alerted components at sites separate from the missiles could increase their vulnerability to sabotage or theft. Additionally, reassembling such systems increases the possibility of malfunctions or accidents.

De-alerting also introduces formidable problems of intrusive verification. On-site inspections could be required to ensure that de-alerted warheads were not remated with missiles. Other de-alerting measures, such as the removal of launch codes from submarines, are not verifiable. If such codes were removed, submarines would have to reveal themselves in order to receive launch codes, thus negating a deterrent that is survivable.

From a safety, readiness, and command and control perspective, it is illuminating to examine what changed between the demise of the USSR and the Russia of today. More is known about Russia's procedures than the Soviet Union's. Based on increased data sharing, exchange visits, and observations by trained inspectors, the Russians appear to have well-trained personnel and adequate procedures for handling and safeguarding nuclear weapons. In some respects, these tasks have become easier as a result of fewer weapons, fewer locations/launch platforms, and less diversity in personnel handling these weapons since their removal from Belarus, Kazakhstan, and Ukraine. The United States and Russia actively share ideas on weapons safeguards and continue officer exchanges.

From a launch control perspective, the Russian problem is also simplified by fewer units, a more "Russian" force, and a strong senior cadre of knowledgeable personnel (where the United States uses first lieutenants, the Russians use lieutenant colonels or colonels), enhanced electronics for connectivity, and continued investment. Despite the concerns regarding the launch of the Norwegian weather rocket in January 1995 spotted by Russian early-warning

radars, the Russian command and control system functioned as expected, and personnel made correct decisions.

However, early warning for Russian forces has substantially changed since the Soviet collapse. In the Soviet era, diverse and sophisticated early-warning facilities were on the periphery of the Soviet Union and overlapped considerably. This system was a robust, closely coupled network, and Soviet leadership was confident that it would receive sufficient warning of a nuclear attack. That situation has changed. Some of these early-warning facilities are now outside Russia. Others are of dubious reliability. Funding for rebuilding the system has not been provided. Concerns regarding Russia's early-warning system appear to be valid. A faulty early-warning system could lead to a misinterpretation that results in a deliberate counterlaunch.

## Maintaining Confidence Without Testing

Retaining the safety, reliability, security, and performance of nuclear weapons in the absence of underground nuclear testing is, according to a recent study by the National Defense University and the Lawrence Livermore National Laboratory, the highest risk component of the U.S. strategy for sustaining deterrence. America must maintain a high level of confidence in the nuclear stockpile. U.S. policy requires this confidence to be accomplished without nuclear testing. Surveillance programs that ensure that the stockpile is safe and reliable continue to be necessary. These include techniques for certifying reliability and safety without testing, as well as maintaining a standby testing capability. The fewer numbers and types of nuclear weapons, the greater will be the need for ensuring their reliability and safety. A no-testing environment necessitates a robust stockpile program that will instill confidence in national leadership and respect in potential adversaries.

Because the United States must maintain a nuclear posture for decades, at the very least, the capability to redesign and remanufacture nuclear weapons systems must exist at some time early in the next century. Furthermore, if the current Stockpile Stewardship Program does not develop viable means for certifying current weapons in the stockpile and for evaluating possible new designs in the future, the United States must maintain the option to restore underground

tests in a timely fashion. Obviously, any decision to test nuclear weapons underground would be a momentous political decision, but the policies and programs of today must protect a capability to do so in the future.

## **Net Assessment**

Strategic nuclear forces will remain a mainstay of U.S. defense strategy for the future. While

traditional nuclear threats are declining, new threats are taking the form of rogue states armed with weapons of mass destruction. This likely will create new roles for U.S. offensive forces and requirements for deploying theater and national missile defenses. Along with these changes will come a need to review and potentially recast such concepts as nuclear deterrence to ensure that they remain relevant in the future.

# Global Arms Control and Disarmament: *Cloudy Prospects?*

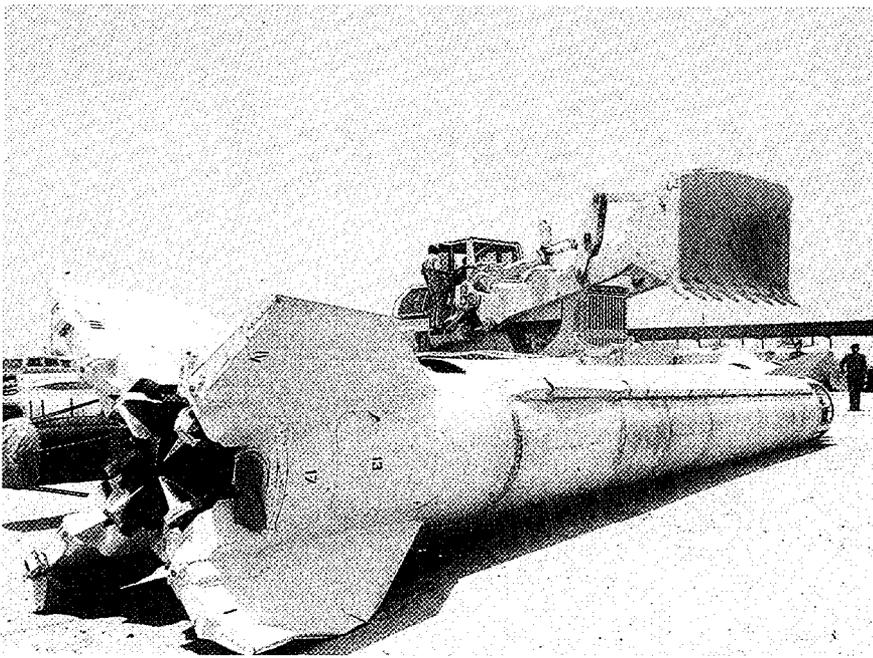
**W**here are arms control and disarmament headed? Previously, arms control successfully helped regulate the superpowers' strategic nuclear forces, and promoted stable conventional force levels in Europe. In the future, emphasis likely will shift toward slowing the proliferation of weapons of mass destruction (WMD). Thus, arms control is in transition.

The arms control and disarmament process is best seen as a major aspect of the shaping function in U.S. national security strategy, one that can reduce adversary threats. Today, potential opponents of the United States are likely to attempt an asymmetric strategy to counter America's superior power projection capability. Such a strategy could include nuclear, biological, and chemical (NBC) weapons delivered by long-range missiles. A major objective of any U.S. arms control and disarmament strategy is to frustrate, if not block, this development. It also seeks to secure a more favorable geostrategic environment for the United States and the international community.

Over the last 5 years, the arms control and disarmament agenda has included:

- Reducing and stabilizing U.S. and Russian nuclear arsenals
- Maintaining and expanding nonproliferation regimes that restrain the testing and spread of nuclear weapons
  - Constraining the spread of long-range ballistic and cruise missiles
  - Banning chemical and biological weapons
  - Restricting the size and composition of conventional arms in the context of regional restraint regimes
  - Creating regional confidence-building and crisis-management measures
  - Banning certain classes of nonnuclear arms, e.g., land mines.

In most cases, arms control and disarmament talks have been conducted as formal bilateral and multilateral arms negotiations. These negotiations are protracted and produce highly structured agreements, such as START I and II and the Chemical Weapons Convention (CWC). More recently, interest has been renewed in more informal bilateral and multilateral arms restraint and disarmament regimes. Most noteworthy was the 1991 Bush-Gorbachev initiative to reduce and consolidate the U.S. and Soviet tactical/theater nuclear arsenals without a formal agreement. Recently, the nongovernmental organization (NGO) has become an arms control and disarmament actor. A variety of activist NGOs and lesser powers collaborated to affect the negotiation and global ratification of a ban on land mines.



**Iraqi al-Hussein Scud missile to be destroyed by United Nations inspectors in Iraq**

From the perspective of the Cold War, progress in arms control and disarmament has been spectacular and rapid. Immediately after the Soviet Union's collapse in December 1991, major advances in arms control and disarmament were achieved for both nuclear and conventional forces. START I and II nuclear reduction agreements were signed between the United States and Russia in 1992 and 1993. Ratification of the massive, multilateral Conventional Forces in Europe (CFE) agreement in 1993 also advanced European regional security. These successes led to international euphoria in the mid-1990s that rapid and far-reaching arms control and disarmament progress was both feasible and desirable. Hopes were heightened further in 1995 with the renewal of the Non-Proliferation Treaty (NPT) and major progress in the negotiations of a CWC and a Comprehensive Test Ban Treaty (CTBT).

During 1998, the arms control and disarmament process suffered several setbacks. Further, the domestic political importance of any arms control and disarmament agreement has steadily faded since the Cold War's end. Much of the electorate in the United States and other industrial democracies has become preoccupied with major domestic social and economic issues. This setting will influence how the future unfolds.

## Key Trends

While the immediate post-Cold War period, 1992-97, was marked with considerable success, more recent events suggest cloudy prospects ahead.

### Stalled U.S.-Russia Nuclear Negotiations

Building on the momentum of the 1987 Intermediate Nuclear Forces Treaty and the 1991 Bush-Gorbachev mutual reduction agreements, the first Strategic Arms Reduction Treaty (START I) was signed by 1992. Rapid progress occurred in START II, which was signed by Presidents Bush and Yeltsin in 1993. Both the U.S. Congress and Russian Duma ratified START I in 1994. The U.S. Senate ratified START II in 1995.

Considerable progress was also made in a new post-Cold War issue, the Russification of the Soviet nuclear arsenal. After prodding from Congress, the Bush administration launched the Cooperative Threat Reduction (CTR) effort that was followed by the Nunn-Lugar Act of 1993. Both the Bush and Clinton administrations successfully negotiated with the Newly Independent States (NIS) of the former Soviet Union that possessed portions of the Soviet arsenal—Belarus, Ukraine, and Kazakhstan. All three nations believed that their long-term security interests would be served by giving up the Soviet nuclear legacy. In 1994, the final process of Russification occurred after Ukraine agreed to give up its nuclear arsenal and missile capabilities.

However, further progress in START has stalled. The Russian Duma has refused to ratify START II. Several factors have had an impact. First is the disastrous collapse of the Russian economy and concomitant deterioration of the Russian armed forces. Second, the Russian national security and political elites perceive that Russia has suffered several disastrous strategic reversals, such as NATO expansion eastward. Third is the belief that the United States is the "sole surviving superpower" and has to be countered. This latter view within Russian publics and elites has greatly strengthened and broadened after the United States and the United Kingdom conducted Operation *Desert Fox* against Iraq during December 1998 and NATO launched Operation *Allied Force* against the Federal Republic of Yugoslavia during spring 1999. Essentially, the Russian elite's focus has shifted away from building a strong strategic partnership with the United

States toward a more interest-based policy that emphasizes Russia's nuclear strength.

Russian opponents of START II ratification make the following arguments:

- The Russian armed forces have suffered a catastrophic quantitative and qualitative drop in capability, as dramatized by their poor showing in the war with Chechnya.
- Simultaneously, the Russian economy has not become a competitive capitalist economy and remains in crisis after the August 1998 default. The Russian Government's inability to collect taxes has led to a fiscal starvation diet for the armed forces, precluding its transition to a smaller, more professional, and high-technology force. The failure to modernize the Russian military establishment has been highlighted by the heavy use of high-technology air power by NATO against Yugoslavia.
- Russia has suffered several strategic reversals and is without major allies. This belief has been heightened by the eastward expansion of NATO.
- As a "great power," Russia has only one asset to rely upon until its economy and armed forces recover—nuclear weapons.
- Dismantling and converting multiple warhead ICBMs to single warhead ICBMs is very expensive.
- Russia must maintain a large operational nuclear arsenal to compensate for weak conventional forces and to ensure that it can deal with any possible U.S. deployment of a robust national missile defense (NMD).

In an effort to accommodate Russia, the Clinton administration agreed to change the date for dismantlement of its multiple warhead ICBMs, from 2003 to 2007; this would ameliorate the high costs associated with dismantling this force and replacing it with single-warhead ICBMs. Further, the administration agreed to move to a lower weapons level in a START III agreement, which would be 2,000 to 2,500 strategic nuclear warheads.

Nuclear issues have changed. An example of how they have changed is the U.S. strategy to find a response to the possible failure of the NPT, an effort that created tensions between the United States and Russia. A central feature of the U.S. counterproliferation strategy is the deployment of very robust theater missile defenses (TMD), which are designed to intercept long-range theater ballistic missiles. The Russians are concerned that this program would lead to the U.S. deployment of a strategic antiballistic missile (ABM) system as part of a NMD. Further, the Russian Government is concerned that testing of a high-performance TMD would directly violate the terms of the ABM Treaty. This was one of the arguments used by opponents of START II in the Russian Duma, which was not ratified as of mid-1999.

To deal with these concerns, the Clinton administration successfully negotiated an agreement with the Russian Government at Helsinki in 1997. It allows the United States to test a wide range of high-performance TMDs while staying within the newly agreed definition of "demarcation" between theater missile and strategic ABM defense.

However, this agreement did not break the logjam in the Russian Duma. Essentially, U.S. policy has become hostage to President Yeltsin's rapid demise as a powerful political force. America has had to deal with three new Russia governments during 1998. In 1999, however, the Cologne Summit opened the prospect for renewed negotiations on both offensive and defensive strategic systems.

A more positive development has been the continued progress in CTR programs. In the 1998 budget agreement, Congress provided substantial funding for continued U.S. purchases of surplus, weapons-grade, highly enriched uranium and negotiations for similar purchases of weapons-grade plutonium.

## China as a Factor in the Negotiating Process

Another factor is influencing U.S. negotiations over the fate of the ABM Treaty with Russia. Beijing has expressed sharp opposition to any U.S. collaboration with Japan in developing a high-performance TMD. The Chinese Government argues that such missile defenses will "destabilize the regional military balance." Further, the Chinese have expressed vigorous opposition to the United States providing Taiwan with any TMD, even lower performance systems such as the Patriot Advanced Capability III interceptor. Although the Chinese nuclear arsenal is modest by U.S. and Russian standards, this could change in the future, if China deploys large numbers of its next generation of long-range missiles. The May 1999 Cox Commission report indicated that China may have gained significant nuclear advantages through espionage.

Dealing with nuclear-armed third parties will loom large in the next century. This especially will be the case if America hopes to move the START bilateral process into multilateral negotiations. Such third parties may not prevent deeper cuts, even below START III levels, but they likely will complicate the process and constrain agreements in ballistic missile defense.

## Halting the Spread of WMD

Containing, if not reversing, nuclear weapons proliferation is becoming important in the arms control and disarmament agenda. Banning the production of chemical and biological weapons is also important. The nuclear nonproliferation effort has been a major element of U.S. national security strategy since the mid-1960s. It was enshrined in the 1968 NPT, which recognized the existence of only five nuclear weapon states: these are the permanent members of the UN Security Council, the United States, Russia, China, France, and the United Kingdom. These became known as the P-5. In recent years, the Bush and Clinton administrations also have made nuclear nonproliferation a national security priority.

By the mid-1990s, the prospects for nuclear nonproliferation improved significantly and appeared headed in a favorable direction. Progress included:

- The forceful dismantlement of the Iraqi nuclear, biological, and chemical weapons program following Baghdad's defeat in the 1991 Persian Gulf War. The United States led an international coalition and sustained consensus within the UN Security Council to ensure that Iraq was placed under a constraining peace agreement enforced by economic embargo.
- Successful rollback of South Africa's nuclear weapons program following the end of the apartheid government in 1994.
- Brazil and Argentina's renunciation of their nuclear weapons programs in 1994.
- Indefinite extension of an unchanged NPT in 1995.
- Withdrawal of nuclear arsenals and associated long-range missiles from Ukraine, Belarus, and Kazakhstan to Russia by 1996 (see above).
- The apparent freezing of the North Korean nuclear weapons program in 1994 through the Framework Agreement. The United States, South Korea, and Japan agreed to provide alternative sources of energy to include shipments of fuel oil and construction of two, large, light-water nuclear reactors.
- Signing of the CTBT by the permanent members of the UN Security Council in 1996.

This success was further reinforced by a robust series of agreements, such as the London Suppliers Group and Zanger Accord. These placed restrictions on the diffusion of dual-use nuclear technology.

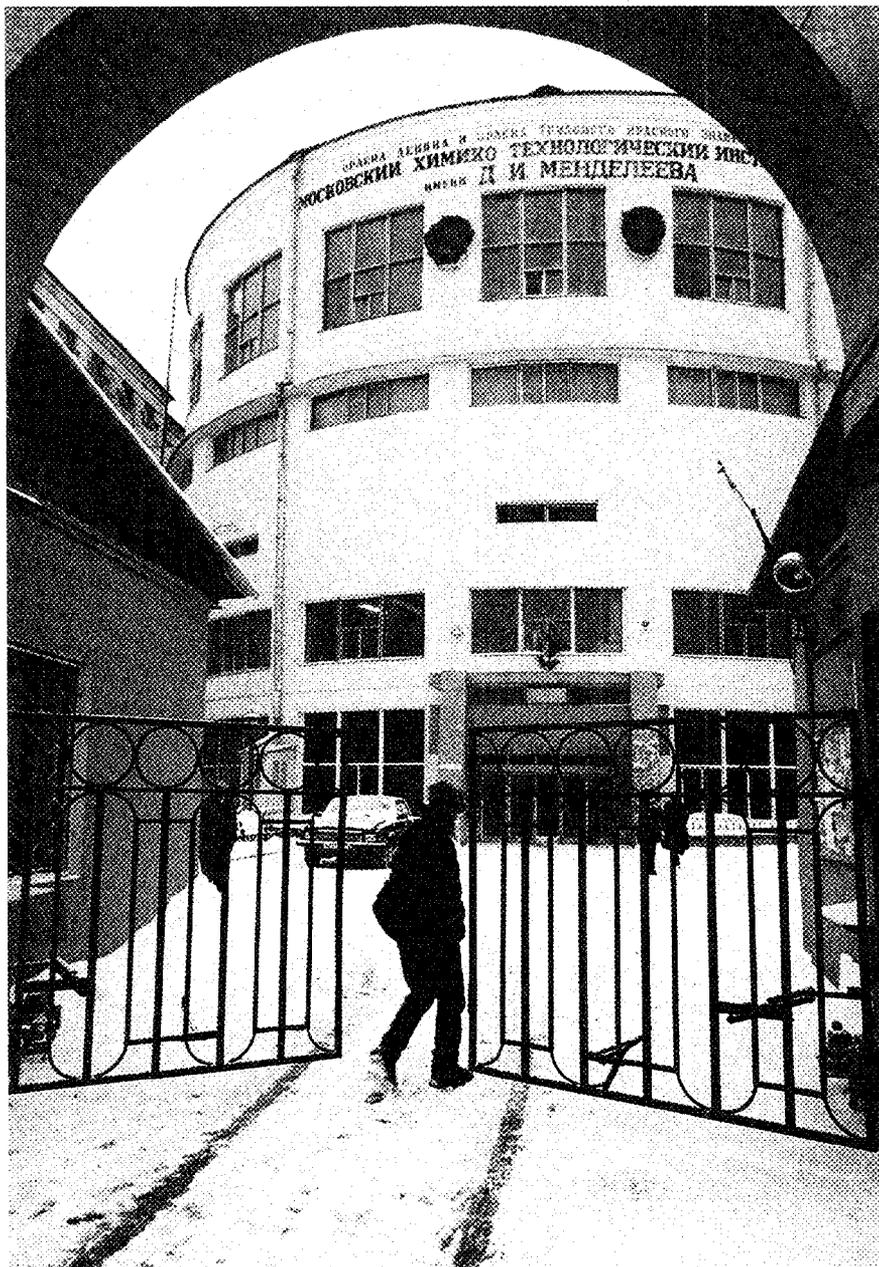
More recent events have cast doubts on the NPT regime's sustainability. On May 11 and 13, 1998, India conducted underground nuclear tests. Two weeks later, Pakistan conducted its own underground nuclear tests. Although the

number and characteristics of both test series were subject to question, both states broke the nuclear weapon threshold. For more than two decades, India and Pakistan maintained "virtual nuclear arsenals" without overt testing and deployment. That bilateral self-restraint collapsed once the Indian Hindu Nationalist Party's coalition government advocated ending "nuclear apartheid" and overtly tested an operational nuclear arsenal. Given India's substantial regional military superiority, the Pakistani Government decided to test in order to provide Pakistan with a "great equalizer."

American response to these tests was firm and included near-automatic economic sanctions imposed by nonproliferation legislation. The Clinton administration hoped that the international community would express outrage over the Indian and Pakistani tests, but the response was mixed. Although the P-5 and G-7 have been willing to express strong opposition, several major states have refused to impose economic sanctions. These include Russia, the United Kingdom, and France. Russia continues to expand its military sales with India, including the proposed sale of two large nuclear power reactors. Russian aerospace and nuclear sectors are desperate for income. This has clearly taken precedence over Russia's longer term strategic objective of preventing the rise of nuclear weapon states on its periphery. Whether nuclear proliferation can be constrained in South Asia or elsewhere is uncertain.

## "Agreed Framework" with North Korea

The United States nuclear nonproliferation strategy was further strained in the fall of 1998. U.S. intelligence detected construction of a large underground facility north of the Yongbyon nuclear research center in North Korea. Both the United States and South Korea are concerned that North Korea may be constructing a fissile material production facility at this site, and thus reneging on the Agreed Framework. The United States conducted an inspection of this facility in May 1999, but concerns persist that other underground sites may exist. In addition, North Korea's testing of a missile over Japan suggests efforts to acquire delivery systems for WMD.



**The Mendelayev Chemical Technical University in Moscow, subject of U.S. sanctions after alleged failure to prevent leaks of nuclear and missile technology to Iran**

## Global Ratification of the CTBT

The fate of the Comprehensive Test Ban Treaty (CTBT) is closely tied to the outcome of the Indian and Pakistani nuclear tests. In 1997, the P-5 signed the CTBT. Even then India expressed its strong opposition to signing the agreement. As written, all potential nuclear-armed states, including India, must ratify the CTBT before it comes into force. A critical issue is whether America can convince India and Pakistan to sign the CTBT. India demands that it be

formally declared a nuclear-weapon state, which is not possible under the current NPT terms. In the United States, strong opposition to ratification has been expressed in the Senate. The ultimate CTBT fate remains uncertain and subject to political debate in several quarters.

## Spread of Long-Range Missile Technology

Long-range ballistic missiles are the preferred means of delivering WMD. By the early 1980s, the United States negotiated with its allies the Missile Technology Control Regime (MTCR). After the Cold War, America convinced Russia and Ukraine to join the MTCR; China also agreed to adhere to its provisions. Essentially, the MTCR attempts to restrict the diffusion of ballistic missiles with ranges greater than 300 kilometers and payloads of 500 kilograms. The United States has led the effort to include long-range cruise missiles as part of the MTCR protocols.

However, 1998 was a bad year for the MTCR. Several events signaled this regime's inability to limit the spread of long-range ballistic and cruise missiles:

- In April, Pakistan tested the Ghauri medium-range ballistic missile (MRBM) to range of 1,500 kilometers. This missile is believed to be a clone of the North Korean No Dong.

- In May, India announced that it deployed its Prithvi short-range ballistic missile (SRBM) and would develop the Agni II intermediate-range ballistic missile (IRBM). The latter had its first test flight during April 1999 which prompted a second Pakistani test of the Ghauri MRBM and the first test of the Shaheen SRBM.

- In July, Iran attempted a full range test of a similar MRBM. Although it failed, this missile confirmed long-suspected missile technology transfers between Iran and North Korea.

- In August, North Korea launched a three-stage missile over northern Japan in a failed attempt to orbit a satellite. This test alarmed the Japanese Government, and revealed that North Korea had mastered a multi-stage missile technology. This could allow North Korea to develop an IRBM with a range of several thousand kilometers. It is presumed that Pakistan, Iran, and others will be able to acquire this class of ballistic missile.

- Evidence indicated that Russian missile expertise and technology were spreading to such clients as Iraq and Iran.

These events gave credence to the findings of a bipartisan study, headed by former Secretary of Defense Rumsfeld that missile developers might make substantial progress before being detected by U.S. intelligence. The United States has successfully gained Russian, Chinese, and Ukrainian

cooperation on limiting the spread of their missile technology. But the events in 1998 reveal MTCR limits regarding a dedicated proliferator, such as North Korea. Pyongyang has stated in negotiations with Washington that it is generating more than \$500 million annually in revenue from missiles and related technology exports.

Even if the United States can constrain North Korea, No Dong class missile technology may have already been transferred to Pakistan and Iran. Further evidence suggests that similar missile sales and technology transfers are underway with Syria, Egypt, and Libya. These states could have an MRBM-class missile operational within a few years. Less certain is whether they will acquire multistage missiles in operational numbers. Beyond the No Dong class liquid-fueled missiles, several countries may acquire long-range solid propellant missiles. Reportedly, Pakistan already has the Chinese-developed M-9 and M-11 class SRBMs. Similar programs are underway in Iran and Syria.

The diffusion of missile technology is indicative of the "asymmetric threat" that might be employed by a regional state in conflict with the America. Although cruise missile technology is covered by the MTCR, the United States is finding it difficult to thwart the spread of that technology. The United States has repeatedly demonstrated the usefulness of long-range cruise missiles, and a number of states are actively selling systems and technology. Recently, the United States and the United Kingdom have disputed this issue. The United Kingdom seeks to sell a variant of its air-launched Storm Shadow cruise missile to the United Arab Republic. The spread of antiship missiles and long-range unmanned air vehicles has further blurred cruise missile technology distinctions. Both can be converted to ground attack, especially with widespread and low-cost access to the Global Positioning System, which can provide accurate guidance.

## Enforcing the Chemical Weapons Convention

The ratification of the Chemical Weapons Convention (CWC) parallels the nuclear non-proliferation effort. This treaty calls for banning all chemical weapons. It establishes an unprecedented degree of onsite inspection, especially for the signatories' chemical industries. However, the challenge to this ambitious agreement is dual technologies—those that have peaceful as well as military applications.

After stiff debate, the U.S. Senate ratified the CWC in 1997. Only at the eleventh hour was enabling legislation passed during the fall of 1998. All major powers have signed and ratified the CWC, which became international law in the fall of 1997. Iran, Egypt, and other greater Middle East states have refused to ratify the CWC until the issue of Israel's clandestine nuclear weapon program is resolved.

More worrisome has been the appearance of "sanction fatigue" within the UN Security Council. Iraq has failed to comply with the UN inspection regime, which was to ensure the complete dismantlement of Iraq's WMD arsenal. During the winter of 1998, the United States and Great Britain failed to gain P-5 consensus regarding the use of force against Iraq. As a result, Washington has had to resort to UN economic sanctions to encourage the reintroduction of UN inspection of suspected Iraqi chemical and biological weapons facilities.

The Iraqi regime is playing a cat and mouse game. Saddam Hussein is counting on Russia, France, and China to diminish their support for the punitive peace agreement imposed by the United Nations after the Persian Gulf War. Another round of this "game" occurred during November 1998. The United States and the United Kingdom threatened to launch massive air and missile strikes against Iraq. This seemingly compelled Iraq to accept UN inspectors again. When Iraq subsequently failed to comply, America and Britain launched bombing attacks in late December 1998. In the aftermath, Iraq refused to let the UN Special Commission inspectors return. The future is uncertain.

Although less dramatic, the U.S. economic and technological sanctions on Iran have been eroding under pressure of European and U.S. petroleum industry interests. The United States is finding that while the international community favors nonproliferation, powerful countervailing economic incentives undermine enforcement.

## BWC and Dual-Purpose Technology

The Biological and Toxic Weapons Convention (BWC), ratified by the major powers in 1972, is an example of how difficult it is to limit dual-purpose technologies. Unlike the CWC, the BWC has no rigorous onsite inspection procedures. Similar to chemical weapons technologies, the biological weapons are produced using dual-purpose technologies. However, biological weapons can be more readily developed. They also can be

**U.S. soldier checking  
M-90 chemical detection  
unit during Exercise Fowl  
Eagle 98**



far more potent. The Aum Shinrikyo (Supreme Truth) terrorist organization developed and attempted to deploy both BW and CW in 1995. Fortunately, they proved to be technically and operationally incompetent.

Over the years, the United States has hoped that the horrific and potentially uncontrollable nature of biological warfare would reinforce the norm against it. U.S. policy planners have become concerned that potential enemies of the United States may view biological weapons as an ideal asymmetric weapon.

High-level defectors have revealed that the Soviet Union grossly violated the BWC with an ambitious BW program in the mid-1980s. Some sources suggested that this was a planned asymmetric response to the U.S. threat to deploy the Strategic Defense Initiative (SDI). Evidence also indicates that this program did not fully shut down until the late-1990s. Similar to the nuclear and missile communities, a large cadre of former Soviet biological weapons personnel is looking for employment. They are likely to be in high demand, because they possess expertise in a new generation of biological weapons, including pathogens altered by genetic manipulation.

As a result of the difficulty of limiting chemical and biological weapons, the U.S. Government seeks the development of a more effective homeland defense capability. This effort ranges

from a major reorganization of the federal defense and response system to the creation of response units within the National Guard.

## Regional Arms Control and Disarmament

The Conventional Forces in Europe (CFE) treaty of 1993 further encouraged post-Cold War euphoria. It dramatically reduced the size of conventional forces in Europe and the NIS. It also set limits on these forces. The success of CFE contrasts with the protracted and unsuccessful negotiations during the Mutual Balanced Force Reduction era.

By spring 1999, the terms of the CFE treaty were modified to accommodate Russian concerns regarding their deployment of forces into the Caucasus. Ratification of these changes is scheduled for the fall of 1999. The CFE prompted one of the largest meltdowns ever of armored fighting vehicles. However, all parties were permitted to transfer older equipment to less well-equipped allies to stay within national limits.

Complementing the CFE was an Open Skies Agreement that allowed for regular reconnaissance by designated aircraft of the major parties. This includes reconnaissance by Russian aircraft over Canada and the United States, a reflection of the profound strategic change that followed the Soviet Union's collapse.

## Regional Confidence-Building Measures

The CFE process has functioned rather smoothly. No member has the financial resources, much less the strategic inclination, to upset that agreement. Similar disarmament and restraint regimes have been informally discussed for the Middle East, South Asia, and the Korean peninsula. However, they have not moved into the more formal state-to-state negotiating process.

Other attempts at developing similar regional confidence-building measures have either been stillborn or unsuccessful. Hopes that the Framework Agreement would "put the North Korea nuclear weapon genie back in the bottle" have proven premature. The intermittent Four Power talks have not seriously addressed confidence-building or regional arms control measures. Future negotiations between India and Pakistan appear possible, but that bilateral process is likely to be protracted. In the Greater Middle East, any plausible confidence-building and/or regional arms control agenda awaits the outcome of the protracted Israeli and Palestinian negotiations.

**A search for landmines placed by Tamil rebels near Mankulam, Sri Lanka**



AP/Wide World Photos

## Nongovernmental Organizations

Nongovernmental organizations (NGOs) have grown in prominence in the international arms control and disarmament process. This is largely attributable to the Cold War's end and the expansion of international multimedia, especially the Internet and World Wide Web. A variety of international groups has lobbied for radical reduction if not abolition of nuclear weapons. Radical nuclear weapon limits leading to outright abolition once were dismissed as a fringe idea. Today, the concept has gained considerable support. This has led to activist efforts to persuade the International Court of Justice to declare nuclear weapons as internationally illegal in war. However, no well-organized NGO effort has developed to pursue grass roots support for nuclear abolition.

The International Committee to Ban Land Mines has proven to be a successful NGO in developing a focused disarmament agenda. This coalition of NGOs and such countries as Canada and Norway helped negotiate the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and Their Destruction. Reflecting its military commitment to South Korea, the United States resisted this effort, to the dismay of the international activists. At present, some 70 states have ratified the landmine ban, which gives it the force of international law. Aside from the United States, several other major military powers, such as China, have refused to sign the agreement.

Although not an arms control and disarmament issue in the strict sense, America suffered a similar outcome in negotiating the creation of an International Criminal Court (ICC). Initially, the United States thought that creation of this court would be a useful institutionalization of the Hague Tribunal war crimes court process. However, various opponents of U.S. global power projection were able to gain provisions the U.S. military found objectionable. In the end, the United States was unable to support the ICC proposal.

## Arms Control and Disarmament: A Strategic Paradox

Recent arms control and disarmament efforts have been frustrating. Just as progress seems to be made, the process suffers setbacks. Yet, unmitigated pessimism is not warranted. So far, the arms control and disarmament process

## Anti-Personnel Landmine Treaty



Source: *The Washington Post*, March 6, 1999, A15.

has served U.S. interests. The issue is whether this process can deal with the challenges ahead.

Much will depend on how the future unfolds. American interests in preventing further WMD proliferation are shared by many other countries, including the core democracies. The United States and its partners doubtless will continue exerting strong efforts in this endeavor. The best case outcome would be keeping proliferation to a minimum. A worst case would be a collapse of arms control and disarmament, with accelerating proliferation in several regions. The consequences for U.S. interests would be grave. In between lies a more probable scenario: arms control efforts will continue succeeding in important ways, yet proliferation will occur in selected places. This middle-ground scenario would affect U.S. interests in mixed but dangerous ways.

The United States and the arms control process face a strategic paradox. On the one hand, U.S. power is second to none. It has the opportunity to shape the future international security environment. Through arms control and disarmament it can reduce the threats to international security. It also can help extend deterrence and stability to its allies and friends throughout the world.

On the other hand, the United States will have a difficult time mobilizing global consensus

for new arms control accords. Much of the world is suspicious, if not resentful, of American political, military, technological, and economic dominance. This is especially true of the three key transition states, Russia, China, and India. The attitude of the Russian elite toward the United States has changed, as is demonstrated by the Russian Duma's failure to ratify START II. Although U.S. and Chinese relations have seemingly improved because of the administration's successful engagement strategy, a potential for strategic rivalry exists, as evidenced by Beijing's national security strategy. India has forcefully declared that the United States should accept a new "multipolar era."

The United States has an interest in seeking additional agreements, but would likely encounter strong obstacles. The START process is running up against imposing political barriers. Efforts to expand the NPT, the CWC, and the BWC are contrasted by growing proliferation challenges. The CFE process in Europe is unlikely to be expanded further, and serious interest in conventional accords elsewhere is not apparent. These constraints do not prohibit further progress, but they will make it hard to achieve.

Arms control is best able to serve U.S. interests in Europe and Eurasia, regions that are not currently focal points of intense interstate conflict. The opposite is the case across the Greater

Middle East and South Asia. However, its need is the greatest there. To the extent arms control efforts fail in these regions, U.S. strategic interests will be damaged.



An Israeli citizen with a gas mask, distributed in Jerusalem in December 1998 in anticipation of a possible attack by Iraq

## Consequences for U.S. Policy

Arms control and disarmament will remain a key feature of U.S. national strategy, but their requirements are changing. The recent slowdown in progress underscores the need to examine U.S. policies. A key question is: given the opportunities and constraints, what priorities should U.S. policy pursue in the coming years? How America answers this question will determine the future role of arms control and disarmament in its national security strategy. This especially is the case regarding efforts to restrain accelerating proliferation.

### Re-thinking START Negotiations

The START era may be ending in a formal sense. Similar to parallel reductions pioneered by Presidents Bush and Gorbachev in 1991, the United States may be compelled to accept a more informal relationship with Russia.

The Russian Duma may not ratify START II before the next Russian presidential election in 2000, if ever. Twice during December 1998 and March 1999, the Duma appeared ready to consider a ratification process only to have the prospect terminated by U.S. and NATO air campaigns, Operations *Desert Fox* and *Allied Force*. Hope for jump-starting START III via the 1997 Helsinki Agreement has faded. As a result, America faces the prospect of maintaining nuclear forces at START I levels at a 5-year cost of some \$10 billion. In turn, the "deterioration rate" of the Russian liquid propellant ICBM and SLBM force continues apace. Lack of funding is compelling the Russian military to dismantle much of the ICBM and SLBM force ahead of the START II schedule. Russian strategic weapon planners extensively discuss the possibility of Russia unilaterally moving to an operational force of no more than 1,000 long-range weapons.

If Russia does not adopt START II, one option for the United States would be to unilaterally move to START II levels or below. This step would help signal the Russian elite that America has no interest in maintaining a numerically superior strategic nuclear force. The Russian military is in no position to maintain the current START I structure, much less consider rebuilding its force during the next decade.

If START does not achieve results, the focus of the United States could shift to the maintenance of the CTR process, especially the purchase of highly enriched uranium and weapons-grade plutonium. Its strongest leverage may be Russia's need for foreign exchange. An agreement for further Russian fissile material sales along these lines was signed even during the NATO air campaign against Yugoslavia in spring 1999.

### Conducting ABM and TMD Negotiations

Where is the ABM Treaty headed? A central issue is whether the United States should deploy a robust national missile defense during the first decade of the 21<sup>st</sup> century. Already this issue is polarized politically. Also, the emphasis on homeland defense against unconventional chemical and biological weapons threats is likely to increase. The diffusion of long-range ballistic missiles by North Korea will accelerate the requirement to deploy a robust theater missile defense, if only to protect U.S. forces and those of its allies. All these factors point to a major debate about theater and national missile defenses in the coming years.

Without the demarcation between strategic ABM defense and TMD as negotiated in the 1997 Helsinki Summit, the United States may have to circumscribe the ABM Treaty in order to deploy TMD. During winter 1999, the administration strongly signaled that it was prepared to consider deploying a national missile defense by 2005 that might call for the renegotiation of the ABM Treaty. Abrogation could only be justified if North Korea or Iran appeared to be rapidly acquiring an intercontinental nuclear missile capability. Beijing's reaction must also be considered. Although China's nuclear missile potential is dismissed by some, its capacity to respond with ICBMs will improve dramatically if its DF-41 program proves successful. This will further intensify pressure for a ballistic missile defense capability within the Western Alliance.

## Shoring Up the NPT and CTBT

A principal challenge to shoring up the Non-Proliferation Treaty and the Comprehensive Test Ban Treaty will be if rogues like North Korea, Iraq, and Iran accelerate efforts to acquire nuclear weapons and delivery systems. Until then, efforts to contain and deter them will continue, supplemented by actions to prevent their access to these assets. But if they actually cross the nuclear threshold, a new era of regional security affairs and arms control negotiations will emerge. Initially, the challenge will be to deal with adversaries in a manner that contains destabilization.

In South Asia, Indian and Pakistani nuclear tests have shattered the status quo established by the NPT. Roll-back is not an option. Now the United States must consider how to shore up the NPT after these two acts of nuclear breakout, with the prospect of more to follow. Two options are:

- *Freeze.* Convince India and Pakistan not to move to an operational arsenal through a combination of incentives and disincentives. Encourage both to accept the CTBT while continuing to maintain "virtual," not operational, nuclear arsenals. The prospect of this option may have been fatally compromised by the spring 1999 long-range missile tests by both India and Pakistan.

- *Fire Break.* Develop a mutual deterrence regime between both nuclear weapon states. Limit deployment to small and secure nuclear arsenals. The United States might play a major role

in developing and monitoring regional confidence-building measures. Also, attempts should be made to prevent the Pakistani bomb from becoming an Islamic bomb. Encourage both countries to ratify the CTBT and then lift economic sanctions. The question is whether India and Pakistan should be grandfathered into the NPT.

Some advocate punishing India and Pakistan. The danger of punitive action or neglect is that continued economic sanctions will disproportionately affect Pakistan, which has a far weaker economy than India. Out of desperation, the government might consider selling nuclear weapons to its Islamic neighbors. Economic sanctions also could lead to Pakistan's collapse. If so, there would be the real possibility that several nuclear weapons might fall into the hands of terrorist groups, including those associated with Osama bin Laden.

By the end of 1998, the United States acknowledged the counterproductive nature of economic sanctions imposed on India and Pakistan and substantially relaxed them. The future is unclear. Without ratification of the CTBT by India and Pakistan, the treaty may unravel or be viewed as ineffective by the international community.

## Promoting Chemical and Biological Weapons Conventions

For the next few years, the best America can hope for is that Iraq does not dramatically break out with a chemical and biological weapons program. Such a breakout would ensure that Iraq's Islamic neighbors would sustain their own chemical and biological weapons programs. Controlling the spread of chemical and biological weapons elsewhere promises to be a demanding enterprise. If these weapons proliferate into the hands of rogues, U.S. military requirements obviously will increase.

## Handling Nuclear Abolition Arguments

Several NGOs might seek to mobilize wide political support for nuclear abolition, especially after the international fallout from the NATO-Yugoslav war. Considerable public discussion has already occurred regarding various nuclear abolition and virtual nuclear arsenal regimes. A number of retired military officers, primarily in the United States, have articulated a case for nuclear

abolition. They argue that America is the dominant military power and does not need nuclear weapons for extended conventional deterrence or regional power projection. Others, however, respond that reducing the nuclear inventory below about 2,000 warheads could prove highly destabilizing. Should the abolitionists gain momentum, the administration will need to develop a campaign to counter their arguments.

## Creating a Long-Term Strategy

Major advances occurred in the global arms control and disarmament process in the first 6 years after the Soviet Union's collapse. In 1998, progress slowed, and even suffered reversals in the cases of the Nonproliferation Treaty and Missile Technology Control Regime. The question is whether the current difficulties are temporary, or represent a more fundamental change in future prospects. Several alternative long-term strategies should be considered:

- *Tend the Garden.* This strategy assumes that setbacks are temporary. It is a maintenance-and-repair strategy to prevent fundamental reversals in current arms control and disarmament regimes. Its central focus would be to place U.S. and Russian arms control and disarmament relations in a holding pattern. The United States will not alter the nuclear regime as codified by START I and the ABM Treaty. In other arms control and disarmament regimes such as the NPT, CWC, and BWC, the focus would be on regime maintenance and pragmatic expansion where possible.

- *Downgrade Arms Control and Disarmament.* This strategy is based on the assumption that the arms control and disarmament process has reached a state of stasis, if not exhaustion. Its central strategic requirement would be the U.S. maintenance of credible extended deterrence for allies and other friends. The United States will be

required to take a variety of actions to deal with future asymmetric threats such as the deployment of robust theater and national missile defenses. Those deployments would no longer be hostage to an "obsolete bilateral relationship" with Russia, or other arms control negotiations.

- *Leap Ahead.* This strategy assumes that much of the arms control process, especially regarding nuclear weapons, has become too bureaucratic and limited in strategic vision. With the START bilateral negotiating process stalled and the India-Pakistani nuclear test severely damaging the NPT, this option posits a more dramatic nuclear disarmament initiative, for example, a unilateral U.S. move to START II levels without Duma ratification. The unilateral nature of such a dramatic gesture, however, could create severe verification and parity problems.

No one alternative may be consciously chosen, but major features of each may be orchestrated in the future. Regardless of the option, the United States will need a long-term strategy because previous momentum in the arms control and disarmament process can no longer be expected to continue.

## Net Assessment

The arms control and disarmament process flourished in the early 1990s, but lately has encountered delays and setbacks. One reason is that it is tackling more difficult issues than before. Another reason is that international political dynamics have begun acting against it. In the coming years, arms control and disarmament will continue to serve as an important feature of U.S. strategy. However, it may not be as effective as once hoped and may require major policy changes.

# Space and Oceans: *Can They Be Controlled?*

**S**pace and oceans have become an important component of international affairs. Prospects for controlling them in a manner that serves U.S. interests, the Western community, and peace and stability are addressed here. Control of both mediums likely will face growing challenges.

## Space

Transformation from the industrial to the information age is far from complete, but the rate of change is accelerating. Because the United States is at the forefront of the information age, advanced technology and information have been the engine of economic strength and military prowess. Space-based capabilities have become so intertwined with U.S. society that continued unimpeded access to space has become a vital U.S. interest.

In the 21<sup>st</sup> century, space systems will be the nexus among economic, diplomatic, and military elements of national power. The United States has \$100 billion invested in space today; in the next century this investment could approach 10 percent of the U.S. gross domestic product (GDP). This includes satellite manufacturing,

launch vehicle production, launch services, production of earth-based tracking and control terminals, handheld global positioning system (GPS) or telephone receiver/transmitters equipment, sophisticated satellite control earth stations, satellite insurance, and the sale of space-based services.

The value of information collected or transmitted via space systems is immeasurable, as is the value of direct applications of space technology to society. Additionally, U.S. corporations gain efficiencies and a competitive advantage in the world market as a result of their access to space-based information.

The benefits of space-based systems reach every level of U.S. society. Satellite dishes provide direct TV to over 10 million households. Satellite navigation systems in American cars are routine. Space systems provide crucial data for environmental monitoring, real-time weather forecasts, and long-term trend assessments. Accurate weather projections have profoundly affected agriculture, severe weather warnings, aviation operations, maritime operations, and many other aspects of daily life.

## Key Trends

### Increasing Commercial Activity in Space

In 1997, the world spent \$79 billion on space systems. By 2001, it is expected to reach \$117 billion. In 1996, the United States spent more in the commercial space sector than on military space. This trend will increase. Currently, some 600 satellites are in orbit, with roughly a third belonging to the United States. Within the next decade, the world will launch over 1,500 satellites, with the commercial sector responsible for the vast majority. They will provide customers with communications, remote sensing, and navigation capabilities approaching the capabilities and technical sophistication of military capabilities.

The projected growth in space systems is most evident in commercial satellite communications. Emerging technologies and huge potential profits have led to fierce competition among satellite manufacturers, communication system operators, and the developing international

launch industry. No fewer than eight major communication projects are underway. Within the next decade, these projects will launch over 500 satellites.

The Iridium communications system began operating in 1998 and has completed its 66-satellite constellation. Teledesic's system is scheduled to go online in 2001, with full service in 2003. Teledesic hopes to eventually have 288 low-earth-orbit satellite systems and provide subscribers with what has been described as worldwide, fiber optics, quality data transmission. These mobile telephone systems and others will offer a superior "communication systems in being" to anyone with a credit card.

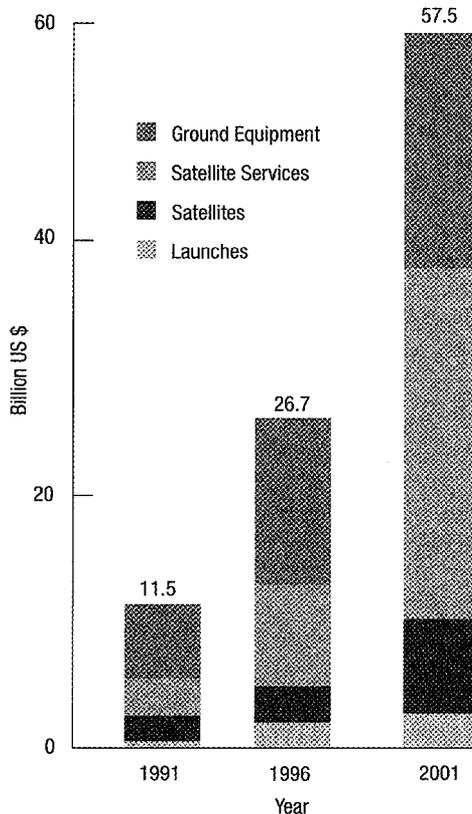
Once the purview of governments, commercial remote-sensing systems are entering the marketplace. The demand for high-resolution imagery is expanding into such areas as farming, land management, urban planning, environmental monitoring, cartography, and hydrology. According to Commerce Department estimates, growth in commercial remote sensing systems sales and services will increase from \$150 million in 1990 to \$2 billion in 2000. Within the next 4 years, 20 new commercial remote sensing satellites are expected to be in operation.

Not only are commercial assets plentiful, their products are becoming inexpensive and technologically sophisticated. Today's commercial systems offer a variety of technologies for imagery, including electro-optical systems, synthetic aperture radar, and infrared systems. Previously, the industry standard was 10- to 30-meter resolution imagery. Soon, commercially available satellites will offer 1-meter resolution imagery. Already a foreign commercial/civil system offers broad area, high-resolution multispectral imagery for \$4,000, and recently, a U.S. agency proposed selling Landsat-7 data for as little as \$400 a scene.

Commercial growth in the use of the GPS is staggering. What was essentially a system designed for military applications has become a vibrant industry. The Commerce Department reports that global sales for GPS receivers were \$867 million in 1994 and nearly \$1.3 billion in 1995 and are projected to grow to \$8 to \$10 billion by 2000. In 1995, more than 500,000 GPS users were in the United States. By 2000, this number is projected to be 2.5 million. Initially developed by the Defense Department, the military share of the GPS receiver market is steadily shrinking. By 2000, it will represent only 1.5 percent of the total.

GPS technology enables precision tracking—a critical capability with many military and

**Growth of Commercial Space Worldwide**



Sources: *Air Force Magazine*, March 1998; Air Force Scientific Advisory Board, "Space Roadmap for the 21<sup>st</sup> Century Aerospace Force," November 1998.

## Existing or Planned Satellite Systems of 10-Meter or Better Resolution

System	Status	Resolution	Swath Width	Data Sources	Operator	Spectral Bands	Sensor(s)	WWW	Revisit Time
EarlyBird	Lost 12/97	Pan=3m MS=15m	Pan=36km MS=925km	EarthWatch	EarthWatch	Pan, G, R, NIR	Pan, MS	www.digitalglobe.com	2 to 5 days depending on latitude
QuickBird	Expected 1999	Pan=1m MS=4m	Pan=22km MS=22km	EarthWatch	EarthWatch	Pan, MS, NIR	Pan, MS	www.digitalglobe.com	1 to 4 days depending on latitude
IKONOS-1 & IKONOS-2	Expected mid- to late 1998	Pan=1m MS=4m	11km	Space Imaging	Space Imaging	Pan, VNIR	Pan, MS	www.spaceimaging.com	Every 3-5 days from a different angle; 140 days for the same path of the same orbit
IRIS IC/D	Operational	Pan=5.8m MS3=23.5m, 70.5m, 188m	LISS=141km Pan=70km WIFS=774km	Space Imaging (in U.S.)	Indian Remote Sensing Agency	LISS 3, WIFS, Pan	LISS 3 (Linear Imaging Self Scanner), Pan & WIFS (Wide Field Sensor)	www.spaceimaging.com	24 days
OrbView-3	Expected 1999	Pan=1 & 2m MS=4m HS=8m	Pan=8km MS=8km HS=5km	OrbImage	OrbImage, Inc.	Pan, MS	Pan, MS, HS	www.orbimage.com	Less than 3 days
RADARSAT	Operational	Microwave; 8-100m	50-500km	Space Imaging (in U.S.)	Canadian Space Agency (CSA)	C Band	Synthetic Aperture Radar	www.spaceimaging.com	24 days
Resource 21	Expected 1999	10-20m cirrus; 100+m	205km x400km	Boeing Resource 21	Resource 21	MS	MS	www.boeing.com	Twice in 25 min per day at equator; twice weekly with nadir view
Resurs	Operational	MS=2m, 10m	180km, 200km	U.S. Spin-2	Sovinform-sputnik	Pan, Digitized photographs	KVR-1000 Camera	www.spin-2.com	16-17 days
SPOT 4	Operational	Pan=10m MS=20m	60km, 2250km	SPOT Image	CNES & SPOT Image	MS, VNIR, Pan, side-looking	2 HRVs (Haute Resolution Visible)	www.spot.com	26 days

Source: *Commercial Space & Military Information Dominance, Assessing Security on the New Frontier*, Institute for Foreign Policy Analysis, June 1998.

commercial applications. Delivery companies like UPS and FEDEX closely monitor their fleets, enabling them to accomplish efficient delivery schedules. Construction contractors use GPS to streamline complex surveying projects. Automobile manufacturers are offering consumers such GPS services as location and direction finding, trip-tracking, and emergency-response assistance. Hikers use GPS to navigate unfamiliar terrain. Its potential uses are nearly unlimited.

Since the Gulf War, GPS has significantly improved the accuracy of both its position data and timing data. According to the U.S. Space Command, precision timing provided by GPS probably offers the greater commercial value. Cellular phone calls are measured by GPS-provided standards. Computer use and many other time-sensitive applications depend on GPS to provide timing for billing purposes. The recent 30-second time error in one satellite caused a 1-day failure of a cellular net, costing millions of dollars.

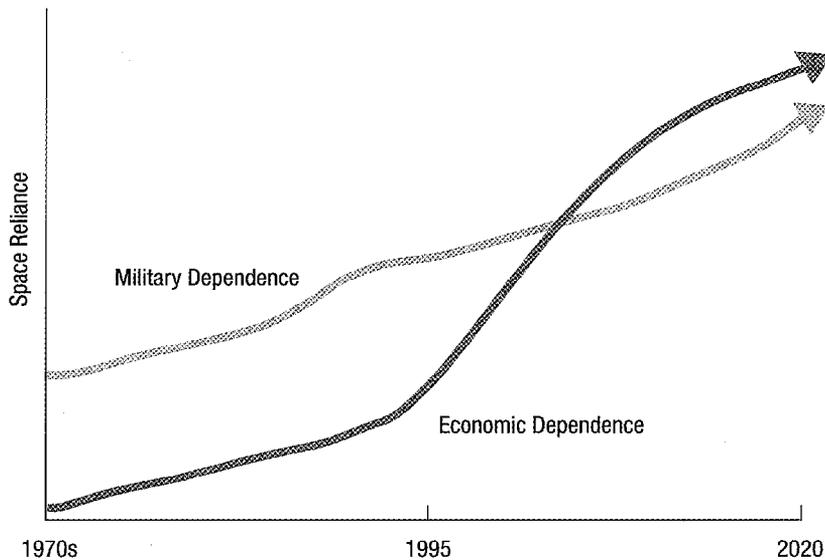
The U.S. Government's 1996 GPS policy statement recognizes the civil and commercial

significance of GPS. Previously, GPS signals were degraded for commercial users. The new policy directed the Department of Defense (DOD) to discontinue this practice and to provide worldwide users with the same accurate navigation signals as provided military users.

## Increasing Military Use of Commercial Systems

A nation wages war the way it produces wealth. Just as oil was essential for industrial-age warfare, space-based information will be central to war in the information age. Space systems have become integral to military operations from the strategic level all the way down to the tactical level of warfare. Remote sensing, weather, and communication satellites provide the means of gathering, harnessing, processing and distributing information. The GPS directly supports new generations of weapons, including the most advanced Tomahawk and standoff attack munitions.

## Evolution of Space Dependency



Source: Long Range Plan: Implementing USSPACECOM Vision for 2020, March 1998

Since the Gulf War, success in U.S. military operations is becoming increasingly dependent on information dominance and the ability to collect, process, and distribute relevant information through a network to widely dispersed users. The lynchpin in information dominance is space-based capabilities. The concepts of *Joint Vision 2010*—battlefield dominance, precision strike, full-dimension protection, and focused logistics—are dependent on space-based information.

With the exception of electronic surveillance and strategic warning systems, the U.S. military is losing its preeminence in space just when space operations have become a critical requirement for successful military operations. The marketplace is driving innovation in space technology. As a result, commercial capability is approaching military capability. Spurred by declining budgets and increasing requirements, the U.S. military has taken advantage of inexpensive, readily available commercial capability. The U.S. Space Command reports that 70 percent of DOD satellite communication requirements are leased from commercial systems.

To ensure critical communications, the U.S. military will maintain “high end” military command and control communication satellites that possess anti-jam, low probability of intercept/detection, and electromagnetic pulse-protected

systems. But the sheer volume of bandwidth mandates extensive use of commercial assets.

The satellite communications (Satcom) bandwidth required by one deployed aircraft carrier is illustrative. The Naval Space Command states that in 1991, one carrier required 9.6 kilobits per second (Kbps) of bandwidth for full connectivity. In 1997, this requirement grew to 2,000 Kbps and by 2005 is expected to grow to 10,000 + Kbps. Projections for 2010 call for 32,000 Kbps of Satcom bandwidth. Other services’ requirements show similar growth. Planned military satellites cannot keep pace with these expanding bandwidth requirements, necessitating more use of vulnerable commercial systems.

## Vulnerable Space-Based Systems

The growing military and commercial use of space generates significant national security policy challenges. Any disruption to the vulnerable space industry would immediately and adversely affect the U.S. economy, military, and society. The May 1998 failure of just one on-orbit commercial satellite, with the resultant loss of service to 90 percent of the pagers in the United States, was a significant event for hundreds of thousands of Americans and illustrates how U.S. society is becoming dependent on space-based systems.

Forces hostile to U.S. interests likely are studying how to attack space networks. The U.S. military’s dependence on space assets was obvious in the Gulf War. Subsequent doctrine and systems developments have increased that dependence. Some foreign strategists have described U.S. space assets as a Clausewitzian center of gravity.

Technologies exist today that could challenge U.S. dominance in space. Satellites are vulnerable to attack or disruption, particularly commercial satellites that lack the hardening of military systems. A 1997 *Defense Week* article described an Army experiment in which a commercially available 30-watt laser was used to blind an earth-observing satellite operating in a low-earth orbit.<sup>1</sup>

Satellites can be attacked directly by jamming or nuclear electromagnetic pulse and radiation. Today, equipment purchased in any reasonably sized shopping mall can easily jam local GPS signals from a satellite orbiting at 11,000 nautical miles. In 1997, a 5-watt transmitter reportedly disrupted GPS signals to aircraft flying overhead.

Many scientists believe that the radiation produced by a 50-kiloton nuclear burst at 200

miles altitude would eliminate most low-earth-orbit commercial satellites within months. The proliferation of nuclear weapons and missile systems makes such an attack feasible.

Although requiring more technological sophistication, kinetic kill antisatellite (ASAT) weapons were tested in space by the Soviets as early as 1968. Few countries today have active ASAT programs, but off-the-shelf and other enabling technologies exist in numerous countries. With 46 countries having active space programs, the use of rudimentary ASAT systems against low-earth-orbit satellites is becoming feasible.

Ground support facilities and key technical personnel are targets for less technologically advanced adversaries. The GPS depends on critical nodes in Colorado Springs, Hawaii, Ascencion Island, Diego Garcia, and Kwajalein Island. Successful attacks on any of these sites would, over time, disrupt significant portions of the system.

Advanced information warfare attacks against satellite software, uplink commands, or downlink information flow could prove devastating. Computer hackers targeting satellites is one example of the effects this type of information-warfare attack could have.

## U.S. Interests

The use and control of space have been vital U.S. interests for 40 years. The strategic importance of space seems destined to grow for U.S. commercial and military interests. Foreign countries will be entering space in growing ways as well. This medium will no longer be the primary province of U.S. forces. American strategists must plan to exploit space to the fullest, while at the same time planning to face foreign competitors in space.

### Enhancing Strategic Interests

Today, U.S. forces use space-based intelligence, communications, and navigation systems to enhance the capabilities of air, land, and sea forces. By 2010, even with an increased dependence on space systems, U.S. forces will remain earthbound in the form of traditional ground, naval, and air forces. The distant future is hard to discern because it depends on technological breakthroughs that are only now being contemplated. Yet, the use of space for broader military purposes seems inevitable. Deployment of space-based ballistic missile defense systems to counter proliferation of weapons of mass destruction seems likely. Faster strategic mobility

from transatmospheric strategic transports is another possibility. Deployment of transatmospheric combat aircraft and other weapon platforms also seems likely. The F-22 and Joint Strike Fighter may be the last low-flying tactical combat aircraft procured by the United States.

## The Challenge to U.S. Interests in Space

In the coming decade, other countries will likely use space for military purposes in broader ways than now. Most will be friendly Western democracies. As they become more capable in space, their ability to assist the United States in projecting military power will increase. Russia and China will become greater participants in space. The strategic implications will depend heavily on their relations with the United States. Partnership activities already are being pursued and may expand if relations with Russia and China remain cooperative.

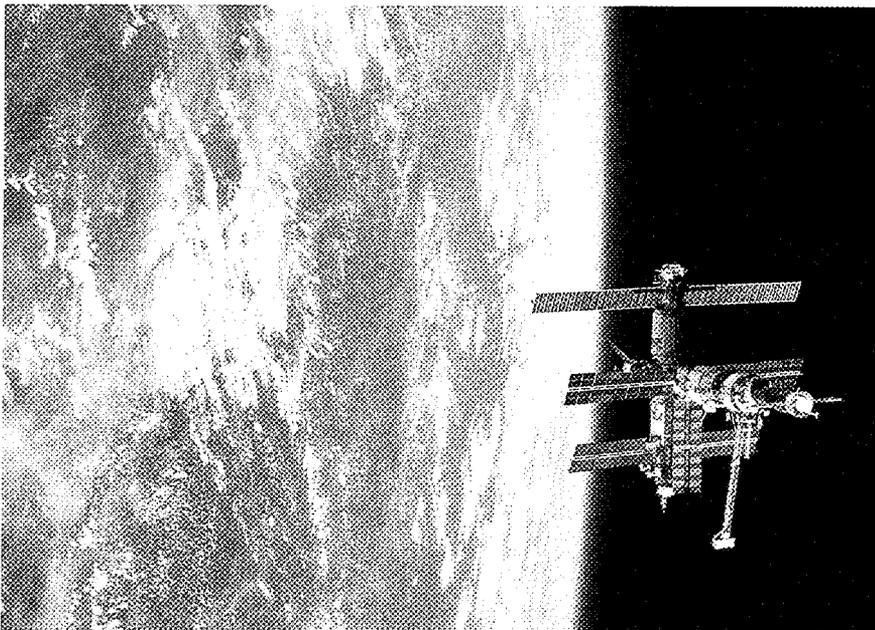
The "wild card" is how rogues will use space in the future. U.S. physical security will be directly endangered if rogues develop intercontinental and cruise missiles, along with the command, control, communications, computers, intelligence, surveillance, and reconnaissance (C<sup>4</sup>ISR) assets to use them effectively. Short of this step, rogues likely will develop better C<sup>4</sup>ISR assets for conventional forces in regional conflicts. This will better enable them to conduct sophisticated combat operations and degrade U.S. military missions. Regardless, increased military use of space by rogues spells greater trouble.

### Future Regional Conflicts in Space and Cyberspace

Today, the United States and its allies are the primary users of space and cyberspace. As rogues develop greater offensive and defensive capabilities, space and cyberspace likely will become the focus for waging regional wars. Control of space and cyberspace will affect the outcomes of ground, sea, and air operations. The U.S. military will likely face greater opposition in space and cyberspace.

## Consequences for U.S. Policy

U.S. policy for using space has matured in recent years and is now a critical part of national



Russian space station Mir

security strategy. The principal challenge is to ensure this policy responds to emerging requirements.

### Balancing Commercial and Military Space Interests

Policy must balance the commercial advantages of selling advanced technology overseas with the national security goal of remaining dominant in space. This issue is becoming increasingly complicated. Privately developed technology is approaching or surpassing sensitive military technology.

A state-of-the-art satellite communications network could provide a needed telephone system to a country lacking the landline infrastructure. Satellite mobile systems, with available modern encryption, could also provide a potential adversary's forces with a sophisticated communications system. This dual-use technology has led to demands to restrict the export of sophisticated systems. However, trying to limit all but the most revolutionary commercial technology may be like trying to restrict the use of logarithmic tables; many experts believe that the technology cat is already out of the bag.

Numerous countries have robust space programs. There is a worldwide surplus of skilled scientists as a result of the growth of the private space industry, disintegration of Russia's space program, and Asia's economic crisis. Market forces are alive and well in the worldwide space

industries. Restricting U.S. companies from offering the most competitive services will not prevent the growth of sophisticated space technologies. It will probably lead to purchases from foreign companies. Yet, strict controls on the sale of military technology will remain a necessary component of U.S. policy.

### 21<sup>st</sup> Century Requirements for Space Control

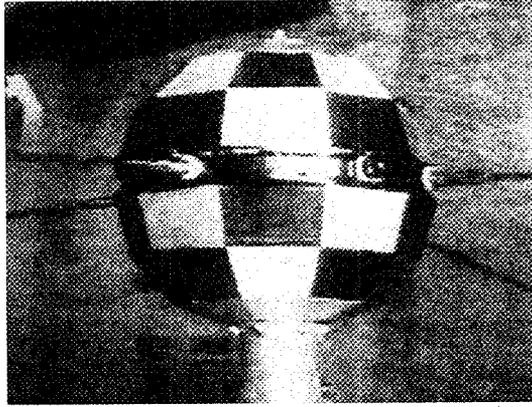
Just as air and sea control was necessary for industrial age warfare, space control has become critical for information age warfare. Space-control goals mirror traditional sea-and-air-control objectives. Control of the oceans and skies ensures a friendly advantage and denies adversaries the capability to use them. However, the increasingly international use of commercial space platforms makes direct attacks on foreign-owned space systems problematic.

The first requirement of space control is to ensure protection of critical terrestrial and space systems. National Space Policy states: "Purposeful interference with space systems shall be viewed as an infringement on sovereign rights." However, today it is difficult, if not impossible, to determine if a satellite failure is the result of a malfunction or hostile actions. General Howell Estes, former Commander of the U.S. Space Command wrote that the United States must:

improve our ability to see what's happening in space. We need to detect and monitor objects less than half the size of what we can see now. Our satellites need to be designed to survive collisions with debris we cannot see and maneuver out of the path of debris we can see. Today, the first indication we would get that a satellite has been damaged would be when it quits working. We need to build sensors that can tell us if satellites have been damaged by solar flares, debris or someone on earth.

Adding attack-detection sensors on commercially built systems will require partnership between the government and private-satellite manufacturers. The world's dependence on space makes the possibility of foreign satellite manufacturers participating in some form of attack detector a viable option. The disruption of satellites would be devastating for commercial networks. Manufacturers have a strong incentive to participate in system protection, but who will provide funding for these sensors remains the

Photo from the South Korean Yonhap News Agency, purportedly of a North Korean satellite launched August 1998



key issue. The most reasonable solution would be for government to fund the research and development of such systems and then make them commercially available.

The United States is not alone in recognizing the sophistication of commercial systems. Low-tech adversaries can quickly become sophisticated and at low cost. In future conflicts, U.S. and hostile forces could possibly use the same commercial communication satellites. An enemy could use enhanced command and control (C<sup>2</sup>) capabilities, facilitated by a commercial satellite telephone network to coordinate a GPS-guided missile attack

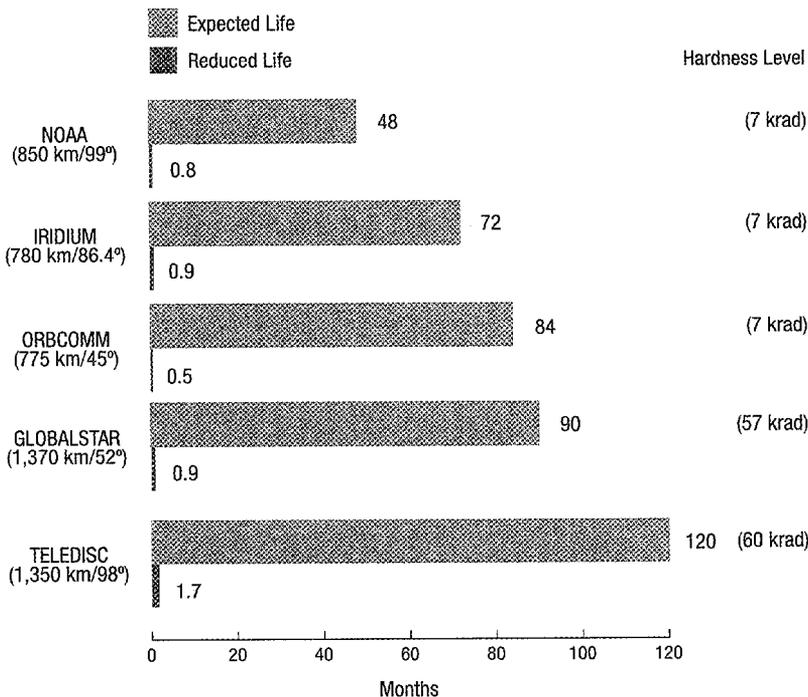
on a target detected by high-resolution imagery, provided from an internationally owned remote sensing satellite. The U.S. way of war assumes technical superiority. The United States should expect and plan for significant improvements in rogue states' militaries, as well as transnational paramilitary capabilities, through exploitation of commercial space systems.

Hostile forces using advanced commercial space assets against the U.S. military would present unique military and policy challenges. The crucial challenge is how to safeguard civil and military access to space services, while simultaneously denying the use of space to a rogue state or transnational terrorist group.

Policy and doctrine issues will need to be addressed, while the United States explores defensive and offensive possibilities of antisatellite systems, emerging laser technology, and cyber-attack. As a first step, U.S. intelligence could analyze the global-information net and determine what commercial systems opponents are using. Knowing what they know will be vital.

Even when confronting a hostile force with access to space systems, U.S. forces can prevail. The U.S. military retains a significant advantage in the integration of space-based data. It is this fusion that enables rapid decisionmaking. When coupled with well-trained and equipped forces, this capability translates into flexible and rapid maneuver that will allow U.S. forces to dominate.

**Commercial Satellite Lifetime**



Source: *Future Challenges to U.S. Space Systems* (Washington: The Institute for Foreign Policy Analysis, Inc., June 1998).

**Promoting Partnership Between Government and Private Industry**

The days of the symbiotic relationship between government and the space industry are long over. The single-minded focus stimulated by the Cold War, along with the heady days of the Apollo Program and moon landings, has given way to a new reality. For industry, the real profit potential lies in commercial, not government, space programs. Specialized, low-production government contracts cannot justify capital expenditures on risky, emerging technology. In the highly competitive commercial-satellite market, the efficient use of current technology is what generates market share.

Shrinking federal budgets mean fewer dollars for research and development. Industry is also satisfied to rely on current technology. Pressure to reduce "corporate welfare" has led to questions regarding the relationship between government and commercial industries.

Such a partnership must be focused on areas of common need. The U.S. Government has reasons to focus research and development on enabling technologies, such as the development of national launch systems, launch-facility infrastructure upgrades, satellite-attack warning systems, and integrated satellite control networks. The National Aeronautics and Space Administration (NASA) is moving in this direction. It seeks commercial operation of the shuttle program and, later, the international space station. This will allow NASA to concentrate on developing leading-edge space technologies.

## Sponsoring Research

In 1993, the United States established the National Science and Technology Council, which replaced the National Space Council. It was tasked with developing and coordinating space policy. In September 1996, it published the National Space Policy fact sheet, which listed the following five goals for the U.S. Space Program:

- Enhance knowledge of the Earth, solar system, and universe through human and robotic exploration
- Strengthen and maintain U.S. national security
- Enhance U.S. economic competitiveness and scientific and technical capabilities
- Encourage state and private-sector investment in space technologies
- Promote international cooperation to further U.S. domestic and foreign policies.

Growing dependence on commercial space systems, some of which may be foreign controlled, makes developing and implementing policy exceedingly difficult. Space systems must be given careful attention in the ongoing policy debates that are attempting to define "homeland defense" and "critical infrastructure" protection.

The recently created National Security Space Architect (NSSA) is a good example of how policy seeks to make space management more effective. As a result of the Defense Reform Initiative's recommendations, the NSSA defines the combined roles of the DOD space management and intelligence community as:

- Integrating DOD and the intelligence communities' space-system architectures
- Improving space support to customers
- Achieving efficiencies in acquisition and future operations
- Eliminating unnecessary stovepiping.

If successful, the NSSA, along with other Defense Reform Initiatives, will make DOD space management more efficient and effective. The requirement for more focused leadership was recently seen regarding who should license commercial communications satellites. This issue

faces competing demands from the State, Commerce, and Defense Departments, as well as Congress and the White House.

As is always the case with rapid technological advancement, policies and bureaucracies struggle to adapt. Policymakers view a leading U.S. position in growing commercial space industry as important to national security. Much has been done in developing overarching policy, but greater effort is needed in implementation.

Establishing a stable policy environment is a prerequisite for policy implementation. Implementation of the administration's vision is hindered by conflicting interpretations of goals and priorities, as well as a lack of consensus on space and technology priorities. Strengthening interagency policymaking on space is an important first step. Strengthening the National Science and Technology Council's role would better enable it to clarify organizational boundaries, set national priorities, and anticipate policy requirements for emerging technologies.

Regardless of how the United States decides to act, policy implementation must be addressed in a logical and integrated manner. How the United States balances economic and security concerns regarding space technologies will be one of its greatest policy challenges and will determine if it can maintain and expand its dominance in space.

## Oceans

Oceans have had a profound impact on the United States. Since the republic's inception, the oceans have been a source of food and have served as a defensive barrier to foreign intrigues. As the United States played a more active role in global affairs, the seas became a vital highway for the nation's merchantmen and armed forces.

The United States is a maritime nation, and international ocean policy is important to Americans. Today, 95 percent of U.S. trade is transported by sea, which represents 20 percent of the GDP. Vice President Gore stated that the oceans sustain one in every six American jobs.

National dependence on the seas is not unique. Seventy percent of the Earth's surface is covered by water. Between 50 and 60 percent of the world's population lives within 50 miles of a coastline. As the world's population grows, more

emphasis is being placed on the oceans. Countries depend on the sea for food and trade.

Historically, oceanic transit of goods required protection from states and piracy. Nations were free to determine passage rights and the extent of their national waters. In today's interdependent world, the international community is realizing that the oceans require international agreements to protect access, maintain environmental quality, and guard against the imprudent exploitation of marine resources. Increasingly, the oceans are being viewed as the unifying medium of the planet. Their global importance was reflected in the UN designation of 1998 as the "International Year of the Ocean."

For U.S. defense strategy, oceans will remain critical. The United States will need to maintain access to such traditional regions as Europe, Northeast Asia, and the Persian Gulf.

## Key Trends

### UN Conventions on the Law of the Sea

In 1994, President Clinton asked Congress for advice, consent, and ratification of the UN Convention on the Law of the Sea. The administration believes that the United States has a long-term national security interest in supporting the Convention. To date, the Senate has not ratified the treaty.

The international community's effort to establish global standards for the oceans was an immense task. It began in 1958 with the first Law of the Sea conference. Between 1973 and 1982, some 150 nations negotiated the Law of the Sea Convention. Three administrations supported the Convention's 1982 agreement, save for the provisions regarding deep seabed mining. The Convention codified limits on territorial seas to 12 nautical miles at a time when many nations actively claimed up to 200 nautical miles. The Clinton administration felt that the agreement struck a positive balance between coastal states and maritime states. It clarified such issues as marine pollution, fisheries and mineral-resource exploitation, and freedom of navigation through exclusive economic zones (EEZs), territorial seas, straits, and archipelagos. In 1994, the UN General Assembly adopted a revised part XI of the Convention, which answered U.S. concerns regarding seabed mining.

Protecting U.S. national security interests, while establishing a globally accepted legal framework for use of the oceans, has been the central

component in the 25-year effort to achieve a comprehensive Convention. The agreement codifies rights vital to a maritime nation such as ours. These rights, as outlined in a DOD-published report on the Law of the Sea, are as follows:

#### Innocent Passage

The right of ships to continuous and expeditious passage not prejudicial to the peace, good order, or security of coastal states is the primary right of nations in foreign territorial seas. Naval vessels rely on this right to conduct their passage expeditiously and effectively. The Convention plays a special role in codifying the customary right of innocent passage for ships on the surface and contains an exhaustive list of the types of forbidden shipboard activities. It also describes the extent of, and limitations on, the right of coastal states to regulate and suspend innocent passage.

#### Transit Passage

The convention protects and preserves free transit on, under, and over international straits. Free transit of straits is essential to the global mobility of U.S. forces. With the dramatic reduction of overseas bases and the greater reliance on our ability to project military power from the continental United States, the internationally recognized right of free transit is vital. More than 135 straits, which otherwise would have been severely restricted as a result of the extension of territorial seas to 12 nautical miles, are open to free passage. Less restrictive than innocent passage, ships and aircraft engaged in transit passage may pass through straits continuously and expeditiously in their normal mode. Submarines may pass through straits submerged, carriers may engage in flight operations, and military aircraft may transit unannounced and unchallenged.

#### Archipelagic Sea Lanes Passage

The right of transit by ships and aircraft through Archipelagos, such as the Philippines and Indonesia, has a significant impact on the ability of our military forces to deploy rapidly.

#### Freedoms of Navigation, Overflight, and Other Use in the EEZs

A third of the world's oceans, including entire seas, such as the Mediterranean, the Red Sea, and the Persian Gulf, is within 200 nautical miles of the coast, and thus within 200 nautical miles of the permissible limits of the EEZs. The Convention expressly preserves in the EEZs the

## The Submarine's Role in U.S. Power Projection

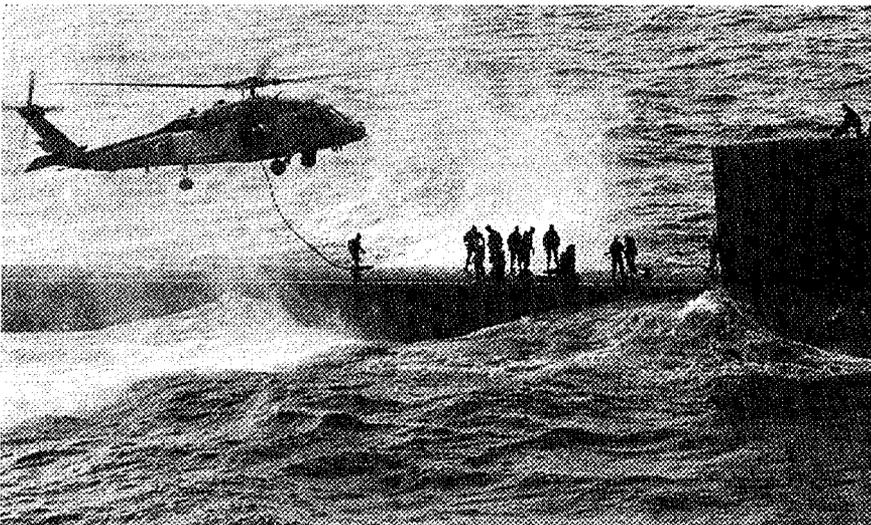
America's nuclear-powered submarines provide our civilian and military leaders the means to help counter asymmetric threats during this transitional period and beyond. Immune to both ballistic and coastal missiles as well as their potential chemical or biological fallout, and well equipped to counter the undersea threats of diesel submarines and mines, U.S. submarines can penetrate denied littoral areas and employ their multimission capabilities at every stage of conflict. Nuclear propulsion enables rapid redeployment and long, unsupported "dwell time," which, together with sophisticated sensors, make U.S. submarines the nation's premier, survivable intelligence collecting assets. Protected by their stealth, and with their magazines devoted to offensive weaponry, submarines possess unique attributes in taking the fight to an adversary's ships, submarines, and other targets ashore.

Two Defense Science Board studies, "Investments for 21<sup>st</sup> Century Military Superiority" and the "Submarine of the Future," recognize the important role of U.S. nuclear-powered submarines. Specifically, the latter study states:

"The unique combination of stealth, mobility, endurance and versatile offensive power have no valid competitor in the set of missions to which attack submarines apply today or in the foreseeable future. . . . Technology advances and proliferation will make the submarine's stealth, endurance and mobility even more important attributes in the future as surface and air forces become more vulnerable."

The *Future of War* warns against the historical precedent of employing "senile" weapons and strategies and the need to provide strategically significant weapon(s) that bring "force to bear in such a way that it decisively erodes the war-making capability of the enemy." The U.S. nuclear-powered submarine is such a weapon, to the degree that even the mere possibility of its presence can be used as leverage against potential adversaries. Just as America's submarines proved so effective in past conflicts, the future portends an expanding role for these stealthy ships in enabling U.S. power projection.

Source: George Friedman and Meredith Friedman, *The Future of War: Power, Technology, and American World Dominance in the Twenty-First Century* (New York: St Martin's Press, 1996).



**Navy SEALs conducting a fast-rope exercise from a SH-60H Seahawk helicopter onto the hull of a fast-attack submarine**

high-seas freedoms of navigation, overflight, laying and maintenance of submarine cables and pipelines, and related uses.

### High-Seas Freedoms

The Convention makes an important contribution by defining the types of activities permissible beyond the territorial seas. U.S. forces remain free to engage in task-force maneuvering, flight operations, military exercises, surveillance and intelligence activities, and ordnance firing.

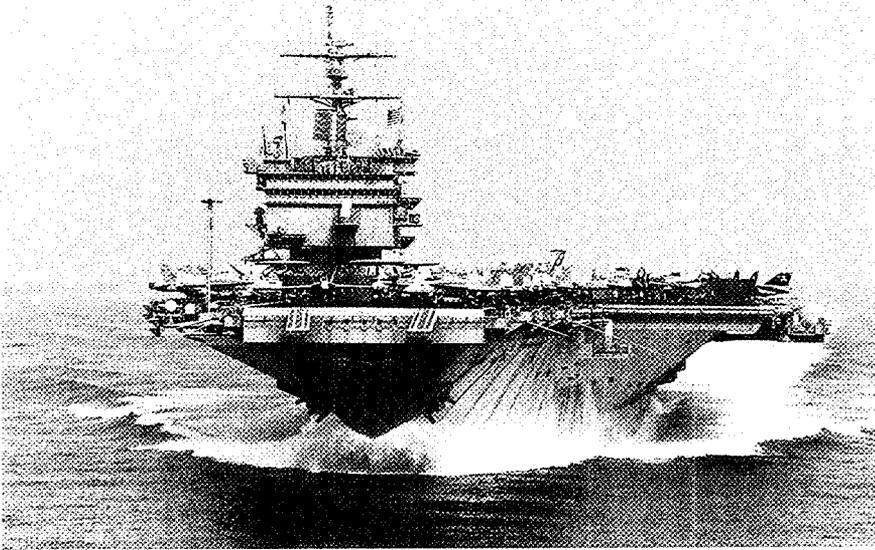
### Sovereign Immunity of Warships and other Public Vessels and Aircraft

The concept of sovereign immunity of warships has come under increasing assault by coastal states wanting to circumscribe this historic right on the basis of security or environmental concerns. The Convention contains a vitally important codification of the customary law principle that warships enjoy sovereign immunity.

### A Closer U.S. Navy and Coast Guard Partnership

In the Cold War's aftermath, complex security issues have emerged. Naval forces have found themselves involved in hybrid missions. They increasingly rely on law enforcement, as demonstrated by operations such as *Sharp Guard*, the NATO-led sanction operations in the Adriatic, maritime drug interdiction operations in the Caribbean, Middle East interdiction operations in the Red Sea, and ongoing enforcement of UN sanctions in the Persian Gulf.

The increasing problems of counterpiracy, drug interdiction, migrant control, and refugee operations present unique challenges to the Navy. The downsized Navy is not as well equipped or trained to deal with these types of missions as it was previously. Today's 300-ship



**The U.S.S. Enterprise in the Persian Gulf**

Navy has only 120 surface-combatants. Many of these are technologically sophisticated Aegis cruisers and destroyers. Both are capable ships but mismatched for law-enforcement missions.

The Coast Guard will play an increasingly important role in the future. The strategic value provided by the Coast Guard is reflected in the following:

- The Coast Guard is the only Federal law-enforcement agency with jurisdiction both inside U.S. territorial waters and on the open oceans.
- Possessing open-ocean, high-endurance cutters, the Coast Guard, with its uniquely trained crews, plays increasingly important roles in enforcing UN sanctions and international embargoes at sea. Operating alongside the Navy, the Coast Guard provides trained and experienced boarding teams.
- The Coast Guard, along with Navy assets, provides harbor defense and maritime traffic management for strategic ports. Both are vital services for power projection.
- In the important military-to-military contact program between U.S. and former Warsaw Pact navies, the Coast Guard often is more compatible with coastal navies than the Navy.

## Regional Navies and Littoral Operations

In the 1980s, the U.S. fleet was building toward 600 ships, and its Maritime Strategy was focused principally on global war at sea. The Soviet Navy was building a mirror image of the U.S. fleet and represented the quintessential

symmetrical threat. Both fleets prepared for decisive battle in mid-ocean. U.S. naval forces focused on blue-water power projection, and Soviet forces focused on denying them this capability.

**Times change.** The Soviet fleet no longer exists. The successor Russian fleet is but a shadow of its former self. Its surface fleet remains pier-side, slowly rusting. Only the Russian submarine fleet remains a viable force.

During the last decade, the U.S. fleet has faced declining budgets and officials who questioned the Navy's relevance in the post-Cold War world. In response, the Navy successfully shifted its strategic focus from war at sea to littoral warfare. It has been a difficult transition for the Navy. Sensor and weapon technologies optimized for open-ocean warfare did not always translate well into the littoral. Designed to operate in an open-ocean environment, the Aegis System required extensive modification and introduction of the new SPY 1D(V) radar to be effective in littoral operations. Littoral seas presented particular difficulties for U.S. submarines, as sonar and torpedoes were greatly affected by shallow water. Although difficult, programs were developed to deal with these technological challenges.

Operating closer to shore, the Navy had to deal with a more asymmetric threat. For the most part, coastal navies could not militarily defeat the U.S. Navy. Potential adversaries, therefore, have pursued an area-denial strategy. Their likely intent is to delay, disrupt, and inflict damage on the deployment of U.S. forces.

As the U.S. Navy continues to reduce the number of ships, those remaining tend to be high-value ships. The loss of one could engender grave U.S. public reaction. Adversary navies targeting U.S. naval forces are likely to be taking into account the U.S. aversion to casualties.

This area-denial strategy is credible, because small navies are benefiting from technological advances. Advanced coastal defense missiles are available on the open market. World War II vintage mines are still effective. Modern mines are integrated systems, incorporating state-of-the-art sensors and processors that make countermining operations much more difficult. Countries hostile to U.S. interests routinely operate diesel submarines with sensors and weapons that are continually upgraded. Fast, modern, missile-equipped boats patrol important coastlines.

The U.S. Navy and Marines have devoted considerable effort to addressing the challenges

of coastal warfare. However, power projection operations are likely to have a cost in an increasingly dangerous littoral environment. Allied navies will be affected as well.

### **Diminishing Fisheries**

The Law of the Sea Convention established the right of coastal nations to manage ocean resources in the 200-nautical mile EEZs. This is an important aspect of the Convention, because 90 percent of the world's fish catch is within EEZs.

The United States oversees some of the world's most productive fishing grounds. Its 2.5 million square-mile EEZ is the world's largest and contains 20 percent of the world's fish resources. In 1995, the U.S. commercial fishing fleet, some 94,800 vessels, contributed nearly \$50 billion to the economy.

U.S. policy is to protect the ocean's natural resources while facilitating maritime commerce. However, more active protection of fish populations is required to ensure a sustainable fishing harvest. Regional fishery councils in the U.S. northeast have made tough decisions limiting catches, despite the severe economic and social impact on many fishermen. The scope of the proposed fishing restrictions demonstrates the severity of the problem. According to one U.S. Coast Guard officer, "40 percent of U.S. stocks are overfished, and 70 percent of the world's fish stocks are either fully or heavily exploited, over-exploited, depleted, or only slowly recovering."

As unconstrained harvesting continues, the pressure on coastal nations to retain access to productive fishing grounds will increase. This will inevitably lead to increasing conflict as nations attempt to prevent encroachment. In March 1995, such a dispute occurred between Canada and Spain. It involved the actual firing of warning shots by Canadian patrol boats.

Fishing is an important part of many coastal country economies; it often reaches deep into a nation's society. If fishing stocks continue to be depleted, security concerns over fishing rights may approach the same level of concern as water rights in the Middle East.

### **U.S. Interests**

On the whole, U.S. maritime interests are far more secure than during the Cold War. Yet, new regional problems are emerging.

### **Absence of Blue Water Threats**

During World War II, the United States and its allies were compelled to defeat major naval threats in both the Atlantic and the Pacific. During the Cold War, they remained constantly prepared for global war that promised major naval actions in multiple theaters. No similar threat looms in the future, provided U.S. and allied naval forces are able to defend the sea lanes. If so, U.S. power projection will be easier than during the Cold War and previous conflicts.

### **Controlling Critical Chokepoints**

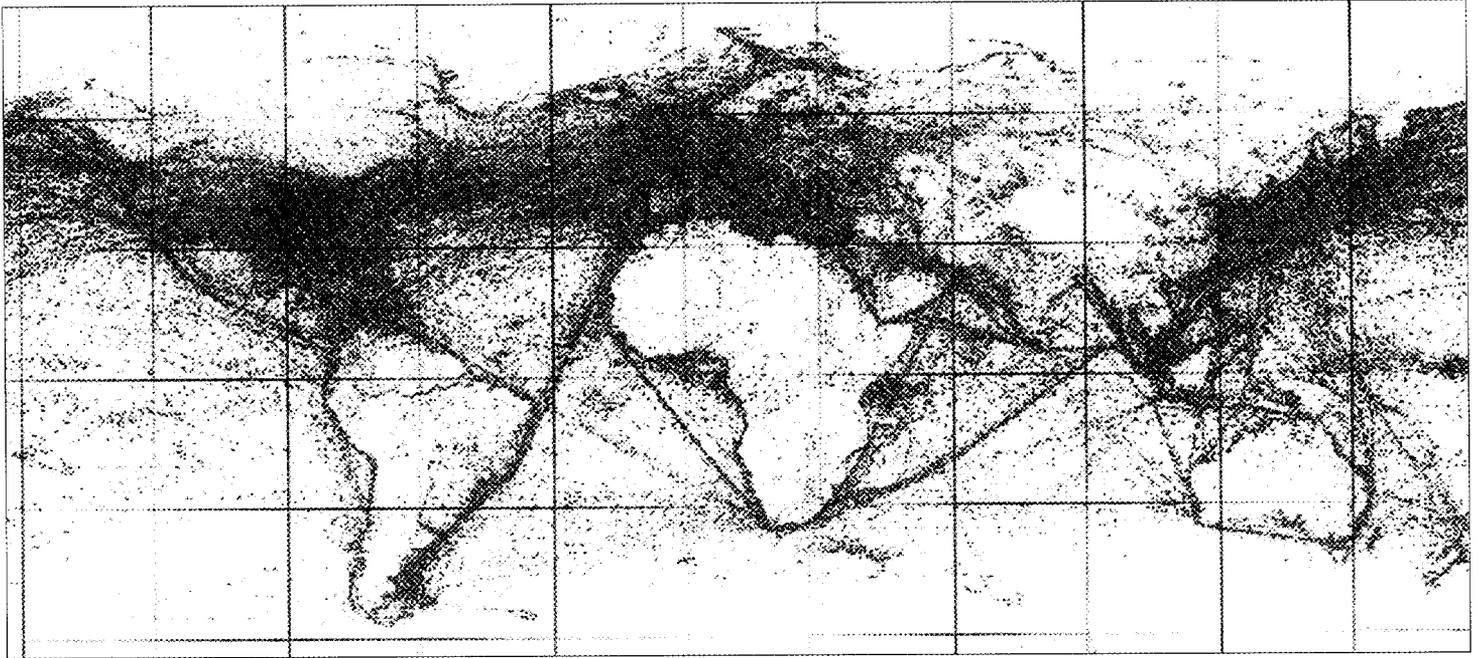
Commercial trade will require transit of such chokepoints as the Mediterranean Sea, the Suez Canal and the Red Sea, the Strait of Hormuz, and the Strait of Malacca. The same applies to U.S. military forces, which will use these and other chokepoints in conflict. As potential adversaries develop mines, cruise missiles, and air-strike assets, they will acquire a better capacity to interdict some of these chokepoints. Maintaining control over them will be a future challenge.

### **Blue Water Threats to Asian Crescent Sea Lanes**

The vast sea lanes of the Asian crescent stretch from Southeast Asia northward to Japan and Korea. Much of Asia's trade transits these sea lanes. Their control is also vital to wartime operations, including the movement of U.S. forces between the Pacific and the Persian Gulf. China lies astride virtually all of these sea lanes; if it develops a navy with power projection assets, it could potentially menace these sea lanes in ways that endanger U.S. and allied interests.

### **Littoral Navies**

U.S. defense strategy for regional conflicts will continue to rely heavily on rapid power projection and reinforcement of allies. Decisive naval contributions to joint operations depend on U.S. Navy and Marine forces getting close enough to a hostile shore to launch strike operations. Rapid follow-on power projection depends on access to sea ports. As adversary forces develop better capabilities in the littorals, they will be able to interfere with U.S. strike and reinforcement operations and pose greater threats to U.S. military strategy.



An electromagnetic spectrum image of the earth from space, depicting global lines of communication

## Multilateral Naval Partnerships and International Law

U.S. national security strategy calls not only for maintaining existing defense alliances, but also for developing relations with new friends and former adversaries. This includes maintaining existing naval partnerships and developing new ones. To the extent engagement and enlargement succeed, it can ease the challenges confronting U.S. defense strategy. Likewise, the extension of international law for use of the seas can reduce the potential for conflicts and contribute to stability in several turbulent regions.

## Consequences for U.S. Policy

As a maritime nation, the United States has an interest in continuing to play an active leadership role in establishing an international legal framework for the use of the oceans. It has the longest coastlines in the world, and 95 percent of U.S. import and export trade tonnage is transported by sea. The United States depends on unobstructed seas to project military power in support of global interests. This dependence on the oceans necessitates the following:

- The United States will continue to require strong space and naval forces to control both mediums.

- Congress should ratify the UN Convention on the Law of the Seas. The advantages greatly outweigh any possible objections to the convention.

- The Coast Guard will need to be recapitalized. The average age of cutters is approaching 25 years. Failure to recapitalize would cripple this service at a time when it has never been more relevant. In 1997, the Coast Guard seized 103,000 pounds of cocaine and an almost equal amount of marijuana. Their street value was estimated to be more than \$1 billion—greater than the Coast Guard's annual budget.

- As military forces are reduced, the Navy and Coast Guard should build a closer working relationship. A recent Memorandum of Agreement between the Secretaries of Transportation and Defense has advanced the operational interaction between the two services. However, interoperability requirements, particularly in areas of command and control between Navy ships and Coast Guard cutters, need to be critically examined. *Joint Vision 2010* should be as relevant to the Coast Guard as to the Navy.

- The ocean's resources are finite. The seas cannot absorb pollutants indefinitely. Continued international action is required to protect and manage the ocean environment.

- The ability to control coastal waters is crucial in uncertain times. The vast majority of U.S. military equipment arrives in theater in ships that have transited several narrow straits. Technology is increasing the potential reach and lethality of adversaries and threatening naval forces near the shore. This is occurring when the United States has fewer ships. The loss or delay of one fast sealift ship could significantly degrade overall military capabilities. Excess sealift does not exist, and sealift capabilities will be especially strained if multiple deployments are required.

The international community no longer views the oceans as barriers or as vast unregulated voids. The United States has an interest in protecting the seas and defusing conflict arising from competing demands for ocean resources. This can only be achieved through a comprehensive policy agenda for the oceans in the 21<sup>st</sup> century.

In addition to sea control and power projection, law enforcement is playing a central role in issues relating to the oceans. This is being reflected in naval missions as naval forces contend with world uncertainties, increasing local vice global conflict, and greater reliance on the United Nations and international law to resolve disputes. Enforcement of sanctions in numerous regions such as the Red Sea, Adriatic Sea, and Persian Gulf has led to maritime interdiction operations.

Commercial mobility and military power have an important relationship. The flow of commercial goods across the seas depends on naval forces to ensure open lines of communication. At the same time, naval forces depend on commercial trade for logistics support.

## **Net Assessment**

The oceans have always been important to U.S. interests and strategy. Space is acquiring equivalent importance. Today, U.S. military forces enjoy peacetime access to both mediums and are capable of controlling them in wartime. As international affairs change and new threats appear, strong efforts will be required to preserve this control.

