



SEPTEMBER / OCTOBER 2009

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**America, the
Default Power**

Josef Joffe

The Fading Dollar

Barry Eichengreen

**The Age of
Cheap Oil**

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**A Beijing-
Moscow Axis?**

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Islamism**

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**Bosnia on
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Patrice McMahon
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**Born Again in
the U.S.A.**

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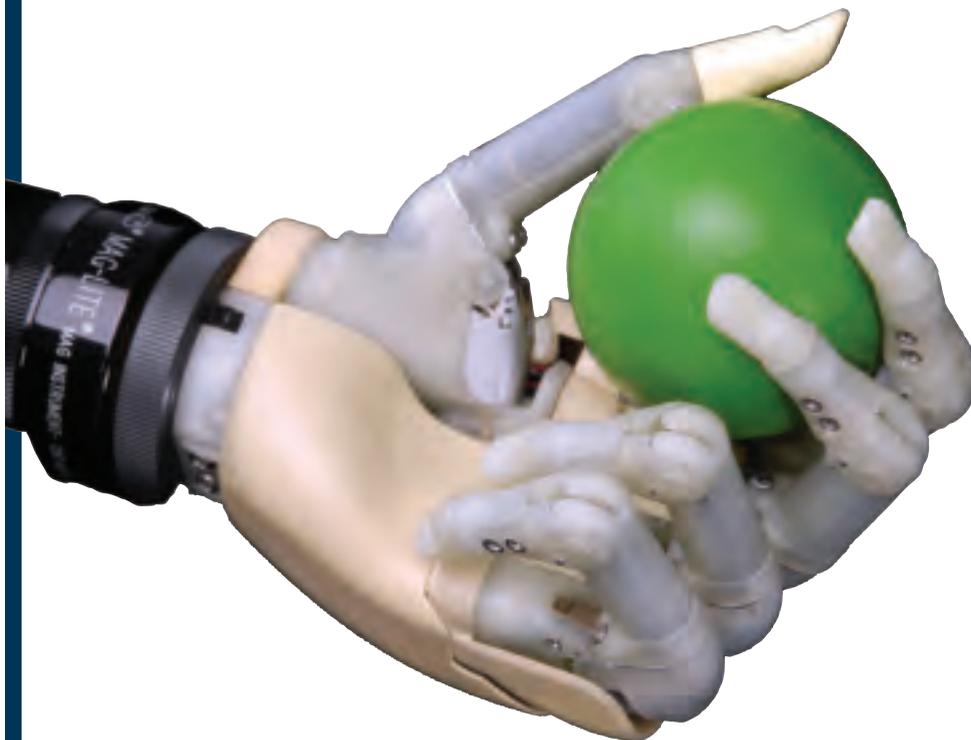
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The Mubarak regime's deteriorating ability to provide basic services and the government's indifference to widespread unemployment and poverty alienated tens of millions of Egyptians.

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Demystifying the Arab Spring

Parsing the Differences Between Tunisia, Egypt, and Libya

Lisa Anderson

In Tunisia, protesters escalated calls for the restoration of the country's suspended constitution. Meanwhile, Egyptians rose in revolt as strikes across the country brought daily life to a halt and toppled the government. In Libya, provincial leaders worked feverishly to strengthen their newly independent republic.

It was 1919.

That year's events demonstrate that the global diffusion of information and expectations—so vividly on display in Tahrir Square this past winter—is not a result of the Internet and social media. The inspirational rhetoric of U.S. President Woodrow Wilson's Fourteen Points speech, which helped spark the 1919 upheavals, made its way around the world by telegraph. The uprisings of 1919 also suggest that the calculated spread of popular movements, seen across the Arab world last winter, is not a new phenomenon. The Egyptian Facebook campaigners are the modern incarnation of Arab nationalist networks whose broadsheets disseminated strategies for civil disobedience throughout the region in the years after World War I.

The important story about the 2011 Arab revolts in Tunisia, Egypt, and Libya is not how the globalization of the norms of civic engagement shaped the protesters' aspirations. Nor is it about how activists used technology to share ideas and tactics. Instead, the critical issue is how and why these ambitions and techniques resonated in their various local contexts. The patterns and demographics of the protests varied widely. The demonstrations in Tunisia spiraled toward the capital from the neglected rural areas, finding common cause with a once powerful but much repressed labor movement. In Egypt, by contrast, urbane and cosmopolitan young people in the major cities organized the uprisings. Meanwhile, in Libya, ragtag bands of armed rebels in the eastern provinces ignited the protests, revealing the tribal and regional cleavages that have beset the country for decades. Although they shared a common call for personal dignity and responsive government, the revolutions across these three countries reflected divergent economic grievances and social dynamics—legacies of their diverse

LISA ANDERSON is President of the American University in Cairo.

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encounters with modern Europe and decades under unique regimes.

As a result, Tunisia, Egypt, and Libya face vastly different challenges moving forward. Tunisians will need to grapple with the class divisions manifesting themselves in the country's continuing political unrest. Egyptians must redesign their institutions of government. And Libyans will need to recover from a bloody civil war. For the United States to fulfill its goals in the region, it will need to understand these distinctions and distance itself from the idea that the Tunisian, Egyptian, and Libyan uprisings constitute a cohesive Arab revolt.

BEN ALI'S TUNISIAN FIEFDOM

The profound differences between the Tunisian, Egyptian, and Libyan uprisings are not always apparent in the popular media. The timing of the popular revolts—so sudden and almost simultaneous—suggests that the similarities these autocracies shared, from their aging leaders and corrupt and ineffectual governments to their educated, unemployed, and disaffected youth, were sufficient to explain the wave of revolutions. Yet the authorities that these young protesters confronted were unique in each nation—as will be the difficulties they face in the future.

Former Tunisian President Zine el-Abidine Ben Ali—the first Arab dictator to fall to mass protests—initially seemed an unlikely victim. Tunisia has long enjoyed the Arab world's best educational system, largest middle class, and strongest organized labor movement. Yet behind those achievements, Ben Ali's government tightly restricted free expression and political parties. In an almost Orwellian way, he cultivated and manipulated the country's international image as a modern, technocratic regime and a tourist-friendly travel destination.

Beyond the cosmopolitan façade frequented by tourists lay bleak, dusty roads and miserable prospects. It is small wonder that the Islamists' claim that the government was prostituting the country for foreign exchange resonated in Tunisia.

Ben Ali's family was also unusually personalist and predatory in its corruption. As the whistleblower Web site WikiLeaks recently revealed, the U.S. ambassador to Tunisia reported in 2006 that more than half of Tunisia's commercial elites were personally related to Ben Ali through his three adult children, seven siblings, and second wife's ten brothers and sisters. This network became known in Tunisia as "the Family."

That said, although the scale of corruption at the top was breathtaking, Ben Ali's administration did not depend on the kind of accumulation of small bribes that subverted bureaucracies elsewhere, including in Libya and, to a lesser extent, Egypt. This means that Tunisia's government institutions were relatively healthy, raising the prospects for a clean, efficient, and technocratic government to replace Ben Ali.

Tunisia's military also played a less significant role in the country's revolt than the armed forces in the other nations experiencing unrest. Unlike militaries elsewhere in the Arab world, such as Egypt, the Tunisian army has never experienced combat and does not dominate the domestic economy. Under Ben Ali, it existed in the shadow of the country's domestic security services, from which Ben Ali, a former military police officer, hailed. Although its refusal to support Ben Ali's regime contributed to the country's revolution, the military has not participated meaningfully in managing the transition period and is unlikely to shape the ultimate outcome in any significant way.

Lisa Anderson

Since Tunisia's protests initiated the wave of unrest in the Arab world, they were more spontaneous and less well organized than subsequent campaigns in other nations. Yet they demonstrated the power of the country's labor movement, as repeated strikes fueled protests both before Ben Ali fled and as the first short-lived successor government—soon replaced by a second one more amenable to the major unions—attempted to contain the damage to what remained of his regime.

The protests also revealed a sharp generational divide among the opposition. The quick-fire demonstrations filled with angry youth made the generation of regime dissidents from the 1980s, primarily union activists and Islamist militants then led by Rachid al-Ghannouchi, appear elderly and outmoded. Images of an enfeebled Ghannouchi returning to Tunisia after 20 years in exile in the wake of Ben Ali's ouster reflected the radical changes in the agenda of Tunisia's protest movement. Tunisians may once again prove receptive to Ghannouchi's brand of political Islam, but only if his Islamists can capture the imagination of Tunisia's young people, who are principally concerned with receiving what they see as their fair share of the country's wealth and employment opportunities. Tunisia's new leadership must therefore incorporate a generation of young people with only theoretical exposure to freedom of belief, expression, and assembly into a system that fosters open political debate and contestation. And it must respond to some of the demands, especially of the labor movement, that will feature prominently in those debates.

EGYPT'S ARMY MAKES ITS MOVE

In Egypt, Hosni Mubarak's fumbling end epitomized the protracted decline of his

regime's efficacy. The government's deteriorating ability to provide basic services and seeming indifference to widespread unemployment and poverty alienated tens of millions of Egyptians, a feeling that was exacerbated by growing conspicuous consumption among a business elite connected to Mubarak's son Gamal. Yet the army's carefully calibrated intervention in the uprising indicated the continuing power of a military establishment honed by equal parts patronage and patriotism. And the protesters' political and tactical sophistication came about as a result of Mubarak's reluctant but real tolerance of a raucous and unruly press.

As it assumed control of Egypt after Mubarak's downfall, the army revealed its enormous influence in Egyptian society. The military is run by generals who earned their stripes in the 1967 and 1973 wars with Israel and who have cooperated closely with the United States since Cairo's 1979 peace treaty with Jerusalem. In contrast to the other Arab militaries that have grappled with unrest this year, the Egyptian army is widely respected by the general populace. It is also deeply interwoven into the domestic economy. As a result, the military leadership remains largely hostile to economic liberalization and private-sector growth, views that carry considerable weight within the provisional government. Thus, as in Tunisia (although for different reasons), the pace of privatization and economic reform will likely be slow, and so the emphasis of reforms will be on democratization.

Repairing decades of public-sector corrosion may also prove problematic. Everything in Egypt—from obtaining a driver's license to getting an education—is formally very cheap but in practice very expensive, since most transactions, official

and unofficial, are accompanied by off-the-books payments. The government pays schoolteachers a pittance, so public education is poor and teachers supplement their salaries by providing private lessons that are essential preparation for school exams. The national police were widely reviled long before their brutal crackdowns at the inception of the January 25 revolt because they represented, in essence, a nationwide protection racket. Ordinary citizens had to bribe police officers all too ready to confiscate licenses and invent violations. The disappearance of the police during the height of the protests—considered by many Egyptians a deliberate attempt to destabilize the country—only deepened that animosity. The process of applying democratic rule of law must begin with the police themselves, meaning that the Interior Ministry will need to reestablish trust between the police and the people.

But the remarkable discipline demonstrated by Egypt's protesters and their subsequent wide-ranging debates about how to reshape their country speak to the unusually high tolerance for free expression in Egypt (by regional standards) prior to the revolution. The campaign to honor Khaled Said, the blogger killed by Egyptian police and whose death initiated the uprising, for example, would have been unimaginable in Tunisia. Egyptians were relatively well prepared to engage in serious and sustained conversations about the composition of their future government, even as they understood that, whatever the outcome, the military would not allow its institutional prerogatives to be substantially eroded.

This latent political wisdom reflects the changes that transformed Egyptian society over the last 15 years, even while the country's aging and ineffectual autocracy remained in place. As Tahrir's protesters were at pains



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Lisa Anderson

to demonstrate, Egypt has a culture of deep communal bonds and trust, which manifested itself in the demonstrators' incredible discipline: their sustained nonviolence, their refusal to be provoked by thugs and saboteurs, their capacity to police themselves and coordinate their demands, and their ability to organize without any centralized leadership. Perhaps the finest example of this egalitarian spirit was the appearance, in communities rich and poor, of spontaneous citizen mobilizations to maintain order once the police had disengaged. All these developments should give one cause for optimism today about the new Egypt's potential to build and sustain an open society.

THE WRECKAGE OF LIBYA

Whereas demonstrators in Tunis and Cairo successfully ousted their former rulers, Tripoli collapsed into a protracted civil war. Its sustained fighting resulted from Libyan leader Muammar al-Qaddafi's four-decade-long effort to consolidate his power and rule by patronage to kin and clan. Years of artificially induced scarcity in everything from simple consumer goods to basic medical care generated widespread corruption. And the capricious cruelty of Qaddafi's regime produced widespread and deep-seated suspicion. Libyans' trust in their government, and in one another, eroded, and they took refuge in the solace of tribe and family. Libyan society has been fractured, and every national institution, including the military, is divided by the cleavages of kinship and region. As opposed to Tunisia and Egypt, Libya has no system of political alliances, network of economic associations, or national organizations of any kind. Thus, what seemed to begin as nonviolent protests similar to those staged in Tunisia and Egypt soon became an all-out

secession—or multiple separate secessions—from a failed state.

Libya under Qaddafi has borne traces of the Italian fascism that ruled the country in its colonial days: extravagance, dogmatism, and brutality. In the name of his "permanent revolution," Qaddafi also prohibited private ownership and retail trade, banned a free press, and subverted the civil service and the military leadership. In the absence of any public-sector bureaucracy, including a reliable police force, kin networks have provided safety and security as well as access to goods and services. It was along such networks that Libyan society fractured when the regime's capacity to divide and rule began to unravel at the beginning of the protests. Meanwhile, Qaddafi had distributed his armed forces across a deliberately confusing and uncoordinated array of units. Some forces joined the opposition quickly but were prevented from organizing effectively or deploying sophisticated military equipment.

This lack of social and governmental cohesion will hamper any prospective transition to democracy. Libya must first restore security and introduce the law and order missing for decades under Qaddafi's regime. As daunting as that task may seem, further difficulties lie on the horizon: reviving trust across clans and provinces; reconstructing public administration; strengthening civil society through political parties, open media, and nongovernmental organizations. Libya's decades of international isolation have left the generation in its 30s and 40s—the one likely to assume leadership in a new Libya—poorly educated and ill equipped to manage the country. Others have been co-opted by the regime and stand to lose should Qaddafi fall. The challenge for Libya is both simpler and

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more vexing than those facing Tunisia and Egypt: Libya confronts the complexity not of democratization but of state formation. It will need to construct a coherent national identity and public administration out of Qaddafi's shambles.

THE CHALLENGES AHEAD

The young activists in each country have been sharing ideas, tactics, and moral support, but they are confronting different opponents and operating within different contexts. The critical distinctions between Tunisia, Egypt, and Libya will shape the outcomes of their respective movements. While Tunisia and Egypt grapple in their own ways with building political institutions—constitutions, political parties, and electoral systems—Libya will need to begin by constructing the rudiments of a civil society. While Egypt struggles with the long shadow of military rule, Tunisia and Libya will need to redefine the relationship between their privileged capital cities and their sullen hinterlands. Tempting as it is to treat the Arab uprisings as a single movement, their causes and future missions demonstrate the many variations between them.

These distinctions will matter for the United States and its allies. In June 2009, little more than 90 years after Woodrow Wilson's ringing endorsement of self-determination, U.S. President Barack Obama invigorated the Muslim world with his historic speech in Cairo. There, he declared that he has

an unyielding belief that all people yearn for certain things: the ability to speak your mind and have a say in how you are governed; confidence in the rule of law and the equal administration of justice; government that is transparent

and doesn't steal from the people; the freedom to live as you choose. These are not just American ideas; they are human rights. And that is why we will support them everywhere.

His proclamation did not produce this year's democratic upheavals in the Arab world, but it set expectations for how the United States would respond to them. If Washington hopes to fulfill its promise to support these rights, it will need to acquire a nuanced understanding of the historic circumstances of the uprisings. The Obama administration must encourage and rein in various constituencies and institutions in each country, from championing the labor movement in Tunisia to curtailing the military in Egypt. In each case, the United States cannot pursue the goals so eloquently identified by Obama without discarding the notion of a singular Arab revolt and grappling with the conditions of the countries themselves. 🌍

Understanding the Revolutions of 2011

Weakness and Resilience in Middle Eastern Autocracies

Jack A. Goldstone

The wave of revolutions sweeping the Middle East bears a striking resemblance to previous political earthquakes. As in Europe in 1848, rising food prices and high unemployment have fueled popular protests from Morocco to Oman. As in Eastern Europe and the Soviet Union in 1989, frustration with closed, corrupt, and unresponsive political systems has led to defections among elites and the fall of once powerful regimes in Tunisia, Egypt, and perhaps Libya. Yet 1848 and 1989 are not the right analogies for this past winter's events. The revolutions of 1848 sought to overturn traditional monarchies, and those in 1989 were aimed at toppling communist governments. The revolutions of 2011 are fighting something quite different: "sultanistic" dictatorships. Although such regimes often appear unshakable, they are actually highly vulnerable, because the very strategies they use to stay in power make them brittle, not resilient. It is no coincidence that although popular protests have shaken much of the Middle East,

the only revolutions to succeed so far—those in Tunisia and Egypt—have been against modern sultans.

For a revolution to succeed, a number of factors have to come together. The government must appear so irremediably unjust or inept that it is widely viewed as a threat to the country's future; elites (especially in the military) must be alienated from the state and no longer willing to defend it; a broad-based section of the population, spanning ethnic and religious groups and socioeconomic classes, must mobilize; and international powers must either refuse to step in to defend the government or constrain it from using maximum force to defend itself.

Revolutions rarely triumph because these conditions rarely coincide. This is especially the case in traditional monarchies and one-party states, whose leaders often manage to maintain popular support by making appeals to respect for royal tradition or nationalism. Elites, who are often enriched by such governments,

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will only forsake them if their circumstances or the ideology of the rulers changes drastically. And in almost all cases, broad-based popular mobilization is difficult to achieve because it requires bridging the disparate interests of the urban and rural poor, the middle class, students, professionals, and different ethnic or religious groups. History is replete with student movements, workers' strikes, and peasant uprisings that were readily put down because they remained a revolt of one group, rather than of broad coalitions. Finally, other countries have often intervened to prop up embattled rulers in order to stabilize the international system.

Yet there is another kind of dictatorship that often proves much more vulnerable, rarely retaining power for more than a generation: the sultanistic regime. Such governments arise when a national leader expands his personal power at the expense of formal institutions. Sultanistic dictators appeal to no ideology and have no purpose other than maintaining their personal authority. They may preserve some of the formal aspects of democracy—elections, political parties, a national assembly, or a constitution—but they rule above them by installing compliant supporters in key positions and sometimes by declaring states of emergency, which they justify by appealing to fears of external (or internal) enemies.

Behind the scenes, such dictators generally amass great wealth, which they use to buy the loyalty of supporters and punish opponents. Because they need resources to fuel their patronage machine, they typically promote economic development, through industrialization, commodity exports, and education. They also seek relationships with foreign countries,

promising stability in exchange for aid and investment. However wealth comes into the country, most of it is funneled to the sultan and his cronies.

The new sultans control their countries' military elites by keeping them divided. Typically, the security forces are separated into several commands (army, air force, police, intelligence)—each of which reports directly to the leader. The leader monopolizes contact between the commands, between the military and civilians, and with foreign governments, a practice that makes sultans essential for both coordinating the security forces and channeling foreign aid and investment. To reinforce fears that foreign aid and political coordination would disappear in their absence, sultans typically avoid appointing possible successors.

To keep the masses depoliticized and unorganized, sultans control elections and political parties and pay their populations off with subsidies for key goods, such as electricity, gasoline, and foodstuffs. When combined with surveillance, media control, and intimidation, these efforts generally ensure that citizens stay disconnected and passive.

By following this pattern, politically adept sultans around the world have managed to accumulate vast wealth and high concentrations of power. Among the most famous in recent history were Mexico's Porfirio Díaz, Iran's Mohammad Reza Shah Pahlavi, Nicaragua's Somoza dynasty, Haiti's Duvalier dynasty, the Philippines' Ferdinand Marcos, and Indonesia's Suharto.

But as those sultans all learned, and as the new generation of sultans in the Middle East—including Bashar al-Assad in Syria, Omar al-Bashir in Sudan, Zine

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el-Abidine Ben Ali in Tunisia, Hosni Mubarak in Egypt, Muammar al-Qaddafi in Libya, and Ali Abdullah Saleh in Yemen—has discovered, power that is too concentrated can be difficult to hold on to.

PAPER TIGERS

For all their attempts to prop themselves up, sultanistic dictatorships have inherent vulnerabilities that only increase over time. Sultans must strike a careful balance between self-enrichment and rewarding the elite: if the ruler rewards himself and neglects the elite, a key incentive for the elite to support the regime is removed. But as sultans come to feel more entrenched and indispensable, their corruption frequently becomes more brazen and concentrated among a small inner circle. As the sultan monopolizes foreign aid and investment or gets too close to unpopular foreign governments, he may alienate elite and popular groups even further.

Meanwhile, as the economy grows and education expands under a sultanistic dictator, the number of people with higher aspirations and a keener sensitivity to the intrusions of police surveillance and abuse increases. And if the entire population grows rapidly while the lion's share of economic gains is hoarded by the elite, inequality and unemployment surge as well. As the costs of subsidies and other programs the regime uses to appease citizens rise, keeping the masses depoliticized places even more stress on the regime. If protests start, sultans may offer reforms or expand patronage benefits—as Marcos did in the Philippines in 1984 to head off escalating public anger. Yet as Marcos learned in 1986, these sops are generally ineffective once people have begun to clamor for ending the sultan's rule.

The weaknesses of sultanistic regimes are magnified as the leader ages and the question of succession becomes more acute. Sultanistic rulers have sometimes been able to hand over leadership to younger family members. This is only possible when the government has been operating effectively and has maintained elite support (as in Syria in 2000, when President Hafez al-Assad handed power to his son Bashar) or if another country backs the regime (as in Iran in 1941, when Western governments promoted the succession from Reza Shah to his son Mohammad Reza Pahlavi). If the regime's corruption has already alienated the country's elites, they may turn on it and try to block a dynastic succession, seeking to regain control of the state (which is what happened in Indonesia in the late 1990s, when the Asian financial crisis dealt a blow to Suharto's patronage machine).

The very indispensability of the sultan also works against a smooth transfer of power. Most of the ministers and other high officials are too deeply identified with the chief executive to survive his fall from power. For example, the shah's 1978 attempt to avoid revolution by substituting his prime minister, Shahpur Bakhtiar, for himself as head of government did not work; the entire regime fell the next year. Ultimately, such moves satisfy neither the demands of the mobilized masses seeking major economic and political change nor the aspirations of the urban and professional class that has taken to the streets to demand inclusion in the control of the state.

Then there are the security forces. By dividing their command structure, the sultan may reduce the threat they pose. But this strategy also makes the security



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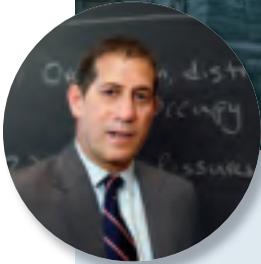
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Understanding the Revolutions of 2011

forces more prone to defections in the event of mass protests. Lack of unity leads to splits within the security services; meanwhile, the fact that the regime is not backed by any appealing ideology or by independent institutions ensures that the military has less motivation to put down protests. Much of the military may decide that the country's interests are better served by regime change. If part of the armed forces defects—as happened under Díaz, the shah of Iran, Marcos, and Suharto—the government can unravel with astonishing rapidity. In the end, the befuddled ruler, still convinced of his indispensability and invulnerability, suddenly finds himself isolated and powerless.

The degree of a sultan's weakness is often visible only in retrospect. Although it is easy to identify states with high levels of corruption, unemployment, and personalist rule, the extent to which elites oppose the regime and the likelihood that the military will defect often become apparent only once large-scale protests have begun. After all, the elite and military officers have every reason to hide their true feelings until a crucial moment arises, and it is impossible to know which provocation will lead to mass, rather than local, mobilization. The rapid unraveling of sultanistic regimes thus often comes as a shock.

In some cases, of course, the military does not immediately defect in the face of rebellion. In Nicaragua in the early 1970s, for example, Anastasio Somoza Debayle was able to use loyal troops in Nicaragua's National Guard to put down the rebellion against him. But even when the regime can draw on loyal sectors of the military, it rarely manages to survive. It simply breaks down at a slower pace, with significant bloodshed or even civil war resulting

along the way. Somoza's success in 1975 was short-lived; his increasing brutality and corruption brought about an even larger rebellion in the years that followed. After some pitched battles, even formerly loyal troops began to desert, and Somoza fled the country in 1979.

International pressure can also turn the tide. The final blow to Marcos' rule was the complete withdrawal of U.S. support after Marcos dubiously claimed victory in the presidential election held in 1986. When the United States turned away from the regime, his remaining supporters folded, and the nonviolent People Power Revolution forced him into exile.

ROCK THE CASBAH

The revolutions unfolding across the Middle East represent the breakdown of increasingly corrupt sultanistic regimes. Although economies across the region have grown in recent years, the gains have bypassed the majority of the population, being amassed instead by a wealthy few. Mubarak and his family reportedly built up a fortune of between \$40 billion and \$70 billion, and 39 officials and businessmen close to Mubarak's son Gamal are alleged to have made fortunes averaging more than \$1 billion each. In Tunisia, a 2008 U.S. diplomatic cable released by the whistleblower Web site WikiLeaks noted a spike in corruption, warning that Ben Ali's family was becoming so predatory that new investment and job creation were being stifled and that his family's ostentation was provoking widespread outrage.

Fast-growing and urbanizing populations in the Middle East have been hurt by low wages and by food prices that rose by 32 percent in the last year alone, according

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to the United Nations' Food and Agriculture Organization. But it is not simply such rising prices, or a lack of growth, that fuels revolutions; it is the persistence of widespread and unrelieved poverty amid increasingly extravagant wealth.

Discontent has also been stoked by high unemployment, which has stemmed in part from the surge in the Arab world's young population. The percentage of young adults—those aged 15–29 as a fraction of all those over 15—ranges from 38 percent in Bahrain and Tunisia to over 50 percent in Yemen (compared to 26 percent in the United States). Not only is the proportion of young people in the Middle East extraordinarily high, but their numbers have grown quickly over a short period of time. Since 1990, youth population aged 15–29 has grown by 50 percent in Libya and Tunisia, 65 percent in Egypt, and 125 percent in Yemen.

Thanks to the modernization policies of their sultanistic governments, many of these young people have been able to go to university, especially in recent years. Indeed, college enrollment has soared across the region in recent decades, more than tripling in Tunisia, quadrupling in Egypt, and expanding tenfold in Libya.

It would be difficult, if not impossible, for any government to create enough jobs to keep pace. For the sultanistic regimes, the problem has been especially difficult to manage. As part of their patronage strategies, Ben Ali and Mubarak had long provided state subsidies to workers and families through such programs as Tunisia's National Employment Fund—which trained workers, created jobs, and issued loans—and Egypt's policy of guaranteeing job placement for college graduates. But these safety nets were

phased out in the last decade to reduce expenditures. Vocational training, moreover, was weak, and access to public and many private jobs was tightly controlled by those connected to the regime. This led to incredibly high youth unemployment across the Middle East: the figure for the region hit 23 percent, or twice the global average, in 2009. Unemployment among the educated, moreover, has been even worse: in Egypt, college graduates are ten times as likely to have no job as those with only an elementary school education.

In many developing economies, the informal sector provides an outlet for the unemployed. Yet the sultans in the Middle East made even those activities difficult. After all, the protests were sparked by the self-immolation of Mohamed Bouazizi, a 26-year-old Tunisian man who was unable to find formal work and whose fruit cart was confiscated by the police. Educated youth and workers in Tunisia and Egypt have been carrying out local protests and strikes for years to call attention to high unemployment, low wages, police harassment, and state corruption. This time, their protests combined and spread to other demographics.

These regimes' concentration of wealth and brazen corruption increasingly offended their militaries. Ben Ali and Mubarak both came from the professional military; indeed, Egypt had been ruled by former officers since 1952. Yet in both countries, the military had seen its status eclipsed. Egypt's military leaders controlled some local businesses, but they fiercely resented Gamal Mubarak, who was Hosni Mubarak's heir apparent. As a banker, he preferred to build his influence through business and political cronies rather than

Understanding the Revolutions of 2011

through the military, and those connected to him gained huge profits from government monopolies and deals with foreign investors. In Tunisia, Ben Ali kept the military at arm's length to ensure that it would not harbor political ambitions. Yet he let his wife and her relatives shake down Tunisian businessmen and build seaside mansions. In both countries, military resentments made the military less likely to crack down on mass protests; officers and soldiers would not kill their countrymen just to keep the Ben Ali and Mubarak families and their favorites in power.

A similar defection among factions of the Libyan military led to Qaddafi's rapid loss of large territories. As of this writing, however, Qaddafi's use of mercenaries and exploitation of tribal loyalties have prevented his fall. And in Yemen, Saleh has been kept afloat, if barely, by U.S. aid given in support of his opposition to Islamist terrorists and by the tribal and regional divisions among his opponents. Still, if the opposition unites, as it seems to be doing, and the United States becomes reluctant to back his increasingly repressive regime, Saleh could be the next sultan to topple.

THE REVOLUTIONS' LIMITS

As of this writing, Sudan and Syria, the other sultanistic regions in the region, have not seen major popular protests. Yet Bashir's corruption and the concentration of wealth in Khartoum have become brazen. One of the historic rationales for his regime—keeping the whole of Sudan under northern control—recently disappeared with southern Sudan's January 2011 vote in favor of independence. In Syria, Assad has so far retained nationalist

support because of his hard-line policies toward Israel and Lebanon. He still maintains the massive state employment programs that have kept Syrians passive for decades, but he has no mass base of support and is dependent on a tiny elite, whose corruption is increasingly notorious. Although it is hard to say how staunch the elite and military support for Bashir and Assad is, both regimes are probably even weaker than they appear and could quickly crumble in the face of broad-based protests.

The region's monarchies are more likely to retain power. This is not because they face no calls for change. In fact, Morocco, Jordan, Oman, and the Persian Gulf kingdoms face the same demographic, educational, and economic challenges that the sultanistic regimes do, and they must reform to meet them. But the monarchies have one big advantage: their political structures are flexible. Modern monarchies can retain considerable executive power while ceding legislative power to elected parliaments. In times of unrest, crowds are more likely to protest for legislative change than for abandonment of the monarchy. This gives monarchs more room to maneuver to pacify the people. Facing protests in 1848, the monarchies in Germany and Italy, for example, extended their constitutions, reduced the absolute power of the king, and accepted elected legislatures as the price of avoiding further efforts at revolution.

In monarchies, moreover, succession can result in change and reform, rather than the destruction of the entire system. A dynastic succession is legitimate and may thus be welcomed rather than feared, as in a typical sultanistic state. For example, in Morocco in 1999, the public greeted King Mohammed VI's ascension to the

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throne with great hopes for change. And in fact, Mohammed VI has investigated some of the regime's previous legal abuses and worked to somewhat strengthen women's rights. He has calmed recent protests in Morocco by promising major constitutional reforms. In Bahrain, Jordan, Kuwait, Morocco, Oman, and Saudi Arabia, rulers will likely be able to stay in office if they are willing to share their power with elected officials or hand the reins to a younger family member who heralds significant reforms.

The regime most likely to avoid significant change in the near term is Iran. Although Iran has been called a sultanistic regime, it is different in several respects: unlike any other regime in the region, the ayatollahs espouse an ideology of anti-Western Shiism and Persian nationalism that draws considerable support from ordinary people. This makes it more like a party-state with a mass base of support. Iran is also led by a combination of several strong leaders, not just one: Supreme Leader Ali Khamenei, President Mahmoud Ahmadinejad, and Parliamentary Chair Ali Larijani. So there is no one corrupt or inefficient sultan on which to focus dissent. Finally, the Iranian regime enjoys the support of the Basij, an ideologically committed militia, and the Revolutionary Guards, which are deeply intertwined with the government. There is little chance that these forces will defect in the face of mass protests.

AFTER THE REVOLUTIONS

Those hoping for Tunisia and Egypt to make the transition to stable democracy quickly will likely be disappointed. Revolutions are just the beginning of a long process. Even after a peaceful revolution,

it generally takes half a decade for any type of stable regime to consolidate. If a civil war or a counterrevolution arises (as appears to be happening in Libya), the reconstruction of the state takes still longer.

In general, after the post-revolutionary honeymoon period ends, divisions within the opposition start to surface. Although holding new elections is a straightforward step, election campaigns and then decisions taken by new legislatures will open debates over taxation and state spending, corruption, foreign policy, the role of the military, the powers of the president, official policy on religious law and practice, minority rights, and so on. As conservatives, populists, Islamists, and modernizing reformers fiercely vie for power in Tunisia, Egypt, and perhaps Libya, those countries will likely face lengthy periods of abrupt government turnovers and policy reversals—similar to what occurred in the Philippines and many Eastern European countries after their revolutions.

Some Western governments, having long supported Ben Ali and Mubarak as bulwarks against a rising tide of radical Islam, now fear that Islamist groups are poised to take over. The Muslim Brotherhood in Egypt is the best organized of the opposition groups there, and so stands to gain in open elections, particularly if elections are held soon, before other parties are organized. Yet the historical record of revolutions in sultanistic regimes should somewhat alleviate such concerns. Not a single sultan overthrown in the last 30 years—including in Haiti, the Philippines, Romania, Zaire, Indonesia, Georgia, and Kyrgyzstan—has been succeeded by an ideologically driven or radical government. Rather, in every case, the end

product has been a flawed democracy—often corrupt and prone to authoritarian tendencies, but not aggressive or extremist.

This marks a significant shift in world history. Between 1949 and 1979, every revolution against a sultanistic regime—in China, Cuba, Vietnam, Cambodia, Iran, and Nicaragua—resulted in a communist or an Islamist government. At the time, most intellectuals in the developing world favored the communist model of revolution against capitalist states. And in Iran, the desire to avoid both capitalism and communism and the increasing popularity of traditional Shiite clerical authority resulted in a push for an Islamist government. Yet since the 1980s, neither the communist nor the Islamist model has had much appeal. Both are widely perceived as failures at producing economic growth and popular accountability—the two chief goals of all recent anti-sultanistic revolutions.

Noting that high unemployment spurred regime change, some in the United States have called for a Marshall Plan for the Middle East to stabilize the region. But in 1945, Europe had a history of prior democratic regimes and a devastated physical infrastructure that needed rebuilding. Tunisia and Egypt have intact economies with excellent recent growth records, but they need to build new democratic institutions. Pouring money into these countries before they have created accountable governments would only fuel corruption and undermine their progress toward democracy.

What is more, the United States and other Western nations have little credibility in the Middle East given their long support for sultanistic dictators. Any efforts to use aid to back certain groups or

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influence electoral outcomes are likely to arouse suspicion. What the revolutionaries need from outsiders is vocal support for the process of democracy, a willingness to accept all groups that play by democratic rules, and a positive response to any requests for technical assistance in institution building.

The greatest risk that Tunisia and Egypt now face is an attempt at counter-revolution by military conservatives, a group that has often sought to claim power after a sultan has been removed. This occurred in Mexico after Díaz was overthrown, in Haiti after Jean-Claude Duvalier's departure, and in the Philippines after Marcos' fall. And after Suharto was forced from power in Indonesia, the military exerted its strength by cracking down on independence movements in East Timor, which Indonesia had occupied since 1975.

In the last few decades, attempted counterrevolutions (such as those in the Philippines in 1987–88 and Haiti in 2004) have largely fizzled out. They have not reversed democratic gains or driven post-sultanistic regimes into the arms of extremists—religious or otherwise.

However, such attempts weaken new democracies and distract them from undertaking much-needed reforms. They can also provoke a radical reaction. If Tunisia's or Egypt's military attempts to claim power or block Islamists from participating in the new regime, or the region's monarchies seek to keep their regimes closed through repression rather than open them up via reforms, radical forces will only be strengthened. As one example, the opposition in Bahrain, which had been seeking constitutional reforms, has reacted to Saudi action to repress its

protests by calling for the overthrow of Bahrain's monarchy instead of its reform. Inclusiveness should be the order of the day.

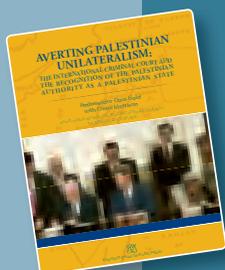
The other main threat to democracies in the Middle East is war. Historically, revolutionary regimes have hardened and become more radical in response to international conflict. It was not the fall of the Bastille but war with Austria that gave the radical Jacobins power during the French Revolution. Similarly, it was Iran's war with Iraq that gave Ayotallah Khomeini the opportunity to drive out Iran's secular moderates. In fact, the one event that may cause radicals to hijack the Middle Eastern revolutions is if Israeli anxiety or Palestinian provocations escalate hostility between Egypt and Israel, leading to renewed war.

That said, there is still reason for optimism. Prior to 2011, the Middle East stood out on the map as the sole remaining region in the world virtually devoid of democracy. The Jasmine and Nile Revolutions look set to change all that. Whatever the final outcome, this much can be said: the rule of the sultans is coming to an end. 🌍



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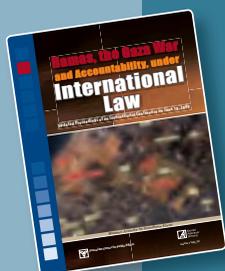
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Averting Palestinian Unilateralism: The International Criminal Court and the Recognition of the Palestinian Authority as a Palestinian State

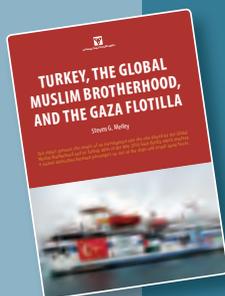
*Ambassador Dore Gold
with Diane Morrison*

There is growing evidence that the Palestinian leadership in Ramallah has abandoned pursuit of a negotiated peace settlement with Israel and prefers instead to pursue a unilateralist course. One of the earliest recent steps it took was to seek implicit recognition of Palestinian statehood from the Office of the ICC Prosecutor.



Hamas, the Gaza War and Accountability under International Law

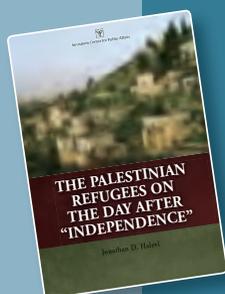
This monograph, based on updated proceedings of the Jerusalem Center's Global Law Forum conference, critically examines the laws of war, as well as their application to Hamas and its supporters and allies. It aims to produce workable suggestions for increasing legal accountability for Hamas and other similar non-state violators of international law in the age of terrorism, with contributions by Dr. Roy S. Schondorf, Col. (res.) Daniel Reisner, Maj.-Gen. (res.) Yaakov Amidror, Col. (ret.) Pnina Sharvit-Baruch, and others.



Turkey, the Global Muslim Brotherhood, and the Gaza Flotilla

Steven G. Merley

There is strong evidence pointing to Turkish governmental involvement in the Gaza flotilla incident, with Turkish government support channeled through the Turkish Muslim Brotherhood network. Since 2006, Turkey has become a new center for the Global Muslim Brotherhood. The IHH, which purchased the lead ship, the Mavi Marmara, was a member of the Union of Good charity network led by Sheikh Youssef Qaradawi, the spiritual head of the Muslim Brotherhood.



The Palestinian Refugees on the Day After "Independence"

Lt. Col. (ret.) Jonathan D. Halevi

According to the Palestinian consensus, non-implementation of the "right of return" will leave open the gates of the conflict with Israel. This implies justification for the continued armed struggle against Israel even following the establishment of a Palestinian state. From the perspective of the Palestinian leadership, the "right of return" is not an issue for leaders or states to discuss, but rather a private right of every refugee.

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The Heirs of Nasser

Who Will Benefit From the Second Arab Revolution?

Michael Scott Doran

After a long absence, a strategic player has returned to the Middle Eastern stage: the people. In Tunisia, Algeria, Jordan, Yemen, Saudi Arabia, Egypt, Syria, Bahrain, Iran, and Libya, protesters are demanding either comprehensive reform or total revolution. Only once before in modern history has a populist wave of this magnitude swept the region.

Half a century ago, a series of Arab nationalist movements shook the ground beneath the feet of Arab rulers. The immediate catalyst for that revolutionary shock was the Suez crisis. Throughout 1955, Gamal Abdel Nasser, Egypt's charismatic leader, championed pan-Arabism, challenged Israel militarily, and mounted a regionwide campaign against the lingering influence of British and French imperialism. By the end of the year, he had aligned Egypt with the Soviet Union, which provided him with arms. After Nasser nationalized the Suez Canal in July 1956, the European powers, in collusion with Israel,

invaded Egypt to topple him. They failed, and Nasser emerged triumphant.

Much like the ouster of Zine el-Abidine Ben Ali from Tunisia in January, the Suez crisis generated a revolutionary spark. Nasser's victory demonstrated that imperialism was a spent force and, by extension, that the Arab regimes created by the imperialists were living on borrowed time. Egyptian propaganda, including Cairo's Voice of the Arabs radio station, drove this point home relentlessly, depicting Nasser's rivals as puppets of the West whose days were numbered. Nasser was the first revolutionary leader in the region to appeal effectively to the man in the street, right under the noses of kings and presidents. Before Nasser's rivals even felt the ground shifting, they found themselves sitting atop volcanoes.

In the 18 months that followed Nasser's victory, the region underwent what can only be described as an eruption. Egypt's defeat of the French was a boon to the National Liberation Front in Algeria,

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which had launched a war of independence from France—with Nasser's support—even before the Suez crisis had erupted. In Jordan, popular protests, along with a Nasser-inspired movement in the military, threatened King Hussein. He managed to save his crown only by carrying out a "royal coup"—dismissing parliament, outlawing political parties, and ruling by martial law. Meanwhile, the Syrian elite splintered into numerous factions, each with its own external patron. In the summer of 1957, Turkey attempted to pull Syria away from Egypt by, among other things, massing troops on its border with Syria. Fearing a loss of influence, Nasser took drastic action: in early 1958, he unified Egypt and Syria, establishing the United Arab Republic. The sudden union roiled Syria's neighbors. In Lebanon, violence erupted between groups that favored joining the UAR, such as the Sunnis, and those that favored an independent Lebanon, such as the Maronites. Then, in July 1958, the most consequential event of all took place: the Iraqi revolution. A Nasser-style military putsch toppled the Hashemite regime and removed Iraq from the Western camp in the Cold War.

Regimes fell and rose, countries united and fragmented, and armed conflicts erupted. Today's turmoil, then, is not unique; rather, it represents the second Arab revolution.

NASSER'S GHOSTS

Although the pan-Arab fervor of Nasser's time and the political unrest of today are similar, there are at least two obvious differences. First, the dominant ideology of Nasser's revolution, pan-Arabism, focused on external threats: gaining independence from imperialism and

confronting Israel. In contrast, today's revolutionary wave is driven by domestic demands: for jobs and political representation. Second, the political upheaval of the 1950s had a leader, Nasser, who guided—or appeared to guide—events, whereas today's unrest has so far been an exercise in synchronized anarchy.

Yet the underlying ethos in both revolutions is very similar. Then, as now, the people in the street believed that the existing order was dominated by corrupt cliques that exploited the power of the state to serve their own interests. In the 1950s, popular imagination understood the unrepresentative nature of the system as an outgrowth of imperialism. Today, however, people see the problem as homegrown.

Nasser's authority was not as great as his myth might lead one to believe. In retrospect, his greatest achievement was creating an informal coalition against imperialism, which he did by aiding and abetting anti-status-quo forces that operated independently of him. Nasser quickly learned that tearing down regimes was one thing, but building a new order was another altogether. His pan-Arab movement dissolved once it had achieved its immediate aim of ousting the imperialists. Even Syria, the one country that Nasser had managed to control directly, chafed under his domination. Before the UAR had reached its fourth anniversary, Syria withdrew and denounced Nasser's authoritarianism. For the next decade, Arab politics were more chaotic than at any point in modern history. Nasser's revolution promised unity—but it delivered fragmentation and discord.

The underlying anarchic nature of Arab politics remains a constant, as does the difficulty of finding a distinction between "domestic" and "foreign" in

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Arab states, particularly in revolutionary moments. Such constants suggest that today's revolution will also usher in a period of prolonged turmoil.

The balance of power between state and society is shifting. As popular participation in politics expands—and as the power of the police state recedes—two interconnected dynamics will accelerate: one, the number of politically significant actors within each state will increase; two, some of these actors will establish relationships across international boundaries. Malign and disruptive forces will benefit from this change. Transnational movements hostile to the interests of the United States—such as al Qaeda and the Muslim Brotherhood—will find fertile new fields to plow. Even more worrisome, the porousness of Arab politics will give states greater opportunities to meddle in the affairs of their neighbors. This will take many forms: indirect cultivation of constituencies located across frontiers, the formation of loose networks of direct association, overt construction of proxies (on the model of Iran and Hezbollah), and covert sponsorship of terrorism. Considerable friction will result. Years will pass before a stable order emerges.

VIVE LA RÉSISTANCE BLOC

In navigating the Arab world's ongoing turmoil, the United States must determine the central principles that will guide the building of a stable, new order. One perspective sees the enlargement of political participation as the key step, arguing, therefore, that democracy promotion should become the touchstone of the United States' regional strategy. Another eschews overarching principles entirely, instead pointing to the complexity of the region and advocating a pragmatic,

country-by-country approach. Yet a third view sees Arab-Israeli peace as the essential first step to revitalizing the U.S.-led order in the region.

As it considers these competing paradigms, the Obama administration should remember that it is not the only actor attempting to shape the turmoil. Although there is no one personality like Nasser towering above the revolutionary events, there is one state seeking to reprise Egypt's historic role: Iran. Under Nasser, Egypt opposed British and French imperialism, which it associated with Israel. Iran is taking a similar stand today against the United Kingdom's "imperial successor": the United States. And like Nasser, Iran has created an anti-status-quo coalition—made up of itself, Syria, and their proxies, Hezbollah and Hamas. The DNA of Nasserism is certainly recognizable in the "resistance bloc" of Iran and its allies; Nasserist genes may have commingled with pan-Islamism, but the resemblance is nevertheless unmistakable. Iran, of course, is neither Arab nor Sunni. One might expect its Persian and Shiite identity to prevent it from emulating Nasser, especially in a region where Sunni Arabs predominate and where identity politics remains significant. Tehran, however, has managed to surmount this disability, thanks in part to the fact that each member of the resistance bloc represents a different ethnoreligious identity, which allows it to present a distinctive and familiar face to radically different constituencies.

The insurgency in Iraq, which reached its height in 2006, provides an instructive example of how Tehran and Damascus divide their labor along ethnoreligious lines. In Iraq, they manipulated Sunni and Shiite Islamist networks—groups

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that, if left to their own devices, would never have cooperated with each other. Yet the resistance bloc turned them into synchronized fists attached to a single body. Damascus constructed a covert pipeline of foreign fighters, pushing al Qaeda suicide bombers into the Sunni regions of Iraq, where they provided the human ammunition in a sectarian war. Al Qaeda's attacks pushed the Shiite Iraqis toward the patronage of Shiite Iran. Meanwhile, Tehran used the Iranian Quds Force (and, perhaps, Hezbollah) to provide Shiite militias with lethal assistance, including the training and material necessary to deploy the explosively formed penetrator, an armor-piercing, remote-activated roadside bomb that killed more U.S. soldiers than any other weapon in Iraq.

With this one-two, Sunni-Shiite punch, the resistance bloc pummeled the United States and the new Iraq. Of course, Tehran and Damascus never proclaimed this strategy publicly. On the contrary, they denied the accusations of their cooperating with al Qaeda and manipulating Iraqi politics. Even as they visited carnage on their Iraqi neighbor, their propaganda was blaming the bloodshed on the United States, which, they claimed, was using democracy promotion as a cover for slaughtering Muslims.

Beneath the surface, the seemingly random violence in Iraq was a shadow war between two alliances: the status quo system, led by the United States, which seeks to stabilize the region under its hegemony by building more consensual political systems, and the anti-status-quo alliance, led by Iran, which seeks to wear down this U.S.-led effort. The struggle between the two is asymmetric. Iran, regardless of its propaganda, does not think it can compete with the United

States—but it does believe that it can exhaust it.

Iran's exhaustion strategy relies on the inherent anarchy of the Middle East. The shadow war in Iraq was thus a prelude to an impending regional contest. As the revolutionary wave expands political participation, the resistance bloc will insinuate itself into the politics of many different Arab states. In countries divided along ethnic, tribal, or sectarian lines, such as Iraq, it will use terrorism and will search for partners on the ground that are willing to make direct alliances. In more homogeneous and stable countries, such as Egypt, it will resort to more subtle and insidious means—for example, inciting violence against Israel.

ALL ROADS RUN THROUGH JERUSALEM

Over the years, Iran has injected itself into the Arab-Israeli conflict as a way of projecting its power and influence into Arab societies and, importantly, as a way of undermining American prestige. As such, hostility to Israel has become the bread and butter of Iran and its allies in the resistance bloc.

To understand the role of the Israeli question in Iran's asymmetric regional contest with the United States, it is useful to borrow a word from Arabic: *tawreet*, which translates as "embroiling." You embroil someone by goading him to take actions against a third party that will result in political effects beneficial to you.

Nasser was a master of *tawreet*. For example, in the mid-1950s, Egypt, without the knowledge of King Hussein and his government, launched terrorist attacks from Jordanian territory against Israel. The goal of these strikes was not to tip the balance against Israel; instead, Nasser

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sought to drive a wedge between Jordan and the United Kingdom, Egypt's primary strategic rival. At the time, the United Kingdom subsidized the Jordanian army, whose officer corps, led by Sir John Bagot Glubb, was staffed primarily by British soldiers. Israel responded with massive retaliation, countering the terrorism with brutal reprisal raids. With each Israeli operation, Jordanian public opinion grew increasingly agitated—precisely the result Nasser had hoped to achieve. Meanwhile, his Voice of the Arabs radio station stirred the pot, accusing King Hussein of being a puppet of the United Kingdom, the supposed ally of Israel. What good, the Egyptian broadcasts asked, was a British-led military if it protected the Israelis and divided the Arabs? Before long, Jordanian public opinion became so inflamed that King Hussein had no choice but to dismiss the British officers and terminate the special relationship. The blow to the United Kingdom's prestige was enormous: if Jordan, a client state, could expel the British, bag and baggage, then they were truly finished in the region. Egypt had won a major strategic victory.

In those days, it was the United Kingdom that guaranteed the security of Arab countries. Today, it is the United States—and the conditions are once again ripe for *tarwreet*, especially in Egypt. The resistance bloc is clearly thinking along similar lines. Consider, for example, the Hezbollah plot foiled by Egypt's security services in 2009. Hezbollah had constructed a clandestine network in the Sinai and planned to attack Israeli targets on Egyptian soil. Given the organic connection between Hezbollah and the Iranian Quds Force, the plot should be read as part of an Iranian regional strategy.

The resistance bloc's behavior during Israel's war with Hezbollah in 2006 and its invasion of Gaza in December 2008 demonstrates how the bloc will exploit the next round of violence. In these past conflicts, it ridiculed the Arab leaders aligned with the United States. For example, in a famous speech in August 2006, Syrian President Bashar al-Assad called the rulers of Egypt, Jordan, and Saudi Arabia "half men" for failing to support Hezbollah out of their supposedly servile attitude toward the United States and Israel. Meanwhile, during both conflicts, Arab media outlets under the control or influence of the resistance bloc inflamed public opinion by broadcasting gruesome scenes of suffering women and children. During Israel's incursion into Gaza, the bloc heaped special vitriol on Egyptian President Hosni Mubarak, who tacitly supported Israel's actions, not least of all by refusing to open the border crossing to Egypt. Although the bloc depicted him as a puppet of the Jews, he stood firm.

Faced with the accountability of the democratic process, Egypt's new rulers will not feel nearly as free as Mubarak did to side with Washington and Jerusalem when the next round of conflicts involving Israel erupts. In the post-Mubarak era, the resistance bloc has a new weapon: the Egyptian crowd, which is now freer than before to organize on its own. Renewed violence will undoubtedly spark massive street demonstrations, not only in Egypt but also in Iraq, Jordan, and Saudi Arabia. But it is in Egypt where the bloc will concentrate its energies, providing the Muslim Brotherhood and similar groups with a pretext for organizing the mob and casting themselves as the conscience of the Egyptian people. They will demand

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that the military sever all ties with Israel and the United States—and it is far from certain whether Egypt's insecure army officers will have the mettle to withstand the campaign.

Tehran and Damascus view post-Mubarak Egypt as a chunk of the United States' security architecture that has broken loose from key moorings. With a little effort, they believe, it can now be severed entirely. Arab-Israeli violence would help—either by undermining the Egyptian-Israeli peace treaty, by complicating U.S.-Egyptian cooperation, or simply by increasing the power of the Muslim Brotherhood and like-minded groups in Egypt.

EMBROIDERING POINT

In navigating the crosscurrents of Middle Eastern politics, policymakers in Washington must remember the fundamental interests of the United States: ensuring the uninterrupted flow of oil at stable and reasonable prices; blocking the proliferation of weapons of mass destruction; protecting key allies, especially Egypt, Israel, and Saudi Arabia; countering terrorism and political violence; and promoting democratic reform in a way that bolsters the U.S.-led order in the region.

The resistance bloc opposes Washington on almost every item. It has built an alliance that advocates expelling the United States from the Middle East and undermining U.S. allies across the region. Iran and Syria are two of the most egregious state sponsors of terrorism: Tehran provides weaponry to the Taliban, and Damascus has covertly given al Qaeda use of its territory, from which it conducted a terror campaign in Iraq. Both regimes openly support Hamas. In defiance of the

international community, they have built up Hezbollah's military capability to such an extent that it now possesses a missile arsenal and a covert operations capability that rival those of most states in the region. Beyond all this, Iran is universally assumed to be developing a nuclear weapons program in defiance of numerous UN Security Council resolutions. Collectively, then, the bloc represents the single greatest threat to U.S. interests in the Middle East. Therefore, one might expect Washington to adopt a containment strategy, as it did with respect to the Soviet Union during the Cold War. Such an approach would entail, among other things, renouncing engagement of Iran and Syria and seeking to build an international coalition against them. In addition, it would call for subordinating all other major regional initiatives to the overarching goal of containment.

Yet the Obama administration has rejected this strategy. Why? For one, the immediate danger does not appear to justify such an elevated effort. Both Iran and Syria at times have the appearance of sclerotic regimes, deeply vulnerable to the democratic revolution sweeping the region. Unlike the Soviet Union, the resistance bloc hardly constitutes a serious conventional threat. It does not endanger the supply of oil, and it certainly does not threaten the West with global war. In addition, the bloc is less cohesive than the Soviet Union and its allies were. Tehran's influence over Syria, Hezbollah, and Hamas does not resemble the iron grip with which Moscow controlled its satellites. To treat them as components of a cohesive unit assumes that the divisions between the members of the bloc are less important than the ties that bind them. Containing Iran, the White House argues,

would actually force allies of Tehran deeper into its embrace. With a more nuanced policy, Washington could entice them away.

To this end, the Obama administration has made the Arab-Israeli peace process the organizing principle of its Middle East policy. In June 2009 in Cairo, when President Barack Obama delivered his most important statement on U.S. Middle East policy to date, he envisioned the United States as an honest broker, mediating between the Arabs and Muslims and the Israelis. "I have come here to seek a new beginning between the United States and Muslims around the world," he said. A major cause of tension between the two, he explained, was "the situation between Israelis, Palestinians, and the Arab world." Obama, clearly, was seeking to demonstrate American goodwill. As a result, the peace process grew into something much bigger than just a practical tool for normalizing relations between Israel and its neighbors. It became a litmus test of the United States' intentions toward Arabs and Muslims around the world. Of course, it would certainly be desirable if the peace process delivered tangible results. But the White House has created an environment in which the peace process cannot be abandoned. Even if it fails, it must continue to exist in order to demonstrate the United States' goodwill.

From the outset, the Obama administration has believed in the importance of pursuing a "comprehensive" settlement—meaning a peace treaty that includes not just the Palestinians but, in addition, all the Arab states, especially Syria. As the administration has failed to make any headway in Israeli-Palestinian negotiations, the Syrian track has grown in importance. Consequently, Washington has chosen to

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treat Syria not as an adversary deserving containment but rather as a partner in the negotiations deserving of engagement. In fact, the Obama administration sees the peace process as an instrument for wooing Syria away from Iran. At the very least, Washington believes that by bringing Damascus to the negotiating table, it can give the Syrians an incentive to tamp down Arab-Israeli violence. But such a strategy fails to acknowledge that the Syrians understand the thinking in Washington all too well—they recognize the United States' fervent desire for negotiations and see in it an opportunity to bargain. Damascus seeks to trade participation in diplomatic processes, which costs it nothing, for tangible benefits from Washington, including a relaxation of U.S. hostility. In short, the Syrians believe that they can have it both ways, reaping the rewards of *tawreet* without being held to account. And why would they think otherwise? After all, nobody held them responsible for similar double-dealing in Iraq, where they were accomplices to the murder of Americans.

THE RETURN OF THE MEN WITH GUNS

As the United States seeks to build a new order in the Middle East, it is worth remembering what happened in the course of the last Arab revolution. Like Obama, U.S. President Dwight Eisenhower came to power intent on solving the Arab-Israeli conflict in order to line up the Arab world with the United States. Together with the United Kingdom, Eisenhower focused on brokering an Egyptian-Israeli agreement. Nasser, like Damascus today, played along, while simultaneously turning up the heat on the Israelis, working to oust the British, and

sparkling a regionwide revolution. By 1958, the United States' position had grown so tenuous that Eisenhower felt compelled to send U.S. troops to Lebanon, lest one of the last overtly pro-U.S. regimes in the region fall to Nasser-inspired forces.

This is not to say that the resistance bloc is poised to mimic Nasser's achievements in every respect. The comparison is not entirely symmetrical. In some countries, the United States faces a perfect Nasserist storm. In Bahrain, for instance, a Shiite majority—which the Bahraini authorities claim is influenced by Tehran—threatens an unrepresentative, pro-U.S. regime that provides Washington with a valuable strategic asset, basing rights for the Fifth Fleet. In Bahrain, Iran wins no matter what: If the state violently represses the Shiite majority, as it has, Tehran can plausibly claim that it did so at the behest of the United States. And if the protesters topple the regime, Iran can work to shape the new order. But in other countries, such as Egypt, Libya, and Tunisia, Iran has little or no influence over events, which are clearly spinning on their own independent axis.

Although the resistance bloc may not be as influential as Nasser was, it is nevertheless poised to pounce, jackal-like, on the wounded states of the region. Moreover, it has already proved itself capable of mounting an effective asymmetric challenge that should not be underestimated. Over the last five years, it has defied the United States on a number of critical fronts. Despite eight years of effort by Washington and its allies, Tehran continues to move toward a nuclear weapons capability. In addition, it has developed a credible deterrent to any conventional attack against its nuclear infrastructure, thanks to a

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diverse set of covert and overt capabilities in Lebanon, Gaza, Iraq, the Persian Gulf, and Afghanistan. In Lebanon, Hezbollah recently took effective control of the government, and the resistance bloc depicted this development, correctly, as a defeat for U.S. policy. In Iraq, the combined covert efforts of Iran and Syria prolonged the war and cost both Washington and Baghdad considerable blood and treasure. Finally, in the last half decade, both Hamas and Hezbollah have ignited major conflicts with Israel that have complicated relations between the United States and its Arab allies. The resistance bloc will certainly continue this effort, working to shape the emerging regional order to its benefit and to the detriment of the United States. And it will do so with a deceptiveness, a ruthlessness, and an intensity of focus that the United States—a distracted Gulliver—cannot match.

The most important arena in the months and years ahead, therefore, is the struggle for regional hegemony. Many U.S. interests will be threatened by conflicts that, at first glance, will appear unrelated to the future of the United States' position in the region. If Washington is to minimize the pain of the transition to a new order, it must remain focused, amid all the turmoil, on the sophisticated asymmetric threat that the resistance bloc presents. Yet the United States must remember that this hegemonic struggle is not the central force behind the unrest coursing its way through the region. The second Arab revolution may not have a charismatic leader, like Nasser, but it does have a representative figure who expresses the core aspirations of the revolutionaries: Mohamed Bouazizi, the 26-year-old Tunisian fruit vendor who set himself on fire out of despair and

frustration with the state's corruption and caprice. The widespread influence of Bouazizi's desperate cry for justice and dignity should stand as a sharp reminder for Washington: for all that the struggle with the resistance bloc is about power politics, the emphasis must be on politics as much as on power. However vital the struggle for regional hegemony is to Washington, it is certainly not the central concern to the people who are protesting in the streets.

A call for justice and dignity also drove the first Arab revolution. The fact that a military man—Nasser—symbolized those aspirations in the 1950s speaks volumes about the pan-Arab movement, which, in the end, was hijacked by men with guns. In Bouazizi, the second revolution has chosen as its representative an entirely different kind of personality. His selection, too, speaks volumes, but the precise meaning of the message is ambiguous. As a humble fruit vendor who wanted nothing more than a fair shake in life, Bouazizi could symbolize the triumph of the human spirit. On the other hand, Bouazizi died a broken man. The men with guns are only hiding in the shadows, and they may yet play a decisive role in fashioning the new Middle East. 🌍

The Fall of the Pharaoh

How Hosni Mubarak's Reign Came to an End

Dina Shehata

For almost 60 years, Egyptians have celebrated Revolution Day on July 23, to commemorate the day in 1952 when Gamal Abdel Nasser and the Free Officers overthrew the monarchy to establish a republic. Next year, the country will celebrate Revolution Day on January 25—the first day of the mass protests that forced Hosni Mubarak, the country's president for 30 years, from power.

For the 18 days from January 25 to February 11, when Mubarak finally stepped down, millions of Egyptians demonstrated in the streets to demand, as many chanted, “*isqat al-nizam*,” “the fall of the regime.” The Mubarak government first met these protests with violence, but its vast security apparatus soon crumbled in the face of an overwhelming numbers of protesters. Then, the state attempted to use propaganda and fear-mongering to scare the population back into its embrace, but this, too, failed. Finally, the Mubarak regime resorted to making concessions. However, these were too limited, and the death toll from the protests had already grown too high. Fearing that more violence

would hurt the military's legitimacy and influence, the army broke with Mubarak and forced him to leave office.

The immediate trigger for the outbreak of protests in Egypt was the Jasmine Revolution in Tunisia in mid-January, which demonstrated that sustained and broad-based popular mobilization can lead to political change, even in a police state such as Tunisia. But other factors had long been at work in Egyptian politics and society. In particular, Mubarak's downfall was the result of three factors: increasing corruption and economic exclusion, the alienation of the youth, and the 2010 elections and divisions among the Egyptian elite over questions of succession. When these currents came together, they inspired a broad cross section of Egyptian society to achieve the unthinkable: removing Mubarak from power.

But the revolution did not lead to full regime change. Instead, it has achieved partial change: the military and the state bureaucracy remain in control and are likely to dictate the terms of the country's political transition over the coming

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months. What follows this transition will depend on whether the forces that staged the revolution can remain united and organized or whether some groups, such as the Muslim Brotherhood, strike a separate deal with the military. If this were to happen, the secular and youth movements that were the driving force behind the January 25 revolution would be effectively marginalized.

NASSER'S BARGAIN

In the 1950s and 1960s, the Nasser regime, which was at once authoritarian and populist, forged a ruling bargain with labor and the middle class. All political parties were banned and all civil-society organizations, including trade unions, came under the direct control of the regime. In return, the state provided social and welfare services in the form of government employment; subsidies for food, energy, housing, and transportation; and free education and health care.

In the early 1990s, a looming economic crisis caused by unsustainable levels of external debt forced Mubarak's government to sign an agreement on economic reform with the World Bank. Over the next two decades, the Egyptian government undertook a series of structural adjustments to the economy that reduced spending on social programs; liberalized trade, commodity prices, and interest rates; suspended the longtime guarantee of government employment for university graduates; privatized a number of public-sector companies; and suspended subsidies for many commodities. As state expenditures declined, public spending on social services—including education, health care, transportation, and housing—stagnated, and the quality of these services deteriorated.

Factory workers, landless peasants, government employees, and those who produce goods for the local market (as opposed to for export) suffered most. They depended on government services and subsidies, as well as on market protections, and many saw their fortunes fall as a result of the economic liberalization. At the same time, a new Egyptian business elite emerged: some people exploited the period of economic reform and openness to turn their contacts with the regime and international markets into vast fortunes. Just below this newly minted business aristocracy, a well-off middle class also began to develop. Thus, there soon emerged a two-tiered society: the majority of the Egyptian population was increasingly marginalized, while a small minority prospered like never before. Moreover, economic reform and liberalization led to the emergence of an unholy alliance between the ruling elite and the business elite. A select few—those closely aligned with the ruling National Democratic Party (NDP)—found themselves with special privileges to buy up public lands and public companies or put on a fast track to obtain state licenses and contracts.

Over the past five years, many workers—both blue-collar laborers and educated professionals—took to organizing strikes and other protests to show their anger at their economic disenfranchisement. These protests took place outside the control or leadership of the country's labor unions and professional syndicates, which were constrained by laws that limited their freedom to strike or carry out any protest. In 2008, property-tax collectors established Egypt's first independent trade union since 1959, the year that all such unions were brought under the

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control of the state. In 2010 alone, there were around 700 strikes and protest actions organized by workers across the country. However, these protests tended to focus exclusively on labor-specific demands and to shy away from political issues.

YOUNG MAN'S BURDEN

Egypt, like much of the Middle East, is in the middle of a dramatic and growing youth bulge. Today, more than half the total population of the Arab countries is under the age of 30; in Egypt, more than one-third of the population is between 15 and 29.

This demographic group faces a particularly frustrating paradox: according to the World Bank, the Middle East has both the fastest-rising levels of schooling and the highest level of youth unemployment in the world (25 percent, compared to a global average of 14.4 percent). Youth unemployment is highest among those with more education: in Egypt in 2006, young people with a secondary education or more represented 95 percent of the unemployed in their age group. Those who do find jobs often work for low pay and in poor conditions. This combination of high unemployment and low pay has kept many young Egyptian men from marrying and forming families. Approximately half of all Egyptian men between the ages of 25 and 29 are not married.

As a result of constraints on political life and civil society, youth in Egypt have been denied outlets for political and civic participation. Most cannot remember a time before the country's emergency law was last imposed, in 1981, which allowed the regime to freely persecute its challengers. Less than five percent of young people in Egypt belong to political parties, and

less than 45 percent have ever participated in elections.

Partly because of such limitations, religious groups such as the Muslim Brotherhood were able to capitalize on widespread social grievances to recruit and mobilize young people in large numbers during the 1980s and 1990s. But after the state's harsh persecution of Islamists in the 1990s, youth activists began to express their grievances through a new generation of protest movements open to members of all ideological backgrounds and to those without any particular ideology at all.

One such movement is Kefaya, which has attracted legions of previously apolitical youth. In 2004 and 2005, it organized a series of high-profile protests calling for the end of Mubarak's presidency and the country's emergency law. In 2008, youth activists from Kefaya formed the April 6 Movement in solidarity with textile workers who were planning a strike for that date. The movement attracted 70,000 members on Facebook, making it the largest youth movement in Egypt at the time. Members of both the April 6 Movement and Kefaya were behind the creation of another popular Facebook group, one supporting Mohamed ElBaradei, the former head of the International Atomic Energy Agency, who returned to Egypt in February 2010.

Perhaps the most important Facebook group would arise some months later when, in June 2010, activists associated with the ElBaradei campaign created a Facebook page called "We are all Khaled Said" in memory of a young man who was beaten to death by police officers in Alexandria. Their page attracted more than one million supporters and became the focal point for a number of large protests against state abuses in the summer of 2010. By the end

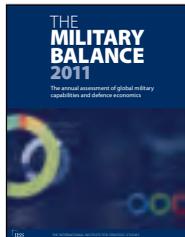


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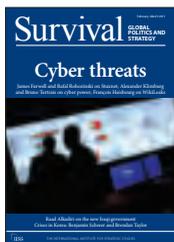


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FELLOWSHIPS

IN CRUCIAL PUBLIC POLICY ISSUES

The Fall of the Pharaoh

of 2010, Egypt's youth activists had succeeded in bypassing many of the long-standing constraints on political and civic life in the country. Although they may not have fully realized it at the time, all they needed to see their mission to the end was a final, triggering event—and that was gathering momentum some 1,300 miles away, in Tunisia.

THE EDIFICE CRACKS

As labor and youth unrest grew, another struggle was taking shape between Egypt's old guard, representing the military and the bureaucracy, and the new guard, representing Mubarak's son Gamal and his supporters in the business community and the ruling party.

Beginning in the mid-1970s, in an attempt to bolster his legitimacy both at home and abroad, then Egyptian President Anwar al-Sadat began to liberalize the political system. He allowed opposition parties and movements to gain some representation in the country's elected assemblies. As long as the ruling NDP maintained its two-thirds majority and its control over the real levers of power, the Egyptian opposition could contest elections and maintain a limited presence in parliament and in civil society. When Mubarak came to power, he continued to follow this same formula with few adjustments.

However, over the last five years, the Mubarak regime began to violate this implicit agreement, by imposing renewed constraints on the ability of political parties and movements to organize and to contest elections. Moreover, the state heavily manipulated the 2010 parliamentary elections in favor of the NDP, effectively denying all opposition groups any representation in parliament. (With opposition

groups represented on the ballot but prevented from winning any races, the NDP won 97 percent of the seats.) For some in the opposition, the fraudulent elections of 2010 marked a departure from the limited political pluralism instituted by Sadat. The New Wafd party and the Muslim Brotherhood, among others, began to reconsider the utility of participating in elections under such conditions.

The regime's tactics in the 2010 elections were part of a broader plan to ensure a smooth succession from Mubarak to his son Gamal during the upcoming presidential election in 2011. This plan was the pet project of a group of businessmen closely associated with Gamal—such as Ahmed Ezz, a steel tycoon and a leading figure in the NDP—who had come to assume greater influence over the ruling party and the government in recent years. Not only did the country's opposition strongly oppose the succession plan, but many important factions within the state bureaucracy and the military were also skeptical. As 2010 came to a close, the country's ruling edifice was beginning to crack.

These underlying forces in turn spurred on the groups that participated in the mass protests in January and February: youth movements, labor groups, and the political parties that were excluded from joining parliament in 2010, including the Muslim Brotherhood. Youth activists agreed to hold protests against state brutality on Police Day, January 25. This demonstration begat others, and as the size and momentum of the protests grew, these activists formed the Coalition of January 25 Youth to present a series of demands to the regime: the resignation of Mubarak, the lifting of the state of

Dina Shehata

emergency, the release of all political prisoners, the dissolution of parliament, the appointment of a government of independent technocrats, the drafting of a new constitution, and the punishment of those responsible for violence against the protesters. Egypt's youth activists refused to negotiate with Omar Suleiman, a Mubarak confidant who was appointed vice president on January 29 as a means of appeasing the protesters.

At the outset, Egypt's opposition was divided over whether to participate in the demonstrations. Some groups, such as Kefaya, the National Association for Change, the Democratic Front Party, the Tomorrow Party, and the New Wafd Party, endorsed and joined the January 25 protests, whereas other groups, such as the Muslim Brotherhood and the leftist Tagammu Party, did not officially join the protests until January 28 (although many of their younger members participated on January 25).

Many of the political groups taking part in the uprising disagreed over their demands and over how best to achieve them. Groups such as Kefaya, the National Association for Change, and the Democratic Front Party and individual leaders such as ElBaradei and Ayman Nour endorsed the demands of the youth coalition and refused to negotiate with the regime until after Mubarak stepped down. Others, however—the Muslim Brotherhood, the New Wafd Party, the Tagammu Party, and a number of independent public figures—agreed to enter into negotiations with Suleiman. These talks turned out to be short-lived: the regime refused to make any real concessions, and the protests on the street continued to escalate.

For its part, the Muslim Brotherhood threw its full weight behind the protests but purposefully kept a low profile. Its young members were an integral part of the coalition that had organized the protests, and according to some of the organizers, Brotherhood supporters constituted about one-third of the crowd occupying Tahrir Square. Muslim Brothers made up a large share of the protesters in those cities where the group has long had a large following, such as Alexandria and El Mansura. However, throughout the protests, the Brotherhood was careful not to use religious slogans or to overshadow the secular, pro-democracy activists who were driving the demonstrations.

During the first two weeks of the revolution, labor movements and professional groups did not play a visible role, partly because the regime had shut down all economic activity during this time. However, during the final week, as economic activity resumed, workers and professionals began to organize strikes. In the two days preceding Mubarak's resignation, the country was approaching a state of total civil disobedience, with workers striking en masse in the transportation, communications, and industrial sectors. Judges, doctors, university professors, lawyers, journalists, and artists also organized protests. According to Shady El Ghazaly Harb, a leading Egyptian youth activist, it was this development that finally convinced the military to oust Mubarak and assume control.

LAST DAYS OF THE PHARAOH

During the three weeks of protests in January and February, groups that had previously competed with one another—

The Fall of the Pharaoh

Islamists and secularists, liberals and leftists—joined forces against the regime. There were fears that the opposition would fragment and that some factions would strike a separate deal with the regime, but such a turn of events never happened—although this had more to do with the Mubarak government's refusal to make any concessions and its apparent willingness to use violence. In the end, it was the unity of the opposition and broad-based popular mobilization that forced the military to oust Mubarak.

Unlike the opposition, the regime suffered from multiple divisions during the crisis. In the first week, the state tried to defuse the protests by sacking Gamal Mubarak as assistant secretary-general of the NDP and purging the businessmen closely associated with him from the ruling party and the cabinet. This effectively aborted the much-despised succession scenario and removed the new business elite from its privileged economic and political position.

Mubarak hoped that by removing Gamal and his business cronies, the protests would begin to lose steam. Indeed, these measures seemed to satisfy the majority of Egyptians; many observers in the media and even some opposition figures predicted that the revolution would come to a halt. However, the next day, after Mubarak announced that he would step down in September, security forces and hired vigilantes violently cracked down on the protesters—11 were shot and killed in Tahrir Square alone—turning the momentum back against the regime. Demands for Mubarak's immediate resignation intensified, and at that point, many new groups, mainly workers and professionals, joined the protests in large numbers.

The military, which until then had backed Mubarak while refraining from using force against the protesters, began to show signs of sedition. Throughout the crisis, the protesters had welcomed the presence of the military on the streets and urged it to side with them against Mubarak, as the military had done in Tunisia just weeks earlier. But until the last days of the crisis, the military seemed to back Mubarak's plan to remain in power until September and oversee an orderly transition to democracy. It took new groups joining the protests and the rising prospect of a confrontation between the protesters and the presidential guard for the military to finally break with Mubarak. On February 10, a spokesperson for the High Council of the Armed Forces delivered a communiqué that stated that the council supported the legitimate demands of the people. Mubarak was expected to resign that same night, but he did not. The next day, the military ousted him. The High Council of the Armed Forces assumed control of the country, and one week later, it announced the suspension of the constitution and the dissolution of both houses of parliament.

DEMOCRACY'S UNFINISHED BUSINESS

The revolution that pushed Mubarak from office has resulted in only a partial dissolution of his regime. The primary victims of this turn of events have been Mubarak's family, the business elites closely associated with it, leading figures in the state bureaucracy and the NDP, and members of the much-despised state security apparatus. The regime's basic structure remains largely intact, however: the military and the state bureaucracy are still in firm control of the country and in

Dina Shehata

a position to dictate the course of the transition in the coming months. As of this writing, the High Council of the Armed Forces rules Egypt. The state bureaucracy, which comprises some six million people, remains in place, with state ministries and agencies largely unchanged and still responsible for managing day-to-day affairs.

Two scenarios seem possible. The first scenario involves speedy elections held over the summer, both parliamentary and presidential. This option appears to be favored by the military and the Muslim Brotherhood, but it is rejected by most of the groups that took part in the revolution. Such a schedule would benefit only those individuals and groups that are already positioned to achieve electoral success in the near future—namely, those associated with the NDP and the Muslim Brotherhood, the only two political organizations in Egypt with long-standing networks and bases of support that could be mobilized on short notice. Were such elections held, the outcome would probably be a power-sharing arrangement between the regime (or some new incarnation of it) and the Muslim Brotherhood, leaving little representation for the secular and youth groups that drove the revolution.

The second scenario would see the appointment of a three-member presidential council made up of two civilians and a military figure and the formation of a new cabinet composed of technocrats not affiliated with any one party. This option has been put forward by ElBaradei and is the apparent preference of the country's secular political parties and youth movements. The next step would be to hold presidential elections, followed by direct elections for an assembly that would then draft a new constitution. Until these

elections were held, the presidential council would lift all constraints on political parties, the media, and civil-society organizations, which would allow secular forces the chance to organize themselves and attract voters. Parliamentary elections would follow the new constitution and the creation of new political parties, likely within one or two years. Such an arrangement would level the playing field and would allow secular parties and movements to compete more effectively with the NDP and the Muslim Brotherhood.

There are fears that if the first scenario prevails, the democratic revolution will be aborted and the old regime—under the guise of NDP loyalists in an alliance with the Muslim Brotherhood—will reassert itself. A new parliament, dominated by former NDP members and the Muslim Brotherhood would guide the drafting of the new constitution and would set the parameters of a new political system. Some important liberalization measures might be adopted to quell popular discontent, but full democratization would be unlikely.

If, however, Islamists and secularists remain united, the street stays mobilized, and international pressure is applied to the military, the second scenario may prevail. In this case, the various groups that drove the revolution would have the time to organize themselves into viable political parties—and only that can produce genuine democratic change. 🌐

Graduate School Forum Career Development

When you are trying to conceptualize a career path for yourself, it is easy to identify high-profile jobs that look exciting and interesting but less easy to understand how you get from where you are now to there.

Rarely today is building a career straightforward or even a straight trajectory—particularly in the international affairs field. If there is one common characteristic I have seen among the careers of international affairs practitioners, it is the fluidity with which their career paths can navigate among various sectors. A person might leave graduate school for a position with their national government, then move on to a private sector company, only to later find themselves with an NGO. I have seen any combination of cross-sector career paths, and it is this wide variety of options that makes a professional education in international affairs so valuable.

As you will see in the following pages, these schools and others like them combine a sound mix of practical training in hard skills in such areas as management, policy analysis and quantitative calculation—that are necessary to be successful in any position—with issue-specific knowledge to address the myriad topics proliferating in the

international realm. In addition to providing curriculums that develop critical thinking, evaluation and leadership skills, these schools also include scholar practitioners on their faculties to ensure that students are exposed to the real-world application of the knowledge they develop during their Master's program. Such faculty along with strong alumni networks, career development offices, and opportunities to pursue substantive internships provide frameworks for building a successful career in the international affairs arena. These programs are designed to expose you to both the academic training and practical knowledge necessary to develop a career trajectory that will get you from here to there.

Leigh Morris Sloane

*Association of Professional Schools of
International Affairs (APSIA)*

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A CONVERSATION WITH

Lori Garver

Deputy Administrator
National Aeronautics and Space Administration

Advancing Space Policy

Working at the National Aeronautics and Space Administration (NASA), I interact regularly with both the elected political leadership of the nation and the country's best technical and scientific minds, and I work to communicate effectively with both groups. Space policy is a constantly evolving field, and understanding the intricacies of space policy—from both a public policy and a technological perspective—is vital to success in this field.

Tell us about what you studied at the Elliott School and what your job currently entails at NASA.

At the Elliott School, I earned my master's degree in science and technology and public policy, with a focus on space policy. My coursework complemented and enhanced the work that I already had been doing in the public and non-profit sectors. While my early career was geared more towards public policy, working with Senator John Glenn piqued my interest in space and set me on my current path. At the Elliott School, I was able to combine my interests in space and policy and tailor my graduate study to suit my career goals.

As the Deputy Administrator at NASA, I am involved in a wide range of activities, from overseeing our functional offices to working closely with NASA's Administrator to set the organization's policy agenda. I represent NASA and its mission to the public as well as to other governmental entities—from Congress to the White House—and my job requires a daily balance between technical knowledge and public policy expertise.

How did your Elliott School education help you achieve your career goals?

The Elliott School provided me with the educational foundation for my career. The program actually had more to do with setting my professional trajectory than even the goals I had set for myself. I was able to combine my interests in public policy and space and to study with some of the leading experts in these two fields. In addition, the program allows for a strong mix of theoretical and practical work and gives students the opportunity to apply theory to the real-world issues that they will likely face after graduation. The Elliott School's Space Policy Institute is an invaluable resource for anyone who is considering a career in this field and is a tremendous asset for the space community.

What do you think sets the Elliott School apart from other international affairs programs?

The Elliott School combines a solid academic experience with the ability to simultaneously gain practical experience at some of the world's leading foreign policy institutions. Elliott School faculty are among the leaders in their fields, and the school's unique location in Foggy Bottom gives students the opportunity to work or intern in any area of international affairs—from government to non-profit to private sector organizations. Studying international affairs in the heart of Washington, DC provides an invaluable dimension to this field. This gave me the ability to see first-hand how the critical issues that we were examining from an academic perspective were being addressed in the international policy community.



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A CONVERSATION WITH

Glenn Fong

Thunderbird Associate Professor of Global Studies and
Academic Director of MA and MS Programs

A Truly Global Education

Why do diplomats need business skills?

Thunderbird offers more than traditional international relations or MBA programs because the grand global challenges of the 21st century call for mixed mode, cross-sector solutions. In practice, the public, private, and non-profit sectors are not demarcated from each other. No one company, NGO, or country can solve issues like sustainable development, human rights, conflict resolution, or global economic recovery. We need Doctors Without Borders and USAID and Dell and Microsoft.

The coordinated effort calls for global management across these sectors. We need leaders who not only can speak different languages, but who can talk business and international relations and understand the nature and dynamics of these other sectors.

Thunderbird has consistently been committed to the notion that global executives must understand culture, politics, and history. Our Master of Arts program is based upon the notion that diplomats need to understand business and management. It's essential for modern diplomats to speak the business language because all of these industries intersect.

Why should students consider work in the developing world?

At Thunderbird we have a required global experience whereby students study or work in a foreign country. I believe that is so valuable, because it can be career changing. How can you pick a career if you only know what you've bumped into in your own culture? Once you've exposed yourself to other cultures, you expand your career options.

One of my priorities is encouraging students to consider working in the developing world. Developed metropolitan centers around the world are actually very

similar. But in a developing country, you will see very different social and economic systems with expanded roles for the public, private, and non-profit sectors. One of the great things about Thunderbird is its entrepreneurial open-mindedness; students will find opportunities in areas most would overlook.

How can the Career Management Center help me?

For the last five to six years, Thunderbird has been running a program called Career TREKs. We get about fifteen students, selected through a competitive process, and plan a trip to a particular city for a number of company and organizational visits. These are essentially high-level informational interviews with great representatives.

Our Career Management Staff has been involved in outreach directly in the government, non-profit, and social enterprise realms, and says it has been really refreshing to see the response from these organizations. Many don't have a long tradition of hiring management-trained candidates, but see in our Thunderbird graduates the right mix of skills to make a difference.

What does it mean to be a Thunderbird?

The Thunderbird alumni network is integral to the institution. Our literature will tell you we have alumni in over 140 countries and that they are 40,000 strong, but what you can't necessarily see on the page is what that means when you land on the ground somewhere. We have come to rely greatly on alumni for insight and assistance regarding career management. True to our global reputation, Thunderbirds land in many countries, and they go to many types of companies and organizations. Students know they can rely on strong allies in the marketplace when they are trying to connect.



THUNDERBIRD
SCHOOL OF GLOBAL MANAGEMENT

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A CONVERSATION WITH

Charles Wheelan, Ph.D. '98

Senior Lecturer

University of Chicago Harris School of Public Policy Studies

Author of *Naked Economics: Undressing the Dismal Science*

Rigor Meets Relevance at the University of Chicago Harris School

You earned your Ph.D. at the University of Chicago Harris School and then returned to teach there. Can you describe how your studies prepared you for the challenges you encountered when you graduated?

The University of Chicago Harris School is a place that combines everything great about the University of Chicago: a world-class research university with faculty and students who at the end of the day care most about solving problems. I was able, as a student, to go deeper into subjects like school reform and the economics of regulation and so on, but I also knew that I would never be comfortable in a purely academic environment.

After graduation, I worked as the Midwest correspondent for *The Economist*. I also worked for Chicago Metropolitan 2020, which is a civic group that works on transportation, land use, and housing issues for the Chicago region. I really liked rolling up my sleeves to work on those issues. In a lot of ways, that's exactly why I came back as a faculty member—I knew this was a place where the purely academic and the practical could come together.

Students today are seeking both intellectual challenges and experiential learning. How does Chicago Harris combine these very different sources of academic training and why is that important?

Students who enroll in our International Policy Practicum combine theory with on-the-ground practice. Every fall, we pick a place and a topic, such as income inequality in Brazil or rural health care delivery in Cambodia. Students study it just like they would any other academic topic.

The twist is that in December they get on a plane and go there and talk to the people affected.

There is absolutely no substitute for being on the ground. That's when you realize that some of the assumptions underlying your theories need to be relaxed—for example, when you learn that people might not be as rational in their decision-making as economists would like them to be. On the other hand, if you have no academic underpinnings to guide how you approach a problem, then it's not clear you are going to be able to add a whole lot of value. At Chicago Harris, we try to combine both.

How does Chicago Harris prepare students for leadership positions around the world?

When students leave Chicago Harris, they're confident that they have a general set of tools that can be applied to a very broad set of circumstances. That's the benefit of having rigorous core courses that teach the crucial quantitative skills. Our students have studied with some of the world's most prominent researchers. As a student, I took four classes from Nobel Prize winners! What you quickly come to realize at Chicago Harris is that our focus on quantitative skills gives you the exact tools you can use to develop and assess evidence-based policy prescriptions. Our world is complex, and the best solutions to our myriad problems are not necessarily obvious. An education at Chicago Harris gives future leaders the critical skills they need to develop, assess, and promote innovative—and effective—programs and policies.



THE HARRIS SCHOOL
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A CONVERSATION WITH

René Buholzer

Head Public Policy
Credit Suisse

Taking Advantage of a Privileged Setting: International Affairs in Switzerland

The University of St. Gallen is one of Europe's leading institutions of higher learning. Its students invariably benefit from an acknowledged expertise in economics and business administration. Multidisciplinarity, a finely tuned blend of theory and practice, and an international faculty at the top of their respective areas of expertise are further assets of an International Affairs Program that prepares students for a wide range of career opportunities in the public, private, and non-profit sectors. MIA graduates go on to financial institutions, small consulting firms and large transnational corporations; public sector opportunities include international organizations, diplomacy, and government agencies at every level. In addition, dual degree programs with Sciences Po in Paris, The Fletcher School in Boston, and Yonsei GSIS in Seoul offer professional qualifications with a genuine cross-border reach.

How did the MIA Program help ease the transition from school to your first job?

With hindsight, I realize that MIA students are happily spoiled in this regard, as both the University and the Program offer an ever-growing array of career services. Throughout the academic year, employers from the public and private sectors visit the campus to present job opportunities and allow for informal contact. Moreover, the Program encourages internships in Switzerland and abroad. At the same time, the curriculum includes small group seminars offered by experienced practitioners, many of whom are MIA alumni. And even in the context of regular coursework, students don't get lost in the proverbial ivory tower. Take my economics tutor at the time: As one of Switzerland's foremost trade economists, he certainly knew his theory; yet he would take us to the World Trade Organization in Geneva or to the Bank for

International Settlements in Basle for extended stints. There, senior officials would join us to explain in detail what problems they were working on and how they meant to solve them. Today, I am thankful indeed to both the faculty and the Program for providing us with continuous exposure of this kind.

How has the International Affairs Program effectively prepared you for a career in the banking sector?

At first sight, choosing a multidisciplinary curriculum in graduate school may seem at odds with the vision of pursuing a career in the financial industry. Once you take a closer look, however, you realize that one is perfectly compatible with the other. In overseeing the public policy department of a multinational corporation, I have to come to terms with a wide range of political, economic, and regulatory issues on a daily basis. In very real ways, however, that is precisely what I was trained to do at the University of St. Gallen.

In cultivating co-teaching around core offerings from four fields—economics, public law, political science, and business administration—the MIA Program provides a tremendously fruitful experience of academic cross-insemination. While mandatory courses address conceptual foundations, research methods, and general knowledge, small group projects and electives across a large spectrum of topics enable students to hone their skills in specialized areas that they choose in light of individual preference. Combining breadth and depth is a genuine challenge. At St. Gallen, that marriage has always been a happy one.



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A CONVERSATION WITH

Hans Winkler

Director
Diplomatic Academy of Vienna
Vienna School of International Studies

Chances, Changes, Challenges

The Diplomatic Academy of Vienna (DA), also known as the Vienna School of International Studies, rests on 4 strong pillars: the tradition of an outstanding academic institution since 1754; intellectual and cultural diversity and the strength of a student body of 150, representing 50 countries; multidisciplinary teaching of global affairs by an international faculty of academics and practitioners; and strong institutional and professional ties to diplomacy on a national, European and global level.

What are the chances of getting a job with a Master of Advanced International Studies (MAIS) or a Master of Science in Environmental Technology and International Affairs (MSc in ETIA) with an undergraduate degree other than law, economics, or international relations?

One distinct characteristic of both our Master programmes is the multidisciplinary nature of studies. Students with undergraduate degrees in disciplines other than law, economics and international relations are offered a structured approach that teaches them the academic and practical knowledge necessary to pursue a career in international affairs.

The careers of Federica, Fernando and Bernice are three examples for the successful feasibility of this approach.

U.S. student Federica entered the MAIS programme with a BA in English literature. Because Federica grew up in Latin America, she wanted to converge her multicultural background and her passion for international diplomacy. She is now pursuing a career at the Inter-American Development Bank.

Bernice from the U.K. attended universities in China and England, earning a BA in Modern Chinese Studies. She wanted to contribute to sustainable development after witnessing the effects of pollution and climate change

while living in Asia, and the ETIA program provided her with the knowledge necessary for a career as Director of the Jane Goodall Institute in Singapore.

Fernando, a Mexican student with a BS in Industrial and System Engineering, wanted to work for an international organisation. Since graduating from MAIS he has worked as Programme Officer at the Office of the Executive Secretary at the UN Framework Convention on Climate Change.

Will studying at the DA help change my professional perspectives and deal with the challenges of finding a career?

Our graduates are generalists; they are able to understand and act in all aspects of international affairs using a broad basis of interdisciplinary knowledge, changing from one discipline to the other.

Vienna is a hub for international businesses, international organizations and agencies such as UNIDO, UNODC, IAEA, CTBTO, OPEC, OSCE, IOM, ICMPD, FRA, and hosts a great number of embassies, all of which offer a wide range of professional training possibilities for DA students, as previous generations of DA interns have built up an excellent reputation for their successors. These internships, as well as lectures, meetings and discussions with representatives of international affairs during conferences, and career talks at the DA will influence and change your professional perspectives. You are actively supported in this by the DA's Career Centre and by the network of alumni and mentors whose professional contacts will help you to meet the challenges of building a successful career.

Dr. Hans Winkler is the former State Secretary for Foreign Affairs and was one of the chief negotiators leading to the Washington Agreement for compensation and restitution for victims of the Nazi regime.



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A CONVERSATION WITH

Susan Holcombe

Professor of the Practice
Graduate Programs in Sustainable International Development
Heller School for Social Policy and Management, Brandeis University

Creating a Framework for Development

The Graduate Programs in Sustainable International Development form a community of concerned students and faculty from around the world. Our mission is to help build a new generation of development planners, policy makers, and program managers in the U.S. and abroad for whom a global society free of poverty, inequity, preventable disease, and environmental degradation is the motivating driver.

What do you find challenging in international development?

I came to this position in 2001 after many years in the field working with UN agencies and here in Boston with Oxfam America. The most daunting challenge in sustainable development is the gap between what we want to achieve and what we are actually able to do. I became interested in this when I did research on the Grameen Bank in Bangladesh.

Twenty years ago I wondered: How is a large non-governmental organization able to send 11,000 workers to the field six days a week, walking or biking to villages, and still keep those workers focused on the two goals of poverty reduction and viable institutions for the poor? For Grameen, poverty reduction was about accumulating income and assets, but it was also about gaining dignity and a voice in the direction of one's life. Senior management focused on structuring daily work to ensure that bank workers reached, served, and enabled poor clients. They evolved effective standard operating procedures that kept the Bank on the road to commercial viability. For me a remarkable result was the visible confidence and initiative of women who had been with the Bank for 5 or more years, compared to the timidity of new members.

How does this relate to your own students?

I seek to incorporate into my teaching the knowledge and skills that help students bridge the gap between ideals and practice. Students need to be clear about their own definition of development and the values they bring. I teach a course called Frameworks for Development that introduces students to a range of concepts around sustainable development, and I ask them to strategize to reach particular development goals. Another course focuses on practical examples of implementing change. One of my interests is helping students realize how this theoretical knowledge applies to the practice of sustainability.

How will a degree from the Heller School help someone who is exploring this field?

The MA in SID is a professional degree grounded in both theory and practice, incorporating academic and internship components. It builds skills in planning, implementation, and monitoring and evaluation. Each class is intentionally diverse. Students from developing countries outnumber American students, and all bring practical development experience. Dr. Mimi Sesoko of Nelspruit, South Africa, is a Heller graduate and chief executive officer of Women's Development Businesses, a micro-finance and development institution that aims to support rural women with loans. Dr. Sesoko says of her work, "The areas where our branches operate, out of these 20,000 households, I think we have been able to create 60,000 jobs, because we have seen women create jobs in their own small businesses." The intersection between theory and practice provides a range of competencies students need to advance their career.

The Heller School
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A CONVERSATION WITH

Bill Rigler, MIA '04

Director of Special Initiatives
Millennium Promise

Keeping a Promise Made at SIPA

How has a graduate degree in public policy helped you address the goals of Millennium Promise?

What I love most about my job is that we are doing things that no one is doing in ways that nobody has ever tried before. The opportunity to work on the frontier of many development challenges, combined with working on a world-class team led by Dr. John W. McArthur, CEO of Millennium Promise and Professor Jeffrey Sachs, the organization's co-founder and director of The Earth Institute at Columbia University, is humbling and presents an incredible responsibility to act for those without a voice.

The breadth and depth of my SIPA education, which stretches from performance-based budgeting to purpose-driven leadership, provided me with the skills to play a key role with Millennium Promise.

Which SIPA faculty members or internships contributed to your education and success?

There is no substitute for the opportunity to learn from the world's leading practitioners. One of my favorite days at SIPA was sitting in Professor Joseph Stiglitz's class on globalization and congratulating him on receiving the Nobel Prize in economics. My very next class was Intelligence and Foreign Policy, taught by the then-assistant director at the CIA, who flew up once a week to teach.

I continue to draw daily on my favorite classes: accounting and budgeting, economics, campaign management, and diplomacy. One of the most important aspects of SIPA is the rich diversity of the student body; I usually learned as much from my classmates as from my professors.

What programs or areas of study at SIPA were most instrumental in shaping your career path?

I attribute my career path to SIPA—opportunities to work for former vice presidential candidate Geraldine Ferraro, to serve as the chief of staff at the Rockefeller Foundation and now as the director of special initiatives at Millennium Promise—my classes provided me with the skill sets, such as campaign management and accounting, needed to be a leader at these organizations. Other classes pulled me out of my comfort zone and challenged my traditional views of how the world works.

My graduate school experience also intersected with a time of profound social change in the United States: the heavily contested and emotional 2000 presidential election, September 11, and wars in Iraq and Afghanistan. Each of these serves as a powerful and vivid reminder that the world needs trained practitioners who are experts in their field and are guided by a calling to make it better.

How has SIPA's alumni network created new opportunities for you?

The strength of the alumni network is sometimes overlooked when choosing a graduate school. In this regard, SIPA is best-in-class. Alumni are spread around the world. I have yet to visit a place where I could not connect with a SIPA alumnus through the online platform. The alumni network opens doors, presents career opportunities, and gives us the chance to make great friends.



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A CONVERSATION WITH

Andrew Billo

Master in Public Policy
Dual Degree Student, LKY School, NUS and
Columbia-SIPA

Power is Shifting to Asia. Are you?

With more than five years of experience working on migration issues in developing countries, I decided to further my knowledge by pursuing a Master's degree in Public Policy. I knew that a public policy degree would help me enhance my impact as a development practitioner, whether I was studying the economics of labor migration, applying statistical analysis to population change, or navigating the legal structures of the United Nations system. To maximize the benefit of a public policy education, I opted for a dual degree. I spent my first year at the School of International and Public Affairs (SIPA) at Columbia University and my second year at the Lee Kuan Yew School of Public Policy (LKY School) at the National University of Singapore. I had several reasons for choosing the LKY School:

First, the LKY School is the only school in Asia that is a part of the Global Public Policy Network that includes the LSE, Sciences Po Paris, and SIPA. This reassured me that the quality of the curriculum, faculty, and student body was benchmarked against some of the world's leading educational institutions.

Second, the LKY School is an integral part of the National University of Singapore (NUS), which is consistently ranked amongst the top 30 universities in the world and is one of the most respected global universities with a focus on Asia. For students who, like me, are interested in studying, working and traveling in Asia, I could think of no better place to come to than the LKY School at NUS.

Third, the LKY School is situated in Singapore, which provides one of the best gateways to Asia, with its easy access to other countries in the region. Today, Singapore is one of the world's most prosperous nations and is rapidly establishing itself as the region's financial, high-tech, entertainment, and education

hub. It is also arguably a top global city that uniquely combines first-world infrastructure with a vibrant multicultural setting.

Singapore is also widely recognized today as one of the best public policy laboratories in the world. The LKY School is a reflection of the country's vision to be at the cutting edge of policy, development, and international affairs, serving as a vital bridge between Asia's two rising giants, India and China, and the rest of the world. The LKY School classroom offers an unparalleled opportunity to network with a new generation of policymakers and leaders from Asia and beyond—my peers come from over 50 nations. Moreover, at the LKY School, you can join one of a number of career-oriented clubs and network in an industry or sector, in which you plan to pursue a future career.

Finally, what makes the LKY School one of the best training grounds in the world is its outstanding faculty, which offer a blend of Asian and global perspectives across a range of issues that are of critical concern today for development practitioners. They also serve as excellent mentors for finding career opportunities in the region through their connections with multilateral institutions, think tanks, foundations, and NGOs in Asia.



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School of Public Policy

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A CONVERSATION WITH

Peter Cowhey

Dean

School of International Relations and Pacific Studies
University of California, San Diego

Beyond the Public Sector: Careers for Today's and Tomorrow's Graduates

How have you seen graduate education in international relations respond to increased attention worldwide on the environment and corresponding demand for trained international professionals in this area?

The School of International Relations and Pacific Studies (IR/PS) has prepared graduates for exactly these kinds of careers for many years. Peter Moritzburke (MPIA '96) focused on international management issues and has since been involved in the development of the clean energy market worldwide. He is currently the Business Development Manager for Sunpower, a global leader in the development of solar power technology.

Where do you feel the balance lies between educating policy makers and experts on environmental issues?

When thinking about the environment and known and unknown needs for the future from a policy perspective, it is important to educate students in the known areas, but also to do so in ways that help them to forecast and dissect the unknowns. At IR/PS, our core curriculum requires that all students push their limits in quantitative research methods, managerial economics and policy-making. With these hard skills, graduates can feel confident in facing a problem and knowing the steps needed to solve it.

Luke Nickerman (MPIA '06), was part of the international economics track at IR/PS and was a member of our Export Access student-run consulting group. Upon graduation, Luke was awarded a Presidential Management Fellowship at the US Department of Energy before transitioning to the private sector, where he is now a Senior Regulatory Analyst for Pacific Gas & Electric. Luke's experience displays a typical pathway for an IR/PS graduate and, more broadly, a successful professional in international relations.

You've emphasized the need for graduates to be problem solvers with the ability to work across disciplines. If graduates from IR programs are in some respects defined by their interdisciplinary education rather than expertise, how does the private sector view graduates as prospective employees?

Over 40% of IR/PS graduates are employed in the private sector, which is a significant vote of confidence in the education our students receive to be effective in that environment. IR/PS is known by top companies like eBay for providing graduates ready to contribute strong analytical and quantitative skills to international operations.

Given our proximity to the border and strong faculty expertise, Mexico is an ongoing area of focus for students interested in all sectors, but particularly the private sector. Pedro La Farga (MPIA '94) currently works as a Vice President for Sony of Mexico and we have a continuing relationship with Chevez, Ruiz, Zamarripa y Cia for internships for students interested in international trade issues.

How does your executive Master of Advanced Studies in International Affairs (MAS-IA) degree serve professionals working in the Pacific region?

The MAS-IA curriculum is designed so professionals from diverse backgrounds can customize the program to advance their careers. For example, Soo-Yeon Kim, General Manager for Citibank Korea, chose courses that were relevant for her work in global consumer public relations, while Ya-Ming Suen, a career diplomat for Taiwan's Ministry of Foreign Affairs, designed a program germane to his position as a congressional liaison officer.

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A CONVERSATION WITH

Helmut K. Anheier, Ph.D.

Dean and Professor of Sociology
Hertie School of Governance

Make an Impact at the Interface of the Private, Public and Civil Society Sectors

The Hertie School of Governance's **Master of Public Policy (MPP)** has been designed to prepare students to take the lead at the intersection of the private, public and civil society sectors. The School's Dean, renowned sociologist Professor Helmut K. Anheier, tells us more about the programme.

Why did the Hertie School decide to offer the MPP?

The idea was to add value to traditional career paths in public and private administration. Lawyers and economists continue to dominate public administration in Germany and other countries in continental Europe. We identified the need for an interdisciplinary programme that practically equips individuals from a broader range of disciplines to pursue careers in the private, public and civil society sectors. This is exactly what the MPP is and does.

How does the MPP prepare students to work across sectors?

Our MPP attracts students from over 40 countries worldwide and a wide spectrum of academic backgrounds. We've had students with first degrees in everything from micro-biology to medicine and law successfully complete the degree and pursue careers in research institutes, public health services or consulting agencies. This is possible because of the sound theoretical foundations that the programme puts in place. Firstly, we ensure that our students receive an equal level of training in subjects such as law, economics and political science through a range of core courses in these disciplines as well as in public management, statistical methods and research design. These foundations of public policy are complemented by courses that practically deal with policy challenges and equip students to develop policy recommendations by focusing on contemporary case studies.

How are MPP students taught to practically implement these policy recommendations?

In addition to the case study method our faculty use in their courses, MPP students are required to complete an internship between their first and second years of study. Our students typically choose internships in federal administration, international organizations, NGOs, private businesses or consultancies, with a focus on public affairs. We also encourage them to develop their master theses in cooperation with the internship organizations.

What are your graduates' professional destinations?

We find that most students apply for jobs in which they can have a positive impact. MPP graduates find employment in government, international organizations and NGOs, and ever more are pursuing careers in private business. About half of our graduates stay in Germany and the others go abroad—many to Brussels, Geneva or Washington D.C.

How do you support your students' transition to the labor market?

In addition to the MPP curriculum, we offer individual coaching and soft skills workshops such as media training, project management and negotiation training. We host events where practitioners from leading public and private institutions give our students insights into their daily working lives and their personal career paths. These events also provide our students with opportunities to build personal networks for their future careers. Furthermore, MPP students have the option of applying for a Professional Year in order to gain work experience between the first and second years of study, after which they resume their studies and finalize their degree.

Hertie School
of Governance



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A CONVERSATION WITH

Brandon Mendoza

GSPIA '10

Bridging the Gap Between Theory and Practice

What makes a GSPIA degree ideal for a career in public or international affairs?

GSPIA provides a truly comprehensive education, offering academic programs in international affairs, international development and public administration. The School offers a multidisciplinary program preparing students for careers in the international arena—as policy makers, diplomats, intelligence officials, global business leaders and policy researchers.

Another attractive aspect of a GSPIA degree is the way the programs of study are tailored to meet students' career interests. Students may shape their degree with one of nine majors. Students also have the option to enhance their degree by earning a certificate from any of the University of Pittsburgh's renowned regional studies centers—Asian, European, Latin American and Russian/East European Studies.

How does GSPIA's curriculum prepare students to take on the challenges of a complex and global society?

My classroom experience helped me to understand the core principles of organizational behavior and general management, building skills in areas such as human resource management, financial management and planning. It also provided solid grounding in the dynamics of global governance and the analytical techniques useful for promoting organizational effectiveness and efficiency. The curriculum provides students with a domestic view but also an inherently international perspective. It is designed to advance the core value of social equity fundamental to today's complex society either through public policy, management or international relations.

How does GSPIA balance what's taught in the classroom with practical experience gained in the field?

GSPIA's research centers and institutes bridge the gap between theory and practice, allowing students to work directly with government officials, nonprofits and the private sector. During the fall 2010 semester, I had the opportunity to take what I was learning in my strategic management class and apply it to my internship. The coursework enhanced my ability to think critically about a wide range of subjects and increased my ability to effectively communicate my research.

As an intern with a global consulting firm, I received hands-on training and participated at a very high level with potential and existing clients. My supervisor expressed his enthusiasm for my contributions from the onset. In one instance, I was assigned to work with one of the group's newest clients, a leading forensic engineering firm. The firm develops engine analysis software for the military and was exploring potential new markets. My assignment was to research and collect data, draft a report and present it to the firm's lead decision maker. This project allowed me to hone my research skills and further develop my writing and presentation skills. Upon completing my internship, I was offered a full-time position as an associate project manager for the group's international team, which is in the process of facilitating the completion of several international power-generation projects. From my perspective, this is what GSPIA is all about: acquiring new skills in the classroom and applying them in the field.



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About APSIA

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APSIA members work to promote excellence in professional, international affairs education worldwide by sharing information and ideas among member schools and with other higher education institutions, the international affairs community, and the general public.

APSIA.org serves as a clearinghouse of information for prospective students and employers.



The Black Swan of Cairo

How Suppressing Volatility Makes the World Less Predictable and More Dangerous

Nassim Nicholas Taleb and Mark Blyth

Why is surprise the permanent condition of the U.S. political and economic elite? In 2007–8, when the global financial system imploded, the cry that no one could have seen this coming was heard everywhere, despite the existence of numerous analyses showing that a crisis was unavoidable. It is no surprise that one hears precisely the same response today regarding the current turmoil in the Middle East. The critical issue in both cases is the artificial suppression of volatility—the ups and downs of life—in the name of stability. It is both misguided and dangerous to push unobserved risks further into the statistical tails of the probability distribution of outcomes and allow these high-impact, low-probability “tail risks” to disappear from policymakers’ fields of observation. What the world is witnessing in Tunisia, Egypt, and Libya is simply what happens when highly constrained systems explode.

Complex systems that have artificially suppressed volatility tend to become

extremely fragile, while at the same time exhibiting no visible risks. In fact, they tend to be too calm and exhibit minimal variability as silent risks accumulate beneath the surface. Although the stated intention of political leaders and economic policymakers is to stabilize the system by inhibiting fluctuations, the result tends to be the opposite. These artificially constrained systems become prone to “Black Swans”—that is, they become extremely vulnerable to large-scale events that lie far from the statistical norm and were largely unpredictable to a given set of observers.

Such environments eventually experience massive blowups, catching everyone off-guard and undoing years of stability or, in some cases, ending up far worse than they were in their initial volatile state. Indeed, the longer it takes for the blowup to occur, the worse the resulting harm in both economic and political systems.

Seeking to restrict variability seems to be good policy (who does not prefer stability

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Nassim Nicholas Taleb and Mark Blyth

to chaos?), so it is with very good intentions that policymakers unwittingly increase the risk of major blowups. And it is the same misperception of the properties of natural systems that led to both the economic crisis of 2007–8 and the current turmoil in the Arab world. The policy implications are identical: to make systems robust, all risks must be visible and out in the open—*fluctuat nec mergitur* (it fluctuates but does not sink) goes the Latin saying.

Just as a robust economic system is one that encourages early failures (the concepts of “fail small” and “fail fast”), the U.S. government should stop supporting dictatorial regimes for the sake of pseudostability and instead allow political noise to rise to the surface. Making an economy robust in the face of business swings requires allowing risk to be visible; the same is true in politics.

SEDUCED BY STABILITY

Both the recent financial crisis and the current political crisis in the Middle East are grounded in the rise of complexity, interdependence, and unpredictability. Policymakers in the United Kingdom and the United States have long promoted policies aimed at eliminating fluctuation—no more booms and busts in the economy, no more “Iranian surprises” in foreign policy. These policies have almost always produced undesirable outcomes. For example, the U.S. banking system became very fragile following a succession of progressively larger bailouts and government interventions, particularly after the 1983 rescue of major banks (ironically, by the same Reagan administration that trumpeted free markets). In the United States, promoting these bad policies has been a bipartisan effort throughout. Republicans

have been good at fragilizing large corporations through bailouts, and Democrats have been good at fragilizing the government. At the same time, the financial system as a whole exhibited little volatility; it kept getting weaker while providing policymakers with the illusion of stability, illustrated most notably when Ben Bernanke, who was then a member of the Board of Governors of the U.S. Federal Reserve, declared the era of “the great moderation” in 2004.

Putatively independent central bankers fell into the same trap. During the 1990s, U.S. Federal Reserve Chair Alan Greenspan wanted to iron out the economic cycle’s booms and busts, and he sought to control economic swings with interest-rate reductions at the slightest sign of a downward tick in the economic data. Furthermore, he adapted his economic policy to guarantee bank rescues, with implicit promises of a backstop—the now infamous “Greenspan put.” These policies proved to have grave delayed side effects. Washington stabilized the market with bailouts and by allowing certain companies to grow “too big to fail.” Because policymakers believed it was better to do something than to do nothing, they felt obligated to heal the economy rather than wait and see if it healed on its own.

The foreign policy equivalent is to support the incumbent no matter what. And just as banks took wild risks thanks to Greenspan’s implicit insurance policy, client governments such as Hosni Mubarak’s in Egypt for years engaged in overt plunder thanks to similarly reliable U.S. support.

Those who seek to prevent volatility on the grounds that any and all bumps in the road must be avoided paradoxically increase the probability that a tail risk will cause a major explosion. Consider as a thought

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experiment a man placed in an artificially sterilized environment for a decade and then invited to take a ride on a crowded subway; he would be expected to die quickly. Likewise, preventing small forest fires can cause larger forest fires to become devastating. This property is shared by all complex systems.

In the realm of economics, price controls are designed to constrain volatility on the grounds that stable prices are a good thing. But although these controls might work in some rare situations, the long-term effect of any such system is an eventual and extremely costly blowup whose cleanup costs can far exceed the benefits accrued. The risks of a dictatorship, no matter how seemingly stable, are no different, in the long run, from those of an artificially controlled price.

Such attempts to institutionally engineer the world come in two types: those that conform to the world as it is and those that attempt to reform the world. The nature of humans, quite reasonably, is to intervene in an effort to alter their world and the outcomes it produces. But government interventions are laden with unintended—and unforeseen—consequences, particularly in complex systems, so humans must work with nature by tolerating systems that absorb human imperfections rather than seek to change them.

Take, for example, the recent celebrated documentary on the financial crisis, *Inside Job*, which blames the crisis on the malfeasance and dishonesty of bankers and the incompetence of regulators. Although it is morally satisfying, the film naively overlooks the fact that humans have always been dishonest and regulators have always been behind the curve. The only difference this time around was the unprecedented

magnitude of the hidden risks and a misunderstanding of the statistical properties of the system.

What is needed is a system that can prevent the harm done to citizens by the dishonesty of business elites; the limited competence of forecasters, economists, and statisticians; and the imperfections of regulation, not one that aims to eliminate these flaws. Humans must try to resist the illusion of control: just as foreign policy should be intelligence-proof (it should minimize its reliance on the competence of information-gathering organizations and the predictions of “experts” in what are inherently unpredictable domains), the economy should be regulator-proof, given that some regulations simply make the system itself more fragile. Due to the complexity of markets, intricate regulations simply serve to generate fees for lawyers and profits for sophisticated derivatives traders who can build complicated financial products that skirt those regulations.

DON'T BE A TURKEY

The life of a turkey before Thanksgiving is illustrative: the turkey is fed for 1,000 days and every day seems to confirm that the farmer cares for it—until the last day, when confidence is maximal. The “turkey problem” occurs when a naive analysis of stability is derived from the absence of past variations. Likewise, confidence in stability was maximal at the onset of the financial crisis in 2007.

The turkey problem for humans is the result of mistaking one environment for another. Humans simultaneously inhabit two systems: the linear and the complex. The linear domain is characterized by its predictability and the low degree of interaction among its components, which

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allows the use of mathematical methods that make forecasts reliable. In complex systems, there is an absence of visible causal links between the elements, masking a high degree of interdependence and extremely low predictability. Nonlinear elements are also present, such as those commonly known, and generally misunderstood, as “tipping points.” Imagine someone who keeps adding sand to a sand pile without any visible consequence, until suddenly the entire pile crumbles. It would be foolish to blame the collapse on the last grain of sand rather than the structure of the pile, but that is what people do consistently, and that is the policy error.

U.S. President Barack Obama may blame an intelligence failure for the government’s not foreseeing the revolution in Egypt (just as former U.S. President Jimmy Carter blamed an intelligence failure for his administration’s not foreseeing the 1979 Islamic Revolution in Iran), but it is the suppressed risk in the statistical tails that matters—not the failure to see the last grain of sand. As a result of complicated interdependence and contagion effects, in all man-made complex systems, a small number of possible events dominate, namely, Black Swans.

Engineering, architecture, astronomy, most of physics, and much of common science are linear domains. The complex domain is the realm of the social world, epidemics, and economics. Crucially, the linear domain delivers mild variations without large shocks, whereas the complex domain delivers massive jumps and gaps. Complex systems are misunderstood, mostly because humans’ sophistication, obtained over the history of human knowledge in the linear domain, does not transfer properly to the complex domain. Humans

can predict a solar eclipse and the trajectory of a space vessel, but not the stock market or Egyptian political events. All man-made complex systems have commonalities and even universalities. Sadly, deceptive calm (followed by Black Swan surprises) seems to be one of those properties.

THE ERROR OF PREDICTION

As with a crumbling sand pile, it would be foolish to attribute the collapse of a fragile bridge to the last truck that crossed it, and even more foolish to try to predict in advance which truck might bring it down. The system is responsible, not the components. But after the financial crisis of 2007–8, many people thought that predicting the subprime meltdown would have helped. It would not have, since it was a symptom of the crisis, not its underlying cause. Likewise, Obama’s blaming “bad intelligence” for his administration’s failure to predict the crisis in Egypt is symptomatic of both the misunderstanding of complex systems and the bad policies involved.

Obama’s mistake illustrates the illusion of local causal chains—that is, confusing catalysts for causes and assuming that one can know which catalyst will produce which effect. The final episode of the upheaval in Egypt was unpredictable for all observers, especially those involved. As such, blaming the CIA is as foolish as funding it to forecast such events. Governments are wasting billions of dollars on attempting to predict events that are produced by interdependent systems and are therefore not statistically understandable at the individual level.

As Mark Abdollahian of Sentia Group, one of the contractors who sell predictive analytics to the U.S. government, noted regarding Egypt, policymakers should



“think of this like Las Vegas. In blackjack, if you can do four percent better than the average, you’re making real money.” But the analogy is spurious. There is no “four percent better” on Egypt. This is not just money wasted but the construction of a false confidence based on an erroneous

focus. It is telling that the intelligence analysts made the same mistake as the risk-management systems that failed to predict the economic crisis—and offered the exact same excuses when they failed. Political and economic “tail events” are unpredictable, and their probabilities are

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not scientifically measurable. No matter how many dollars are spent on research, predicting revolutions is not the same as counting cards; humans will never be able to turn politics into the tractable randomness of blackjack.

Most explanations being offered for the current turmoil in the Middle East follow the “catalysts as causes” confusion. The riots in Tunisia and Egypt were initially attributed to rising commodity prices, not to stifling and unpopular dictatorships. But Bahrain and Libya are countries with high GDPs that can afford to import grain and other commodities. Again, the focus is wrong even if the logic is comforting. It is the system and its fragility, not events, that must be studied—what physicists call “percolation theory,” in which the properties of the terrain are studied rather than those of a single element of the terrain.

When dealing with a system that is inherently unpredictable, what should be done? Differentiating between two types of countries is useful. In the first, changes in government do not lead to meaningful differences in political outcomes (since political tensions are out in the open). In the second type, changes in government lead to both drastic and deeply unpredictable changes.

Consider that Italy, with its much-maligned “cabinet instability,” is economically and politically stable despite having had more than 60 governments since World War II (indeed, one may say Italy’s stability is because of these switches of government). Similarly, in spite of consistently bad press, Lebanon is a relatively safe bet in terms of how far governments can jump from equilibrium; in spite of all the noise, shifting alliances, and street protests, changes in government there

tend to be comparatively mild. For example, a shift in the ruling coalition from Christian parties to Hezbollah is not such a consequential jump in terms of the country’s economic and political stability. Switching equilibrium, with control of the government changing from one party to another, in such systems acts as a shock absorber. Since a single party cannot have total and more than temporary control, the possibility of a large jump in the regime type is constrained.

In contrast, consider Iran and Iraq. Mohammad Reza Shah Pahlavi and Saddam Hussein both constrained volatility by any means necessary. In Iran, when the shah was toppled, the shift of power to Ayatollah Ruhollah Khomeini was a huge, unforeseeable jump. After the fact, analysts could construct convincing accounts about how killing Iranian Communists, driving the left into exile, demobilizing the democratic opposition, and driving all dissent into the mosque had made Khomeini’s rise inevitable. In Iraq, the United States removed the lid and was actually surprised to find that the regime did not jump from hyperconstraint to something like France. But this was impossible to predict ahead of time due to the nature of the system itself. What can be said, however, is that the more constrained the volatility, the bigger the regime jump is likely to be. From the French Revolution to the triumph of the Bolsheviks, history is replete with such examples, and yet somehow humans remain unable to process what they mean.

THE FEAR OF RANDOMNESS

Humans fear randomness—a healthy ancestral trait inherited from a different environment. Whereas in the past, which was a more linear world, this trait enhanced

The Black Swan of Cairo

fitness and increased chances of survival, it can have the reverse effect in today's complex world, making volatility take the shape of nasty Black Swans hiding behind deceptive periods of "great moderation." This is not to say that any and all volatility should be embraced. Insurance should not be banned, for example.

But alongside the "catalysts as causes" confusion sit two mental biases: the illusion of control and the action bias (the illusion that doing something is always better than doing nothing). This leads to the desire to impose man-made solutions. Greenspan's actions were harmful, but it would have been hard to justify inaction in a democracy where the incentive is to always promise a better outcome than the other guy, regardless of the actual, delayed cost.

Variation is information. When there is no variation, there is no information. This explains the CIA's failure to predict the Egyptian revolution and, a generation before, the Iranian Revolution—in both cases, the revolutionaries themselves did not have a clear idea of their relative strength with respect to the regime they were hoping to topple. So rather than subsidize and praise as a "force for stability" every tin-pot potentate on the planet, the U.S. government should encourage countries to let information flow upward through the transparency that comes with political agitation. It should not fear fluctuations per se, since allowing them to be in the open, as Italy and Lebanon both show in different ways, creates the stability of small jumps.

As Seneca wrote in *De clementia*, "Repeated punishment, while it crushes the hatred of a few, stirs the hatred of all . . . just as trees that have been trimmed throw out again countless branches." The

imposition of peace through repeated punishment lies at the heart of many seemingly intractable conflicts, including the Israeli-Palestinian stalemate. Furthermore, dealing with seemingly reliable high-level officials rather than the people themselves prevents any peace treaty signed from being robust. The Romans were wise enough to know that only a free man under Roman law could be trusted to engage in a contract; by extension, only a free people can be trusted to abide by a treaty. Treaties that are negotiated with the consent of a broad swath of the populations on both sides of a conflict tend to survive. Just as no central bank is powerful enough to dictate stability, no superpower can be powerful enough to guarantee solid peace alone.

U.S. policy toward the Middle East has historically, and especially since 9/11, been unduly focused on the repression of any and all political fluctuations in the name of preventing "Islamic fundamentalism"—a trope that Mubarak repeated until his last moments in power and that Libyan leader Muammar al-Qaddafi continues to emphasize today, blaming Osama bin Laden for what has befallen him. This is wrong. The West and its autocratic Arab allies have strengthened Islamic fundamentalists by forcing them underground, and even more so by killing them.

As Jean-Jacques Rousseau put it, "A little bit of agitation gives motivation to the soul, and what really makes the species prosper is not peace so much as freedom." With freedom comes some unpredictable fluctuation. This is one of life's packages: there is no freedom without noise—and no stability without volatility.🌪️

The Rise of the Islamists

How Islamists Will Change Politics, and Vice Versa

Shadi Hamid

For decades, U.S. policy toward the Middle East has been paralyzed by “the Islamist dilemma”—how can the United States promote democracy in the region without risking bringing Islamists to power? Now, it seems, the United States no longer has a choice. Popular revolutions have swept U.S.-backed authoritarian regimes from power in Tunisia and Egypt and put Libya’s on notice. If truly democratic governments form in their wake, they are likely to include significant representation of mainstream Islamist groups. Like it or not, the United States will have to learn to live with political Islam.

Washington tends to question whether Islamists’ religious commitments can co-exist with respect for democracy, pluralism, and women’s rights. But what the United States really fears are the kinds of foreign policies such groups might pursue. Unlike the Middle East’s pro-Western autocracies, Islamists have a distinctive, albeit vague, conception of an Arab world that is confident, independent, and willing to project influence beyond its borders.

There is no question that democracy will make the region more unpredictable and some governments there less amenable to U.S. security interests. At their core, however, mainstream Islamist organizations, such as the Muslim Brotherhood in Egypt and Jordan and al Nahda in Tunisia, have strong pragmatic tendencies. When their survival has required it, they have proved willing to compromise their ideology and make difficult choices.

To guide the new, rapidly evolving Middle East in a favorable direction, the United States should play to these instincts by entering into a strategic dialogue with the region’s Islamist groups and parties. Through engagement, the United States can encourage these Islamists to respect key Western interests, including advancing the Arab-Israeli peace process, countering Iran, and combating terrorism. It will be better to develop such ties with opposition groups now, while the United States still has leverage, rather than later, after they are already in power.

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The Rise of the Islamists

SMART POLITICS

The Middle East's mainstream Islamist movements, most of which are branches or descendants of the Egyptian Muslim Brotherhood, began as single-issue parties, preoccupied with proselytizing and instituting sharia law. Beginning in the 1990s, however, for various reasons in each case, they increasingly focused on democratic reform, publicly committing themselves to the alternation of power, popular sovereignty, and judicial independence. That said, Islamists are not, and will not become, liberals. They remain staunch social conservatives and invariably hold views that most Americans would find distasteful, including that women's rights should be limited and the sexes segregated. Given the chance, they will certainly try to pursue socially conservative legislation.

Yet to the consternation of their own conservative bases, the region's mainstream Islamist groups have also shown considerable flexibility on core ideological concerns. Despite popular support in the Arab world for the implementation of sharia, for example, many Islamist groups, including the Egyptian Muslim Brotherhood, have gradually stripped their political platforms of explicitly Islamist content. In the past few years, instead of calling for an "Islamic state," for example, the Muslim Brotherhood began calling for a "civil, democratic state with an Islamic reference," suggesting a newfound commitment to the separation of mosque and state (although not of religion and politics). This move seems to have been deliberately aimed, at least in part, at alleviating international fears; with the goal of improving its image, moreover, the group launched an internal initiative

in 2005 called Reintroducing the Brotherhood to the West.

When it comes to foreign policy, mainstream Islamists have rhetorically retained much of the Muslim Brotherhood's original Arab nationalism and anti-Israel politics. Today's Egyptian and Libyan Muslim Brotherhoods and Tunisia's al Nahda refuse to recognize Israel's right to exist and call for the liberation of all of historic Palestine. They also view Hamas not as a terrorist group but as a legitimate force of resistance.

Still, Islamist groups did not create the anti-Israel sentiment that exists in Arab societies; they simply reflect and amplify it. In a 2005 Pew Global Attitudes poll, 100 percent of Jordanians polled were found to hold unfavorable views of Jews. In Morocco, home to the Arab world's largest Jewish community, the figure was 88 percent. The Middle East provides such fertile ground for public posturing against Israel that many groups—not only Islamists but also leftists and nationalists—seek to outdo one another in demonstrating their dislike for Israel.

A country's physical proximity to the Israeli-Palestinian conflict informs how aggressive such posturing is. It is no accident that Jordan's Islamic Action Front—the political arm of the Jordanian Muslim Brotherhood—is one of the more vehemently anti-Israel Islamist groups in the Arab world, given that a majority of the Jordanian population is of Palestinian origin. Unlike many of its counterparts, the IAF still uses religious language to frame the conflict; in its 2007 electoral platform, the party affirmed that the conflict between the Israelis and the Palestinians is "theological and civilizational," and not one of borders or territories,

as many groups now frame it. The IAF's so-called hawks, who tend to be of Palestinian origin, advocate even closer ties with Hamas. In Algeria and Tunisia, by contrast, Palestine ranks much lower as a priority for local Islamists.

FROM SHADOW TO STAGE

Although most Islamist groups share a broadly similar ideology, their expression of it has differed depending on their unique domestic and regional constraints and whether the group happens to be included in government. When a group is not included in government, and the ruling elite is unpopular and generally pro-Western, Islamists are more likely to define themselves in opposition to the government's policies to garner support.

Taking a hard line against Israel, for example, has been an effective way for Islamists in opposition to criticize regimes that they see as beholden to Western interests and antidemocratic. For example, before Jordan's 2007 parliamentary elections, the IAF released a statement arguing that freedoms in Jordan had diminished after Amman signed a peace treaty with Israel in 1994. Their attempt to connect pro-Israel policy with a loss of freedom was convincing, because it happened to be true. In 1989, before the treaty, Jordan had held free elections for the first time in decades, and Islamists and nationalists won a majority of the seats. But with peace with Israel on the horizon in the early 1990s, the king grew increasingly more autocratic, dismissing the parliament and enacting a new electoral law designed to limit Islamists' power at the polls.

As political systems across the Middle East open up, Islamist groups such as



the Egyptian Muslim Brotherhood and al Nahda will likely try to move from the opposition into coalition or unity governments. During the euphoria of the democratic transition, new political parties—perhaps including Salafi groups that are more hard-line than the older Islamist organizations—will proliferate. As the parties compete for votes, the



incentives for Islamists to indulge in anti-American posturing to win the votes of the faithful may be greater.

Once actually in government, however, a new set of constraints and incentives will prevail. Rather than ruling, Islamists will likely be partners in coalition or national unity governments. Indeed, none of the Islamist groups in question even plans to run

a full electoral slate; the Egyptian Muslim Brotherhood, for example, has explicitly stated that it will not seek a parliamentary majority. Islamists will be satisfied with dominating narrower parts of the government. They are likely to try to gain influence in ministries such as health and justice, while avoiding more sensitive portfolios, such as defense and foreign affairs.

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Notably, the Middle East's generally secular security establishments have been hesitant in the past to hand over control of defense and foreign affairs to Islamists. Consider, for example, Necmettin Erbakan, the former leader of Turkey's Welfare Party, who was elected prime minister in 1996, making him the first-ever democratically elected Islamist head of government anywhere. Before coming to power, Erbakan had routinely denounced Israel and pledged to revisit existing military arrangements with the Jewish state. Yet once in office and faced with a powerful secular military and judicial establishment, he reversed course. During his one year in office, Erbakan presided over a deepening of relations with Israel and signed military agreements that allowed Israeli pilots to train in Turkish airspace. His government also set up joint naval drills with Israel in the Mediterranean.

Moreover, mainstream Islamist groups are surprisingly sensitive to international opinion. They remember the outcry that followed Islamist electoral victories in Algeria in 1991 and the Palestinian territories in 2006 and know that a great deal is at stake—hundreds of millions of dollars of Western assistance, loans from international financial institutions, and trade and investment. Islamists are well aware that getting tied up in controversial foreign policy efforts would cause the international community to withdraw support from the new democracies, thus undermining the prospects for a successful transition.

That is why, for example, in 2003, although Turkey's staunchly secular Republican People's Party overwhelmingly voted against supporting the U.S.-led war in Iraq, most of the ruling Islamist-leaning Justice and Development Party

voted for it: the Bush administration exerted heavy pressure and offered billions of dollars in aid. And even Hamas—still regarded as the most radical of the mainstream Islamist groups—tempered its policies toward Israel after its 2006 electoral victory, saying it would accept the 1967 borders between Israel and the Palestinian territories.

For similar reasons, even before coming to power, some officials in the Egyptian and Jordanian Muslim Brotherhoods have explicitly stated that they would respect their countries' peace treaties with Israel (although others have threatened to leave the organization if it ever recognizes Israel). Despite the recent alarm, if Islamists join a coalition government in Egypt, moderation will likely prevail, and the country's 1979 Camp David peace agreement with Israel will be accepted, however reluctantly, as a fact of life.

ACCIDENTALLY ALIGNED

Islamist and U.S. interests can come together almost incidentally as well. The Syrian Muslim Brotherhood—brutally repressed by President Hafez al-Assad in the 1980s—has long shared U.S. fears of a powerful Iranian-Syrian-Hezbollah axis. Its opposition to the Syrian regime is well documented; the government made mere membership in the Brotherhood punishable by death. Like the United States, the group has often criticized Iran as a dangerous sectarian regime intent on projecting Shi'ite influence across the Arab world. Defying public opinion, Syrian Muslim Brotherhood figures even criticized Hezbollah for provoking Israel to attack Lebanon in 2006.

Similarly, the Lebanese Muslim Brotherhood, known as al-Gama'a al-Islamiyya,

has opposed Syria and Hezbollah's role in Lebanon and allied itself with the pro-U.S. March 14 alliance. Elsewhere, mainstream Sunni Islamists, while applauding Iran's support of Palestinian resistance, have been careful to maintain their distance from the Shiite clerical regime, which they see as a deviation from traditional Islamic governance.

This is not to say that the United States has nothing to be concerned about. Democratic governments reflect popular sentiment, and in the Middle East, this sentiment is firmly against Israel and U.S. hegemony in the region. If the Arab-Israeli conflict persists or, worse, war breaks out, Middle Eastern governments—Islamist or not—will come under pressure to take a strong stand in support of Palestinian rights.

In mature and young democracies alike, such pressure can be difficult to resist. The case of Jordan in the early 1990s is worth considering. In 1991, the Muslim Brotherhood, which had won a plurality of the vote in the 1989 elections, gained control of five ministries, including education, health, justice, religious affairs, and social development, as part of a short-lived coalition government. (This marked the first time—and one of the only times—the Brotherhood has held executive power anywhere in the world.) When, in late 1990, the United States began preparing to take military action against Saddam Hussein in response to his invasion of Kuwait, Jordan's parliament condemned the Western aggression and intensified its pressure on King Hussein to oppose the U.S. intervention—which he did, despite the obvious international consequences. For its part, the Muslim Brotherhood—a staunch opponent of Saddam's secular

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regime—at first spoke out against the Iraqi aggression and expressed full support for Kuwait. But as Jordanians took to the streets to protest the war, the Brotherhood reversed course, riding the wave of anti-Americanism to even greater popularity.

THE ISLAMIST EXPERIMENT

So what does all of this mean for Tunisia, Egypt, and other countries facing popular upheaval? Like many others, Muslim Brotherhood activists in Egypt's Tahrir Square broke into applause when, on February 1, U.S. President Barack Obama called for a meaningful and immediate transition to genuine democracy in Egypt. Numerous Muslim Brotherhood members even said they wished the Obama administration would more forcefully push for Hosni Mubarak's ouster. Meanwhile, Sobhi Saleh, the only Brotherhood member on the country's newly established constitutional committee, told *The Wall Street Journal* that his organization was "much closer to the Turkish example," suggesting that the Brotherhood would evolve in a more pragmatic, moderate direction.

For their part, the Western media have tended to idealize the revolutions sweeping the Middle East. Tahrir Square was portrayed as a postideological utopia and Egyptians as pro-American liberals in the making. True, Egyptians (and Tunisians and Libyans) have wanted democracy for decades and showed during their revolution a knack for protest, peaceful expression, and self-governance.

But for all the changes of the past months, the United States remains a status quo power in a region undergoing radical change. Arabs across the region have been protesting an authoritarian order that the United States was, in their

view, central in propagating. At their core, the revolutions sweeping the Middle East are about dignity and self-determination. For the protesters, dignity will mean playing a more active and independent role in the region. The moment of apparent convergence between Islamists and the United States during the revolutions does not mean that they will—or should—agree on all foreign policy questions in the future.

During the uprisings, the protesters have sensed that U.S. pressure on the autocratic regimes would prove critical to their success. Like any political group, Islamists are more cautious when they are vulnerable. But once Islamist groups solidify their position, they will have less patience for U.S. hectoring on Israel or the peace process. Already, they have started speaking more openly about their regional ambitions. On February 17, Mohammed Badie, the Egyptian Muslim Brotherhood's "general guide," stated that the revolution "must be a starting point for Egypt to take up its place in the world again, through recognizing the importance of our responsibilities toward our nations and defending them and their legitimate demands." Meanwhile, Hammam Said, the hard-line leader of the Jordanian Muslim Brotherhood put it more bluntly: "America must think seriously about changing its policy in the region, for people will no longer remain submissive to its dictates."

It will take a while for the new governments in Tunisia and Egypt to form cogent foreign policies, but Washington should start thinking ahead to mitigate the long-term risks. In the transition phase, the introduction of constitutional and institutional reforms to devolve power

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will be critical. Proportional electoral systems that encourage the formation of coalition governments may be better than majoritarian systems because they would make foreign policy formulation a process of negotiation among many parties, necessarily moderating the result. Already, most mainstream Islamists have significant overlapping interests with the United States, such as seeing al Qaeda dismantled, policing terrorism, improving living standards and economic conditions across the Arab world, and consolidating democratic governance.

By initiating regular, substantive dialogue with Islamist groups to work on areas of agreement and discuss key foreign policy concerns, the United States might discover more convergence of interests than it expects. Indeed, one of the few low-level dialogues the United States has had with an Islamist group—that with Morocco's Justice and Development Party—has been successful, leading the party to be relatively restrained in its criticism of the United States. At any rate, the revolutions have made the shortsightedness of current U.S. policy—studiously avoiding formal contacts with the Muslim Brotherhood and like-minded groups—clear. The West knows much less about Egypt's most powerful opposition force than it should, and could.

The United States can take precautions—and it should—but this does not alter an unavoidable reality. Anti-Israel public opinion will remain a feature of Middle Eastern politics until a final and equitable peace treaty is struck. Whether that happens anytime soon will depend in part on Hamas. If Hamas finally joins a national unity government in the Palestinian territories that then negotiates an

accommodation with Israel, this will effectively resolve other Islamist groups' Israel problem. Emboldened by the revolutions, however, Hamas is unlikely to be so cooperative.

For decades, Islamists postponed the difficult question of what they would do in power for a simple reason: the prospect of power seemed so remote. But the democratic wave sweeping the region has brought Islamists to the fore. What comes next may be the Arab world's first sustained experiment in Islamist integration. Fortunately, for all their anti-Americanism, mainstream Islamists have a strong pragmatic streak. If they have not already, they will need to come to terms with regional realities. And, for its part, the United States—and the rest of the international community—will need to finally come to terms with Islamists. 🌐

Terrorism After the Revolutions

How Secular Uprisings Could Help (or Hurt) Jihadists

Daniel Byman

On December 17, Mohamed Bouazizi, a Tunisian street vendor, set himself on fire to protest police harassment. His death incited unrest throughout Tunisia; less than a month later, protests toppled Tunisian President Zine el-Abidine Ben Ali. Egypt, the most populous and influential country in the Arab world, soon followed suit. Al Qaeda met both these dramatic events with near silence. Only in mid-February did Osama bin Laden's Egyptian deputy, Ayman al-Zawahiri, offer comments. But even then, he did not directly address the revolutions or explain how jihadists should respond. Instead, he claimed that the Tunisian revolution occurred "against the agent of America and France," gamely trying to transform Tunisians' fight against corruption and repression into a victory for anti-Western jihadists. On Egypt, Zawahiri offered a rambling history lesson, ranging from Napoleon to the tyranny of the Mubarak government. He released his statement on Egypt on February 18, a week after

Hosni Mubarak resigned, and offered little guidance to potential followers on how they should view the revolution or react to it.

U.S. politicians are moving quickly to claim the revolutions and al Qaeda's muted response as victories in the struggle against terrorism. "This revolution is a repudiation of al Qaeda," declared Senator John McCain during a visit to Cairo on February 27. And indeed, looking out from bin Laden's cave, the Arab world looks less promising than it did only a few months ago. Although bin Laden and al Qaeda have been attempting to overthrow Arab governments for more than 20 years, the toppling of the seemingly solid dictatorships in Tunisia and Egypt caught them flat-footed and undermined their message of violent jihad.

Nevertheless, al Qaeda and its allies could ultimately benefit from the unrest. For now, al Qaeda has greater operational freedom of action, and bin Laden and his allies will seek to exploit any further unrest in the months and years to come.

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OFF MESSAGE

Al Qaeda is dangerous not only because it has hundreds of skilled fighters under arms but also because tens of thousands of Muslims have found its calls for violent change appealing. When dictators reigned supreme in Arab lands, al Qaeda could score points by denouncing despotism—Zawahiri even wrote a book condemning the crimes of Mubarak. When dictators such as Mubarak fall due to pressure from pro-democracy protesters, however, al Qaeda loses one of its best recruiting pitches: the repression Arab governments inflict on their citizens. The rise of less repressive leaders would deprive al Qaeda propagandists of this valuable argument.

Genuine democracy would be a particular blow to bin Laden and his followers. “If you have freedom, al Qaeda will go away,” claims Osama Rushdi, a former spokesperson for al-Gama’a al-Islamiyya, once Egypt’s most important jihadist group. Rushdi may be exaggerating, but the possible movement toward a free press, free elections, and civil liberties throughout the Middle East would highlight the least appealing part of al Qaeda’s dogma: its hostility toward democracy.

Although the word “democracy” means different things to different audiences, polls suggest that the generic concept is quite popular in the Arab world, as befits a region that knows firsthand how brutal autocracy can be. A 2010 Zogby poll found that a majority of Egyptians favored democracy, and a 2006 survey by the scholars John Esposito and Dalia Mogahed found that 93 percent of Egyptians favored a constitution that guaranteed freedom of speech. At the same time, however, Esposito and Mogahed found that a

majority wanted Islamic law to be the only source of legislation. In contrast, al Qaeda believes that democracy is blasphemous, arguing that it places man’s word above God’s. So if Tunisia’s emerging democratic movement does not soon hand power over to clerics that implement an Islamic state, then—according to al Qaeda in the Islamic Maghreb (AQIM)—“the duty upon Muslims in Tunisia is to be ready and not lay down their weapons.” Al Qaeda’s message is clear: secular democracy is as abhorrent as secular dictatorship.

More ominous for al Qaeda is the way in which Ben Ali and Mubarak fell. Al Qaeda leaders insist that violence carried out in the name of God is the only way to force change. Zawahiri had long demanded that Egyptian youths either take up arms against the Mubarak government or, if that proved impossible, “go forth to the open arenas of Jihad like Somalia, Iraq, Algeria and Afghanistan.” Youths in Tunisia and Egypt did not heed his call; the protesters were peaceful and largely secular in their demands. As U.S. Secretary of State Hillary Clinton said of al Qaeda’s leaders, “I hope they were watching on television as Egyptian young people proved them wrong.” A number of prominent jihadist scholars, such as Abu Basir al-Tartusi and Hamid al-Ali, echoed her, praising the protesters’ courage and endorsing the revolutions despite their largely secular demands.

Even more distressing to al Qaeda, change occurred in the Arab world without an initial blow being struck against the United States. Al Qaeda has long insisted that Muslims must first destroy the region’s supposed puppet master in Washington before change can come to Tunis or Cairo.

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Finally, the fact that the young are leading the revolution is bad news for bin Laden. Young people, especially young men, are al Qaeda's key demographic—the ones al Qaeda propagandists expect to take up arms. For over a decade, al Qaeda has portrayed its young fighters as the most audacious and honorable defenders of Muslim lands in the face of Western aggression. Now, youths in the Arab world are afire with very different ideas—of freedom and nonviolent action. Recent events have shown idealistic young Arabs who dream of a new political order in the Middle East that they need not travel to Afghanistan or Iraq to engage in jihad; they can accomplish more by remaining in their own countries and marching peacefully against their authoritarian rulers.

THE CHAINS COME OFF

U.S. counterterrorism officials have long praised countries such as Tunisia and Egypt for their aggressive efforts against terrorism and their cooperation with the United States. Since 9/11, the United States has tried to work with Algeria, Mali, Mauritania, and Morocco as well to improve regional counterterrorism cooperation against AQIM. Even Libyan leader Muammar al-Qaddafi—long derided as “the mad dog of the Middle East”—has been valued as a partner against al Qaeda since 9/11. In the face of unrest in Libya, following on the heels of the revolution in Egypt, Qaddafi even declared that al Qaeda was behind the protests, warning Libyans, “Do not be swayed by bin Laden”—most likely in an effort to gain legitimacy for his crack-down against the demonstrators.

Arab tyranny has often served U.S. purposes. U.S. counterterrorism officials

have worked well with authoritarian leaders because their regimes have generally had a low bar for imprisonment and detention. The United States could send a suspect captured in Europe to Egypt and be assured that he would be kept in jail. This low bar also meant that many minor players and innocents were swept up in security-service roundups. The Egyptian regime was even willing to threaten the families of jihadists, putting tremendous pressure on militants to inform, surrender, or otherwise abandon the fight. Assuming that a truly democratic government comes to Egypt, the easy incarceration of dissidents and ruthless threats against militants and their families will disappear.

Indeed, one measure of how much progress the Arab regimes are making toward democracy will be how much their security services are purged. The same security services that have fought al Qaeda and its affiliates have also imprisoned peaceful bloggers, beaten up Islamist organizers to intimidate them, and censored pro-democracy newspapers.

Those who replace the current security forces will not necessarily be friendly to Washington, and the governments they report to may also seek an arm's-length relationship with the United States. If new governments take popular opinion into account, as democratic leaders do, cooperation will not be as close as it once was. Many of the new political players, particularly the Islamists, see the United States as a repressive power that aids Israel and other enemies. Indeed, it is hard to imagine an Egyptian government that includes the Muslim Brotherhood instructing its security services to work as closely with the CIA as Mubarak's forces did.



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Terrorism After the Revolutions

Regional cooperation—vital because al Qaeda and its affiliates cross state boundaries—was fitful at best before the recent unrest. Now, it will become even harder, as old regimes and new leaders greet one another with suspicion.

AL QAEDA'S PATH FORWARD

Despite the challenge that the secular revolutions have posed to al Qaeda's narrative, there is a chance that the organization could rebound and become even stronger operationally.

Dictatorships have crumbled, but nothing solid has yet replaced them. During the recent unrest, some jails in Egypt and Libya were emptied, putting experienced jihadists back on the street. In both countries, many of the jailed jihadists had turned away from violence in the last decade, arguing—quite publicly—that the jihadists' struggle represented a misunderstanding of Islam, killed innocents, and had ultimately failed. This renunciation of jihad produced bitter polemics against al Qaeda (which were met by even more vitriolic responses from al Qaeda). Nevertheless, among those released, there are some unrepentant extremists who are willing to wreak havoc on their enemies. These ex-prisoners threaten U.S. interests at a time when Arab governments are least willing or able to monitor and constrain them.

And in countries where autocrats still cling to power, the security services will probably become less effective against jihadists. The services of Algeria, Morocco, and Yemen are now likely to make democratic dissenters their top priority, rather than suspected terrorists. Dictators such as Yemen's Ali Abdullah Saleh have a long history of quietly working with jihadists against mutual enemies, as Saleh did when

he employed jihadists to fight on his side against rebellious southerners in Yemen's 1994 civil war. Saleh and al Qaeda in the Arabian Peninsula are both hostile to those demonstrating for democracy, and they may cooperate, or at least not disrupt each other's efforts.

Meanwhile, new democratic governments may be unlikely to target the recruiters, fundraisers, propagandists, and other less visible elements of the jihadist movement. These individuals are often far more important to the movement's overall health than the actual bombers and assassins, but they can more easily cloak their work as legitimate political action. Freedom of speech may protect some activities, and many Arabs see the jihadist struggles in Afghanistan, Iraq, and elsewhere as legitimate. Jihadists are media savvy and will try to exploit any new freedoms to expand their propaganda efforts.

A particularly tricky issue is the role of Islamist parties such as Egypt's Muslim Brotherhood. From a counterterrorism point of view, a greater role for Islamists could be good news. Although Brotherhood theologians such as Sayyid Qutb helped inspire the modern jihadist movement, and many important al Qaeda members were Brotherhood members before joining bin Laden, there is bad blood between the two organizations.

In his book *The Bitter Harvest*, Zawahiri angrily criticized Brotherhood leaders for rejecting violence and participating in politics. Hamas, a Brotherhood spinoff, has quarreled bitterly with al Qaeda. Zawahiri has blasted Hamas for adhering to cease-fires with Israel, not implementing Islamic law in Gaza, and deviating from the pure faith of jihadism. To prevent these ideas from gaining currency and eroding its

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support, Hamas has harshly repressed al Qaeda-inspired jihadists in the Gaza Strip. If the Brotherhood gains influence in a new Egyptian government, as seems likely, the organization will carry this feud with it. And because many jihadists grew out of its ranks, the Brotherhood knows the jihadist community well and can effectively weed out the most dangerous figures.

When the Muslim Brotherhood had little chance of gaining power, ignoring it and other Islamist movements seemed prudent to both Republican and Democratic administrations. Now, the tables have turned, and the United States needs to catch up. In particular, Washington should clarify that it does not want these movements excluded from government but rather wants them to participate. Inevitably, this will lead to tension as Islamist groups seek policies that do not jibe with U.S. preferences.

But excluding the Brotherhood from power would be worse, for it would endanger the U.S. campaign against al Qaeda. In 1992, the Algerian government nullified elections that Islamists had won, provoking a bloody civil war. This war, in turn, radicalized the country's Islamist movement. *Takfiri* Islamists—those who believe other Muslims are apostates—dragged Algeria into a frenzy of gratuitous violence that alienated other jihadists and even bin Laden, due to the *takfiris'* horrific attacks on fellow Muslims. (Bin Laden worked with a less extreme faction of Algeria's jihadists, which later became the core of AQIM.) Although such an extreme scenario seems unlikely in Tunisia or Egypt, suppressing the Brotherhood's political aspirations would alienate younger, less patient Islamists. They, in turn, may find

bin Laden's message attractive, believing that the new government is inherently anti-Islamic.

Here, perhaps, the goal of counterterrorism clashes with other U.S. interests. Although the Brotherhood is mouthing all the right slogans, its commitment to true democracy is uncertain. In any event, it is likely to seek restrictions on the rights of women and minorities in Egypt's political life. Islamist organizations in general are highly critical of U.S. military intervention in the Middle East, skeptical of cooperation with the CIA, and strongly opposed to anything that smacks of normal relations with Israel. Supporting a strong Islamist role in government risks creating a regime less friendly to the United States; excluding the Islamists risks radicalizing the movement and reinvigorating al Qaeda.

Opportunities for al Qaeda will also arise if unrest turns to civil war, as has happened in Libya. In Afghanistan, Chechnya, Iraq, Somalia, and Yemen, civil wars began largely for local reasons, with little jihadist involvement. Over time, however, al Qaeda and like-minded groups moved in. First, they posed as supporters of the opposition. Then, they spread their vitriol, using their superior resources to attract new recruits, while the surrounding violence helped radicalize the opposition. Al Qaeda now has a strong presence in all these countries. Already, AQIM—the regional al Qaeda affiliate geographically closest to Libya—is issuing statements in support of the anti-Qaddafi fighters.

In Libya, it is possible that the United States and local jihadist fighters will end up fighting the same enemy. This happened in the Balkans in the 1990s, when Washington was helping the Bosnian Muslims just as Arab jihadists were seeking

to assist the Muslims against the Serbs and turn Bosnia into a new Afghanistan.

AFTER THE REVOLUTION

The Obama administration must prevent al Qaeda from exploiting its increased freedom of movement in the Arab world and at the same time take advantage of the fact that its narrative has been discredited. U.S. public diplomacy efforts should relentlessly highlight al Qaeda's criticisms of democracy and emphasize the now credible idea that reform can come through peaceful change. The message should be spread by television and radio, as always, but particular attention should be paid to the Internet, given the importance of reaching young people.

The United States must also continue to use drone strikes and other means to put pressure on al Qaeda's senior leadership in Pakistan, even though these at times decrease support for the United States there. Part of the explanation for al Qaeda's slow response may be the fact that responding to such momentous change requires extensive consultations among leaders. Holding an open meeting, however, could invite a deluge of Hellfire missiles from U.S. drones.

Al Qaeda will presumably get its act together eventually and develop a coherent message regarding how jihadists should respond to the revolutions. Drone attacks remain vital to keeping al Qaeda behind the pace of events and preventing it from coordinating operations far from its base in Pakistan. Keeping al Qaeda's response slow and incoherent by inhibiting communication will make the organization appear irrelevant.

The United States must also recognize the risks for counterterrorism in the civil

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Daniel Byman

wars that break out as autocrats resist democratization. The danger is that al Qaeda will exploit such conflicts, so the United States must make clear to opposition figures early on that the United States will consider aid, recognition, and other assistance, but that this aid is contingent on jihadists' being kept out of the rebels' ranks. When jihadists set up shop in the Balkans in the 1990s, U.S. pressure helped convince Bosnia's mainstream Muslim leadership to purge them. Al Qaeda cannot compete with the United States and its allies when it comes to resources or bestowing international legitimacy, so the choice between Washington and al Qaeda should be easy for opposition groups. A failure to help the oppositionists, however, may lead desperate ones to seek help from whatever quarter they can.

Al Qaeda, of course, will try to have it both ways. When the United States does not intervene to stop authoritarian regimes from attacking their citizens, it will blast the United States as being a friend of tyranny. And when the United States does intervene, al Qaeda will try to drum up anti-U.S. sentiment among the locals, calling for attacks on U.S. forces while portraying the intervention as part of the United States' master plan to conquer the Middle East. The United States should counter this by emphasizing the support it has from the local Muslim community and Arab states; even so, the image of a U.S. soldier in full battle gear may still alienate many Muslims.

More quietly, the United States should develop efforts to train the intelligence and security forces of the new regimes that emerge. The first step is simply to gain their trust, as new leaders are likely to

see their U.S. counterparts as bulwarks of the old order and a possible source of counterrevolution. Many of the new security-service leaders will be new to counterterrorism. Even more important, they will be unaccustomed to the difficult task of balancing civil liberties and aggressive efforts against terrorism. Here, the FBI and other Western domestic intelligence services have much to offer. Developing such cooperation will take time and patience, but the United States should make this a priority.

For now, there is reason to hope that the revolutions in the Arab world will benefit U.S. counterterrorism efforts. But this hope should be balanced with the recognition that in the short term al Qaeda will gain operational freedom and that the United States and its allies need to recast their message, maintain pressure on al Qaeda's core, prepare to counter al Qaeda's attempts to exploit civil wars, and renew their intelligence cooperation in the region if they are to prevent al Qaeda from reaping long-term benefits from the upheavals. 🌐

INDONESIA



INDONESIA

REDEFINING A PARTNERSHIP

By Ambassador Dino Patti Djalal

How times have changed. In the mid-1950s, in the middle of the Cold War, an Indonesian government crumbled in the wake of a vote of no confidence in parliament after it pursued a security agreement with the United States.

In 2010, nearly a decade after 9/11, Indonesian President Susilo Bambang Yudhoyono and U.S. President Barack Obama signed the historic Comprehensive Partnership. And during a visit that year, President Obama's televised speech at Universitas Indonesia was arguably the most anticipated address by a visiting foreign leader in our history.

What happened?

Indonesia had changed. America had changed. The world had changed.

With decolonization and the Cold War behind us, it was time to face a new set of challenges. What were these? Globalization. Millennium Development Goals. Climate change. Diseases. Terrorism. Financial reform. The more we studied these challenges, the more we became convinced of the need for closer engagement.

On climate change, for example, the United States is the world's largest greenhouse gas emitter, while Indonesia has the global antidote in her large tracts of tropical rainforests.

During the financial crisis, both countries saw a changing international economic landscape, and worked together to make the G-20 the premier forum for global economic cooperation.

In the war against terrorism, they collaborated closely on law enforcement and counterterrorism cooperation, and were determined to prevent a deepening rift between the West and the Islamic world. Both countries also have a stake in the spread of pluralism, multicultural-



Dr. Dino Patti Djalal, Indonesia's ambassador to the United States

alism and moderation around the world.

In a world that has seen dramatic expansion of democracies, the United States and Indonesia have found a new political connection as the world's second- and third-largest democracies.

Both Jakarta and Washington have significantly broadened the scope of potential cooperation, and redefined the dynamics of their relations into a 21st century partnership.

The partnership is certainly strategic in character but not an alliance. Indonesia is constitutionally prohibited from entering into a military alliance with any country.

First, it is "comprehensive" because it is no longer focused on "single-issue interest," as it was in the past, when the principal focus was on East Timor or human rights. The six bilateral working groups established by Secretary of State Hillary Clinton and Foreign Minister Marty Natalegawa reflect this new comprehensive approach: defense and security, trade and investment, democracy, energy, envi-

ronment and education.

Second, it is "forward-looking," because it leaves behind historical baggage and focuses on the common challenges of today and tomorrow.

Third, it is "flexible" because it allows plenty of room for both sides to agree to disagree (And we do this a lot!). Each side can choose which area of cooperation they prefer, and that is why I call it an "a la carte" partnership.

Fourth, it must be driven by "people-to-people" links, so that this relationship goes deep into the grassroots and does not become a thin relationship like it was in the past.

Fifth, it is based on "equality," which means that it is a partnership among equals. We reciprocate when we can, and engage with mutual respect, with no imposition by one to another. Indeed, the joint declaration of comprehensive partnership explicitly stated the United States' respect for "Indonesia's independent and active foreign policy" – a critical point of Indonesia's diplomacy.

For Indonesia, our new comprehensive partnership with the U.S. is part of a globalist outlook that seeks "a million friends and zero enemies."

In the last six years, Indonesia struck transformative partnership agreements with several countries, including Australia, Brazil, China, India, Japan, Pakistan, Russia, South Africa and South Korea. It is part of our efforts to reform the world order and address global issues through a "can-do" spirit of co-

operation.

Amid shifting power relations, President Yudhoyono stressed the need for countries to reach a "new dynamic equilibrium."

That was why Indonesia was a strong advocate for the United States to join the East Asia Summit, and appreciated the Obama administration's intensified engagement with Asia and with ASEAN.

To strengthen maritime security, Indonesia wants to see the U.S. Senate renew efforts to ratify the U.N. Convention on the Law of the Sea.

We also want to see rich "soft power" engagement by the United States in the region, one that is saturated with trade, investment, education, tourism, youth exchanges, technology, innovation, the arts and so on.

And, Universitas Indonesia believes it can play a complementary role in the partnership.

For university rector, Prof. Dr. Der Soz Gumilar Rusliwa Somantri: "If UI wants to play a very significant role, we have to pave the way for the country to heed to the future by building a new civilization based on a sustainable future and development. Make democracy in practice really functional in bringing the country progress and a sustainable future."

In the coming Asia Pacific century, this is, indeed, the best way to realize President Obama's call to "win the future" and achieve what President Yudhoyono calls our "win-win future."

Dr. Dino Patti Djalal is Indonesia's ambassador to the United States and former spokesperson to President Yudhoyono.

INDONESIA

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Mutu Certification International, managed by PT Mutuagung Lestari, is Indonesia's leading certification body, with over 850 clients. It provides certification services for management systems, sustainable natural resource management, and product and testing laboratories.



Since its inception in 1990, the company has widened its portfolio in terms of industries and domicile network. From an initial specialization in wood-based products, it expanded to forestry products, agribusiness, as well as fisheries and marine products.

It expanded to international certifications, including the Japan Agricultural Standard (JAS) accredited by the Ministry of Agriculture, Forestry and Fisheries, which authorized only eight other institutions worldwide.

It also issues the California Air Resources Board (CARB) certification of formaldehyde emissions from wood-based products, the Raad voor Accreditatie's accreditation for fisheries testing laboratory services, Roundtable on Sustainable Palm Oil (RSPO) certification for sustainable palm oil management.

Recently, Mutu Certification International opened branch offices in China, Japan, Vietnam, Malaysia, and Thailand.

"When we were accredited by the Japanese government for Asia Pacific, our process of going global started. This led to the California state government appointing us to be one of the third party certifiers of CARB," said president director Arifin Lambaga, who wants to see Mutu Certification International become a "one-stop service" for certification and testing laboratories.

"I dream of a company that supports global industries in exporting agribusiness and natural-based products, especially when ASEAN becomes an open market by 2015. Since we have been in this business for over 21 years, we know it well, particularly in agriculture and forestry products. If an investor wants to invest in these fields, we can help them set up, find partners, and form supply chains. We invite them to come," he said.

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A leading ICT company in the country, Telkom Indonesia serves millions of customers nationwide and provides a strong portfolio of information and communication services, including fixed-wirelines and fixed-wireless telephone, mobile cellular, data and Internet, and network and interconnection services, directly or through its subsidiaries. As competition becomes tighter, Telkom Indonesia is reshaping itself into a telecommunication, information, media and edutainment (TIME) company.



Telkom Indonesia president director Rinaldi Firmansyah

Until 1961, telecommunications was a state-run enterprise. As was the case in other developing countries, expansion and modernization of telecommunications infrastructure played an important role in the country's general economic development. Also, Indonesia's large population and rapid economic growth created a demand for expanded services.

Recent reforms have attempted to create a regulatory framework to promote competition and accelerate the development of telecommunications facilities and infrastructure. Further measures that came into effect in September 2000 were aimed at boosting competition by removing monopolistic controls, increasing the transparency of the regulatory framework, creating opportunities for strategic alliances with foreign partners, and facilitating the entry of new participants to the industry.

Fixed-line penetration is low in Indonesia when measured against international standards. As of February 2011, Indonesia had an estimated fixed-line penetration (including fixed-wireless subscribers) of 16.8 percent and an estimated cellular penetration of more than 80 percent.

"There are a number of significant trends in the telecommunications industry in Indonesia and these include continued growth," said president director Rinaldi Firmansyah, who added that the telecommunications industry in Indonesia will continue to grow parallel to the growth of the economy.

According to Firmansyah, Telkom expects wireless services to become increasingly popular as a result of wider coverage areas, better wireless network quality, lower handset costs, and the proliferation of prepaid services. It also anticipates more competition in the industry as a result of the government's regulatory reforms.

"The future of our industry is TIME," emphasized Rinaldi.

Several years ago, Firmansyah realized that Telkom would face more challenges to meet the expectations and aspirations of its shareholders, customers, and indeed, the nation if it remained solely a telecommunications operator.

As new and unprecedented modes and volumes of communication emerged, driven by cellular, satellite, digital, and broadband tech-

"Our shares are traded on the IDX, the NYSE, the LSE, and are publicly offered without listing in Japan"

nologies, Telkom stakes its future in its capability to provide seamless access to a huge diversity of information, media, and edutainment across a wide range of platforms.

So, Telkom embarked on a far-reaching transformation that is still ongoing. While maintaining its legacy business of fixed-line and cellular voice services, it has strategically built a portfolio of new wave businesses, including broadband, IT and enterprise services, and content, with a view to sustaining competitive growth.

Firmansyah claimed that by the end of 2010, Telkom's customer base had grown 21.2 percent, to 105.1 million customers. Telkom at the moment serves 8.4 million fixed-wireline telephone subscribers, 15.1 million fixed-wireless telephone subscribers, and 81.6 million mobile telephone subscribers.

As of December 2010, Telkom had about 94.01 million cellular customers, which represented a 15.1 percent growth from the previous year on the back of continuous product and service innovation, strong brand positioning, and an improved network. Its estimated market share as of that year stood at about 45.6 percent of the full-mobility market.

On the other hand, as of December 2010, there were 1.65 million subscribers for fixed-broadband services (Speedy), which represented growth of 44 percent from 1.15 million subscribers recorded in the same period last year. Speedy remains the market leader in the business with a total market share exceeding 80 percent.

At the end of 2010, Telkom's mobile broadband user base grew by 128 percent from 1.67 million to 3.80 million in the same period. It has maintained its leadership position in the mobile broadband sector, with approximately a 60 percent market share.

"To support our mobile broadband service, some of our backbone infrastructures were utilized by Telkomsel (a Telkom subsidiary company) as a part of Telkom's strategy to synergize operational resources," Firmansyah said.

As of February 2011, the total number of fixed-wirelines in service remained essentially flat at approximately 8.3 million, which represented a decline of 1 percent from 8.37 million in the same period last year.

"Our 8.3 million subscribers represented a market share of some 99 percent. We remain the dominant player in the fixed-wireline market," Firmansyah said.

Until today, the majority of Telkom's common stock was owned by the Indonesian government, with the public taking a minority stake.

"Our shares are traded on the IDX, the NYSE, the LSE, and are publicly offered without listing in Japan," said Firmansyah, who is confident that Telkom will maintain its growth by regional expansion. It has established Telkom Indonesia International (TII) as its vehicle to expand overseas.

A fully owned subsidiary of Telkom, TII provides information communication and international networking services under three business portfolios: international telecommunication services, project management and consultancy, and investment and strategic partnerships.

As Telkom Group's international arm, TII has regional representation and investments in Malaysia, Singapore and Hong Kong. Through TII, Telkom works towards its vision of becoming a leading telecommunication, information, media and edutainment (TIME) player in the region.





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Essays



China and other emerging great powers do not want to contest the basic rules and principles of the liberal international order; they wish to gain more authority and leadership within it.

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The Future of the Liberal World Order

Internationalism After America

G. John Ikenberry

THERE IS no longer any question: wealth and power are moving from the North and the West to the East and the South, and the old order dominated by the United States and Europe is giving way to one increasingly shared with non-Western rising states. But if the great wheel of power is turning, what kind of global political order will emerge in the aftermath?

Some anxious observers argue that the world will not just look less American—it will also look less liberal. Not only is the United States' preeminence passing away, they say, but so, too, is the open and rule-based international order that the country has championed since the 1940s. In this view, newly powerful states are beginning to advance their own ideas and agendas for global order, and a weakened United States will find it harder to defend the old system. The hallmarks of liberal internationalism—openness and rule-based relations enshrined in institutions such as the United Nations and norms such as multilateralism—could give way to a more contested and fragmented system of blocs, spheres of influence, mercantilist networks, and regional rivalries.

G. JOHN IKENBERRY is Albert G. Milbank Professor of Politics and International Affairs at Princeton University and the author of *Liberal Leviathan: The Origins, Crisis, and Transformation of the American World Order* (Princeton University Press, 2011), from which this essay is adapted.

The fact that today's rising states are mostly large non-Western developing countries gives force to this narrative. The old liberal international order was designed and built in the West. Brazil, China, India, and other fast-emerging states have a different set of cultural, political, and economic experiences, and they see the world through their anti-imperial and anticolonial pasts. Still grappling with basic problems of development, they do not share the concerns of the advanced capitalist societies. The recent global economic slowdown has also bolstered this narrative of liberal international decline. Beginning in the United States, the crisis has tarnished the American model of liberal capitalism and raised new doubts about the ability of the United States to act as the global economic leader.

For all these reasons, many observers have concluded that world politics is experiencing not just a changing of the guard but also a transition in the ideas and principles that underlie the global order. The journalist Gideon Rachman, for example, says that a cluster of liberal internationalist ideas—such as faith in democratization, confidence in free markets, and the acceptability of U.S. military power—are all being called into question. According to this worldview, the future of international order will be shaped above all by China, which will use its growing power and wealth to push world politics in an illiberal direction. Pointing out that China and other non-Western states have weathered the recent financial crisis better than their Western counterparts, pessimists argue that an authoritarian capitalist alternative to Western neoliberal ideas has already emerged. According to the scholar Stefan Halper, emerging-market states “are learning to combine market economics with traditional autocratic or semiautocratic politics in a process that signals an intellectual rejection of the Western economic model.”

But this panicked narrative misses a deeper reality: although the United States' position in the global system is changing, the liberal international order is alive and well. The struggle over international order today is not about fundamental principles. China and other emerging great powers do not want to contest the basic rules and principles of the liberal international order; they wish to gain more authority and leadership within it.

Indeed, today's power transition represents not the defeat of the liberal order but its ultimate ascendance. Brazil, China, and India have

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all become more prosperous and capable by operating inside the existing international order—benefiting from its rules, practices, and institutions, including the World Trade Organization (WTO) and the newly organized G-20. Their economic success and growing influence are tied to the liberal internationalist organization of world politics, and they have deep interests in preserving that system.

In the meantime, alternatives to an open and rule-based order have yet to crystallize. Even though the last decade has brought remarkable upheavals in the global system—the emergence of new powers, bitter disputes among Western allies over the United States' unipolar ambitions, and a global financial crisis and recession—the liberal international order has no competitors. On the contrary, the rise of non-Western powers and the growth of economic and security interdependence are creating new constituencies for it.

To be sure, as wealth and power become less concentrated in the United States' hands, the country will be less able to shape world politics. But the underlying foundations of the liberal international order will survive and thrive. Indeed, now may be the best time for the United States and its democratic partners to update the liberal order for a new era, ensuring that it continues to provide the benefits of security and prosperity that it has provided since the middle of the twentieth century.

THE LIBERAL ASCENDANCY

CHINA AND the other emerging powers do not face simply an American-led order or a Western system. They face a broader international order that is the product of centuries of struggle and innovation. It is highly developed, expansive, integrated, institutionalized, and deeply rooted in the societies and economies of both advanced capitalist states and developing states. And over the last half century, this order has been unusually capable of assimilating rising powers and reconciling political and cultural diversity.

Today's international order is the product of two order-building projects that began centuries ago. One is the creation and expansion of the modern state system, a project dating back to the Peace of Westphalia in 1648. In the years since then, the project has promulgated

rules and principles associated with state sovereignty and norms of great-power conduct. The other project is the construction of the liberal order, which over the last two centuries was led by the United Kingdom and the United States and which in the twentieth century was aided by the rise of liberal democratic states. The two projects have worked together. The Westphalian project has focused on solving the “realist” problems of creating stable and cooperative interstate relations under conditions of anarchy, and the liberal-order-building project has been possible only when relations between the great powers have been stabilized. The “problems of Hobbes,” that is, anarchy and power insecurities, have had to be solved in order to take advantage of the “opportunities of Locke,” that is, the construction of open and rule-based relations.

At the heart of the Westphalian project is the notion of state sovereignty and great-power relations. The original principles of the Westphalian system—sovereignty, territorial integrity, and nonintervention—reflected an emerging consensus that states were the rightful political units for the establishment of legitimate rule. Founded in western Europe, the Westphalian system has expanded outward to encompass the entire globe. New norms and principles—such as self-determination and mutual recognition among sovereign states—have evolved within it, further reinforcing the primacy of states and state authority. Under the banners of sovereignty and self-determination, political movements for decolonization and independence were set in motion in the non-Western developing world, coming to fruition in the decades after World War II. Westphalian norms have been violated and ignored, but they have, nonetheless, been the most salient and agreed-on parts of the international order.

A succession of postwar settlements—Vienna in 1815, Versailles in 1919, Yalta and Potsdam in 1945, and the U.S., Soviet, and European negotiations that ended the Cold War and reunified Germany in the early 1990s—allowed the great powers to update the principles and practices of their relations. Through war and settlement, the great powers learned how to operate within a multipolar balance-of-power

Today’s international order is not really American or Western—even if it initially appeared that way.

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system. Over time, the order has remained a decentralized system in which major states compete and balance against one another. But it has also evolved. The great powers have developed principles and practices of restraint and accommodation that have served their interests. The Congress of Vienna in 1815, where post-Napoleonic France was returned to the great-power club and a congress system was established to manage conflicts, and the UN Security Council today, which has provided a site for great-power consultations, are emblematic of these efforts to create rules and mechanisms that reinforce restraint and accommodation.

The project of constructing a liberal order built on this evolving system of Westphalian relations. In the nineteenth century, liberal internationalism was manifest in the United Kingdom's championing of free trade and the freedom of the seas, but it was limited and co-existed with imperialism and colonialism. In the twentieth century, the United States advanced the liberal order in several phases. After World War I, President Woodrow Wilson and other liberals pushed for an international order organized around a global collective-security body, the League of Nations, in which states would act together to uphold a system of territorial peace. Open trade, national self-determination, and a belief in progressive global change also undergirded the Wilsonian worldview—a “one world” vision of nation-states that would trade and interact in a multilateral system of laws. But in the interwar period of closed economic systems and imperial blocs, this experiment in liberal order collapsed.

After World War II, President Franklin Roosevelt's administration tried to construct a liberal order again, embracing a vision of an open trading system and a global organization in which the great powers would cooperate to keep the peace—the United Nations. Drawing lessons from Wilson's failure and incorporating ideas from the New Deal, American architects of the postwar order also advanced more ambitious ideas about economic and political cooperation, which were embodied in the Bretton Woods institutions. This vision was originally global in spirit and scope, but it evolved into a more American-led and Western-centered system as a result of the weakness of postwar Europe and rising tensions with the Soviet Union. As the Cold War unfolded, the United States took command of the system, adopting

The Future of the Liberal World Order

new commitments and functional roles in both security and economics. Its own economic and political system became, in effect, the central component of the larger liberal hegemonic order.

Another development of liberal internationalism was quietly launched after World War II, although it took root more slowly and competed with aspects of the Westphalian system. This was the elaboration of the universal rights of man, enshrined in the UN and its Universal Declaration of Human Rights. A steady stream of conventions and treaties followed that together constitute an extraordinary vision of rights, individuals, sovereignty, and global order. In the decades since the end of the Cold War, notions of “the responsibility to protect” have given the international community legal rights and obligations to intervene in the affairs of sovereign states.

Seen in this light, the modern international order is not really American or Western—even if, for historical reasons, it initially appeared that way. It is something much wider. In the decades after World War II, the United States stepped forward as the hegemonic leader, taking on the privileges and responsibilities of organizing and running the system. It presided over a far-flung international order organized around multilateral institutions, alliances, special relationships, and client states—a hierarchical order with liberal characteristics.

But now, as this hegemonic organization of the liberal international order starts to change, the hierarchical aspects are fading while the liberal aspects persist. So even as China and other rising states try to contest U.S. leadership—and there is indeed a struggle over the rights, privileges, and responsibilities of the leading states within the system—the deeper international order remains intact. Rising powers are finding incentives and opportunities to engage and integrate into this order, doing so to advance their own interests. For these states, the road to modernity runs through—not away from—the existing international order.

JOINING THE CLUB

THE LIBERAL international order is not just a collection of liberal democratic states but an international mutual-aid society—a sort of global political club that provides members with tools for economic

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and political advancement. Participants in the order gain trading opportunities, dispute-resolution mechanisms, frameworks for collective action, regulatory agreements, allied security guarantees, and resources in times of crisis. And just as there are a variety of reasons why rising states will embrace the liberal international order, there are powerful obstacles to opponents who would seek to overturn it.

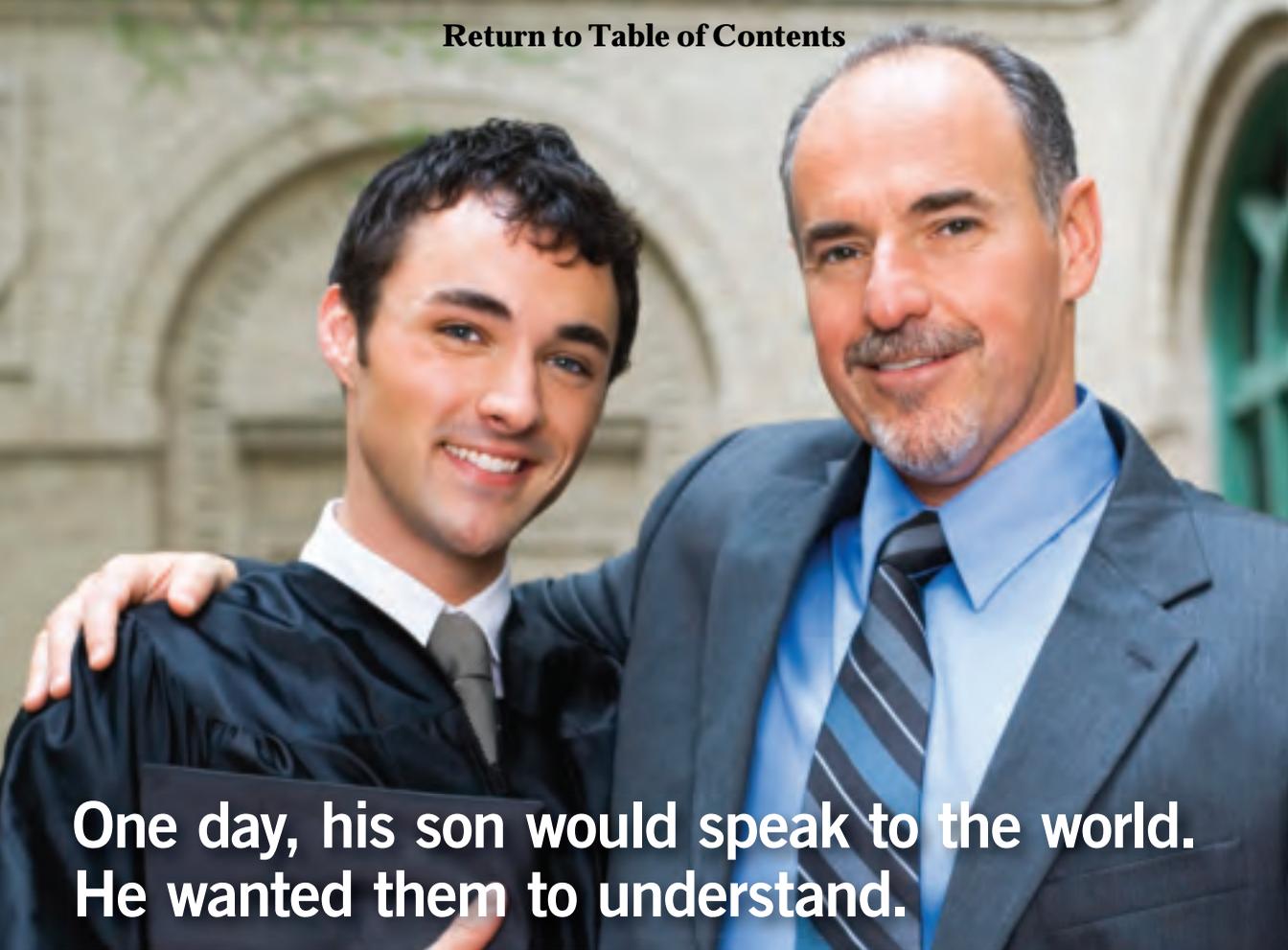
To begin with, rising states have deep interests in an open and rule-based system. Openness gives them access to other societies—

Democracy and the rule of law are still the hallmarks of modernity and the global standard for legitimate governance.

for trade, investment, and knowledge sharing. Without the unrestricted investment from the United States and Europe of the past several decades, for instance, China and the other rising states would be on a much slower developmental path. As these countries grow, they will encounter protectionist and discriminatory reactions from slower-growing countries threatened with the loss of jobs and markets. As a result, the rising states will find the rules and institutions that uphold non-

discrimination and equal access to be critical. The World Trade Organization—the most formal and developed institution of the liberal international order—enshrines these rules and norms, and rising states have been eager to join the WTO and gain the rights and protections it affords. China is already deeply enmeshed in the global trading system, with a remarkable 40 percent of its GNP composed of exports—25 percent of which go to the United States.

China could be drawn further into the liberal order through its desire to have the yuan become an international currency rivaling the U.S. dollar. Aside from conferring prestige, this feat could also stabilize China's exchange rate and grant Chinese leaders autonomy in setting macroeconomic policy. But if China wants to make the yuan a global currency, it will need to loosen its currency controls and strengthen its domestic financial rules and institutions. As Barry Eichengreen and other economic historians have noted, the U.S. dollar assumed its international role after World War II not only because the U.S. economy was large but also because the United States had highly developed financial markets and domestic institutions—economic



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The Future of the Liberal World Order

and political—that were stable, open, and grounded in the rule of law. China will feel pressures to establish these same institutional preconditions if it wants the benefits of a global currency.

Internationalist-oriented elites in Brazil, China, India, and elsewhere are growing in influence within their societies, creating an expanding global constituency for an open and rule-based international order. These elites were not party to the grand bargains that lay behind the founding of the liberal order in the early postwar decades, and they are seeking to renegotiate their countries' positions within the system. But they are nonetheless embracing the rules and institutions of the old order. They want the protections and rights that come from the international order's Westphalian defense of sovereignty. They care about great-power authority. They want the protections and rights relating to trade and investment. And they want to use the rules and institutions of liberal internationalism as platforms to project their influence and acquire legitimacy at home and abroad. The UN Security Council, the G-20, the governing bodies of the Bretton Woods institutions—these are all stages on which rising non-Western states can acquire great-power authority and exercise global leadership.

NO OTHER ORDER

MEANWHILE, THERE is no competing global organizing logic to liberal internationalism. An alternative, illiberal order—a “Beijing model”—would presumably be organized around exclusive blocs, spheres of influence, and mercantilist networks. It would be less open and rule-based, and it would be dominated by an array of state-to-state ties. But on a global scale, such a system would not advance the interests of any of the major states, including China. The Beijing model only works when one or a few states opportunistically exploit an open system of markets. But if everyone does, it is no longer an open system but a fragmented, mercantilist, and protectionist complex—and everyone suffers.

It is possible that China could nonetheless move in this direction. This is a future in which China is not a full-blown illiberal hegemon that reorganizes the global rules and institutions. It is simply a spoiler.

G. John Ikenberry

It attempts to operate both inside and outside the liberal international order. In this case, China would be successful enough with its authoritarian model of development to resist the pressures to liberalize and democratize. But if the rest of the world does not gravitate toward this model, China will find itself subjected to pressure to play by the rules. This dynamic was on display in February 2011, when Brazilian President Dilma Rousseff joined U.S. Treasury Secretary Timothy Geithner in expressing concern over China's currency policy. China can free-ride on the liberal international order, but it will pay the costs of doing so—and it will still not be able to impose its illiberal vision on the world.

In the background, meanwhile, democracy and the rule of law are still the hallmarks of modernity and the global standard for legitimate governance. Although it is true that the spread of democracy has stalled in recent years and that authoritarian China has performed well in the recent economic crisis, there is little evidence that authoritarian states can become truly advanced societies without moving in a liberal democratic direction. The legitimacy of one-party rule within China rests more on the state's ability to deliver economic growth and full employment than on authoritarian—let alone communist—political principles. Kishore Mahbubani, a Singaporean intellectual who has championed China's rise, admits that “China cannot succeed in its goal of becoming a modern developed society until it can take the leap and allow the Chinese people to choose their own rulers.” No one knows how far or fast democratic reforms will unfold in China, but a growing middle class, business elites, and human rights groups will exert pressure for them. The Chinese government certainly appears to worry about the long-term preservation of one-party rule, and in the wake of the ongoing revolts against Arab authoritarian regimes, it has tried harder to prevent student gatherings and control foreign journalists.

Outside China, democracy has become a near-universal ideal. As the economist Amartya Sen has noted, “While democracy is not yet universally practiced, nor indeed universally accepted, in the general climate of world opinion democratic governance has achieved the status of being taken to be generally right.” All the leading institutions of the global system enshrine democracy as the proper and just

form of governance—and no competing political ideals even lurk on the sidelines.

The recent global economic downturn was the first great postwar economic upheaval that emerged from the United States, raising doubts about an American-led world economy and Washington's particular brand of economics. The doctrines of neoliberalism and market fundamentalism have been discredited, particularly among the emerging economies. But liberal internationalism is not the same as neoliberalism or market fundamentalism. The liberal internationalism that the United States articulated in the 1940s entailed a more holistic set of ideas about markets, openness, and social stability. It was an attempt to construct an open world economy and reconcile it with social welfare and employment stability. Sustained domestic support for openness, postwar leaders knew, would be possible only if countries also established social protections and regulations that safeguarded economic stability.

Indeed, the notions of national security and economic security emerged together in the 1940s, reflecting New Deal and World War II thinking about how liberal democracies would be rendered safe and stable. The Atlantic Charter, announced by Roosevelt and Winston Churchill in 1941, and the Bretton Woods agreements of 1944 were early efforts to articulate a vision of economic openness and social stability. The United States would do well to try to reach back and rearticulate this view. The world is not rejecting openness and markets; it is asking for a more expansive notion of stability and economic security.

REASON FOR REASSURANCE

RISING POWERS will discover another reason to embrace the existing global rules and institutions: doing so will reassure their neighbors as they grow more powerful. A stronger China will make neighboring states potentially less secure, especially if it acts aggressively and exhibits revisionist ambitions. Since this will trigger a balancing backlash, Beijing has incentives to signal restraint. It will find ways to do so by participating in various regional and global institutions. If China hopes to convince its neighbors that it has embarked on a "peaceful rise," it will need to become more integrated into the international order.

G. John Ikenberry

Paradoxically, the challenges facing the liberal world order now are artifacts of its success.

China has already experienced a taste of such a backlash. Last year, its military made a series of provocative moves—including naval exercises—in the South China Sea, actions taken to support the government’s claims to sovereign rights over contested islands and waters. Many of the countries disputing China’s claims joined with the United States at the Regional Forum of the Association of Southeast Asian Nations (ASEAN) in July to reject Chinese bullying and reaffirm open access to Asia’s waters and respect for international law. In September, a Chinese fishing trawler operating near islands administered by Japan in the East China Sea rammed into two Japanese coast guard ships. After Japanese authorities detained the trawler’s crew, China responded with what one Japanese journalist described as a “diplomatic ‘shock and awe’ campaign,” suspending ministerial-level contacts, demanding an apology, detaining several Japanese workers in China, and instituting a *de facto* ban on exports of rare-earth minerals to Japan. These actions—seen as manifestations of a more bellicose and aggressive foreign policy—pushed ASEAN, Japan, and South Korea perceptibly closer to the United States.

As China’s economic and military power grow, its neighbors will only become more worried about Chinese aggressiveness, and so Beijing will have reason to allay their fears. Of course, it might be that some elites in China are not interested in practicing restraint. But to the extent that China is interested in doing so, it will find itself needing to signal peaceful intentions—redoubling its participation in existing institutions, such as the ASEAN Regional Forum and the East Asia Summit, or working with the other great powers in the region to build new ones. This is, of course, precisely what the United States did in the decades after World War II. The country operated within layers of regional and global economic, political, and security institutions and constructed new ones—thereby making itself more predictable and approachable and reducing the incentives for other states to undermine it by building countervailing coalitions.

More generally, given the emerging problems of the twenty-first century, there will be growing incentives among all the great powers

to embrace an open, rule-based international system. In a world of rising economic and security interdependence, the costs of not following multilateral rules and not forging cooperative ties go up. As the global economic system becomes more interdependent, all states—even large, powerful ones—will find it harder to ensure prosperity on their own.

Growing interdependence in the realm of security is also creating a demand for multilateral rules and institutions. Both the established and the rising great powers are threatened less by mass armies marching across borders than by transnational dangers, such as terrorism, climate change, and pandemic disease. What goes on in one country—radicalism, carbon emissions, or public health failures—can increasingly harm another country.

Intensifying economic and security interdependence are giving the United States and other powerful countries reason to seek new and more extensive forms of multilateral cooperation. Even now, as the United States engages China and other rising states, the agenda includes expanded cooperation in areas such as clean energy, environmental protection, nonproliferation, and global economic governance. The old and rising powers may disagree on how exactly this cooperation should proceed, but they all have reasons to avoid a breakdown in the multilateral order itself. So they will increasingly experiment with new and more extensive forms of liberal internationalism.

TIME FOR RENEWAL

PRONOUNCEMENTS OF American decline miss the real transformation under way today. What is occurring is not American decline but a dynamic process in which other states are catching up and growing more connected. In an open and rule-based international order, this is what happens. If the architects of the postwar liberal order were alive to see today's system, they would think that their vision had succeeded beyond their wildest dreams. Markets and democracy have spread. Societies outside the West are trading and growing. The United States has more alliance partners today than it did during the Cold War. Rival hegemonic states with revisionist and illiberal agendas have been pushed off the global stage. It is difficult to read

G. John Ikenberry

these world-historical developments as a story of American decline and liberal unraveling.

In a way, however, the liberal international order has sown the seeds of its own discontent, since, paradoxically, the challenges facing it now—the rise of non-Western states and new transnational threats—are artifacts of its success. But the solutions to these problems—integrating rising powers and tackling problems cooperatively—will lead the order's old guardians and new stakeholders to an agenda of renewal. The coming divide in world politics will not be between the United States (and the West) and the non-Western rising states. Rather, the struggle will be between those who want to renew and expand today's system of multilateral governance arrangements and those who want to move to a less cooperative order built on spheres of influence. These fault lines do not map onto geography, nor do they split the West and the non-West. There are passionate champions of the UN, the WTO, and a rule-based international order in Asia, and there are isolationist, protectionist, and anti-internationalist factions in the West.

The liberal international order has succeeded over the decades because its rules and institutions have not just enshrined open trade and free markets but also provided tools for governments to manage economic and security interdependence. The agenda for the renewal of the liberal international order should be driven by this same imperative: to reinforce the capacities of national governments to govern and achieve their economic and security goals.

As the hegemonic organization of the liberal international order slowly gives way, more states will have authority and status. But this will still be a world that the United States wants to inhabit. A wider array of states will share the burdens of global economic and political governance, and with its worldwide system of alliances, the United States will remain at the center of the global system. Rising states do not just grow more powerful on the global stage; they grow more powerful within their regions, and this creates its own set of worries and insecurities—which is why states will continue to look to Washington for security and partnership. In this new age of international order, the United States will not be able to rule. But it can still lead. 🌐

Equatorial Guinea

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The Future Vision

All eyes are on Equatorial Guinea, the small West African nation rapidly becoming one of Africa's top oil and gas producers, with total energy sector investments of \$40 billion. Having elevated itself out of obscurity and into global significance, the government's "Horizon 2020" Development Plan aims to enhance Equatorial Guinea's socioeconomic progress. Reinvestment in infrastructure, energy, telecommunications, transport, tourism, education, and health has been designated as a top priority, while multinational companies continue to compete for petroleum concessions and a burgeoning natural gas industry. With President Teodoro Obiang Nguema Mbasogo holding African Union chairmanship this year, Equatorial Guinea's endeavors have come even more into the public eye. Can the government convince new investors to enter its territories? Will Equatorial Guinea achieve a meaningful and transparent strategy for economic diversification and poverty reduction?

Horizon 2020: Day by Day Development



Teodoro Obiang Nguema Mbasogo,
President of Equatorial Guinea

Outside of Africa, the Republic of Equatorial Guinea may not make the nightly news or be a household name on the business pages. But for one of the continent's smallest countries, all of that is about to change. Not only has the nation's economic and political status skyrocketed by substantial oil and gas

discoveries in recent years—making it a big hit with petroleum multinationals—but in January this year Equatorial Guinea also assumed chairmanship of the African Union for the first time in its history.

Located next to Cameroon and Gabon in the African mid-west, Equatorial Guinea's topography is divided into the mainland region of Rio Muni and the insular regions of Annobón, Corisco, Elobey, Mbañe, and Bioko, the latter being home to the country's capital, Malabo. However, another crucial division exists in Equatorial Guinea. The country may statistically be one of the wealthiest in Africa today, but poverty still remains a challenge. This has become

a major focal point for the government's "Horizon 2020" Development Plan, which aims to accelerate poverty reduction and create the basis for Equatorial Guinea to become an emerging economy by 2020. The plan aligns with many benchmarks set in the UN Millennium Development Goals (MDG), and through the Malaria Control Project, the island of Bioko has already achieved MDG-outlined reduction in child mortality five years in advance.

"Equatorial Guinea was the poorest country on the continent," admitted President Teodoro Obiang Nguema Mbasogo in an October 2010 interview. When Obiang took over the reins of this former Spanish colony in 1979 by deposing Francisco Macías Nguema, Equatorial Guinea's preceding president—and notorious dictator—the country's prospects were bleak, with only agriculture and wood providing any form of national income. "But following the discovery of oil, we have overcome the issue of reconstructing the country. I think that if we continue what we are doing now, by the year 2020 we will have surpassed all the challenges of an underdeveloped country," says President Obiang.

A sustainable future is what "Horizon 2020" aims to achieve, in combination with the Social Development Fund set up to drastically improve education, health, water and sewage, gender equality, and community development. In the past year alone, President Obiang

itemized over \$1 billion in spending on these projects. "This is a global plan that addresses every sector, not just one. However, there are certain basic sectors such as health care and proper infrastructure that are essential to guarantee the nation's development."

Nobel Peace Laureate Archbishop Desmond Tutu commended the president's plan, writing that he was "encouraged and impressed" by Obiang's public commitments to transparency and political, legal, and economic reforms. In response, President Obiang wrote that it was "essential to have qualified and experienced people who are capable of transforming into reality the [plan's] noble objectives. We also need to be able to count on the support of individuals and prestigious international institutions that believe in our determination to develop a modern nation." The Red Cross, the U.S. State Department and the African Union have been invited to assist in protecting human rights and democratic institutions, such as a free and independent press, strong and viable political parties, and an independent judiciary.

African Union: A Summit of Values and Issues

In addition to overseeing the day-to-day developments on the ground in his own country, President Obiang has also taken on the chairmanship of the African Union. It is by no means an easy year to assume the union's presidency; the agenda is agitating with issues of civil

and military conflicts, food security, developmental obstacles, and the ongoing battle against HIV/AIDS.

"The crisis of the values of the African culture is reducing the unity and solidarity amongst our people," President Obiang, as the new chairperson, said in his acceptance address to the AU Assembly. "Africa must focus on the dialogue for a peaceful negotiated solution to the conflicts that ravage our towns. Africa must assume, more than ever, a leading role, not just on the continent, but in the international arena."

In addition, Obiang will have to deal with the rapidly changing socio-political map in Northern Africa, where longstanding heads of state have been driven out or into a corner by public uprisings in demand of democratic reforms. It will no doubt be the number one topic for discussion at the 2011 African Union Summit, to be held in Equatorial Guinea in June/July.

An entirely new coastal resort, Sipopo, has been constructed for the summit, complete with a lavish Sofitel and a "smart-tech" conference center, as well as independent luxury residences to host each and every presidential delegation from Africa's 52 states attending. About 12 miles southwest of Malabo, Sipopo's secure community will also serve as the main venue for the 2012 Africa Cup of Nations, which will be jointly hosted with Gabon. Equatorial Guinea is in essence the perfect backdrop for this year's AU summit: a rapidly transforming nation extending its welcome to old friends and new faces, state heads, and delegates of a progressively evolving Africa.

Multi-Level Cooperation With the United States

2011 is a year in which President Barack Obama wants to increase U.S. engagement with Africa. Apart from his personal bond with the continent, Africa is becoming increasingly important for U.S. interests. His focus will therefore be on supporting nations with good governance and naming democracy "the change that can unlock Africa's potential, and that is a responsibility that can only be met by Africans."

Equatorial Guinea's relations with the United States have gone through phases of cooling and warming. U.S. diplomatic presence in Malabo froze in 1996, but with Equatorial Guinea's ensuing oil boom, activities by U.S. energy companies grew, and a shift in U.S. policy observed the capacity for West African oil to not only spur development but also attribute to security and stability. As a result, the U.S. Embassy in Malabo reopened in November 2006.

The United States has since become the largest cumulative bilateral foreign investor in Equatorial

Guinea, which supplies 17 percent of U.S. natural gas, with investments estimated at over \$12 billion. Albert M. Fernandez, current U.S. ambassador to Equatorial Guinea and recipient of the Edward R. Murrow Award for Excellence in Public Diplomacy for his work in the Middle East, said in October 2010 that "the United States Embassy in Equatorial Guinea is working in collaboration with the government to improve some aspects of its operation." In addition, the ambassador's Self-Help Fund annually finances a number of small grassroots projects in the country.

President Obiang has visited Washington on several occasions, most recently attending the National Prayer Breakfast at which President Barack Obama was a speaker. Obiang's chairmanship of the African Union lends a unique opportunity to show his nation's commitment to common values, which will be closely monitored by the U.S. State Department.

FDI: Making a World of Difference

Equatorial Guinea was not quite the same fifteen years ago as it is today. Not a decent road was to be found, means of telecommunication were rare, and the country was in essence undeveloped. But with the arrival of major energy corporations came opportunity, and soon petroleum revenues transformed the face of the whole nation.

"Investment to date in the oil and gas sector has now exceeded \$35 billion," reveals Gabriel M. Obiang Lima, delegate minister of Mines, Industry, and Energy. "We anticipate this number to increase to over \$45 billion in the next few years." The funds raised from these investments are being used to create thousands of miles of new urban and interurban roads, airports, ports, and job opportunities.

In addition to investment from U.S. energy companies, Africa's only Spanish-speaking nation maintains ties with former colonial powers Spain and France, and enjoys investment from a plethora of global firms. Malabo and Bata, the country's main cities, have become cosmopolitan business hubs for major companies from Brazil to Russia, all active in diverse sectors of the Equatoguinean economy. Strategic alliances have been forged in energy, infrastructure, and construction of public works, as well as in commerce, telecoms, and transport. Indeed, the overall upgrade spans even into fiber optics, with information and communication technologies firm ZTE from China currently installing the country's first high-bandwidth cable network.

"The port expansion is one of the huge infrastructure projects taking place in the country," continues Gabriel Obiang Lima, adding that it took the Moroccan firm Somagec only two years to finalize the first phase of Malabo's port. Bioko island may receive a big slice of makeover funds, but so will the remote island province of Annobón with more than \$425 million worth of transport connectivity investments.

Meanwhile, on the mainland, efforts have been made to create an up-to-date healthcare system, as Obiang Lima points out. "In addition to 60 Equatoguinean nurses having been trained in Israel, we completed the first of two 100-bed hospitals, the La Paz hospital in Bata, which has all of the modern medical technology present in any of the world's trauma-one facilities. A leading public-private partnership has also been initiated to eradicate malaria with astonishing results, as the first phase ended with an 80 percent reduction in Malaria-transmitting insects." It is clear that foreign direct investment (FDI) is upgrading the country's economic status while making a world of difference for a majority of its citizens.



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Big Oil on the Horizon: Equatorial Guinea's Fuel Injection

When gas condensate was first discovered by Repsol off of Bioko island in 1983, global supply and demand did not validate exploiting the relatively small Alba field. Several large U.S. companies also passed over the opportunity until Houston-based oil independent Walter International—which through acquisitions became the current owner Marathon—started drilling in 1990. One year later, Equatorial Guinea was exporting oil condensate. This is largely attributed to the perseverance of the country's president, who insisted for 12 fruitless years that enough oil could be found to turn the country around.

"We know that the task is not easy and we have a long way to go," said President Obiang in a speech to the 2010 Global Forum in Cape Town. "Because this is about developing a country that started from nowhere. It is about changing mindsets rooted in underdevelopment and banishing habits that are opposed to modern development." Sure enough, the government of Equatorial Guinea vowed to use oil revenues to tackle the causes of illiteracy, poverty, tribalism, and political opportunism.

"Until the oil boom," explains Minister of Industry, Mines, and Energy Marcelino Owono Edu, "the economy of Equatorial Guinea was based exclusively on agriculture and wood. Oil completely changed these conditions, since it now signifies 95 percent of the total income of the country." But the rapid economic development happened at a much faster pace than Equatorial Guinea could develop its human resources to service it, and Energy Minister Owono Edu calls this a "deficit of national human skills to manage the existing resources. The lack of human resources is evident in all aspects of national administration and we are therefore planning intense training programs, so that little by little our very own people can take over the responsibility and management of our national economy, particularly the sectors of oil and gas, electrical energy, and mining."

Currently, production stands at around 260,000 barrels daily of crude oil, excluding the production of condensed, propane, butane, methanol, and LNG gas. Minister Owono Edu points out that the government is also assessing opportunities in green energy "alternative power plants that include the usage of wind energy, hydro energy, and biofuels. All these projects are at the moment in an embryonic phase, but we have a plan and a vision towards the future, so that when we run out of the traditional energies, we can rely on renewable forms."

According to Delegate Minister of Energy Gabriel

Obiang Lima, energy sector investment in Equatorial Guinea has reached \$40 billion from 17 different companies. "Our key target is to maintain an average not higher than 300,000 barrels per day for a long period. So whenever we have a new discovery, such as at the Aseng field, we do not put it on stream immediately. This production will compensate the decline of other fields and maintain our average." Obiang Lima adds that these past two years have been particularly good for Equatorial Guinea, and that the government's strategy seems to be paying off so far. "In a period of two years that we heavily invested in infrastructure, we saw a rapid growth of our economy. For the past ten years, Equatorial Guinea has maintained almost a zero debt status."

An expiration date is always present, with current data showing Equatorial Guinea to have proven oil reserves until 2035 and gas for another decade beyond that. That limit may well be extended with successes in new exploration areas, such as near the island of Corisco. The waters beyond Corisco Bay had become an issue of territorial dispute with Gabon. However, in an "important demonstration of statesmanship on both sides," as UN secretary-general Ban Ki-moon put it, Presidents Obiang and Ali Bongo Ondimba of Gabon vowed to jointly exploit the area's resources, securing a collective development for the region until a final decision is made by the International Court of Justice in The Hague.

"President Obiang has always insisted that the future of Equatorial Guinea is not in the oil and gas sector; it is in the services sector," says Gabriel Obiang Lima. "You must always think that whenever the oil will finish, you need to keep producing revenues for the state with the invested infrastructure."

Clearing Crude

In 2004, President Obiang initiated procedures to become a member of the Extractive Industries Transparency Initiative (EITI). With the assistance of the World Bank and the U.S. oil companies active in Equatorial Guinea—Exxon Mobil, Hess, and Marathon—the government conducted an audit to justify accounts and results from all of the oil income.

However, in April 2010, EITI chairman Peter Eigen, in an open letter to President Obiang, denied the country's request to extend its validation deadline, citing there had not been any "unforeseeable circumstances" hampering the nation's process to meet transparency requirements. EITI emphasized that it

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would welcome a reapplication by Equatorial Guinea with a renewed commitment to clarify and address the constraints of the original process.

Minister of Economy, Commerce, and Promotion of Entrepreneurship Dr. Francisca Tatchouop Belobe, as Equatorial Guinea's coordinator of the EITI efforts, says that it is indeed the government's intention, "to improve what prevented us from keeping the term of validation and apply again for the candidature to EITI. We think that this will help us measure our own steps in the transparent use of the oil funds. For us, transparency is an exercise to improve management of public finance, and in this process we try to learn day by day."

She adds that the EITI Reconciliation Report proved that far more than 90 percent of oil revenues are paid into treasury accounts, against all foreign expectations. This shows the determination of the government in improving public funds management, despite existing institutional weaknesses which are being targeted with continued support from the Bretton Woods Institutions. The minister believes that "concerns about opacity can be smoothed out," just as the Obiang administration did in 2010 when it published a report of its public expenditures under World Bank direction.

Sprint From the Starting Blocks

Even as oil is becoming everybody's business in Equatorial Guinea, one autonomous body has the overview to manage government stakes and public-private partnerships: GEPetrol. Established in 2001 by presidential decree, GEPetrol also acts as agent for the

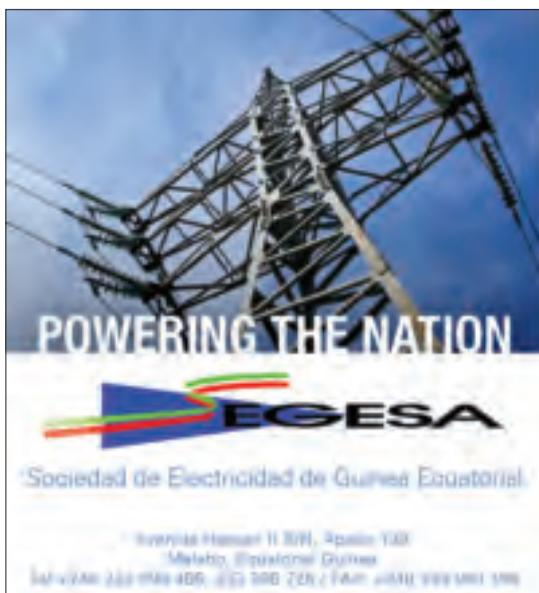
sale of the state's share of hydrocarbons and promotes acreage within its waters.

"Before its establishment," explains Candido Nsue Okomo, director general of GEPetrol, "it was the Ministry of Mines, Industry, and Energy, which was assigned all the technical and political works." Subsequently, the technical part was taken over by the company and GEPetrol assisted the government in evaluating other companies. "Before GEPetrol, state participation was 3 to 6 percent. Today we have a 20 to 30 percent share stake in operational fields, as well as being the technical operator in block P." That block is proving to be "a tough job," but Nsue Okomo nevertheless has high targets for GEPetrol. "We are working hard with other foreign companies and collaborating with consulting agencies so that in 3 or 5 years, GEPetrol will be transformed to an operator enterprise, the first one in Central Africa."

There's no denying that GEPetrol, in its close collaboration with the country's energy ministry, is privy to negotiating beneficial deals for its ambitions. Candido Nsue Okomo reveals that the next step for GEPetrol is to commercialize refined products. Last year the U.S. engineering firm KBR was selected by Equatorial Guinea's energy ministry to create the blueprint for a planned refinery at Mbini. This would eventually lead to GEPetrol opening up its own network of filling stations around the country. "We are not competing with TOTAL," assures Candido Nsue Okomo, referring to the introduction of downstream operations at GEPetrol. "There are a lot of people and many cars, and these are the challenges that GEPetrol has to face and to work out."

Miguel Edjang Angué, GEPetrol's deputy director-general, explains that "currently there are three producing fields in Equatorial Guinea's waters: ZAFIRO, licensed to ExxonMobil; CEIBA, operated by Hess; and the ALBA field for Marathon Oil. Part of the crude oil within those oil fields, as well as its sales and commercialization, are within our responsibility. One of the achievements in the past years was the promotion of new areas and the subsequent signing of contracts. The success that we had in this particular case was due to the revision of the hydrocarbons law, subsequently leading to a new law created in 2006 with more conditions of transparency in the oil sector." According to Edjang Angué, "this gave Equatorial Guinea a competitive edge over neighboring countries."

"Another achievement for us was the successful operation of purchasing DEVON's assets. The state bought them all and production increased from 38 percent to 48 percent." Miguel Edjang Angué does



admit that collaborating with foreign companies, at this point, is more advantageous for GEPetrol. “We recognize our limited experience. It is better to cooperate with other enterprises than to compete with them, since this is a way of transferring know-how and technologies, as well as a way to benefit from their experience. Also, until now, explorations have been performed only in the country’s offshore zone. We are now implementing a project in order to study the onshore zone as well, especially in the continental part, where we think the perspectives are encouraging.”

With an ongoing campaign of intense perforation, the interest in Equatorial Guinea as an oil-producing nation has continued to peak, maintaining its status as one of the major oil producers in sub-Saharan Africa. In Miguel Edjang Angué’s eyes, GEPetrol, as the leading company in Equatorial Guinea today, has “assisted a revolution of the economic and social numbers.” In his own experience, the deputy director-general remembers when the nation’s GDP was continuously negative. “We had a GNP of \$130 per citizen and the budget investments of the state were \$2 million a year. So, having that in mind, we can say that Equatorial Guinea started not from zero, but much more below that. Since the country started from negative numbers, it had to reach zero first and then it started experiencing a positive growth. That’s why we have assisted in a real revolution.”

“For us,” continues Edjang Angué, “living in this country we have noticed that the development has vertiginous speed. We recognize that there is still a lot to do, as most of the time the growth is more rapid than the development and the development is more complex. So, we are heading straight forward and the government has made plans in order to reach its objectives for the year 2020. The “Horizon 2020” Development Program is a guideline which allows us to monitor and improve everything at all levels. We are extremely optimistic because we have been educated inside austerity; we had administered an agriculture-based country and now the country has been transformed to an industrial one, so we have to adapt to that.”

A Flair for Gas

Fairly early on, Equatorial Guinea decided to find productive uses for the huge pockets of gas that were being discovered in oil drills. The government ordered the construction of an LPG plant, took a stake in the methanol production plant with Marathon and Noble, and owns a 25 percent working interest in the

country’s first liquefied natural gas (LNG) plant. This gas-centric expansion is headed by state-owned entity SONAGAS, which has been tasked with overseeing monetary, production, and export-related issues. “Our vision is to continue making a profit from gas and reducing all gas flaring in Equatorial Guinea,” says Juan Antonio Ndong Ondo, general director of SONAGAS, from his Malabo office. The results of this creative use of gas are by no means insignificant: “In general there is gas production of around 90 mm cubic feet per day. And from that gas we produce 8,000 barrels a day of butane, 14,000 daily barrels of propane, 3,000 metric tons per day of methanol, and approximately 3 million cubic feet of LNG every 24 hours.”

All gas is being collected and processed at specialized plants on the island of Bioko, from where LNG and LPG cargoes are shipped abroad. New discoveries are being made by Noble Energy in its allocated blocks, and one of the government’s priorities is to implement a second plant for LNG. “There are a lot of speculations that great quantities of gas exist in Equatorial Guinea,” says Ndong Ondo. “These speculations have of course to be confirmed. Since there are still a lot of zones that have not been explored, we presume that there should be greater quantities of gas. The discovered quantity is more than 3 trillion cubic feet of gas. Our Japanese partner company, Mitsui, and the German Ferrostaal have already expressed interest in a new petrochemical complex being proposed.”



Power for the People

With all the developments taking place in Equatorial Guinea, its people are entering an age of enlightenment. This is particularly valid with the government's objective of distributing electric power to all of its citizens. President Obiang's "Light for Everyone" program aims to connect the whole country with a constant, quality, and low-cost electricity current for all people. Juan Lupercio Nsibi Omogo, director-general of the nation's sole electricity provider SEGESA, even calls it a "great mass movement."

"This is the big government dream," urges Nsibi Omogo, "transforming it into reality through big infrastructures in order to eliminate once and for all the shortage of electricity in large cities. When our clients or the subscribers of SEGESA enjoy the electric current 24/7, without any complaints or shortages, then I think this will be a great achievement for our company."

SEGESA was established in 1990 to replace multiple generation and distribution companies. In light of the recent infrastructure development drive, electricity provision became the first major necessity, and that required a collective endeavor. "In order to support SEGESA in its economic growth, we all have to help each party to the maximum extent. This is the only way to respond to the efforts of the government and of the enterprises."

Fully owned by the state, SEGESA has been

benefiting from the government's cooperation with Chinese companies and has also established cooperation with Cuba on the exchange of technical know-how, in order to ramp up its network. New sources of generation include natural gas from offshore fields as well as alternative power, such as the Hydroelectric Centers of Djibloho and Sendje, which will generate over 300 megawatts to supply electricity for the whole country. Despite the gargantuan task involved, Juan Lupercio Nsibi Omogo says these investors have been highly willing to participate in the nation's power revolution. "One of the successes of the Guinean economy is due not only to the discovery of oil but to the country's political stability. We hope that the peace and tranquility we enjoy will continue to reign on our soil."

Service Benchmark

"This has proven to be a very big experience during a very short period of time," observes Samuel Safo Tchofo, general manager of Schlumberger Oil EG. "The changes have been taking place so fast." All the more reason for a dedicated energy services company to keep track of the oil producer's technology needs. "In such a recent oil-producing country, we managed to bring state-of-the-art technology and operate it within a very difficult environment, when the infrastructure and the technical level of people were not yet in place. And we placed a lot of effort and trust in building up, in a short period of time, the local capability."

Schlumberger is proud to be the first oil services company to offer the largest range of services from exploration and development to production of hydrocarbons. "The oil companies that will come to Equatorial Guinea in the future have an advantage: they will find a structure already in place," suggests Safo Tchofo. "We established facilities that are quite large and well-structured." He nevertheless indicates that business in Equatorial Guinea is highly cyclical rather than a continuous, steady one. "Last year the business volume was quite important, but this year it has diminished. So we foresee that in 2012 it will be up again."

Samuel Safo Tchofo does however admit to being thrilled as head of Schlumberger in Equatorial Guinea. The company has been here since 2001, active in oil and gas services and giving young locals a chance to pull out all the stops. "A freshly recruited engineer will first go to the field, in order to know how things work and in order to show his practical skills. This is very important to us, because



one fundamental point is that we implement the culture of the company from within, in all countries. This is the breeding ground for future managers." Anticipating future developments, Schlumberger invested an additional \$1.4 million in its operations in Equatorial Guinea last year.

A Transport and Logistics Hub

The services sector was of course the first secondary creation effected by the energy industry in Equatorial Guinea. As cargo and products started to grow in volume and frequency, the need grew rapidly for competent logistics partners. Serapio Sima Ntutumu, an international college graduate with significant experience at GEPetrol and SONAGAS, saw a gap in the national market. While working at the Global Procurement department of ExxonMobil in Houston, Sima Ntutumu realized how both the country and its investors would be better off with a national contractor in logistics services.

"Back in 2004," recalls Sima Ntutumu, "we had the vision of creating faster logistics services in Equatorial Guinea. My thought was that we could build up the competency in order to speed up all relevant processes and gain time." Sima Ntutumu started EGBL, a logistics company, with two employees, took on ExxonMobil as his first customer, and built up the capacity of his company to become the 50-strong workforce it is today. "This is how EGBL started," says its owner and CEO. "Everyone in Equatorial Guinea shares the president's vision. If there is a single vision, then this country can become the safe gateway to Africa. This can be the home of gas processing for the central Gulf of Guinea region. Our position is very good and we are a stable country."

In only six years, EGBL's CEO has witnessed for himself the rise in efficiency and consistency in doing business in the country. "I believe we created more value of trust. Note that I do not imply value of money, but value of trust, like increasing the range of the contract terms or the range of capacity of sales." EGBL's main clients today are the "Punta Europa" entities, namely EG LNG, MEGPL, and AMPCO, a contract many newcomers would set their eyes on. "Punta Europa" constitutes one of the main transshipment facilities for the energy industry.

Europe, the United States and the Far East are all major destinations for Equatorial oil, but so are regional countries. For that reason, EGBL has expanded its already growing activities with an office for operations in Ghana. "The expansion of the oil and gas sector is creating expansion for

EGBL," says Sima Ntutumu. "This will bring more expectations on business, buildings, infrastructure, and all these opportunities. So, as far as those activities increase, then logistics is absolutely a big opportunity."

Of course, in order to really expand, basic infrastructure development needs to speed up. Commercial activity zones are an ideal solution for a developing country to quickly and effectively create areas where business networks can operate from. In Equatorial Guinea, the first such zone is the Luba Freeport.

An investment to date of \$70 million to \$80 million has been made by Lonrho Plc, the major shareholder, in the Luba Freeport project. "Phase two of the freeport was completed in 2009, based on the template of Jebel Ali in Dubai," says Luba Freeport's current director and general manager, Howard McDowall.

Luba Freeport, which last year invoiced around \$2 million per month, is making a solid economic contribution in services and logistics, as well as in the creation of jobs and the transfer of technical know-how. "We are going to leave a world class facility here which the government will become owner of in 2028, when the concession agreement will expire."

And that is exactly the philosophy behind everything the government is doing today in the energy sector. It should lead to a more advanced, industrious, and tech-savvy nation, an Equatorial Guinea on the horizon of the developed world.

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Banking: A Credit Boom for the Real Economy

As the Equatoguinean government gears up to execute its visionary “Horizon 2020” Development Plan, financial institutions are bracing for a flood of investment opportunities coming their way. However, the four banks currently active in the country also have to invest in expansions of their own, as services and products are still emerging from the 20th century. ATMs, e-banking, and other transfer services require a rapid network, and with the Internet not at all widely available, banks are working together to service the real economy, as well as corporate clients.

Equatorial Guinea is a land of contrasts. Back in 1995, the IMF estimated that the country’s foreign reserves were only \$40,000—sufficient to cover barely one week of imports. In 2005 and 2006 on the other hand, Equatorial Guinea’s foreign exchange reserves rose sharply as a result of high oil prices, an increase in hydrocarbons production, and the larger share of oil revenue taken by the state, as the investment costs of major fields had been fully repaid. By the end of 2006, foreign exchange reserves stood at \$3.1 billion.

Increasingly concerned about the low yields that its foreign exchange reserves receive in the deposits held at the regional central bank, BEAC (Banque des Etats de l’ Afrique Centrale), the government is persuading the regional economic grouping, CEMAC (Communauté Économique et Monétaire de l’Afrique Centrale), to change its regulations. President Obiang would very much like his country to be allowed to invest in foreign financial assets.

Only four banks operate in the country so far. In addition to CCEI Bank G.E., a subsidiary of Cameroon’s CCEI Bank (Caisse Commune d’Épargne et d’ Investissement) and a member of the Afriland First Group, there is also BGFI Bank Guinée Équatoriale, a subsidiary of the Gabon-based BGFI group (Banque Gabonaise et Française Internationale); SGBGE (Société Générale de Banques en Guinée Équatoriale), a subsidiary of the French Société Générale group; and a newer bank, the Banco Nacional de Guinea Ecuatorial (BANGE), which began operations in September 2006.

Mr. Melchor Esono Edjo, a renowned economist who oversaw the country’s ministry of finance and budget throughout the oil boom until January this year, says that although the banking institutions in Equatorial Guinea are in a sound state of liquidity, reforms are needed to precipitate a more vibrant private banking market. “The main problems are linked to infrastructure and judicial reforms; if there is no governmental guarantee, the banks are very reluctant in financing the real economy, but they do when there is a collateral security, so the judicial reforms will facilitate the banks to intervene in financing within the real economy.”

He adds that the global financial crisis did not really hit the nation’s financial institutions due largely to the lack of a stock exchange in Equatorial Guinea. Therefore, no speculative trading was ever undertaken. Nevertheless, Esono Edjo would like to see banks step out of their safe zone and venture out into the country—not just in the main cities of Malabo and Bata—to start financing local business projects.

“The banks are enhancing and ameliorating their products. We are also pushing the banks to change their mentality and invest here. But as said before, they require structural reforms and a good governmental strategy to allow them to finance within the real or national economy and offer all types of modern and universal banking services to all visitors coming into the country.”

Where Credit is Due

Certainly banks have been becoming increasingly active in expanding their services to national and international clients. Credit cards such as Visa and Mastercard have yet to make an entry into Equatorial Guinea, though CCEI Bank GE says it will be introducing them this year. Joseph Célestin Tindjou, CEO of CCEI Bank GE, also insists that the bank’s very existence today is because of small and medium enterprises. “If this bank has survived so far, it is not because of the large corporations, but thanks to the support of the small ones when we first started in 1994. We started with the small and medium enterprises, working very closely with them, always respecting their own culture, and I can guarantee that the future of this institution relies on the small stakeholders. We have to know that if we wish to participate in the development of a country, if we wish to reduce the social disequilibrium, we have to support SMEs and private entrepreneurship.”

Tindjou, a Cameroonian executive with 17 years of experience on Equatoguinean ground, does however realize that the current shortfalls require efforts to be made by the country’s bankers first. “We have to inform the population, to make presentations of our programs, to make the population trust us more,

knowing that before 1994 things were really hard.” Two banks went bankrupt in the years before oil was found, with the last locally owned bank closing its doors in 1985. “Our role is to implement everything in order to make people understand that it is [more] important to have bank accounts and to collaborate with bankers than to hoard money,” says Tindjou. Even public servants were paid in cash up until very recently, and they reacted hesitantly when their salaries started being paid out into bank accounts.

“When the population had difficult moments, we knew how to support them, as well as support the government in its development efforts—by offering adapted products. You know that there is no success without sacrifice, no success without work, without training. We invest a lot in training and in consulting, whether it is for individuals or for companies.”

The “Horizon 2020” Development Program is widely recognized by banks as a healthy initiative for Equatorial Guinea, and is one that CCEI Bank GE fully supports. The bank has already created a department for social housing, working towards the realization of the “A home for everyone” program. “At a social level,” continues CCEI Bank GE’s CEO, “we have delivered a ward at the General Hospital of Malabo dedicated to the fight against AIDS. We also invest in the agricultural sector, working currently hand in hand with a company in its early stages of specializing in food production. At the educational level, we are thinking of introducing specific products towards financing Equatorial Guinea’s youth. We have large projects and by 2015 we will be able to fill all the blanks.”

“These initiatives,” says Tindjou, “have made CCEI Bank GE the most trusted bank in Equatorial

Guinea and a leader in deposits and credits, with a market share of 50 percent and 80 percent, respectively.” Eager to attract more investors to the country, the bank is not resting on its laurels. “Equatorial Guinea has one of the most flexible investment codes of the sub-region. Apart from the advantages that exist in this investment code, you can always seek further input from the government on additional advantages, which may be provided after they have been analyzed. I want to point out that the essential thing is to have a serious profile, to be honest, and to respect the laws of the country. As long as these conditions are met, Equatorial Guinea is an emerging paradise.”

Big BANGE Theory

The first locally owned bank to enter the market since 1985, BANGE (Banco Nacional de Guinea Ecuatorial), was set up in 2006 to support public and private infrastructure projects in the real economy. But oil flow does not guarantee cash flow, and three years down the line, the newly established bank found a partner to help reverse its turnover. The African Development Corporation, part of Germany’s Altira Group, bought a 25 percent stake and took over management to bring BANGE up to a new level of competitiveness.

“This year is a very profitable one,” says Cornelis Verheezzen, the man tasked with guaranteeing the bank’s existence and subsequent success. “This has been achieved and now we have proceeded to efficiency improvements.” Verheezzen is somewhat of a veteran when it comes to building up banks to viability and full potential in emerging markets. Verheezzen practically co-founded the banking sector



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in Afghanistan in one of eight banks he has established during his career. In the case of BANGE, the bank had to prove itself in competition with one international and two regional institutions.

“Even though we are ‘fishing in the same pond’ with the other banks, we are a local entity and that is what differentiates us.” Verheezen says that with the government owning a 35 percent stake in BANGE, the bank closely associates with “Horizon 2020” objectives. “Thus, we know where the development takes place, and that is where the business actually is.” So how does Verheezen plan to win the hearts and accounts of international and local clients? The answer lies quite simply in modernization and building up Equatoguinean management skills.

“Our job is to train the people and build up the proper competence. That is in fact what I have done almost all my life in emerging markets. You enter the market, you find people with the right potential, you build up a bank, you train the people, and then you leave. This phase needs about 3 to 5 years depending on the tasks. We are now one and a half years down the road and we tripled the lending business. The deposits have also grown 20-plus percent. We have no liquidity problem, so we are in a comfortable position.”

According to Verheezen’s team, the local banking system is not up to speed yet. “If you start developing a market, you should bring it immediately to the 21st century, bringing the latest technology and products. The moment we offer more services, more cards, more ATMs, the next step is that people and private corporations alike will bring in their business.” Together with the government, Verheezen is executing tests with all the major credit card providers so that BANGE can offer the full range, including the Chinese CUP card, in early 2011. “You have to offer a total package. We are ready to venture in e-banking in spite of low Internet density in general. However, all corporate clients do have Internet and will be better serviced if they can

work with their bank from behind their desks. The infrastructure has to be developed to allow us to move forward with fully fledged banking services.”

Piece of the Pie Chart

As banks race to be the first to roll out new services in Equatorial Guinea, competition within the sector is heating up. This is only logical, given Equatorial Guinea’s central location in the Gulf of Guinea. Once its new ports, upgraded airports, and other infrastructure projects have been completed, the country will be able to serve as a pivotal trade hub for the CEMAC region. According to Christophe Mounguengui, director-general of BGFI, two more banks are about to enter the market, Ecobank and UBA. “It is evidently a very dynamic sector,” says Mounguengui, “but it presents some problems, since banking among the population remains weak.” BGFI was the first to introduce ATMs in Equatorial Guinea in combination with salary accounts, providing debit cards so people can use the ATMs to extract their pay. It may seem straightforward enough, but when limited infrastructure is available, these are indeed milestone achievements.

Christophe Mounguengui believes that, in order to advance, Equatoguineans need a shift in cultural mindset, for many facets of life. “We are planning to convince the people to save money. This is not inside their mentality and culture. We also want to start with products for the children regarding savings, since children are our priority in the group. Parents should learn how to save money in order to support them, for example in their future education.”

Through a partnership with WWF and the wildlife conservation society, environmental protection is another field in which BGFI is active. Gabon is particularly dependent on this change. “The protection of the environment might exist in the leaders’ minds, but it is still not in the culture of each and every individual.”

EG Calling

A sector that will be particularly observed for its development is telecommunications and the spread of information technology. Because telecoms are so vital to a society’s daily progress, Equatorial Guinea has subscribed to the ACE submarine cable. Operated by Alcatel-Lucent, the cable will provide data speeds of up to 5.12 Terabits per second, a considerable speed considering the country only had basic land line cables until 15 years ago. “The ‘Horizon 2020’ policy adopted the use of fiber optics for its communication and information technol-

ogy innovations and utilities,” says Equatorial Guinea’s former Minister of Transport, Technology, Posts, and Telecommunications, Vicente Ehate Tomi. Finally high-speed, high-quality broadband is making its way from France to Equatorial Guinea via South Africa. “The general law of telecommunications in the country has as sole objective to liberalize the market.” And with only two telephony operators active in the country, GETESA-Orange and HITS Telecom, Equatorial Guinea is still quite open for telecom providers to enter the market.

Equatorial Evolution

How one oil boom, over 200 construction companies, and 756 infrastructure projects are shaping a whole new nation.

Many nations dream of striking oil on their territory. The opportunities that arise from such a find are immense, if handled sensibly. If political or civil instability was a factor, the discovery of natural resources can also blow up those tensions, especially if the ensuing wealth has not been distributed to benefit the whole population.

For Equatorial Guinea, a small yet stable country, which until recently hardly had any significant economic activity on an international level, the discovery of a generation must have seemed heaven-sent. A nation that had no roads, ports, sanitation network, electrical grid, industry, nor social housing suddenly, in 1995, found itself endowed with fossil fuels. Here was a chance for President Obiang to become a difference maker, to build up his country and establish a new economic order within the West African community; and he took it with all his power.

“During this oil boom,” explains Marcelino Oyono Ntutum, Equatorial Guinea’s former minister of public works and infrastructure, “the government focused its efforts on the basic infrastructure. This will be the base for exploitation in the future. We are now in the process of building about 2,000 kilometers of motorway both in the insular and continental regions. In Malabo we are building the most important port after Morocco and South Africa. It will be a port of at least 18 meters’ depth.”

In Bata, the government has also ordered the port to be modernized. “It was an open sea port and had a capacity of 6 boats. Now we are building a port that will have a capacity of 40 boats and at least 16 meters of shed. We are in the process of achieving the first runway for the Airbus A380 in Bata, which will have a length of 3.5 kilometers and 70 meters’ width. Apart from Senegal and South Africa in the African zone, no other country is building such airports. All these works will be achieved by next year.”

Demetrio Elo Ndong Nsefumu, Equatorial Guinea’s second vice prime minister and newly appointed minister of public works and infrastructure, says it was the government’s firm decision to use financial resources from oil to fund projects for the people. “It should be noted that these great works arise from the difficult geographical situation of Equatorial Guinea: a presence of islands and islets with great distances between them and difficult access to the continental part, a vast maritime extension of some 300,000 square kilometers and a continental zone far from the islands, bordering

Cameroon and Gabon.”

In this scenario, a massive national overhaul is taking place to create ports, airports, power plants and electric transmission lines, potable water supply and sanitation, roads, bridges, government buildings, hospitals, stadiums, sports halls, and a huge amount of social houses or residential complexes, all as a central strategy for economic and social development and poverty alleviation. “Equatorial Guinea is open to any investor in any sector who will be treated according to the law and to the gracious hospitality that characterizes our peaceful people,” concludes Elo Ndong Nsefumu.

Anyone who visited Equatorial Guinea 10 years ago and returns today will see that the infrastructure minister is by no means exaggerating. The tireless efforts made in creating a new nation with all the basic infrastructure necessary to spark socio-economic growth are mind-boggling. Urban and rural areas are being connected, electricity is finding its way to new communities, and clean, running water is starting to flow in villages formerly cut off from utilities.

In an interview with Equatorial Guinea News, President Obiang discussed the effects these developments were having on his country. “Frankly, everyone sees that Equatorial Guinea has been transformed. This transformation can be seen in the aspect of infrastructure, as well as in the morale of our people, because they feel satisfied.” The president added that he thought there had been an important change from an economic-political standpoint. “I don’t say it as flattery, it is the reality. The country has many prospects for improvement.”

Projecting the future

The “Horizon 2020” Development Plan would have been inconceivable without the plethora of works being carried out in basic infrastructure. Equatorial Guinea’s regeneration currently counts 756 Projects, 90 percent of which is being paid for by the government, all derived from natural resource revenues.

But the oil-buck doesn’t stop there. “We are creating a platform for the exploitation of tourism,” continues former infrastructure minister Marcelino Oyono Ntutum. “That’s why we are building an airport in the island of Corisco, which has a length of 3 kilometers. From that point on, we are calling businesspeople, professional experts, and private enterprises to collaborate with the government in the exploitation of those sectors where

the government has established the basic infrastructure.”

The development of landmark projects across Equatorial Guinea reflects a profound desire and a strategic plan to reinforce economic growth, ensuring better quality of life for the people and building a solid foundation for the future. Overseeing this construction drive is GEPROYECTOS (National Office for Project Planning and Monitoring). At its helm is Committee President Tarcisio Obama Nzung. “There were 185 projects completed at the end of 2010,” reports Obama. “We have registered about 200 national and foreign enterprises, which are working in the construction sector here in Equatorial Guinea.”

Tarcisio Obama Nzung personally oversees the execution of the country’s projects, along the way assuring that a large amplitude of projects has already been completed. “We have completed three street paving phases of the streets of Bata and the addition of drinkable water and sanitation networks in the cities of Ebebiyín, Mongomo, and Evinayong.” New roads between Niefang and Evinayong as well as Bata and Mbini have also brought new life to those towns. “In Bata we have finished with the restructuring of the National Institute of Secondary Education called Carlos Lwanga and that of the Polytechnic Center in Bata. We have also completed the construction of several institutions of Secondary Education in the municipality of Bidjbidjan, Bitica, Bicura, and Evinayong.”

Speaking about the water sector, Obama Nzung notes that in villages or areas where a system of potable water and sanitation has been introduced, the health of the population has improved significantly. “As you know water can be a source of contamination and diseases. As long as the water is improved, the health of the population is also improved and various diseases like malaria can be eliminated.”

Obama says there is a healthy symbiosis of governmental development agencies working together with private contractors from both Equatorial Guinea and abroad. Meanwhile, private investors are being courted to start their own projects with special incentives. “For example, if somebody wishes to invest in the hotel business, he will not have to pay for the land. The land in such cases would be provided for free. Another important incentive is the tax exemption that applies for investors.”

Harboring confidence

One international firm already taking advantage of these incentives is the Moroccan civil engineering company SOMAGEC GE. It is currently developing three hotels in the country and even planning a fourth on Annobón

island. “We think that the future of Equatorial Guinea is tourism,” says Jean-Charles Hayoz, director-general of SOMAGEC GE. “We decided to orient the company towards tourism development by participating in the construction of three hotels; the Kogo Hotel, the Corisco Hotel, and the \$70 million 5-star Media Luna Hotel, a 100 percent SOMAGEC project. The concept for Annobón is based on high-sea fishing and the idea of a modern well-being center. It will be suitable for people who want to spend, let’s say, one week far away from the modern world.”

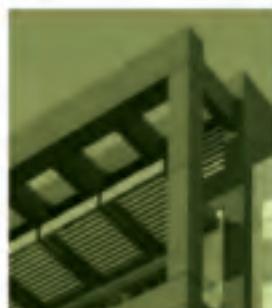
The decision by one of Africa’s largest maritime civil engineering groups to venture into tourism development here is a prime example of the faith displayed by a foreign company in Equatorial Guinea’s non-oil potential. SOMAGEC’s main strength and expertise lies in public works and the execution of vital infrastructure projects, as it has proven through Equatorial Guinea’s transformation. In just under six years, SOMAGEC GE has not only initiated and completed a total overhaul and extension of the port in Malabo; it has also created the first and only port in Annobón, extended the island’s airport and upgraded its terminal, developed a harbor and a 13-hectare tourist zone in Kogo, and initiated a coastal protection project against erosion in Bata, as well as the rehabilitation and construction of Bata’s new harbor. With over 5,000 employees, SOMAGEC GE is the largest contractor in Equatorial Guinea, indirectly providing income for approximately 8 percent of the population.

Hayoz explains that his company’s policy is to only collaborate with those countries that Morocco has good political relations with, but it was nevertheless a challenge at first to create relations of confidence with the government. “The only way to achieve that was through our work, through proving that we are able to accomplish whatever we have committed to.” It only took SOMAGEC GE one year to erase any apprehension, bringing in new equipment and delivering ahead of deadlines. “The second challenge was to shape the people who were going to work with that new equipment and make them understand the whole target and the fruits of their work.”

The government’s decision to re-invest oil and gas funds into infrastructure projects is the right choice in Jean-Charles Hayoz’s opinion, given that it promotes the people rather than the country. “For example, if you wanted to go from Ebebiyín to Bata a few years ago, you needed two days. But now with the new roads you are there in two hours. So, a farmer from Ebebiyín, who wants to sell his products in Bata, can take a car, arrive in Bata in the morning, and sell his products. Then he can buy goods and drive back. That is exactly a way to

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create movement, to create a society, and consequently to create an economy.”

Currently working on a new trade and passenger harbor at Corisco and an industrial harbor at Akalayong, Hayoz takes pleasure in witnessing the effects SOMAGEC’s first projects are having on the country. “Since December 2010, the 16-meter deep harbor in Malabo has the first berth in Sub-Saharan Africa which is able to receive the new ‘Super Panama’ vessel. By the first quarter of 2012, it will be able to host two of these at the same time, each one carrying 12,000 to 14,000 containers. Although gantry-cranes capable of unloading vessels this size have yet to be invested in, all these constitute a crucial step towards Malabo and Bata on the mainland becoming trans-shipment hubs for the African continent.

The most significant metamorphosis however has been for the formerly isolated island of Annobón, which used to be approached once every month, at best, and vessels remained in high seas while islanders had to reach them in their ‘cayocos’ made of hollowed-out Ceiba tree trunks. The new \$129 million port of Annobón, which lies 500 miles south of Bioko, will now permit trade with the region, with the docking of large-tonnage ships and passenger ferries. The Equatoguinean government has made a total investment of over \$425 million in Annobón. Jean-Charles Hayoz is proud not only of his company’s achievements for the people of Equatorial Guinea, but also that these “show the whole

world how a typical African company is able to concept, build, and realize such large-scale projects, proving also the worth of cooperation between African countries.”

Essential Infrastructure

Having committed all available funds in order to ensure the execution of necessary modern infrastructure and development projects all across the country, the government of Equatorial Guinea is today monitoring the allocated public funds, making sure the construction sector is delivering the desired level of quality and value. The foregoing has prompted the Ministry of Finance to begin implementing a structure of pricing per unit, to be adopted for public works, in a well-directed effort by President Obiang to keep costs under control.

The sheer number of projects being executed nationwide is awe-inspiring, but also highly challenging. “The coordination of the infrastructure is something quite difficult, and shall take time for sure,” observes Bechara El Kassis, director of operations at renowned construction and engineering company Setraco EG, “especially when it comes to bringing in people to start the construction of a project, to provide plans and provisions, or to apply them.” But El Kassis praises the close cooperation with all relevant public authorities passionate about a collective success. “Everybody needs everybody,” he adds, also indicating the collaboration with other construction companies present in Equatorial Guinea. “It is a cooperative attitude, not a competitive one, aimed at bringing about the best results for the country. We are combining all our strengths with the government’s efforts in a disciplined and organized manner, so as to ensure a high level of quality and professionalism in the execution of both public and private works.”

Nevertheless, the company has also proven its worth in executing intricate projects on its own. “The first essential project that we were assigned in February 2009 was that of Paraiso,” continues El Kassis. “Development of the Paraiso neighborhood is considered one of the most challenging projects, since it is situated in a very populated area with many obstructions.” In addition, it is a complete infrastructure project entirely taken on by Setraco EG. “Now we stand at 70 percent of the project, which includes sanitary, drainage, potable water, and distribution networks. When we took over this project we brought in people who had worked with us in the past, well experienced in the field of infrastructure. As a result, we have managed to increase the production by 3 or 4 times per month over the last 4 months.”

Bechara El Kassis indicates that there are also natu-

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ral factors to consider when developing a project in Equatorial Guinea. "Our target is to have finished with the main roads of Paraiso by June 2011. Then the curbs and pedestrian walkways remain. We have set our targets, but unfortunately there are many factors causing delay, such as rainfall. This is something that cannot be predicted, and one day of rainfall actually means two days of productivity loss. Given that the soil layers are composed of clay, whenever there is water, it takes time to dissipate and evaporate."

Bringing 41 years of experience from Lebanon, the Nigeria-based company said its main challenge on arrival in 2003 was the language barrier, for which it brought in Spanish-speaking professionals from Europe. The second issue was isolation. Conducting construction projects on an island requires everything to be shipped in. "We have a fleet here of over 150 machines," says El Kassis, "with about 26 extra-heavy pieces of equipment coming in order to speed up operations before the rain season begins. In line with Setraco's faith in the country's promising future and potential, the company has committed among the largest capital investment made by private companies here in Equatorial Guinea. We have already invested approximately \$7 million." El Kassis says that even with a 10 percent government down payment on projects in hand, Setraco's total investment will run up to \$25 million once it has established its main offices in Equatorial Guinea.

Bringing vital arteries to life

Not all foreign construction firms present in Equatorial Guinea came after the oil boom. Sogea Satom GE, part of Vinci Construction, has been present in the country for more than 15 years, becoming one of the first foreign entities to commit to the nation. Bringing in 70 years of know-how and the experience of conducting projects from Morocco and across Africa, it has been at the forefront of bringing vital transport arteries to life, connecting the country with roads and bridges.

Frank Casteleyn, the company's agency director in Equatorial Guinea, describes how its work has impacted Equatoguinean life. "In a town like Mbini, for example, which is very far from easy connections, there were no open roads. The few open roads we built changed the nature of the town completely. From there you start organizing business activity and the government can start planning schools, hospitals, and everything else. I have been working for 16 years now in the construction sector across Africa and this is the first time I have seen such frenzy," comments Casteleyn.

The payoff for home-bred construction companies participating in their country's buildup lies in the exchange of acquisition and transfer of know-how. "Partnerships are quite necessary, since the implementation of some works within a project may require more than one enterprise to make it," says Alejandro Envoro Ovono Angue, president and director-general of Equatoguinean construction firm AMACEEA, col-



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loquially known as Andoga. “For example, we are constructing a road extension of many kilometers. In order to do it appropriately, we are collaborating with other big enterprises for the construction of the bridges and the project designs. One major advantage is that we train our own local people, since most of them are quite competent.”

Home improvement

AMACEEA’s main projects, assigned by the government, are ones that can be slightly challenging on a private level, as Envoro Ovono Angue explains. “We have big and important projects ranging from \$20 million to \$126 million. We have the government trust and support for the execution of these projects, especially the residential houses that we build.”

Safe new social housing is a vital necessity for most communities in Equatorial Guinea. Even in some quarters of Malabo, homes are not connected to running water networks. This in combination with dangerous materials in use has caused quite a few outbreaks of fire. “We also contribute to the social sector,” says AMACEEA’s president and director-general. “For example, during our construction activities, we may help by building a house for a poor family to live in decently. Also, we build meeting places so that people in villages may gather and socialize.”

For Envoro Ovono Angue, the “Horizon 2020” Development Plan is encouraging not only the progress of Equatorial Guinea’s people but also its businesses. “Our company started as a small enterprise, and during years of work it has increased tremendously and has taken a very important place in the country.

This is due to the opportunities that our president and the “Horizon 2020” plan gave us, as all efforts are directed towards an integrated development of Equatorial Guinea.”

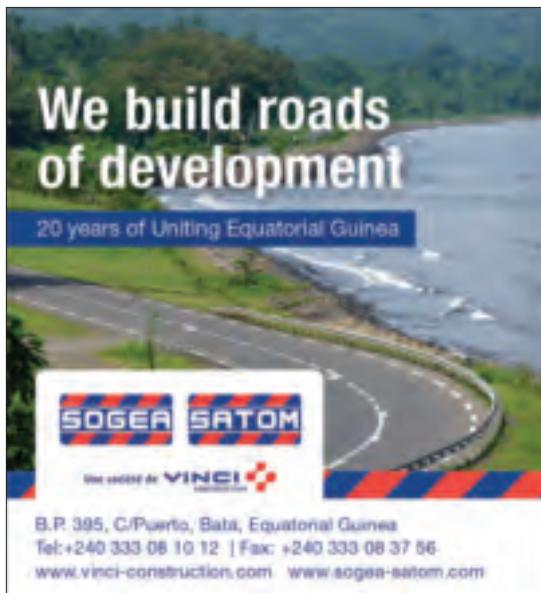
Bespoke design

The number of contractors active in Equatorial Guinea is creating an entirely new ecosystem, leading companies to home in on specific areas of expertise or even expand to offer turn-key services from start to finish. “Competition forces the construction industry to evolve,” observes Roger Pereira, director of PAC International GE. “That’s why we have chosen to position ourselves as a high-standard construction company.” Pereira notes that throughout the 10 years of the company’s activities here, “PAC International GE has grown to offer specialist site teams of 450 personnel to perform high-quality construction, renovation, interior design, furniture work and decoration, consultancy, refurbishment, and planned maintenance services. We use only the finest craftsmen to ensure that these important bespoke elements are finished to the highest standards.”

PAC currently takes on 30 projects a year, setting itself apart from other constructors and elevating the standards of engineering, architecture, and aesthetics by adding bespoke elements and details in all of its works. Among its various projects, PAC has undertaken significant assignments at Sipopo, the General Hospital in Malabo, VIP terminals at the airports of Malabo and Bata, the Cultural Center of Malabo, the Public Library of Bata, the Ministry of Agriculture in Malabo, the Nigerian Embassy at Malabo, the Malabo Student Hostel Residence, and the Seminary of Banapa.

Pereira says that by contributing to the country’s architectural landscape, PAC has become part of the national development. “While PAC International executes mainly government works, our projects have helped grow local economies and improve the quality of life for communities and people across Equatorial Guinea.”

In spite of all the challenges facing the country, considering how far it has come and the state it was in just a few years ago, it is not hard to understand how Equatoguineans view the progress in a positive light. “The infrastructure sector contributes greatly to the socioeconomic development of our country,” Infrastructure Minister Demetrio Elo Ndong Nsefumu says with pride. “It has been emerging as a major vector of development, being the link that facilitates the interaction between productive and social sectors.”



Building a luxury tourism upgrade

From its inception almost 100 years ago, Hilton Hotels & Resorts has become the most recognized global brand associated with luxury hospitality. The winning philosophy of founder Conrad Hilton has now also reached Equatorial Guinea's shores, as his spirit once again beckons visitors to "Be My Guest."

The 189-room Hilton Malabo will be the country's new benchmark of luxury. Only five minutes from the airport and seven minutes from downtown Malabo and its new business district, Hilton Malabo is also set to become the beating heart of Equatorial Guinea's tourism, conference, and business travel sectors.

The approximately \$70 million establishment, completed from scratch in just five years by American Business Investment (ABI) Construction Ltd., includes

a state-of-the-art conference wing, a grand ballroom for up to 450 guests, and a fully equipped business center.

Youssef Ahmad, general director of ABI Construction, says the Hilton is practically finalized, opening its doors on May 30 2011. On the occasion of the 2011 African Union Summit in the country, Hilton Malabo will be welcoming Equatoguineans and foreigners alike. "Profiting from our presence here for this successful project, we have been able to initiate other construction projects with the government," explains Ahmad, mentioning the new building that will house the Ministry of Economy and the Ministry of Finance and Budget, as well as one for the Municipality of Bata.

There's no doubt that Hilton Malabo will place Equatorial Guinea on the "go-to" executive and tourist maps, in itself a whole new frontier for the country.

Grand Challenges

Assuring a collaborative reform process, President Obiang has vowed commitment to the rational use of resources, social sector development, legal reform, relations with human rights organizations, and environmental conservation. With USAID technical assistance for the country's Social Development Fund, the economic transformation will promote small and medium enterprises, benefit a better redistribution of the national wealth, and allow a drastic reduction of poverty.

International oil companies have also started to take up an active role in Equatoguinean life. During the nation's annual Independence Day parades, it is not unusual to see delegations from Marathon Oil, Hess, or ExxonMobil participating in the festivities alongside parading national troops and local schoolchildren. As David Kennedy, vice president of Hess EG, explains, big oil companies want to be part of the country's development. "We endeavor to leave a lasting and positive legacy in the country." In the past 10 years, Hess committed over \$30 million to social responsibil-

ity projects in Equatorial Guinea, including 50 percent co-sponsorship of the Prodege primary education improvement project with the government.

Marathon Oil equally believes that the right to operate in and work together with the government of Equatorial Guinea is "a privilege." In return, Marathon has not only pumped funds and efforts in Bioko's Malaria Control Program, but has also committed to advanced education initiatives for Equatoguineans, such as undergraduate training programs at the Universities of South Carolina and Texas A&M.

The grandest challenge, however, lies in the development of education and health care. In order to avoid the proliferation of problems affecting the country's school system, Minister of Education and Sciences Joaquín Mbana Nchama has been visiting national academic institutions to take note of ideas for improvement. Students raised their concerns, which ranged from a paucity of didactic material, libraries, and Internet access to demands for an increase in qualified professors. The



The advertisement features the Toyota logo in the top left corner, with the word "TOYOTA" in red below it. To the right, the website URL "www.cfaomotors-guineeequatoriale.com" is displayed in red. A large red curved banner spans the width of the ad, containing a collage of images including a car, a person, and a building. At the bottom left is the CFAO logo, and at the bottom right, the text "CFAO MOTORS GUINEA ECUATORIAL" is written in a bold, sans-serif font.

minister promised to devise solutions, in return encouraging students to maintain “good manners” and discipline to uphold peace and order in the country.

West African students now also have access to the new International University of Equatorial Guinea in Malabo. Designed by Unicon Development, the complex aims to impart future leaders with the knowledge to compete in a global landscape, while still maintain-

ing and enriching their own cultural identity.

In addition, the School of Medical Sciences in Bata, part of the National University of Equatorial Guinea (UNGE), has recently been endowed with upgraded equipment, one of the steps taken to assure future growth and increase medical expertise in Equatorial Guinea, and an aspiration for government-paid universal health care.

An enterprising perspective

Before it can take its first unaided step, a baby needs to find its equilibrium, standing on its own two feet. “Balance of growth,” is how Minister of Economy, Commerce, and Promotion of Entrepreneurship Dr. Francisca Tatchouop Belobe describes her strategy of diversification for Equatorial Guinea. “The mono-production orientation in the oil sector has established an economy that remains very fragile,” clarifies Tatchouop Belobe. Thus, the government passed a fiscal expansion policy that aims to obtain resources in order to make investments in other sectors. However, growth is embedded in a well-functioning and organized private sector. “This leads us to the small and medium enterprises, which are not involved in the oil sector and need a lot of support in order to finance their activities.”

Logically, economic diversification has to be based on expanding the country’s existing industries, with a special focus on increasing the export potential of fisheries, agriculture, and forestry. Modern service sectors like telecoms, financial markets, tourism, and transport are slightly more challenging to develop, as they require both qualified human resources and infrastructure upgrades; the latter are being undertaken by the government and the former is being addressed by developing human resources from primary to higher education levels through the Prodege project, the National University of Equatorial Guinea, and other initiatives.

“The population is quite active, commercially speaking. But enterprises lack the human resources or funds to implement better activities.” Economy Minister Tatchouop Belobe is therefore creating a fund of partial

guarantee of credits and a training center.

“By far the biggest challenge is, however, understanding that economic and social development means building a win-win contract between all actors, institutional and private. The challenges we are facing are of a more philosophical than technical nature. If there is a lack in the conceptualization of a vision of society, it is difficult to implement technical development.”

One of the companies driving non-oil growth in Equatorial Guinea since 1997 is CFAO MOTORS, a French-based automotive, high-technology, and pharmaceutical representation group active in Africa since 1886 and with presence today across 36 countries. Samuel Lefebvre, general director of CFAO MOTORS EG, also agrees that shifting gears in education is a prime factor for accelerating business here. “Its shortage is actually the brake on development,” Lefebvre asserts.

As the official representative of Toyota in Equatorial Guinea and a major sales force in Suzuki, Peugeot, and Renault trucks, CFAO’s success depends largely on the technical know-how of its after-sales service engineers. Lefebvre therefore places great importance on the training of the country’s 71 employees. “There is also a Toyota training center in Douala where we actually send those employees who have the appropriate potential to evolve.”

With Equatorial Guinea’s expanding road network and economic activity, CFAO is projecting an increase in demand, vehicle imports, and car sales, automatically requiring a larger pool of competent technicians. “This is why we are proceeding towards the construction of a concession—European Toyota’s standard—for the automotive sector, to enforce our position in after-sales services and support.” But there is one other issue, which according to Lefebvre is arresting development of enterprise in Equatorial Guinea: the approximately 50 percent share of the informal market that skirts all legal and tax directives. When trust and balance has been mastered, and such challenges are resolved, the infant economy that is Equatorial Guinea will soon be running at full speed.



Tourism Graces

Imagine observing gorillas at the Monte Alen National Park, discovering the James Bond–esque volcanic crater lake Lago A Pot on Annobón Island, or ascending Mount Pico Basilé to breathtaking views. It can all be possible as tourism development opens up Equatorial Guinea in the coming years. Secretary of State for Tourism Jose Mba Obama describes his country as “an oasis of peace, where a person feels more human,” with a high potential for quality leisure and ecotourism, “more rewarding than mass tourism.” Mba Obama wants his people to understand the importance tourism can have in improving their living standards. “We Guineans have to identify ourselves with tourism as a way to emphasize the values of our own identity.”

All that is required now is a travel visa, an approved itinerary from the ministry of information and tourism, and—in case you want photographic keepsakes of your Equatoguinean memories—an official letter of permission to take pictures.

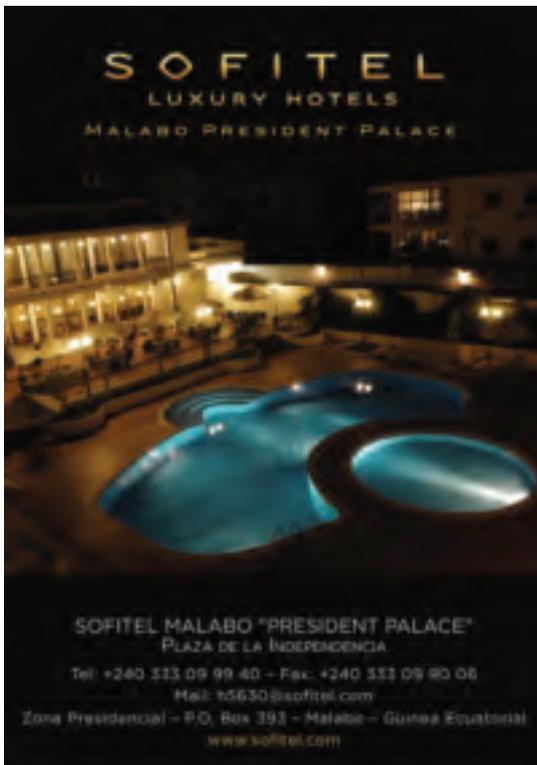
New hotels are sprouting and transportation facilities are increasing throughout Equatorial Guinea. By basing yourself at the Sofitel Malabo, with its Spanish Colonial architecture and French art de vivre, you’re well in reach of all that’s fascinating in this land, its graceful and hospitable people, their

unique customs and culture, and immensely diverse flora and fauna. You might even catch an impromptu performance by the Malabo Strit Band.

Nothing really sparks off a country’s tourism potential like a major sporting event. In 2012 it will be Equatorial Guinea’s chance to shine, as it is organizing the 2012 Africa Cup of Nations soccer tournament, together with co-host Gabon. Four brand new stadiums have been built for the event, one of which will have the honor of hosting the opening match.

“There will be a common visa for Gabon and Equatorial Guinea during the event, allowing you to travel in both countries,” says Secretary of State of Youth and Sports Ruslan Obiang Nsue. “As the organizing committee, we are also collaborating with Ghana, which has already organized two such events in the past, so their input can be valuable. For the state, the country’s image, and our population, this is a way to prove that Equatorial Guinea is an open country.”

By awarding Equatorial Guinea this hosting privilege, Ruslan Obiang Nsue says the Confederation saw that it was “an opportunity to help the development of the country, because such an event would push the development further and turn all eyes on this fast-changing economy.”



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Getting the Military Out of Pakistani Politics

How Aiding the Army Undermines Democracy

Aqil Shah

THE UNITED STATES has a major stake in Pakistan's stability, given the country's central role in the U.S.-led effort to, in U.S. President Barack Obama's words, "disrupt, dismantle, and defeat" al Qaeda; its war-prone rivalry with India over Kashmir; and its nuclear arsenal. As a result, U.S. policy toward Pakistan has been dominated by concerns for its stability—providing the reasoning for Washington's backing of the Pakistani military's frequent interventions in domestic politics—at the expense of its democratic institutions. But as the recent eruption of protests in the Middle East against U.S.-backed tyrants has shown, authoritarian stability is not always a winning bet.

Despite U.S. efforts to promote it, stability is hardly Pakistan's distinguishing feature. Indeed, many observers fear that Pakistan could become the world's first nuclear-armed failed state. Their worry is not without reason. More than 63 years after independence, Pakistan is faced with a crumbling economy and a pernicious Taliban insurgency radiating from its Federally Administered Tribal Areas (FATA), the semiautonomous seven districts and six smaller regions along its border with Afghanistan. It is still struggling to meet its population's basic needs. More than half its population faces severe poverty,

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Aqil Shah

which fuels resentment against the government and feeds political instability.

According to the World Bank, the Pakistani state's effectiveness has actually been in steady decline for the last two decades. In 2010, *Foreign Policy* even ranked Pakistan as number ten on its Failed States Index, placing it in the "critical" category with such other failed or failing states as Afghanistan, the Democratic Republic of the Congo, and Somalia. The consequences of its failure would no doubt be catastrophic, if for no other reason than al Qaeda and its affiliates could possibly get control of the country's atomic weapons. The Pakistani Taliban's dramatic incursions into Pakistan's northwestern Buner District (just 65 miles from the capital) in 2009 raised the specter of such a takeover.

Pakistan is, of course, a weak state with serious political, economic, and security challenges. But it is not on the fast track to failure, ready to be overturned by warlords, militants, or militias. It has an incredibly resilient civil society, which has proved itself capable of resisting both state and nonstate repression. Its numerous universities, assertive professional associations, vocal human rights groups, and free (if often irresponsible and hypernationalist) media sharply distinguish Pakistan from the likes of Afghanistan or Somalia. And its bureaucratic, judicial, and coercive branches still have plenty of fight left in them. The country's political parties are popular, and parliamentary democracy is the default system of government. The Pakistani military, moreover, is a highly disciplined and cohesive force and is unlikely to let the country slide into chaos or let its prized nuclear weapons fall into the hands of Islamists.

But although Pakistan's army is professional, it has no respect for the political system. It has not mattered whether the army is under the command of a reckless figure, such as General Pervez Musharraf, or a more prudent one, such as the current chief of staff, Ashfaq Parvez Kayani. As an institution, it deeply distrusts politicians and sees itself as the only force standing between stability and anarchy, intervening in politics whenever it decides that the politicians are not governing effectively. These repeated interventions have weakened Pakistan's civilian institutional capacity, undermined the growth of representative institutions, and fomented deep divisions in the country.

Getting the Military Out of Pakistani Politics

Pakistan is unlikely to collapse, but the imbalance of power between its civilian and military branches needs to be addressed if it is to become a normal modern state that is capable of effectively governing its territory. For its part, the United States must resist using the generals as shortcuts to stability, demonstrate patience with Pakistan's civilian authorities, and help them consolidate their hold on power.

THE CAPACITY DILEMMA

THE PAKISTANI MILITARY'S political power is a historical legacy of the country's birth. The immediate onset of conflict over Kashmir in 1947–48 with a militarily and politically stronger India made the military central to the state's survival and placed it above civilian scrutiny. Today, after four wars with India, the military filters every internal and external development through the lens of Pakistan's rivalry with India. Civilian governments, such as the current one, headed by President Asif Ali Zardari's Pakistan Peoples Party (PPP), and those headed by Nawaz Sharif's Pakistan Muslim League (PML-N), have typically operated in the military's lurking shadow.

The military has frequently co-opted Islamists to advance its domestic and regional agendas. In the late 1970s and into the 1980s, the generals, especially the U.S.-funded military dictator General Muhammad Zia-ul-Haq, used Islamism to gain political legitimacy. Zia suppressed secular political rivals, such as the PPP, by jailing and torturing opposition leaders, banning political parties, and enacting harsh Islamic laws to appease allies in Islamist parties, such as the Jamaat-e-Islami. Zia also armed Sunni sectarian groups in order to balance the country's Shiite minority, which had been emboldened by the recent Iranian Revolution. State patronage of violent extremism deepened sectarian rifts, militarized the society, and empowered radical Islamists, all of which in turn eroded the state's own writ and authority.

Flush with U.S. cash, the generals also fomented militancy in Kashmir to keep India bleeding and sponsored fundamentalism in Afghanistan to give Pakistan strategic depth against its archrival. Yet faced with U.S. President George W. Bush's famous ultimatum after 9/11 to either cut the military's ties to Afghan militants or prepare for war, Pakistani President Musharraf ostensibly jettisoned the generals' black-turbaned allies. He granted the United States access to Pakistani

Aqil Shah

air bases, expanded Pakistan's intelligence cooperation, provided logistical support for the U.S. invasion of Afghanistan, and helped the United States with its primary objective—killing or capturing members of al Qaeda. The United States was content with this level of cooperation and did not press Pakistan to help stabilize Afghanistan or target the Afghan Taliban, who had fled to Pakistan in the wake of the U.S. invasion.

Yet by 2004, the Taliban threatened to undermine the Afghan regime from their stronghold in Pakistan, and the Bush administration demanded that Pakistan address the problem, “the sooner, the better”

Even if the Pakistani military's capacity is a genuine issue, it is not the reason why counterterrorism in the country has failed. It is merely a pretext for inaction.

in the words of Zalmay Khalilzad, then U.S. ambassador to Kabul. Since then, the Pakistani military has targeted militant groups in several parts of FATA and in the Malakand region of Khyber Pakhtunkhwa (formerly the North-West Frontier Province).

But the military has a pick-and-choose approach to counterterrorism, even though terrorism poses a grave threat to Pakistan's internal security and stability. It has targeted members of the Pakistani Taliban in South Waziristan and other administrative agencies in FATA, for example, but has persistently refused to take action in North Waziristan,

which is the headquarters of the Haqqani network, an al Qaeda-affiliated Afghan militant group that leads the cross-border insurgency in eastern Afghanistan. It also continues to allow top members of the former Afghan Taliban regime to operate from Pakistan's major cities, especially Quetta and Karachi. Although Lashkar-e-Taiba, a militant group that carries out attacks in India and Indian Kashmir, is formally banned in Pakistan, it continues to operate through proxies and aliases, recruiting operatives, organizing rallies, collecting funds for its “charitable” activities, and publishing proselytizing jihadist materials in plain sight of Pakistani intelligence authorities.

Although ending the insurgency in Afghanistan will require more than just eliminating militant sanctuaries in Pakistan, the Pakistani military's reluctance to target Afghan militants in North Waziristan has been a particularly sore point in its relationship with the United

Getting the Military Out of Pakistani Politics

States. U.S. officials believe that the lawlessness of North Waziristan hampers the U.S. military effort in Afghanistan, since insurgents can easily escape to safety on the Pakistani side of the border. For its part, the Pakistani military denies sheltering the Afghan Taliban anywhere in the country and claims that it cannot expand its operations into North Waziristan because it is stretched thin by its existing deployments and is short of critical military hardware, such as attack and transport helicopters.

Several U.S. and Pakistani observers agree with this assessment. Writing on March 23, 2010, in *The New York Times*, the Brookings fellow Michael O'Hanlon argued that Pakistan "simply does not have the military capacity to make major moves against the Afghan fundamentalists." Former U.S. Secretary of State Colin Powell reportedly believes that Pakistan needs more armaments to successfully fight insurgents on its border with Afghanistan. And Maleeha Lodhi, former editor of *The News International* and former Pakistani ambassador to the United States, similarly contends that pushing the military to fight on multiple fronts is likely to strain its capacity and undermine its existing missions.

Yet even if capacity is a genuine issue, it is not the reason that counterterrorism in Pakistan has failed. It is a pretext for inaction, rhetorically implying that the military has undergone a strategic paradigm shift, seeing militancy as a threat to national security rather than as a useful tool of foreign policy. Yet there are reasons to be skeptical. First, the Pakistani military has shown that it does indeed have the tools it needs to fight terrorism in several tribal areas simultaneously when it wants to. Besides, it already receives enough U.S. security assistance—roughly \$300 million since 2002 in foreign military financing and around \$1.1 billion since 2008 for increasing its counter-insurgency capabilities, to be followed by \$1.2 billion more next year—to acquire the capacity it claims to so desperately need. In contrast, in 2010, U.S. aid for Pakistan's poorly paid, undertrained, and under-resourced police forces, which are crucial to fighting insurgencies, totaled a paltry \$66 million.

Second, it is unlikely that the Pakistani military has truly changed its calculation of the strategic value of militant groups. Before it moved into South Waziristan in October of 2009, the military cited similar shortages in resources yet was able to conduct a full and relatively

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successful mission there, clearing the area, capturing or killing many militants, and dismantling their bases and training camps. Indeed, the military seems to confront only those militants who threaten and attack the army itself. When the Pakistani government requested that the military go into South Waziristan, for example, it dragged its feet for months and was spurred into action only after militants carried out a deadly attack on its heavily guarded headquarters in the northern city of Rawalpindi. At the same time, it holds those groups that do not threaten it, including the Haqqani network, as reserve assets for the endgame in Afghanistan, when U.S. troops start pulling out this July and eventually leave by 2014. In fact, Pakistan's intelligence service has reportedly permitted Haqqani fighters to flee U.S. drone attacks in North Waziristan and relocate to bases in the nearby Kurram region.

Troublingly, the military's capacity alibi shifts the blame for the strength of Pakistan's violent extremists from the military—which has nurtured and legitimized the influence of radical Islamists—to civilian leaders and foreign patrons, who have supposedly neglected to provide the army with enough resources. Yet the extremists' growth and power in Pakistani society are a direct result of the military's pursuit of strategic depth against India. In fact, the military's permissive attitude toward radical Islamists has allowed them to infiltrate the lower echelons of Pakistan's security services. This worrying development was vividly demonstrated by the brutal murder of Salman Taseer, the governor of Punjab, Pakistan's largest province, by his own police guard on January 4 for opposing the blasphemy laws. Brazen terrorist attacks have battered the military itself, and suicide bombings in major Pakistani cities, including a spate of them in 2009 that claimed over 3,000 lives, have undermined citizens' confidence in the government's ability to provide them with security. Surprisingly, such attacks have not seemed to erode confidence in the military, especially after it provided quicker and more effective relief than the government after last year's devastating floods—although trust in the military should not be confused with public support for military rule.

CAN MIGHT MAKE RIGHT?

WITH ALL the resources in the world, the Pakistani military alone would be insufficient to conquer terrorism. So far, wherever it has



tried to deal with militants, it has alternated between attempting to subdue them with brute force and, when that does not work, cutting its losses by appeasing them with peace deals. Both approaches have further fueled militancy. For instance, the military's use of artillery and aerial strikes to "soften targets" (sometimes without sufficient warning to civilian populations) and its collective punishment of

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tribes (under the Frontier Crimes Regulation, the colonial-era law under which FATA is still governed) have angered and alienated locals, reportedly facilitating militant recruitment. In exchange for a cease-fire, the peace agreements have ceded territory to the militants and given them the space to openly recruit, train, and arm themselves.

By treating the Pakistani military as a state above the state, the United States only reinforces the military's exaggerated sense of indispensability.

The terms of the military's 2005 deal with Baitullah Mehsud, who was the leader of the Pakistani Taliban until his death in 2009, for example, stipulated that the military would release captured militants and vacate Mehsud's territory in return for a pledge that he would not harbor foreign fighters or attack Pakistani security forces. The military claims to have learned its lesson and has adopted a new strategy of counterinsurgency based on winning hearts and minds. But even in its recent campaigns, such as the 2009 offensives in the

Swat Valley and South Waziristan, which were relatively more successful in terms of clearing militants and taking back territory, the military favored a heavy use of force and displaced millions of citizens. Moreover, it failed to capture or kill any significant number of senior Taliban leaders.

Militant extremism can be fought effectively only through serious governance reforms that ensure the rule of law and accountability. This will require a strong democracy, a viable economy, and well-balanced civil-military relations. In FATA, it will require abolishing the Frontier Crimes Regulation and integrating the region into the adjoining Khyber Pakhtunkhwa Province to end the Pakistani federal government's direct and oppressive rule, which the Pakistani Taliban have exploited to expand their influence, displace the already weakened tribal authority in the region, and establish parallel courts and policing systems in several FATA agencies, including North and South Waziristan. All of this seems daunting, but there is really no other long-term alternative. And despite its many failings and weaknesses, there are reasons to be optimistic about democracy in Pakistan.

If the "third wave" of democratization in the 1970s and 1980s had any lesson, it is that democracy does not necessarily require natural-born democrats or a mythically selfless political leadership. In fact, a strong

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democratic system can mitigate the baser instincts of politicians. If anything, the experience of countries such as Chile, the Philippines, South Korea, and Thailand in the last few decades shows that the strength and quality of democracy may be linked to the stability of the party system. This is good news for Pakistan. It is true that Pakistan's civilian politics is dominated by a few families, namely the Bhuttos, who control the PPP, and the Sharifs, who control the PML-N. In a perverse way, however, the hold of the Bhuttos and the Sharifs on their parties may be one of the main reasons that these parties have survived the military's divide-and-rule repression and may consolidate democracy in the future.

Already, the demands of governing seem to be putting some positive pressure on Pakistan's politicians. The most recent civilian government is only three years old, yet the much-derided political elite seems to have developed a consensus that democracy is the only game in town and has enacted constitutional reforms to curb outsized presidential powers—an artifact of previous military regimes—especially the power to dismiss democratically elected parliaments and prime ministers, which past military or military-backed presidents used to neuter parliament. The government has also created new parliamentary committees to appoint Supreme Court and provincial High Court judges and the country's top election officials, delegated some administrative and financial authority to the provinces, and raised the share of the federal revenue pool that the provinces receive.

The best way to further boost Pakistan's democracy will be to habituate the military to democratic norms and raise the costs of undermining democratic governance. The current parliament has already removed some constitutional loopholes that military leaders used in the past to avoid prosecution for coups. It has also proscribed the judiciary's frequent practice of legalizing military rule. But more direct attempts at exerting civilian control have backfired, including the government's short-lived July 2008 decision to bring Pakistan's secretive Inter-Services Intelligence (ISI)—which technically answers to the prime minister but in practice operates as the military's intelligence wing—under the control of the Interior Ministry. The move was reversed during a midnight phone call between an angry Army Chief Kayani and the prime minister. And now, the ongoing ethnic violence in the southern port city of Karachi and the politically charged turf

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battles between the PPP government and the Supreme Court over the judiciary's encroachments on executive authority—such as its sacking of top federal officials, its creation of judicial cells to monitor specific corruption cases, and its fixing of basic commodity prices—could invite renewed military intervention.

But such setbacks are not uncommon in transitional democracies and should not prevent civilian politicians from continuing to take measured steps to establish civilian supremacy. For instance, instead of staying out of defense policy completely, the civilian government should call regular meetings of the cabinet's Defense Committee to discuss and make key national security decisions. Civilians should also try to exert more control over the Ministry of Defense, subject military expenditures to vigorous parliamentary debate, create a bipartisan parliamentary subcommittee for intelligence oversight, enact legislation to bring the ISI under civilian control, and appoint a special cabinet committee to approve top military promotions and appointments.

OUT-OF-BALANCE BUDGETS

THE OTHER critical obstacle to democratization and stability in Pakistan is the country's weak economic performance. The civilian government inherited a cash-strapped, highly indebted economy from the Musharraf regime and had to ask the International Monetary Fund for a \$7.6 billion bailout in 2008 to avoid default. Last summer's heavy floods, which displaced some 20 million people and caused considerable damage to Pakistan's civilian infrastructure, dealt a devastating blow to the prospects of economic resurgence. Perceptions of widespread government corruption and civilian authorities' apparent unwillingness to cut spending have not helped. Moreover, Pakistan has one of the lowest tax-to-GDP ratios in the world—only two percent of the population pays any taxes at all—yet the government has not been able to agree on critical tax reforms.

Pakistan must also reckon with the need to alleviate the economic hardships faced by its poor. Skyrocketing inflation of basic commodity prices, chronic power cuts, persistently high levels of unemployment, and general lawlessness are fueling public resentment of the current government. Some observers fear that the downward economic spiral could play into the hands of Islamists, but there is no automatic link

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between economic woes and the influence of Islamists in public life. In Pakistan, Islamist influence has been closely tied to state patronage, not popular support. Islamist parties continue to perform poorly at the polls, never garnering more than 10–12 percent of the vote, whereas the two main moderate parties—the PPP and the PML-N—typically claim about 60 percent of the vote and 70 percent of the seats in the national parliament.

Still, Pakistan's civilian government must stabilize the economy to bolster public confidence in democratic institutions. It must invest in Pakistan's long-term economic development and create opportunities for the country's rapidly growing population. It may even need a long-term, multibillion-dollar Marshall Plan to help build civilian institutional capacity, rebuild areas hit by last year's floods, invest in public-sector and infrastructure projects, and plug the energy shortages that have all but crippled the manufacturing sector, especially its top-exporting textile industry. Of course, such a plan should come with proper controls to fight corruption and waste.

It is worth noting that Pakistan's economic difficulties are the result not just of bad luck and poor management, and therefore they cannot be fixed with development aid alone. They are rooted in fundamental structural problems as well: military expenditures dwarf spending on development. Pakistan has one of the world's largest out-of-school populations, yet it spends seven times as much on the military every year as on education, an investment with a higher national security payoff in the long run. Thus, the country must find a way to rationalize its military expenditures.

Some progress toward a resolution of the Kashmir conflict could induce Pakistan to scale back its military behemoth. It could also potentially reduce the attractiveness of using militancy as an instrument of foreign policy. As Steve Coll chronicled in *The New Yorker* in 2009, Musharraf and Indian Prime Minister Manmohan Singh were quite close to reaching a breakthrough accord on Kashmir in 2008, but it was aborted by the rapid erosion of Musharraf's authority in the face of domestic opposition to his dictatorial rule. The point is that only a strong, stable, and legitimate elected government will be able to mobilize the public opinion necessary to clinch a lasting peace with India. Both the PPP and the PML-N favor cooperation over confrontation in the region, and each has tried to mend fences with India, through

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high-level diplomacy as well as backdoor talks, only to be upbraided by the generals for compromising on national security. These parties need more room to pursue peace with India while holding the military at bay. This is something the United States can help provide, by firmly supporting democratic institutions in Pakistan even as it works with the military to fight al Qaeda.

NO MEANS NO

THE OBAMA ADMINISTRATION came into office in 2009 with a solid commitment to supporting Pakistan's then year-old civilian democratic government as a hedge against militancy and terrorism. The Kerry-Lugar-Berman bill, which was passed into law as the Enhanced Partnership With Pakistan Act of 2009, authorized the U.S. Congress to triple civilian development assistance to Pakistan, raising it to \$7.5 billion between 2010 and 2014. The aid package was designed to signal a new era in the United States' relationship with Pakistan, shifting the focus of U.S. aid from the military to civilian democratic governance and social development. Continued military aid was also tied to a yearly certification by the U.S. secretary of state that the Pakistani military has refrained from interfering in politics and is subject to civilian control over budgetary allocations, officer promotions, and strategic planning.

Not surprisingly, the Pakistani military balked at this affront even as the civilian government welcomed the aid. Joining with opposition parties, the military publicly decried the bill as a threat to Pakistani national security and mobilized right-wing sections of the media against U.S. meddling. In response, the bill's sponsors buckled and effectively defanged the conditionality measures. Even though the text of the law is intact, the United States meekly assured the Pakistani military that the intent of the conditions was misinterpreted and that the United States would keep its nose out of the generals' business. Indeed, most contact between the two countries still occurs behind closed doors between the two militaries or between the CIA and the ISI. The CIA's use of unmanned drones against militants in FATA, which are reportedly flown out of Pakistani bases, exemplifies this lack of transparency. The secrecy of the program allows both the United States and Pakistan to escape responsibility for civilian casualties.

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The climb-down on the Enhanced Partnership Act indicated that even though the U.S. Congress recognizes the folly of building exclusive alliances with the Pakistani military, it still prefers engaging with Pakistan's military over its civilian leaders. This is partly pragmatism: the military is still the most powerful institution in Pakistan. But by continuing to treat the Pakistani military as a state above the state, the United States only reinforces the military's exaggerated sense of indispensability and further weakens civilian rule.

If the United States had stood its ground, the Pakistani military would have eventually backed down. It is dependent on the United States for military aid and high-tech armaments, including upgrading its aging fleet of F-16 fighters. And although the military has leverage over Washington since it controls U.S. supply routes into landlocked Afghanistan, its bargaining position has weakened over time.

Although Washington generally remains reluctant to pressure the Pakistani military, appropriately using sticks has not necessarily meant losing the generals' cooperation in fighting terrorism. For example, the U.S. Congress warned that it would cut off U.S. aid in response to Pakistan's detention of a CIA contractor, Raymond Davis, who was arrested in January for fatally shooting two Pakistanis in the eastern city of Lahore. In the end, Davis was released from jail in March—the families of the victims agreed to pardon him after receiving compensation. His release would not have been possible without military complicity.

Such political and diplomatic pressure should be used to censure the military for political incursions. In this spirit, the United States should signal to the military that cracking down on terrorism is not a license for it to destabilize or overrun the government. The U.S. military should remind its Pakistani counterpart that interference in politics will not be tolerated and could have serious repercussions, including a downgrading of military ties, the suspension of non-development aid, and broader diplomatic isolation.

Although the United States is confronted with an economic recession of its own, more civilian aid for (and trade with) Pakistan would cost relatively little compared to the money that the United States spends fighting Afghan and Pakistani extremists. And the potential dividends could be enormous: U.S. civilian aid could help secure civilian rule in Pakistan for the long haul and diminish anti-

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Americanism as well. To reduce the danger of moral hazard, this aid should be tightly linked to Pakistan's economic performance, progress in combating corruption, and transparency and responsiveness in government.

One relatively easy way for the United States to boost economic productivity in Pakistan would be to grant Pakistan emergency duty-free access to the U.S. market for textiles. This concession would face opposition from politically powerful U.S. textile interests, but the Obama administration should pursue this legislation on at least a temporary basis because it could crucially improve the economic stability of a vital ally by increasing the revenue it gets from this important industry.

Although a settlement of the Kashmir conflict is unlikely in the short term, Washington should continue to push both sides to achieve that goal. Of course, there are no guarantees that peace would be sufficient to reduce Pakistan's military expenditures or restrict the military to its proper constitutional sphere. But it is worth the effort because the international community has a stake in ending the nuclearized Indian-Pakistani rivalry, which not only endangers global security but also has spilled into Afghanistan.

With over a hundred nuclear weapons, a war-prone rivalry with India, and the presence of some of the world's most dangerous terrorists on its soil, Pakistan is too important to be left to the devices of its generals. For too long, the United States has sacrificed democracy for order. The results have been less than ideal, especially for the people of Pakistan. Pakistan urgently needs support from the international community to help stabilize its civilian democratic institutions and bolster its economy. Only such support will ensure its stability and reliability as a U.S. partner in the region. 🌐

Brazil: Investing in a Sustainable Future



**BARACK OBAMA
AND DILMA
ROUSSEFF**
United States and
Brazil : A stronger
partnership

A thriving economy, social inclusion and a stable regulatory environment may seem to change Brazil from the country of the future to a world power. But it must get rid of ancient pernicious practices, such as political corruption, high taxation and a low educational level.

By Alexandre Gaspari

Generations of Brazilians have been taught that they lived in “the country of the future” but as recently as 1994, this promising future started facing certain unheard-of macroeconomic stability. In 2003, policies favoring income generation for the poor came to join in this economic stability, decreasing poverty levels. The increased gross domestic product (GDP) in 2010, 7.5%, one of the highest worldwide at around US\$2.2 trillion, made Brazil become the world’s 7th largest economy, indicating that the future may have arrived for a country now entitled to be a world power. This is even clearer if we take into consideration the hefty investments necessary to develop the still deficient domestic infrastructure. Until 2014, BNDES, the Brazilian Development Bank predicts that US\$227.6 billion is necessary for infrastructure, markedly for the power industry and logistics.

But the “country of the future” still lives side by side with a backward culture that keeps it living in the past. Corruption remains widespread in some government sectors, and many of the positions that demand technical knowledge are occupied by non-specialists, as determined by electoral alliances. Nominal interest rate is at 11.25%, almost twice as much as that in China (6.06%) and India (6.5%), impacting long-term foreign and domestic investments in the country while upping public debt. Tax burden, according to the Brazilian Institute of Tax Planning (IBPT) came up by 5 percentile points between 2000 and 2010, or 35.13% of last year’s GDP. According to the 2010-2011 Global Competitiveness Report developed by the World Economic Forum, Brazil ranks 58th among 139 countries, again behind China (27th) and India (51st).

This paradox poses a question, i.e., how sustainable is the Brazilian economy? After

all, Brazil has already lived through similar situations, when everything seemed all right and irreversible, like in the 1970s, when it was foremost in the GDP growth rank, and also during the Cruzado Plan, an economic plan that came about in 1986 that harnessed inflation, but both plans collapsed soon after. To top it off, the new president, Dilma Rousseff, expected to represent a continuity of Mr. Luís Inácio Lula da Silva, has both a technical profile and a much more discreet demeanor than the former Brazilian president.

Both entrepreneurs and investors acknowledge Brazil’s continuous improvements, since the Real Plan started in 1994. “Today we can breathe in a long-term atmosphere in Brazil. The government is doing its job. So when it comes down to business, we can plan five years ahead” confirms Michel Wurman, CFO of PDG, a real estate developer. “Today we can make long-term plans, which 20 years ago was unthinkable” states Antônio Carlos Augusto Bonchristiano, co-president of GP Investments, one of the largest Brazilian private equity groups.

Economic stability has allowed for social programs focused on income distribution, such as the Bolsa Família (family grant), helping to decrease considerably the number of Brazilians living in extreme poverty. It has also given the country strong macroeconomic fundamentals, enabling Brazil to be one of the last countries to face the outcome of the 2008 financial crisis and one of the first to emerge from it. “Brazil practically did not have to come to terms with the financial crisis as it was either prepared not to plunge into

it or to react immediately to ward it off” confirms Hugo Bethlem, the vice executive president of the largest food retailer in Brazil, Pão de Açúcar Group.

Another plus is the increment of the per capita income. A new middle class has emerged in the last years, namely 30 million people (the Brazilian population today is around 200 million) and they have been acquiring goods and services never imagined before. “There is an incredible consumption boom that has not been generated by government programs. Only 17% of this aggregated income stems from social programs, and 67% from job generation. This is evidently sustainable growth” consents Bethlem.

However, one may not deny that old-standard Brazil is still a nuisance. Entrepreneurs and investors do not seem to agree on what reform the Brazilian government should handle first: political, tax or social security. Undoubtedly, high interest rates and the tax burden pose a threat to some of the domestic industry sectors. “We are facing now a deindustrialization, with relatively significant losses in the stake the transformation industry has in the GDP and job generation. We have an unfair tax environment. Besides that, financial expenses for industries represent almost 7% of their total sales, against 1.5% to 2.0% in the rest of the world” reports Paulo Francini, director of Economic Studies and Research of



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the Industrial Federation of São Paulo (Fiesp), the state that accounts for more than 40% of the Brazilian industrial output.

Another polemic point is the trend so well observed in Lula's administration of the state's presence in the economy, reverting the liberal tendency started in Fernando Henrique Cardoso's former administration. "The state must have less initiative, and there is room for the private sector. One good example are airports, a chaotic example, though, which is in the hands of the government."

reinforces Pedro Luiz Passos, president of the Board of the Institute for Industrial Development Studies (IEDI) and president of the Board of Directors of Natura, a makeup manufacturer. "Since Lula's administration we have been walking backwards, markedly in what concerns regulatory agencies, ultimately the instances that play a crucial role in balancing public and private interests, and conforming them to the population and society as a whole" adds Amaury Guilherme Bier, senior partner of Gávea Investment Fund.

No matter the common awareness, one expects Brazil may overcome such bottlenecks if economic growth rate is kept steady. "If Brazil keeps moving on at a 4%, 5% growth rate yearly, many things may change. Tax collection increases together with the economy. Public debt in relation to the GDP falls, and interest rates may go down as well. There may be more money to be invested in infrastructure. So such growth may well be sustainable" wraps up Sergio Andrade chairman of Andrade Gutierrez, a construction company.

Power Supply Domestically and Abroad

Economic growth prospects in Brazil over the coming years entail steep demand: to guarantee uninterrupted power supply; to support the economic expansion that is underway; and to prepare for the large-scale sports events Brazil is hosting, such as the World Cup in 2014 and Olympic Games in 2016. Besides the investments that are necessary to meet the increasing call of the domestic market, markedly in power supply and bio-fuels, other hefty investment figures are drawing worldwide attention, as is the case of Petrobrás discovery, along with private partners, of large pre-salt and natural gas reservoirs in Campos and Santos basins off the shore of Brazil (estimates of which reach 100 billion barrels).

Social inclusion in the last few years and increasingly higher social indicators provide reassuring prospects for the Brazilian power demand. According to the 2019 Decennial Energy Plan made by the Energy Research Company (EPE), a government agency in charge of planning the power industry, power consumed in Brazil will jump from 228 million tons of oil equivalent (TEP) in 2010 to 365.7 million in 2019 (an average growth rate of 5.4% a year). In order to meet such a demand, EPE forecasts a total investment slightly above US\$570 billion.

Domestic power supply is expected to rise from 539.9 terawatts per hour (TWh) in 2010 to approximately 830 TWh in 2019, by which time

power demand, according to EPE, should have attained 712 TWh. Such an improved level of power supply (which stems from the construction of Belo Monte, a giant 11,233 megawatt power plant, and Angra 3 nuclear power plant, as well as the transmission lines backing this power grid) should demand investment inflows of around US\$128.5 billion, US\$64.8 billion of which refers to power plant projects yet to be unveiled for the market.

The power sector regulatory environment steered away from a 100% government control in the 1980s to a government and private mix today, enabling foreign capital inflows to come into play. "Spanish Iberdrola has recently acquired control over Elektro, a power supply company, for US\$2.4 billion. This is a testimony of how much the Brazilian power sector has become attractive for both Brazilian and foreign investors alike" says Jerson Kelman, CEO of Light, a power company that supplies energy to Rio de Janeiro, and also a former director of Aneel, the National Electrical Energy Agency, and ANA, the National Water Resources Management.

Investments backing pre-salt exploration should not only strengthen the domestic oil derivatives industry, but also transform Brazil into a large crude oil and derivatives exporter. In a 2008 study, BTG Pactual, an investment bank, concluded that a US\$600 billion inflow would be necessary to drill at a depth over 5,000 meters below

the salt layer. According to EPE, until 2019, investments to meet drilling rigs, and oil and gas production costs should be slightly above US\$400 billion (or R\$672 billion, in Brazilian currencies). This figure does not include the US\$77.5 billion to be invested in refining plants domestically, US\$56.2 billion of which for new refineries.

As for bio-fuels, international trade barriers alone are not enough to dampen ethanol competitiveness in Brazil. After all, according to the Decennial Energy Plan, prospects on the Brazilian domestic market between 2010 and 2019 (or an impressive 8.7% yearly growth) should guarantee a 52.4 billion liter consumption in eight years from now, vis-à-vis the 29 billion liters consumed last year. Not surprisingly, though, Anglo-Dutch Shell Group and Brazilian Cosan have established a joint venture, Raizen, a bio-fuel multinational company, and British BP itself has been increasing its market share in the production of ethanol in Brazil.

Yet there are those who believe the Brazilian consumer market of flexible fuel vehicles will create a demand that ethanol production is not likely to meet. "If the rack price of ethanol is much more affordable than that of gas, we should run short of it for the whole of the domestic fleet. And we will still have to supply other markets, such as the United States and Europe" says Mauro Biaggi, Maubisa Group, and Bioenergética Aroeira CEO.

Broadband Ready To Start

If all goes well, April shall see the much longed-for Brazilian National Broadband Plan (PNBL) come into effect. Launched by the Brazilian government, the intention is to provide mass access to broadband services and fuel telecommunications infrastructure until 2014. For that to happen, initial state-funded and private investments are expected to reach US\$30 billion (R\$49 billion, in Brazilian currency).

Undoubtedly, Brazil offers a world of opportunities to be grasped. The Communication Ministry showed that, in 2008, the number of people with broadband Internet access topped at 9.6 million

or around 17.8 accesses per 100 Brazilian households. Without the PNBL, the forecast should total 18.3 million accesses at year end 2014 or 31.2 accesses per 100 households, an average below that of China, Argentina and Chile.

The plan is supposed to trigger 90 million broadband Internet accesses, 30 million of which concern fixed broadband and 60 million mobile broadband representing 50 accesses per 100 households, assuming fixed broadband alone in 4,283 counties throughout Brazil. Also, according to the PNBL Executive Summary, private funding is paramount "for providing approximately 70 million of these new accesses".

In charge of setting up the plan is Telebrás, a state-owned company whose struc-

ture was privatized way back in 1998, and which was "resuscitated" during Mr. Luis Inácio Lula da Silva's administration. State-owned Eletrobrás and Petrobrás fiber optic infrastructure concession agreement was expected to be signed in late March 2011, an inalienable condition to make planning effective.

Although some points remain dormant, such as tax exemption and lines of credit that should be put in place, the market is optimistic. "In the next five years, Oi Company will be the main broadband provider in Brazil. We will be the largest data provider in every industry segment" says Luiz Eduardo Falco, CEO of Oi Company, one of the largest telecommunications company in Brazil.



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The Post-American Hemisphere

Power and Politics in an Autonomous Latin America

Russell Crandall

ON AUGUST 18, 2010, a Venezuelan drug trafficker named Walid Makled was arrested in Colombia. U.S. officials accused him of shipping ten tons of cocaine a month to the United States, and they made a formal extradition request to try him in New York. Although the Venezuelan government had also made an extradition request for crimes Makled allegedly committed in Venezuela, senior U.S. diplomats were confident that the Colombian government would add him to the list of hundreds of suspects it had already turned over to U.S. judicial authorities in recent years.

So it came as a surprise when Colombian President Juan Manuel Santos announced in November that he had promised Venezuelan President Hugo Chávez that Makled would be extradited to Venezuela, not the United States. Colombia, Washington's closest ally in South America, appeared to be unveiling a new strategic calculus, one that gave less weight to its relationship with Washington. What made the decision all the more unexpected is that the U.S. government still provides Colombia with upward of \$500 million annually in development

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and security assistance, making Colombia one of the world's top recipients of U.S. aid. For the United States in Latin America today, apparently, \$500 million just does not buy what it used to.

Across the region in recent years, the United States has seen its influence decline. Latin American countries are increasingly looking for solutions among themselves, forming their own regional organizations that exclude the United States and seeking friends and opportunities outside of Washington's orbit. Some U.S. allies are even reconsidering their belief in the primacy of relations with the United States. Much of this has to do with the end of the Cold War, a conflict that turned Latin America into a battleground between U.S. and Soviet proxies. Washington has also made a series of mistakes in the years since then, arrogantly issuing ultimatums that made it even harder to get what it wanted in Latin America.

At the same time as U.S. influence has diminished, Latin America's own capabilities have grown. The region has entered into an era of unprecedented economic, political, and diplomatic success. Most visibly, Brazil has emerged as an economic powerhouse, attracting foreign investment with an economy that grew 7.5 percent last year. (Regionwide, average GDP growth last year was 5.6 percent.) Regular free elections and vibrant civil societies are now commonplace in Latin America, and the region's diplomats are more visible and confident in global forums than ever before. After decades on the receiving end of lectures from Washington and Brussels, Latin American leaders are eager to advertise their recent gains. Santos has been known to tell visiting foreign counterparts that this will be "Latin America's century."

Although star performers such as Brazil and Chile have recently surged ahead, Latin America has yet to realize its full collective diplomatic and political capacity. The problems that have plagued the region in the past—income inequality, a lack of law and order, illicit trafficking networks—still exist, threatening to derail its hard-earned successes. Guatemala, to take just one example, not only ranks among the world's poorest countries; it also has one of the highest homicide rates in the world, with 6,000 people murdered each year in a population of only 13 million.

Ironically, moreover, Latin America's entry into a "post-hegemonic" era, a product of its own advancements, could undermine its past

progress. As the balance of power in the region is redistributed, unexpected alliances and enmities could arise. Many observers have assumed that less U.S. involvement would be an inherently positive development, but that may be too optimistic. No one should underestimate the capacity of the Venezuela-led bloc of quasi-authoritarian leftist governments to stop the regional trend toward greater openness and democracy—values that the bloc sees as representing a capitulation to the U.S.-controlled global system.

Nonetheless, Latin America's emerging democratic consensus seems inevitable, and as its strategic posture finally matures, the region will be more directly responsible for its own successes and failures. Long Latin America's master, the United States must adapt to the new realities of this post-hegemonic era, lest it see its influence diminish even further. It must demonstrate an ability to quietly engage and lead when appropriate—an approach that will allow Washington to remain actively involved in the region's affairs without acting as though it is trying to maintain its legacy of hegemony. Given how accustomed the United States is to dominating the region, this project will be harder than it sounds.

FROM HEGEMONY TO AUTONOMY

THE ERA of U.S. hegemony in Latin America began over a century ago, when the United States started flexing its emerging economic and military might in Central America and the Caribbean. In the jungles and mountains of Nicaragua, Haiti, and the Dominican Republic, American soldiers and diplomats used persuasion, coercion, and force to advance U.S. political and economic interests. During the Cold War, Washington sought to stem the threat of Soviet and Cuban communism, acting directly, for example, when it invaded Grenada in 1983 and Panama in 1989, and indirectly, as when it provided covert funding to undermine Chilean President Salvador Allende's leftist government in the 1970s. Sometimes these efforts worked, as in Chile and Grenada, but often they did not; both the Bay of Pigs operation in 1961 and U.S. efforts to overthrow by proxy the Sandinista regime in Nicaragua in the 1980s were outright failures.

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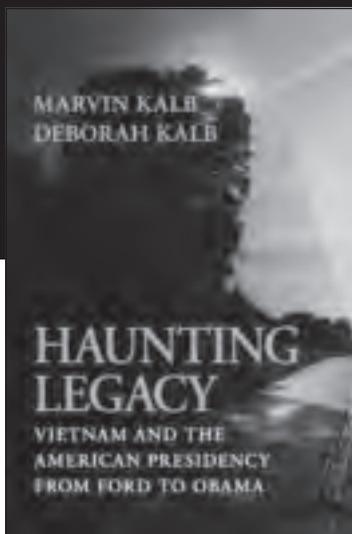
Despite what the fiery rhetoric of leaders such as Chávez might indicate, Latin Americans want results, not blame.

For much of the twentieth century, there was a disconnect between Washington's lofty rhetoric of democracy and regional harmony and its demonstrated willingness to jettison these principles when its economic or geopolitical interests were at stake. Even after the Cold War, the United States was accused of peddling its "Washington consensus" of laissez-faire economic policies, such as the privatization of state-owned assets and free-trade agreements, as a sort of neoimperialism. Instead of U.S. marines or CIA agents, blame for doing the empire's bidding was now pinned on the "technocratic imperialists" from the World Bank, the International Monetary Fund, and the U.S. Treasury Department.

Yet over the past decade or so, the United States' willingness and ability to exert control in the region have diminished. This has occurred in part because more important issues, including the wars in Afghanistan and Iraq, have forced Latin America down the policymaking food chain. But there is also the indisputable reality that the region itself is now more confident acting on its own. For the most part, this was inevitable, given the end of external and local communist challenges and the shift to an increasingly multilateral world that had room for new powers. Latin America's greater autonomy is both a cause and a result of decreased U.S. influence.

The United States' relationship with Bolivia provides one example of Washington's declining power in the region. Believing that it was time to pay back the Americans for their years of backing his political opponents, Bolivian President Evo Morales expelled the U.S. ambassador and the U.S. Drug Enforcement Administration in 2008 and suspended U.S.-funded democracy programs the following year. A decade or so ago, when Bolivia was a faithful client of the United States, it would have been unimaginable for a Bolivian government to even consider such acts, given the diplomatic and financial consequences of provoking Washington's ire. Yet even the ostensibly hard-line George W. Bush administration responded to Morales' repeated diplomatic insults largely with silence. Morales had gone eyeball to eyeball with Washington and lived to tell about it.

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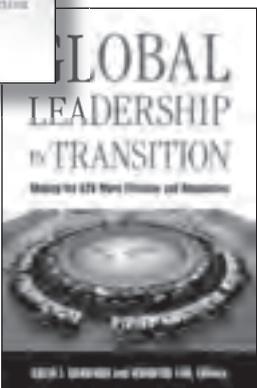
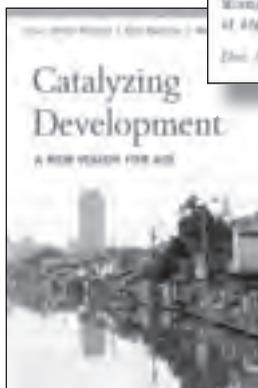


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In the late 1980s and 1990s, after decades of rule by military dictatorships, the countries of Latin America became part of the “third wave” of democratization that was then washing across the globe. Yet the region struggled to convert democratic practices, such as open elections, into lasting democratic institutions, such as independent judiciaries. Meanwhile, economic instability, including chronic bouts of hyperinflation, made many Latin Americans wonder if they had not been better off under the relatively enlightened *mano dura* (strong hand) regimes of the past. Even in the 1990s, when Latin America finally began to slay inflation and replace it with impressive macroeconomic stability, countries had difficulty translating this into lasting social gains for the entire population. At times, Latin Americans used their newfound electoral power to elect “democratic populists,” such as Venezuela’s Chávez and Peru’s Alberto Fujimori, who often governed in autocratic ways.

In recent years, however, Latin America’s growth has begun to translate into more prosperous and developed societies. In countries as disparate as Brazil, Mexico, and Peru, the benefits of democracy and open markets are now finally beginning to trickle down to a citizenry that had lost faith in elected governments. This socioeconomic prosperity, in turn, is legitimizing the democratic system—a sort of virtuous cycle in a region more accustomed to vicious ones. Despite what the fiery rhetoric of leaders such as Chávez might indicate, in today’s climate, Latin Americans want results, not blame. Armed revolution is now dead in the region that was once its cradle. In its stead, the region now has a new brand of leaders who have taken office through the ballot box and have striven to provide education, security, and opportunities for their constituents. Human capital and economic competitiveness, not rote anticapitalist slogans, are what occupy the thoughts of these politicians. They point proudly to the fact that 40 million Latin Americans were lifted out of poverty between 2002 and 2008, a feat accomplished largely through innovative and homegrown social programs.

It has long been said that when the United States catches a cold, Latin America catches the flu. This has certainly been true in the economic realm, where jitters in the U.S. economy could quickly undermine Latin America’s chronically weak financial and fiscal

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fundamentals. But during the recent global economic crisis, Latin America remained relatively unscathed. At the time, many predicted that Latin American governments—especially leftist ones suspected of being more predisposed to fiscal profligacy—would turn to the seductive tonic of populism. But leftist governments in Brazil, Chile, and Uruguay, to name a few, responded to the crisis with prudence. They refused to abandon market-friendly policies such as flexible exchange rates, independent central banks, and fiscal restraint. Some countries, such as Brazil and Peru, even continued to grow at almost China-like rates.

In the past, when Latin America was in economic trouble, outsiders prescribed bitter medicine, such as severe fiscal austerity measures. In the last several years, however, the region has shown that it can address its own problems, even exporting its solutions globally. There is no greater example of the region's autonomy in economic policymaking than Brazil's Bolsa Família or Mexico's Oportunidades, conditional cash-transfer programs that give money to poor families if they meet certain requirements, such as enrolling their children in school. As the World Bank has noted, Bolsa Família targets the 12 million Brazilians who desperately need the assistance; most of the money is used to buy food, school supplies, and clothes for children. The program is also credited with helping reduce Brazil's notoriously high income inequality. The Brazilian and Mexican efforts have been widely emulated outside the region, including in the United States. Another example is Chile's creation of a rainy-day fund, filled with national savings from the country's copper production. This \$12.8 billion account gave Chile a level of policy flexibility during the recent global economic downturn that the United States and many other industrial economies could only envy. As Latin America's achievements suggest, the region is growing up fast.

POWER PLAYS

LATIN AMERICA'S economic growth and political stability are driving an unprecedented power shift within the region. Countries are reassessing their interests and alliances, and the more confident among them are flexing their muscles. Instead of looking to Washington for guidance,

Latin American countries are increasingly working among themselves to conduct diplomacy, pursue shared objectives, and, at times, even spark new rivalries.

Brazil's emergence as a serious power is a direct result of the increasing absence of U.S. influence in the region. Sensing an opportunity to gain the regional stature that has long eluded it, the country has begun to act more assertively. But complicating Brazil's power play is the reaction from its fellow Latin American nations. Colombian, Mexican, and Peruvian officials, among others, talk privately about their dislike of Brazil's arrogant diplomacy. In some quarters, Brazil's responses to developments such as Chávez's ongoing assault on Venezuela's democracy and even the 2009 coup in Honduras have undermined its credibility as a serious leader. (Brasília's reluctance to speak out for hemispheric democracy is particularly inexcusable for a government that includes many officials who suffered under the successive military regimes of the 1960s, 1970s, and 1980s.) Many Latin American officials quietly reveal that they are not eager to see Brazil replace the United States as the hemisphere's hegemon. As one diplomat recently put it, "The new imperialists have arrived, and they speak Portuguese."

Yet Brazil is learning that leadership means responsibility. Relations with its neighbor Bolivia are a case in point. After the U.S. Drug Enforcement Administration was kicked out of Bolivia, Brasília belatedly realized that Bolivia's cocaine exports—most of which are destined for Brazil, Argentina, or Europe—represented a serious challenge and so stepped up its counternarcotics cooperation with Bolivia. Fortunately, the United States and Brazil are eager to work together on counternarcotics. Bolivia will be a key test of this cooperation—made all the more important by the bitter diplomatic flap that erupted in May 2010 between U.S. President Barack Obama and then Brazilian President Luiz Inácio Lula da Silva over the Iranian nuclear deal brokered by Brazil and Turkey.

Colombian leaders are also aware of the shifting balance of power within Latin America. With the recent departure of the inimitable

Iran, Russia, and China have all significantly increased their economic and political footprints in the region.

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Lula, whose charisma and presence overshadowed the efforts of other Latin American leaders, Santos now believes his government can assume the mantle of regional leadership by adopting a more balanced foreign policy, one less dependent on Washington. Although Santos has no desire to do away with his country's long-standing closeness to the United States, he understands that Colombia's credibility is now more dependent on its ability to cooperate with other regional governments, most important of all, Brazil's.

Further evidence of Colombia's diplomatic and strategic maturity can be found in the way it has begun exporting its counterinsurgency and counternarcotics expertise to places as far away as Afghanistan. For almost half a century, the Colombian government has waged a bloody war against the Revolutionary Armed Forces of Colombia, or FARC. But it has been only in the past several years that the Colombian state, backed by billions of dollars in U.S. assistance, has gained the upper hand. Overwhelmed by this fight until recently, Colombia's security forces now use their hangars and equipment to train pilots from Mexico and Peru and counternarcotics operatives from Afghanistan.

As Latin America comes into its own, it is beginning to rely more on its own multilateral bodies. For the past 60 years, the Organization of American States, headquartered in Washington, has struggled to gain credibility in the region, as critics saw it as a guise for U.S. domination. In recent years, however, it has codified the primacy of democracy in its guiding principles—an important development suggesting that OAS members now consider democracy a shared goal as opposed to a foreign imposition.

Meanwhile, in 2008, Brazil helped create the Union of South American Nations, or UNASUR, which Brazilian leaders quietly hope will replace the OAS as the default regional body in South America. But so far, its record has been mixed. To date, UNASUR has prioritized regional integration and solidarity over promoting democratic practices. And much to the chagrin of some in Brasília, the OAS demonstrated its importance when it helped coordinate the regional diplomatic response following the coup in Honduras in 2009, an effort that likely staved off even greater strife in the country. The OAS also renewed its relevance during its General Assembly meeting that same year, when a debate regarding Cuba's 1962 suspension from the body produced a



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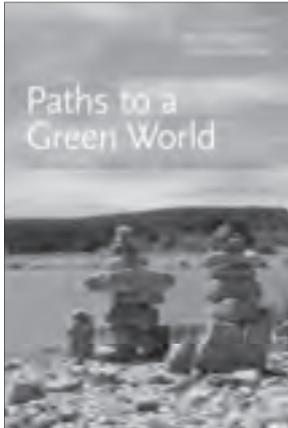
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THE SPOILERS

WITH THE end of U.S. hegemony in Latin America, the region's authoritarians—Venezuela's Chávez, Cuba's Fidel and Raúl Castro, and Nicaragua's Daniel Ortega—have taken the opportunity to expand their own influence. Chávez, the Castro brothers, and Ortega form part of the Bolivarian Alliance for the Americas (ALBA), a band of leftist governments led by Venezuela. Contending that Latin America remains shackled by the imperial United States and its lackeys at the World Bank and the International Monetary Fund, members of this group remain committed to a nonaligned diplomacy and seek friendships with the governments of such countries as Iran, Russia, and, to some extent, China. With the United States less involved in the region, the ALBA bloc will continue to play its cherished role as diplomatic spoiler and its members will face far fewer constraints on how radically they transform their societies.

Take Bolivia, whose military recently declared itself “socialist, anti-imperialist, and anticapitalist.” This declaration is no surprise, given that the Bolivian government has gone to great lengths to reduce U.S. influence in the country, especially in the armed forces. Cuban and Venezuelan military advisers have replaced U.S. ones. The consequences of such a shift within Bolivia's military will not be known for a while, but it is unlikely to be good for Bolivia's fledgling democracy.

Thus far, the Chávez-led spoilers have been enabled by their more democratic counterparts. Although the democratic leaders enjoy the benefits of elections, a free press, and other signs of democratic vigor in their own countries, they are unwilling to confront other governments that undermine such rights. Many of the otherwise impressive leftist democratic governments in the region, such as those of former Chilean President Michelle Bachelet and Lula, have been wary of raising the subject, especially regarding Cuba and Venezuela. These leaders and others like them have been reluctant to speak out because they still

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share some sort of revolutionary solidarity with Chávez and the Castros and they remain overly sensitive to concerns about violating another nation's sovereignty.

But these diplomatic spoilers have proved to be the biggest losers in Latin America's realignment. The Chávez model, inherited from Fidel Castro, sees the United States and global capitalism as permanent adversaries. Nothing hurts this approach more than when other Latin American governments, especially leftist democratic ones, opt for and succeed with capitalist, democratic, or U.S.-friendly policies. Indeed, the bloc has ended up enjoying less regional support than its members hoped for. A case in point is the drama surrounding a November 2010 OAS resolution that called for all Costa Rican and Nicaraguan military and security personnel to leave a disputed area on their countries' shared border. In a resounding defeat for the ALBA bloc, which wanted to isolate Costa Rica and the United States by outmaneuvering them diplomatically, 21 countries voted in favor of the resolution, and only four (including Venezuela and Nicaragua) voted against it.

Meanwhile, some external actors are taking advantage of Latin America's newly permissive environment as well. Iran, Russia, and China have all significantly increased their economic and political footprints in the region. Tehran is seeking to reduce its diplomatic isolation, and Moscow is mostly looking for markets for its weapons industry. Beijing, by far the most significant outside player, is principally concerned with obtaining natural resources. In 2005, it imported over \$21 billion worth of goods from Latin America; in 2008, that figure was \$71 billion. China has also increased its military engagement with the region, expanding military exchanges and selling sophisticated military equipment. That said, Beijing has generally been cautious in its diplomatic and military outreach, preferring to focus on the more mundane issue of purchasing raw materials.

LETTING GO OF LATIN AMERICA

IN HIS first term, U.S. President George W. Bush adopted a heavy-handed, unilateral approach to Latin America, attempting to force governments there to approve the U.S. invasion of Iraq and ensure U.S. soldiers' exemption from the jurisdiction of the International

Criminal Court. This strategy backfired, and many governments, including traditional U.S. partners such as Chile and Mexico, refused. So in his second term, Bush attempted a more conciliatory approach, for instance, cultivating a personal relationship with the leftist Lula. But it was too little, too late; Chávez and other radicals still played up Bush's reputation as a bully. After Obama took office, however, it became much harder to use the U.S.-bashing strategy. In April 2009, at the Summit of the Americas in Trinidad, Obama tried to put his imprimatur on Washington's Latin America policy, emphasizing mutual respect and outlining a vision of equal partnerships and joint responsibility. His deferential yet serious style quickly put the most conspiratorial anti-U.S. critics, such as Chávez, Morales, and Ortega, on the defensive—where they have remained ever since.

The United States' enhanced image should not be dismissed as a mere public relations victory; rather, it is indispensable to restoring Washington's influence in Latin America, since it makes it easier for willing governments to cooperate with Washington on shared priorities without appearing to be subservient to the old hegemon. Obama's approach to the region can be seen as a more concerted continuation of the one Bush adopted in his second term, emphasizing responsibility as a prerequisite for cooperation and leadership—an implicit call for Latin America to solve its own problems. Other than focusing on Mexico's drug violence, the Obama administration has not made Latin America a priority. This may not be so bad: a little breathing room is appropriate, given the region's current stability.

Having recast the mood of the relationship between the United States and Latin America, the Obama administration must now figure out how to put its strategy into practice. It will need to show what strategic patience and understated leadership actually look like. A critical test of that is Mexico, a country sorely in need of U.S. assistance to combat its drug violence. Yet Mexico's deeply ingrained suspicion of U.S. motives means that any initiatives to counter this cross-border threat must be pursued delicately, lest Washington find itself

After Obama took office, it became much harder to use the U.S.-bashing strategy.

Russell Crandall

accused of violating Mexico's sovereignty yet again. The Obama administration also needs to resist the temptation to allow strategic patience to slide into neglect. And it remains to be seen whether it will invest time in Brazil and other "noncrisis" cases when so much of Washington's already limited attention has been occupied by Haiti, Honduras, and Mexico.

The good news is that the United States enjoys robust partnerships with governments of all political stripes in the region—with conservative governments in Chile, Mexico, and Peru as well as more leftist ones in Brazil, El Salvador, and Uruguay. Despite occasional bilateral tensions, the United States and Brazil are cooperating more than ever before in areas including military relations, counternarcotics, energy, and the environment. And as the U.S. government's impressive response to Haiti's earthquake in January 2009 demonstrated, the United States can provide diplomatic and military public goods that no other hemispheric power, not even Brazil, can match.

Of course, some in Washington are still adjusting to letting go. In Congress, influential Republicans are itching to return to a more confrontational stance toward the region, particularly regarding Cuba and Venezuela. What these conservatives do not fully understand, however, is that alarmist responses to assaults on democracy and human rights in the region only play into the hands of those such as Chávez and the Castro brothers, who thrive on what they spin as imperialist barbs. More subtle responses thus may prove more effective.

The United States' desire to let others lead will be tested the most when it comes to Brazil. As the country emerges as the new neighborhood police officer, Washington must engage Brasília aggressively in order to help ensure that it plays this role in accordance with U.S. interests. In general, U.S. officials are eager to see Brazil assume more regional responsibility, but they may find it hard, for example, to actually sit back and watch the Brazilians build up UNASUR as a rival to the more U.S.-influenced OAS. The same is the case when it comes to Colombia, where Santos' bold multilateral agenda has unsettled those in the U.S. government used to a more traditional patron-client relationship with Bogotá.

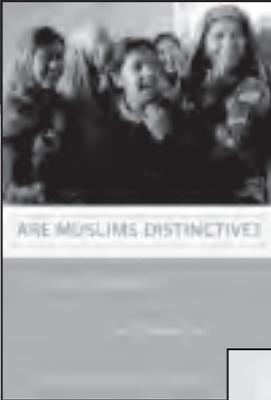
Meanwhile, although Latin America may have entered a post-hegemonic era, that does not mean it is entirely secure. Despite all the

The Post-American Hemisphere

progress, Latin America remains a region in which countries still openly threaten war with one another. Just last year, Chávez did exactly that after Bogotá accused him of giving refuge to Colombian narcoterrorists. Latin American countries' unpredictable behavior and ambivalence toward U.S. leadership will make it difficult for Washington to maintain strategic patience.

After witnessing the acerbic diplomatic impasse over Honduras, when Brazil opposed U.S. plans for new presidential elections to solve the political crisis there, one might think that the region largely wants Washington to stay uninvolved. Yet the behind-the-scenes reality is that most Latin American governments actually appreciate robust U.S. attention and even leadership—as they in fact did during the Honduran crisis. Most leaders in the region realize that Latin America and the United States share the same interests and goals, and they understand that cooperation is indispensable. They know full well that their gains remain precarious, that it could take only one economic crisis or political row to send the region spiraling back to the old days of instability. Yet whatever happens in Latin America's future, its gains and failures will be caused by its own hand. 🌐

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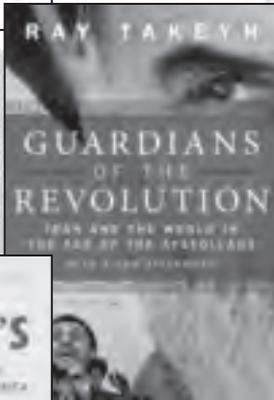
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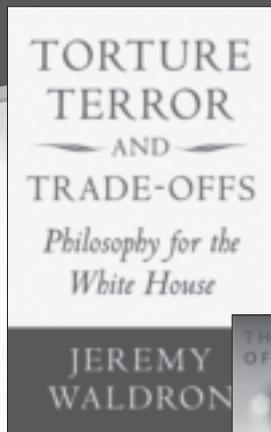
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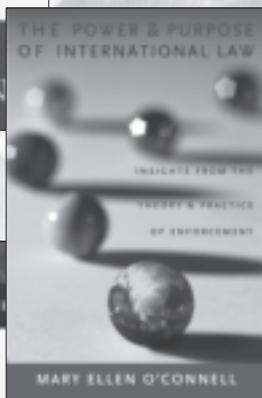
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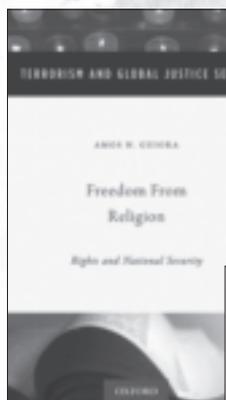
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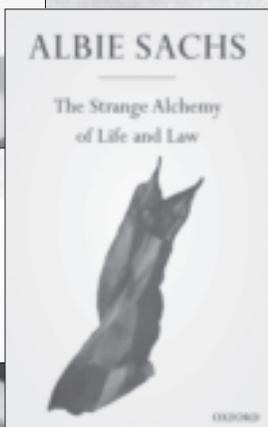
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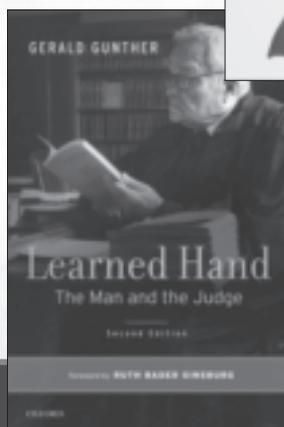
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How to Save the Euro— and the EU

Reading Keynes in Brussels

Henry Farrell and John Quiggin

THE EUROPEAN UNION is in danger of compounding its ongoing economic crisis with a political crisis of its own making. Over the last year, crises of confidence have hit the 17 EU members that in the years since 1998 have given up their own currencies to adopt the euro. For the first decade of this century, markets behaved as though the debt of peripheral EU countries, such as Greece and Ireland, was as safe as that of core EU countries, such as Germany. But when bond investors realized that Greece had been cooking its books and that Ireland's fiscal posture was unsustainable, they ran for the door. The EU has stopped the contagion from spreading—for now—by creating the European Financial Stability Facility, which can issue bonds and raise money to help eurozone states. Together with the International Monetary Fund, the European Financial Stability Facility has already lent Greece and Ireland enough money to cover their short-term needs.

But such bailouts are only stop-gap measures. Portugal and Spain, and to a lesser extent Belgium and Italy, remain vulnerable

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to pressure from bondholders. Portugal is likely to receive 50–100 billion euros over the next few months. But should Spain also need a bailout—which could cost as much as 600 billion euros—the 750 billion euro European Financial Stability Facility would soon be exhausted. In that event, the main euro creditors, primarily British, French, and German banks, might have to accept so-called haircuts, substantial cuts in the principals of their loans. (The banks' tax-avoidance strategies might inflate this total, but the Bank for International Settlements has estimated that the exposure of British, French, and German banks to the group of vulnerable debtor states referred to as the PIGS—Portugal, Ireland, Greece, and Spain—amounted to more than \$1 trillion in mid-2010.) Encouraged by Germany, some of the states in difficulty have sought to placate bond markets by making ruthless cuts in government spending. But as many economists have pointed out, these measures are hindering growth without satisfying bondholders that their money is safe; bondholders worry that these measures are not politically sustainable. In fact, they are likely to undermine Europe's political union.

Nevertheless, Germany has been pressing European countries to institutionalize more stringent cuts in spending. In February, it, along with France, proposed that members of the eurozone introduce "debt brakes," inflexible limits on deficit spending. Germany had already incorporated such a cap into its own constitution, one that severely restricts any government deficit spending, including the kind that might benefit the country's long-term growth. In early March, the other 16 eurozone states agreed to introduce such debt brakes or some equivalent into their domestic laws and to make them as durable and binding as possible, for example, by incorporating them into their national constitutions.

But institutionalizing austerity will badly damage European economies in the short term—and the long-term consequences will be even worse. European politicians worry about the economic consequences if their attempts at fiscal stabilization fail. They should be far more worried about the political consequences. Even if these strict spending limits do calm bond markets somehow, they will destroy what little is left of the EU's political legitimacy.

BAD AS GOLD

THE EU is now drifting toward a thinly disguised version of the gold standard, which wreaked economic havoc in the 1920s and led to a toxic political fallout. Under that system, European states had fixed exchange rates. During economic crises, they refused to increase government spending because of a failure to either understand or care that monetary disturbances and shocks to demand could lead to joblessness. The result was generalized misery. Governments responded to economic crises by allowing unemployment to go up and cutting back wages, leaving workers to bear the pain of adjustment. As *Golden Fetters*, Barry Eichengreen's classic history of the period, shows, the gold standard began to collapse when workers in Europe gained the power to vote out of office the parties that supported austerity.

The measures that the eurozone states have recently decided to adopt will be even harsher, if they make the mistake of following Germany's example. Germany's debt brake, which at first Berlin implicitly proposed as a model for other European countries, turns austerity into a constitutional obligation. In theory, it provides some flexibility during hard economic times, but in practice it makes deficit spending as difficult as possible: only the vote of a supermajority of German legislators can relax it. And it rules out debt-financed investment, such as in infrastructure, even though that can spur long-term growth.

As they begin to adopt Germany's model, or something along those lines, the other eurozone states will find it nearly impossible to use fiscal stimulus in times of crisis. And with monetary policy already in the hands of the dogmatically anti-inflationary European Central Bank, their only means of adjusting to crises will be to stand by as wages fall and unemployment soars. Ireland—with its collapsed tax revenues, massive cuts in government spending, shrinking wages, and skyrocketing unemployment—is the unhappy exemplar of rigid austerity measures in the new Europe.

This approach cannot be sustained for long. The EU has never had much popular legitimacy: many voters have gone along with it so far only out of the belief that their politicians knew best. Today, they are more suspicious. And if they come to think that further European

integration is causing more economic hardship, their suspicion could harden into bitterness and perhaps even xenophobia. Ireland's new finance minister, Michael Noonan, has told voters that the EU is a game rigged in Germany's favor; editorials in major Irish newspapers warn of Germany's return to racist imperialism. As economic shocks hit other EU countries, politicians in those states will also look for someone to blame.

If the EU is to survive, it will have to craft a solution to the eurozone crisis that is politically as well as economically sustainable. It will need to create long-term institutions that both minimize the risk of future economic crises and refrain from adopting politically unsustainable forms of austerity when crises do hit. They must offer the EU countries that are the worst hit a viable path to economic stability while reassuring Germany, the state currently driving economic debates within the union, that it will not be asked to bail out weaker states indefinitely.

The short-term solution is clear—even if the European Central Bank, which is still fighting the war against the inflation of the 1980s and 1990s, refuses to recognize it. The solution is a one-off combination of market purchases of bonds and other financial assets, temporarily higher inflation, and fiscal support with the issuance of a common European bond. Quantitative easing and higher inflation would help ease the pain of adjustment, and a European bond would allow the weaker eurozone states to raise money on international markets. All of this would shore up the euro long enough to allow for further-reaching reforms down the road. The major euro bondholders would have to bear some of the costs—as they should, since they lent excessively during the first years of this century—through either explicit haircuts (in effect a discount of their bonds' value) or inflation. Germany might not enjoy experiencing temporarily higher inflation, but if this were a one-time cost, it could probably live with the results—as long as it was also reassured that the long-term gain would be stability in the eurozone.

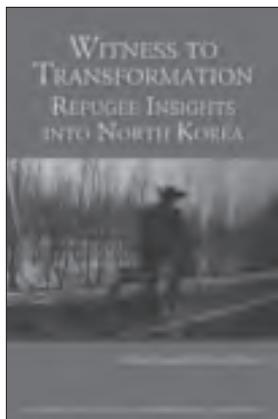
Institutionalizing economic austerity, as the eurozone states have agreed to do, will destroy what little is left of the EU's political legitimacy.

IN THE BEST OF TIMES, FOR THE WORST OF TIMES

INSTITUTING EFFECTIVE long-term reforms will be a harder sell. Germany adopted its own large-scale fiscal stimulus in 2009, but it returned to its traditional anti-Keynesian stance as soon as the danger of total systemic collapse had passed. Yet Keynesianism, at least properly understood, is the only way forward.

Contrary to the beliefs of nearly all anti-Keynesians—and, regrettably, some Keynesians, too—Keynesianism demands more, not less, fiscal rectitude in normal times than does the orthodox theory of balanced budgets that underpins the EU. John Maynard Keynes argued that surpluses should be accumulated during good years so that they could be spent to stimulate demand during bad ones. This lesson was well understood during the golden age of Keynesian social democracy, after World War II, when, aided by moderate inflation, the governments of the countries in the Organization for Economic Cooperation and Development greatly reduced their ratios of public debt to GDP. This approach should not be confused with the opportunistic support for large budget deficits evident, for example, among advocates of supply-side economics. If anything, “hard” Keynesianism suggests that the problem with the macroeconomic rules governing the euro is not that they are too tough and too detailed but that they are not tough or detailed enough. States in the eurozone should not be allowed to run moderate budget deficits in boom years, the Keynesian argument goes; instead, they should be compelled to run budget surpluses. The surpluses could then be saved in rainy-day funds or used to pay down government debt or, if the country had reached a satisfactory debt-to-GDP ratio, spent as a fiscal stimulus in the event of a crisis. Unlike the kind of budget management advocated by the German government, this approach does not seek to eliminate or minimize governments’ leeway to conduct fiscal policy. It gives governments up-front the means to manage demand whenever they might need to.

Resorting to hard Keynesianism to deal with the euro crisis would require making far-reaching changes to the rules and practices of the EU’s economic and monetary union. It would mean both toughening the requirements of the Stability and Growth Pact, which governs the euro, and strengthening the enforcement of these rules. As they stand,



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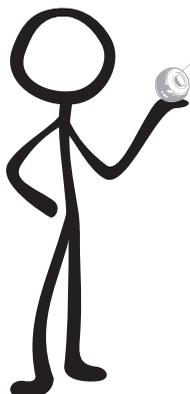
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How to Save the Euro—and the EU

the Stability and Growth Pact's bylaws require the eurozone states to maintain budget deficits under three percent of GDP and debt-to-GDP ratios under 60 percent. The system does not provide enough flexibility during downturns: even German politicians ignored these requirements a few years ago, when Germany was suffering from a recession—much as they prefer not to remember this today.

To be more effective, the system needs to be stricter. The Stability and Growth Pact should be strengthened so that it requires countries to put aside surpluses during auspicious years. Since governments are persistently tempted to squander surpluses,

a new supervisory institution should be introduced at the EU level. It should be granted access to detailed budget-planning and other economic information from the eurozone states and should be empowered to sanction misbehaving states. Such a reform could be integrated into other proposals under consideration today, such as the “European semester system,” which would give the European Council the responsibility to assess member states’ budgetary policies. A new European college of budgetary supervisors, with one supervisor from each member state, could assess the budget-planning processes of the member states and provide short-term flexibility in times of real crisis. Its staff would come from the ministries of finance of the eurozone states. When states faced hard economic times, the college could decide, with a simple majority, to relax fiscal strictures on a six-month basis.

The Stability and Growth Pact, a semi-formal protocol of dubious legal standing, should also be properly incorporated into the EU’s basic treaties. That would allow the European Court of Justice to adjudicate disputes between EU bodies and member states and help with the pact’s enforcement. These arrangements would prevent national governments from unjustified deficit spending while giving them flexibility in times of real need.

Such an active use of fiscal policy requires the coordination of fiscal and monetary policies. This, in turn, means that the European Central Bank can no longer be totally independent, as it has been since the

The eurozone countries should be required to put surpluses aside during good years for the purpose of stimulating demand during bad years.

Henry Farrell and John Quiggin

implementation of the euro. As it stands, the European Central Bank is possessive about its powers. For example, it has resisted oversight by the European Parliament even though it has begun to take on an increasingly important political role through its support for the European banking system. It has assiduously avoided mingling monetary policy and fiscal policy, focusing instead on targeting inflation. But it nonetheless failed to prevent asset price booms, and these could only have been prevented with much more direct institutional control over unsound financial innovations. As the interaction between governments and central banks is unavoidable and the role of the European Central Bank is increasingly political, it would be better to properly define the relations of authority among these bodies. The European Central Bank must be more willing to adjust its policies so that they do not undercut those of elected national governments. Even if this were not necessary economically, it would be necessary politically. Handing the power to destroy national economies to unelected technocrats is simply not politically sustainable.

Creating an active fiscal policy regime of this kind would reduce the volatility of interest rates, the result of an excessive reliance on monetary policy. Manipulating interest rates helped stabilize inflation during “the great moderation,” the era of relative economic calm between the late 1980s and the late years of the first decade of this century. But in the long term, it contributed to the growth of the asset price bubbles that almost destroyed the entire system in the global financial crisis. To be most effective, these reforms would have to go together with the creation of a limited fiscal union that would balance out the asymmetric effects of economic shocks by allowing limited fiscal transfers between member states. Managing surpluses as hard Keynesianism recommends would go some way toward providing the eurozone states with an important buffer against crises. But in hard times, imperfect monetary unions, such as the eurozone, require temporary transfers to the countries most hurt from the countries that are less affected. This is not to argue that the EU should become a “transfer union,” with the extensive fiscal transfers of a full-fledged federal system, as the German government fears. But the eurozone should allow for more short-term fiscal transfers to deal with asymmetric shocks. A common bond mechanism, for example, would help states in difficulty

How to Save the Euro—and the EU

raise money on international markets or allow resources that are, say, earmarked for agriculture to be redirected to an emergency fund.

ROOM WITH A VIEW

HARD KEYNESIANISM would not solve all of the EU's economic and political problems. But it would steer the union away from the disaster toward which it is now sleepwalking. A new set of rules based on this approach could form the basis of a solution that is politically viable for both Germany and its European partners most suffering from the crisis. With only limited fiscal transfers allowed, Germany could be further assured that it would not have to continually bail out its profligate partners. Such an approach would maximize the fiscal room that states in distress need in order to deal with economic shocks while ensuring the eurozone's long-term fiscal sustainability. In the short term, hard Keynesianism, like enforced austerity, would impose real adjustment costs on the eurozone's weaker economies; there is no cost-free path to fiscal balance. But if the costs were shared with bondholders and were alleviated by a one-off loosening of monetary policy, they could be politically acceptable.

By concentrating on its economic problems but ignoring their political consequences, the EU is setting itself up for failure. The case for austerity does not make sense. And if the EU fails to deal with the political fallout of its own institutional weaknesses, it is going to collapse. No political body can force voters to repeatedly shoulder the costs of adjustment on their own and expect to remain legitimate. During the gold standard, nation-states tried this and failed—and they had considerably more authority than the EU has today. Hard Keynesianism offers a means to combine fiscal discipline with flexibility in order to cushion the political costs of adjustment in times of economic stress. EU leaders must institute it in a hurry. 🌐

After Doha

Why the Negotiations Are Doomed and What We Should Do About It

Susan C. Schwab

IT IS time for the international community to recognize that the Doha Round is doomed. Started in November 2001 as the ninth multilateral trade negotiation under the auspices of the General Agreement on Tariffs and Trade and its successor, the World Trade Organization (WTO), the talks have sought to promote economic growth and improve living standards across the globe—especially in developing countries—through trade liberalization and reforms. Yet after countless attempts to achieve a resolution, the talks have dragged on into their tenth year, with no end in sight.

To be sure, world leaders, negotiators, and commentators have expressed their unanimous support for a successful outcome—the “balanced” and “ambitious” agreement called for by so many summit statements. But concluding a trade agreement is like pole-vaulting. Everything must come together at once—after the extensive preparation and the building of momentum, there is that one giant leap—with the hope that the entire body will sail over the bar. Most trade agreements survive several failed attempts before success is achieved. But the Doha Round keeps crashing into the bar.

To a significant degree, Doha’s failure can be traced to its outdated structure and negotiating dynamic: even the best of intentions are stymied when every negotiator’s concessions are more clear than their potential gains and when the bipolar division between developed and

SUSAN C. SCHWAB served as U.S. Trade Representative from 2006 to 2009.

After Doha

developing countries shortchanges most in the developing world. More fundamental, however, has been the Doha Round's failure to address the central question facing international economic governance today: What are the relative roles and responsibilities of advanced (or developed), emerging, and developing countries? (Although there are no universally recognized definitions, advanced countries are generally mature economies that have industrialized and attained high levels of per capita income. Emerging-market economies are those that are undergoing rapid rates of growth and industrialization but have not yet reached developed status. Developing countries have not yet experienced these transitions.) World leaders are frustrated that their mandates to negotiators have failed to translate into a successful conclusion to the round. Meanwhile, the negotiators either cannot or prefer not to admit that Doha's flaws will prevent them from closing the deal, let alone ever addressing that fundamental question.

What this means, simply, is that it is time to give up on trying to "save" Doha. For years, the threat of being blamed for the Doha Round's collapse has made it too risky for governments to suggest that the talks are dead. Negotiators obsess over how to keep the dead cat from landing on their doorstep. But the pretense that the deal will somehow come together at long last is now a greater threat to the multilateral trading system than acknowledging the truth: prolonging the Doha process will only jeopardize the multilateral trading system and threaten future prospects for WTO-led liberalization and reform.

To avoid that outcome, negotiators should salvage any partial agreements they can from the round and walk away from the rest. World leaders and trade policymakers should then immediately redirect all the energy, initiative, and frequent-flier miles devoted to Doha into launching new multilateral initiatives to restore trust in the WTO and preserve it as a dynamic venue for both improving and enforcing the rules governing international trade.

DEFINING SUCCESS

THE INITIAL meetings that led to the Doha Round stumbled before the process could get started, signified by the failed 1999 WTO ministerial summit in Seattle. When the Doha Round finally began in the

Susan C. Schwab

wake of September 11, 2001, negotiators continued to disagree over its objectives and how to achieve them.

The use of trade liberalization and reform to generate economic growth and help alleviate poverty formed the core of the initiative. Negotiators initially identified 21 subjects for negotiation, including reductions in agricultural trade barriers, the elimination of agricultural export subsidies, cuts in trade-distorting domestic subsidies, major improvements in market access for manufactured goods, and more open trade in services. Although economists have shown that countries would benefit from undertaking such actions unilaterally, most political leaders and negotiators would prefer to trade their own country's market reforms for better access elsewhere.

Participants originally scheduled the Doha talks to end by early 2005, in time for the Bush administration to use trade promotion authority (TPA), which was set to expire in June 2007, to gain approval of the agreement. TPA is a fast-track mechanism for trade agreements, under which the executive branch commits to extensive consultations with Congress and the range of relevant U.S. constituencies during trade negotiations in exchange for Congress' agreement to employ procedural rules that move bills through the process faster, ban potentially deal-killing amendments, and mandate timely up-or-down votes. But the talks collapsed in 2003 in Cancún, Mexico, when a bloc of emerging and developing countries expressed their displeasure over a perceived European Union and U.S. effort to impose excessive burdens on them in the form of new issues and obligations. Revived with the 2004 Framework Agreement, which finally established the round's negotiating parameters, the talks stumbled through a December 2005 ministerial meeting in Hong Kong and suffered further breakdowns at gatherings of trade ministers in 2006, 2007, and 2008.

As the many summits and negotiating sessions held over the last decade can attest, Doha's failure does not owe to any lack of effort. Former U.S. President George W. Bush attended easily over a hundred such gatherings with foreign leaders and his advisers during the second half of his tenure alone. He made concluding the Doha Round his top trade priority, capping an active and successful trade agenda that secured comprehensive free-trade agreements with 17 countries in Asia, Latin America, and the Middle East.

After Doha

The Bush administration identified three criteria to define success in the Doha Round. First and foremost, any outcome had to contribute to global economic growth and development through the generation of new trade flows, especially between and among emerging and developing economies. With these economies together representing close to half the world's GDP and registering twice the growth rate of the developed world, the administration decided that negotiators could not meet Doha's growth and poverty-alleviation objectives without reducing emerging-market tariffs and nontariff barriers.

Second, the administration resolved that the final agreement should increase market opportunities for U.S. exports of farm products, manufactured goods, and services—particularly in high-potential, high-growth markets such as Brazil, China, and India. Finally, the administration believed that any Doha agreement should avoid contributing to the growth of economic isolationism, whether in the United States or elsewhere.

ELEPHANTS HIDING BEHIND MICE

WHEN THE negotiations collapsed again in the summer of 2008, none of the administration's criteria had been met. From almost the start of the negotiations, the rapidly evolving nature of the global economy had rendered Doha's dichotomy between developed and developing countries outdated and its negotiating structure obsolete. And even as it became obvious over the decade that emerging economies had become a dominant force in global economic growth and trade, those nations' perceptions of their consequent needs and responsibilities had failed to keep pace.

As they currently stand, Doha's negotiating texts create two main categories of obligations—one applying to the developed economies and another applying to those characterized as developing countries, which make up the majority of the WTO's members. In fact, over two-thirds of the countries in the "developing" category have special breaks built into their obligations, so that their obligations are dramatically less than even those of the countries meeting the official developing-country criteria. These include groups such as those designated as "least-developed countries" and "small and vulnerable economies." To the extent that nations

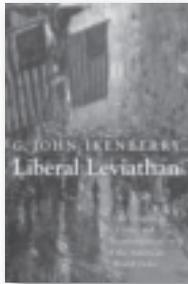


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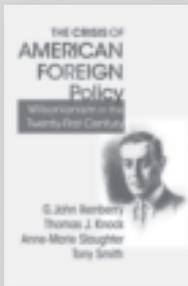


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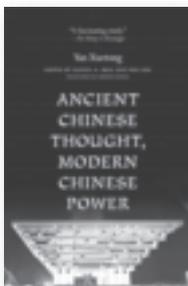


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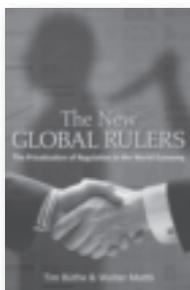
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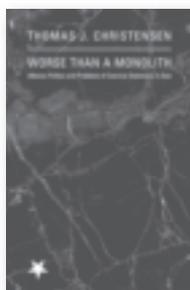
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Susan C. Schwab

such as Brazil, China, India, and South Africa have taken positions against further market opening in the name of developing countries, they are actually taking positions that go against the group's interests.

At Doha, these emerging economies have minimized their own difficult market-opening decisions by seeking maximum flexibility for developing countries. And they have found it easier to avoid confronting their own needs for greater access to one another's markets by focusing on what they can all agree on—namely, the market-opening obligations of developed countries. The result is what one African ambassador to the WTO once described as “the elephants hiding behind the mice.”

A number of emerging and developing economies—among them Chile, Colombia, Costa Rica, Hong Kong, Malaysia, Pakistan, and Singapore—have attempted to advocate for more ambitious emerging-market contributions. Yet these countries have been either ignored or harshly criticized by their peers, particularly Brazil, India, and South Africa. Even when Brazil attempted to break with other developing countries to save the Doha Round in the summer of 2008, it found itself the target of the same kind of criticism it periodically levels against others.

The dilemma facing China's negotiators has been particularly acute. China's manufacturing prowess and export drive are a phenomenon never before encountered in a major trade round, and fear of increased imports from China may be the most unacknowledged reason behind Doha's continued failures. Although Beijing stands to gain tremendously from a successful Doha Round, internal critics resist liberalization by pointing to the significant market opening that the country undertook when it joined the WTO in 2001 as yet another unequal treaty imposed by foreign powers. Combined, these factors have made it difficult for Beijing to break with the other major emerging markets in Doha—even if it might have meant saving the round.

The developed-versus-developing-country framework itself is increasingly anachronistic. China's GDP has already overtaken that of Japan and will likely have exceeded that of the United States before any Doha agreement can be fully implemented. Meanwhile, the International Monetary Fund predicts that by mid-decade, in terms of GDP, India will have exceeded Germany, Brazil will have outpaced France and the United Kingdom, Mexico will have passed Canada, and Indonesia and Turkey will have superseded Australia.

After Doha

To be sure, advanced economies should shoulder a somewhat heavier share of the burden of any multilateral economic agreement, making their contributions consistent with their more dominant positions in the global economy. After all, even when China's GDP reaches U.S. levels, Chinese citizens will still have just about a third of the yearly income of their U.S. counterparts, and Indians are likely to have one third of that. But the size and growth trajectories of the emerging economies, combined with the fact that some are now leading producers and exporters in key sectors, such as chemicals, information technology, car parts, pharmaceuticals, and environmental goods, set them apart. The inability of Doha's structure and negotiating dynamic to reflect this evolution has helped ensure its downfall.

DOHA'S OBSTACLES

THE LUMPING together of all emerging and developing economies in the Doha negotiating structure, and the associated peer pressure, has given leverage in the talks to those emerging economies disinclined to open their markets and taken it away from those advanced, emerging, and developing countries that might have backed a more ambitious outcome to the round.

In addition, the negotiations' heavy emphasis on rigid formulas for tariff cuts, rather than a looser combination of targets and negotiations over specific openings, has generated "formula and flex" models that undermine both the negotiating dynamic and any potential outcome. This is most evident in the proposed texts associated with the failed July 2008 ministerial gathering in Geneva. Although the formulas appropriately target the highest tariffs for the greatest cuts and place the most significant burden on the developed countries, the developing countries enjoy far shallower cuts and slower implementation. Also, the developing countries have significant flexibilities in the form of exclusions from the formula cuts that they insist on selecting themselves rather than negotiating.

For manufactured goods, these proposals would, by the end of the Doha implementation period, allow the tariffs of most emerging economies, other than China and South Africa, to remain largely unchanged from those in place when the Doha Round began. Based

Susan C. Schwab

on 2008 calculations, this would result in the developed economies' delivering over three-quarters of the Doha Round's market-opening results, well beyond their current 53 percent (and shrinking) share of global GDP.

The framework has also posed problems when it comes to agricultural trade. The current proposals task the developed countries with eliminating export subsidies, cutting trade-distorting domestic subsi-

It is time to give up on trying to "save" Doha.

dies, and reducing tariff and nontariff barriers to imports. The developing countries are also obligated to reduce trade barriers, albeit to a lesser extent. But although exceptions to the formula cuts enable both the developed and

the developing countries to protect some items, the extreme flexibilities given to the developing economies will again enable the emerging economies to negate the bulk of their formula cuts. The 2008 package, for example, would allow India to shield close to 90 percent of its current agricultural trade from tariff cuts and permit China to exclude from the cuts commodities of keen interest to both developing and developed countries, including corn, cotton, sugar, rice, and wheat. Moreover, a proposed new agricultural safeguard for the emerging and developing countries anticipated in the agreement raises the prospect that trade barriers in those countries could actually end up being higher than before the Doha talks started.

In an effort to move the Doha Round forward, the WTO leadership has worked to establish key agreement parameters through draft texts. These texts have progressively narrowed and in some cases precluded the negotiation of specific and substantive product concessions—trapping participants in almost a decade of negotiations about negotiations. In fact, the combination in the framework of rigid formulas and ill-defined, largely nonnegotiable flexibilities put all the negotiators in a defensive posture from the outset, left to assume that their own import-sensitive constituencies would face severe tariff cuts but unable to point to the kind of concrete gains in market access necessary to build domestic support for the trade talks. Finally, the dramatic imbalance in the negotiating flexibilities available to the emerging economies as opposed to the advanced economies has left both sides with little room to maneuver. Even if the emerging countries wanted to put more

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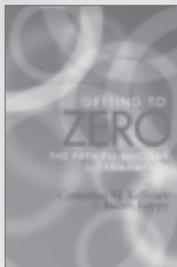


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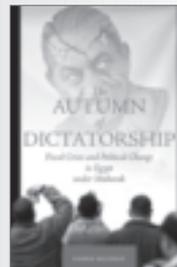
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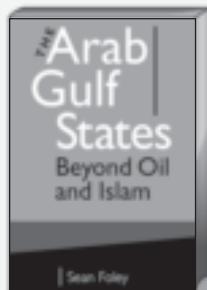


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on the table, their offers today would look like unilateral concessions, since the developed countries have nothing of perceived value left to concede in return.

The uneven negotiating field is not the only structural roadblock that has undermined the negotiations. Multilateral trade talks have traditionally called for the United States and fellow developed countries to take the lead in offering concessions to jump-start flagging negotiations—the idea being that a significant unilateral initiative by a large economy will encourage others to reciprocate, thus paying dividends to all. Yet during the Doha Round, such efforts by the United States—even those explicitly conditioned on a meaningful response—have not been met in kind. And as time has passed, U.S. and EU compromises have effectively been pocketed, forming the base line for the next set of demands.

The challenges posed by the negotiating structure are compounded by the fact that Doha mandates a single undertaking. This means that nothing is considered agreed until everything is agreed. This rule was designed to encourage countries to make tough calls in one sector knowing that they would be able to show gains in other sectors. However, in the context of Doha, the rule has enabled individual countries to play the spoiler and seek lowest-common-denominator outcomes or to free-ride on others' concessions.

The passage of time has also defeated the Doha Round. Over the years, political and economic windows for a deal have opened and closed. The 2007 expiration of TPA undermined the willingness of U.S. trading partners to take risks because they no longer knew whether the U.S. Congress would attempt to amend the negotiated commitments. Domestic political concerns in India prior to the country's 2009 elections likely destroyed any potential for a deal in 2008. Brazil has retreated to a defensive crouch when it comes to market access for industrial goods, citing the threat of currency appreciation and Chinese imports. Japan's frequent shifts in government this past decade have undermined its ability to negotiate. EU member states continue to expend the bulk of their negotiating capital on internal debates about reform, leaving little room for dealing at Doha. And China faces a 2012 leadership transition that appears to have solidified its unwillingness to take risks.

RISKS TO THE MULTILATERAL SYSTEM

DESPITE ALL these problems, it is far too soon to give up on multilateral agreements and the global trading system. If any more evidence were needed to demonstrate the WTO's critical importance to the world economy, one need look no further than the recent global financial crisis. Although countries took protectionist measures in the wake of the crisis, the international community avoided a quick deterioration into a spiral of beggar-thy-neighbor actions to block imports. Previous multilateral agreements that reduced permitted tariff levels, WTO-consistent escape valves and enforcement opportunities, and a high-profile G-20 commitment to avoid discriminatory trade actions helped ensure this outcome. The fact that the independent policy research think tank Global Trade Alert began publishing lists of G-20 trade-pledge violations certainly helped as well.

But with the exception of limiting some of the WTO-consistent tariff increases by emerging countries, the Doha Round agreement currently under negotiation would not have precluded most of the discriminatory actions taken. Similarly, the fact that the Doha Round is still officially in progress has failed to stem the proliferation of low-quality bilateral and regional trade agreements. The number of such agreements in place has doubled to over 200 worldwide since the Doha talks began, with hundreds still in negotiation. They are of uneven quality. Some, such as those negotiated by the Bush administration, eliminate virtually all barriers between signatory countries, while others exclude whole swaths of commerce. Yet they all exclude, and therefore discriminate against, the vast majority of other trading nations, including most developing countries. And they skew commerce and global supply chains through complex rules that dictate how much of a product must be made in a given location to qualify for duty-free treatment.

Although the countries with which the United States has negotiated bilateral and regional trade agreements have almost uniformly advocated for an ambitious conclusion to the Doha talks, the negotiation of often lower-quality bilateral and regional trade agreements has eroded support and political will for the pursuit of a strong multilateral deal among other countries. A robust multilateral trade agreement,

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involving the vast majority of trading countries, can contribute far more to global economic growth and welfare than even the best bilateral and regional trade agreements. Such an agreement can better address systemic challenges such as subsidies and enjoy the potential to achieve significantly more international market opening, as countries can point to a whole world of new market opportunities gained in exchange for their own concessions.

Granted, the phenomenon of bilateral and regional trade agreements has been the result in part of a vicious cycle. Countries have pursued these agreements because Doha is faltering and bilateral and regional agreements can deliver commercial results; Doha is faltering in part because some countries think they can avoid difficult decisions by opting for easier bilateral or regional talks instead. But as the Doha talks meander, the international community may be reaching a tipping point, where the pursuit of these lesser agreements becomes the preferred option.

ONE LAST TRY?

EVEN IF, in the interest of saving the Doha Round, key emerging economies were inclined to liberalize their markets well beyond what the 2008 proposals explicitly mandate, the current negotiating structure and peer pressure would make doing so exceedingly difficult, if not impossible. But any attempt to salvage Doha on the basis of those proposals would still raise questions about its ultimate benefit—both in absolute terms and in terms of opportunity costs—if this is the deal that is to set the global terms of trade for the next two decades or more.

Gary Hufbauer, Jeffrey Schott, and Woan Foong Wong of the Peterson Institute for International Economics estimated in June 2010 that implementing the formula cuts under consideration when the talks collapsed in July 2008 would increase world GDP by \$63 billion, or 0.1 percent. This would result from an increase in global trade of \$183 billion, an amount less than half the value of U.S. trade with Canada in a single year. The Peterson Institute study then calculated the potential value of a major boost to the 2008 proposals, including additional tariff cuts in certain key industrial sectors, a ten percent reduction in barriers to services trade, and a successful conclusion of the trade facilitation negotiation.

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The study estimated that these measures—unlikely to occur in the first place—would raise global GDP by around \$283 billion, or 0.5 percent. The trade gains, slightly higher than the value of U.S. trade with Canada and Mexico in 2009, would require at least a decade to be phased in.

In fact, the only readily measurable benefits of the plan currently on the table come from developed-country tariff cuts, since it remains unclear how emerging economies would choose to allocate their flexibilities. Indeed, the 2008 proposals' potential commercial benefits would come primarily from tariff savings in mature-country markets, rather than from any meaningful increase in new trade flows in the fastest-growing economies.

To even approach the more optimistic projections of what a successful Doha agreement might contain would require upending the present structure to generate negotiations based on substance and specifics. Not all 153 WTO members would have to increase their commitments. But ultimately, to generate real value for all participants, greater concessions from a dozen or so emerging countries would make a difference.

In the case of manufactured goods, creating a negotiation in which the advanced and the emerging countries both had greater flexibility to cut their tariffs more or less than the levels currently dictated by the formulas would move the process forward. In agriculture, the negotiations should only permit new safeguards if they are limited to temporary responses to damaging import surges. And with regard to market access, the emerging economies would have to accept fewer flexibilities. The developed countries could improve their offers on domestic farm support, but the past ten years have made it clear that cuts to agricultural subsidies deliver little in the way of new agricultural- or industrial-market access. Finally, participants would need to engage in a far more serious negotiation about services than anything contemplated to date.

Variations on these and other ideas, designed to prompt real negotiations over specific trade barriers so as to build momentum and pro-agreement constituencies, have thus far failed to gain traction. As long as the current negotiating dynamic remains, there is little reason for influential countries such as Brazil, China, India, Indonesia, and South Africa to surrender their favorable negotiating positions and risk attack from one another for breaking developing-country solidarity.

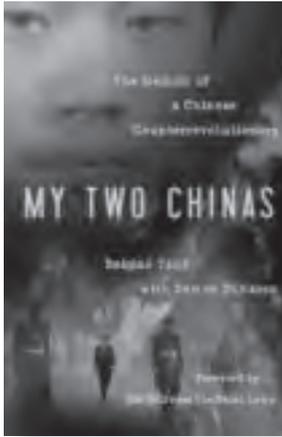
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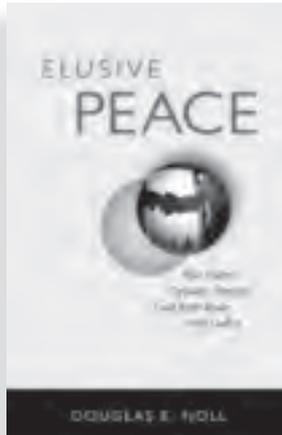
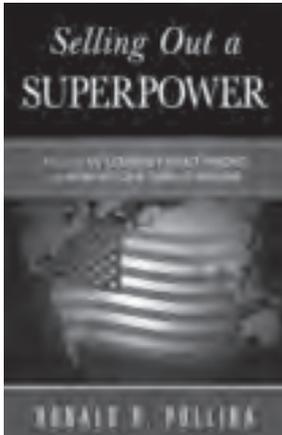
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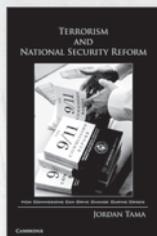
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HOW TO MOVE FORWARD

THE ONLY way for world leaders to advance a healthy multilateral trading system now is to liberate themselves from the stranglehold of the Doha Round. Another series of draft proposals is not the answer.

Participants must close out the Doha Round in 2011. With leadership and goodwill, several smaller agreements could be salvaged from the existing negotiations. A top candidate for rescue is the trade facilitation package, the subject of a serious negotiation among the advanced, emerging, and developing economies. The package would reduce the costs associated with moving goods across borders, and the Peterson Institute has estimated that it could contribute over \$100 billion to global GDP.

Other areas that might potentially be saved include the largely completed agricultural-export pillar, comprising proposed agreements on export credits, food aid, state-trading firms, and the elimination of export subsidies. Negotiators should also endeavor to complete two environment-related agreements, one cutting subsidies to industrial fishing fleets guilty of overfishing the world's oceans and the other ending tariff and nontariff barriers to "green" technologies in major producing and consuming countries.

These smaller elements of the Doha undertaking would deliver tangible near-term results. In theory, world leaders could instruct that they be spun off and concluded this year. In practice, it is possible that in the current environment, not even these smaller deals can be achieved. But it is worth trying, because the Doha Round certainly has not delivered them. And if the effort is made and then blocked, at least the media can shine a spotlight on the spoilers.

Above all, world leaders should not wait to determine whether they can conclude these before laying the groundwork to launch a new series of multilateral negotiations under WTO auspices. The large multilateral trade round format epitomized by Doha's predecessors need not be obsolete, but WTO members will need a clean break from the current round to reestablish trust and regain momentum before attempting that model again. More narrowly drawn negotiations and small deals with some commercial value may offer the best near-term approach.

One obvious avenue would be to expand the product coverage in the plurilateral Information Technology Agreement, through which every

Susan C. Schwab

major producer and consumer in the world of information technology products, save for Brazil, has eliminated their tariffs. Nations could initiate a similar multiparty accord for a package that includes pharmaceuticals, medical equipment, and health-care services, designed to reduce the cost of delivering health care. Such negotiations would have to follow WTO rules, and the outcome would have to apply equally to all WTO members, regardless of whether they took part in the negotiations. Yet veto power over any given deal would be granted only to those members who chose to negotiate and contribute, improving the chances of constructive engagement by most interested parties.

The international community could also draw from some of the more practical or innovative elements of existing bilateral or multiparty agree-

Another series of
draft proposals is
not the answer.

ments and seek to multilateralize them. These might include provisions governing investment, transparency, e-commerce, services that contribute to entrepreneurial infrastructure, or even enhanced WTO intellectual property protections. WTO members could also commit

to results-based business practice reforms, addressing such international indices as the World Bank's Ease of Doing Business Index and Transparency International's Corruption Perceptions Index.

To reduce some of the negative effects of bilateral and regional trade deals, WTO members might consider guidelines to ensure that such agreements have built-in docking provisions that allow like-minded countries to join them. Meanwhile, interested members should consider using focused WTO cases and dispute settlements to target poor-quality bilateral and regional trade agreements that fail to meet the letter and spirit of the WTO's requirement that such agreements cover "substantially all trade." This would help reassert the fundamental principles of an open trading system, curb the proliferation of inadequate bilateral and regional trade agreements, and lay the foundation for devising better agreements in the future.

The most significant contribution the United States could make to reestablishing WTO negotiations as a viable enterprise—and offering a serious new deadline for action—would be to obtain a renewal of TPA from Congress, even if limited to plurilateral and multilateral trade agreements. Along with an Obama administration push to achieve

After Doha

congressional approval of pending free-trade agreements with Colombia, Panama, and South Korea, a renewed TPA would provide needed credibility and make trading partners far more willing to listen to U.S. proposals and take risks in any future trade talks.

Meanwhile, the United States and other developed countries may want to review whether their trade-preference programs for developing countries are benefiting the developing countries that need the most assistance and not creating a disincentive to swap trade concessions for access.

Once the dust has settled on the Doha Round, the United States and the other WTO members should dispassionately study Doha's successes and failures to prepare for the next major negotiating exercise. They should explore simpler formulas that can lead to real negotiations on tariffs, nontariff barriers, subsidies, and services, with give-and-take that builds momentum and ignites enthusiasm from pro-trade constituencies. Participants should also begin to address new issues, such as food security and the damaging use of export bans.

No future multilateral negotiation will succeed, however, without addressing the very real differences in economic strength, prospects, and capabilities within the so-called developing world. It is worth recalling that one of the WTO's most important characteristics is the inclusion of these developing economies in governance and decision-making from its origins as the General Agreement on Tariffs and Trade in 1948. In private, most emerging and developing countries acknowledge that it is in their interest to bridge the increasingly artificial divide between developed and developing nations when it comes to global issues such as trade, international finance, and climate change. Escaping the confines of the Doha Round could hasten the emergence of new models. These might include multilateral negotiations designed to offer a better balance between benefits and obligations, or they could include plurilateral deals that set a high bar but enable like-minded countries to participate.

Doha may be dead, but by accepting what everyone knows and no one wants to admit, the world can actually reinvigorate and strengthen the multilateral trading system. The WTO has served the world well, but it risks losing its relevance as the Doha Round continues to drain its credibility and resources. Now is the time to liberate the would-be trade liberalizers and move on. 🌐

Who's Afraid of the International Criminal Court?

Finding the Prosecutor Who Can Set It Straight

David Kaye

LAST FEBRUARY, soon after Libyan leader Muammar al-Qaddafi unleashed his forces against civilian protesters, the United Nations Security Council unanimously voted to refer the situation in Libya to the International Criminal Court. Days later, the ICC's chief prosecutor, Luis Moreno-Ocampo, announced the launch of an investigation of members of the Qaddafi regime, promising, "There will be no impunity in Libya."

With the UN Security Council injecting the court into one of the year's biggest stories, the ICC may seem to have become an indispensable international player. It already is looking into some of the gravest atrocities committed in recent decades—in the Democratic Republic of the Congo, Sudan, and Uganda, among others—and its investigation into the 2007 election-related violence in Kenya is shaking up that country's elite. But a closer look suggests that the ICC's sleek office building on the outskirts of The Hague houses an institution that is still struggling to find its footing almost a decade after its creation.

DAVID KAYE is Executive Director of the International Human Rights Law Program at the University of California, Los Angeles, School of Law.

Who's Afraid of the International Criminal Court?

The court has failed to complete even one trial, frustrating victims as well as the dozens of governments that have contributed close to \$1 billion to its budget since 2003. The ICC's first trial was nearly dismissed twice. Its highest-profile suspects—Sudanese President Omar al-Bashir and Joseph Kony, the leader of the Lord's Resistance Army (LRA), the rebel group that has terrorized northern Uganda and neighboring areas—have thumbed their noses at the court and are evading arrest. And with all six of the ICC's investigations involving abuses in Africa, its reputation as a truly international tribunal is in question.

A rare opportunity to recapture the court's early promise lies ahead: at the end of the year, the 114 states that have ratified the Rome Statute, the ICC's founding charter, will elect a successor to Moreno-Ocampo, who is expected to step down as head of the Office of the Prosecutor (OTP) in mid-2012. As the ICC's driving force and its face to the world, the chief prosecutor has a critical job: choosing which situations to investigate, which senior officials to indict, and which charges to bring—all sensitive decisions with major political implications. In 2003, before Moreno-Ocampo was elected, then UN Secretary-General Kofi Annan rightly said that “the decisions and public statements of the prosecutor will do more than anything else to establish the reputation of the court.” By this standard, Moreno-Ocampo's tenure has not been a success. Thanks partly to a management and decision-making style that has alienated subordinates and court officials alike, he has been dealt repeated judicial setbacks, which have overshadowed his office's modest gains.

The ICC needs a new leader who has not only the necessary prosecutorial, diplomatic, and managerial skills but also a keen sense of the importance of this moment in the development of the still fledgling institution. To achieve the ICC's promise as a global court, the parties to the Rome Statute must select a prosecutor who can meet the court's most serious challenges: concluding trials; convincing governments to arrest fugitives; conducting credible investigations in difficult places, such as Libya and Sudan; and expanding the ICC's reach beyond Africa. This may be a lot to ask for, but the future of the ICC depends on it.

David Kaye

LAYING DOWN THE LAW

THE ICC is the culmination of a decades-old movement to promote international criminal law. The movement started soon after World War II, with the creation of the international military tribunals at Nuremberg and Tokyo, and gained steam again in the early 1990s, when in the midst of the war in Bosnia, the UN Security Council set up the International Criminal Tribunal for the Former Yugoslavia (ICTY) and then, in the wake of the genocide in Rwanda, the International Criminal Tribunal for Rwanda (ICTR). The Security Council gave both tribunals the mandate to prosecute war crimes, crimes against humanity, and genocide, with the expectation that they would target the most senior political and military leaders. The early days were hard going. It took a year to find a chief prosecutor for the ICTY, and at first even supportive governments contributed only small amounts to the courts' budgets. Other states were obstructionist. The governments of Croatia and Serbia, alleging bias, refused to turn over war crimes suspects to the ICTY or share information with it—they relented only when cooperation became a precondition for membership in the European Union. NATO originally refused to carry out the ICTY's calls to arrest indictees in Bosnia for fear of endangering its forces in the country. Serbian President Slobodan Milosevic managed to drag out his trial for years, making the ICTY seem powerless in the face of his defiance. The work proceeded slowly: the ICTY handed down its first sentence in 1996; the ICTR, in 1998.

By now, however, the ICTY and the ICTR have held dozens of trials, including against senior political leaders, such as Milosevic and Radovan Karadzic, the president of Republika Srpska, and top military officials, such as Théoneste Bagosora of Rwanda. The ICTY has sentenced 64 defendants and acquitted 12, and the trials of another three dozen are on its docket; it has also transferred defendants and evidence to local courts in Bosnia. The ICTR has sentenced 46 defendants and acquitted eight, and the trials of two dozen more are on its docket. The two tribunals have significantly developed international criminal jurisprudence, and they have deeply influenced the training, if not the behavior, of military officers worldwide. They have contributed, although perhaps only modestly, to stability in several countries. The

Who's Afraid of the International Criminal Court?

ICTY has not alleviated deep-seated animosities in Bosnia, but it can claim some credit for bringing a measure of reconciliation to Bosnia, Croatia, and Serbia. The ICTR has produced an authoritative historical account of the Rwandan genocide. The ICTY has triggered the development of a specialized war crimes chamber in the Bosnian courts, and the ICTR has inspired the widespread use in Rwanda of the traditional *gacaca* court system to deal with hundreds of thousands of lower-level perpetrators.

Thanks in part to these courts' relative success, the international criminal law movement continued to gain traction. By the early years of this century, the Special Court for Sierra Leone had been established to prosecute the war crimes and crimes against humanity committed in Sierra Leone since late 1996 (that court's highest-profile trial, against former Liberian President Charles Taylor, is winding down toward a judgment). After protracted negotiations, a mixed Cambodian-international tribunal was set up to try the surviving Khmer Rouge leadership. Meanwhile, under the heavy influence of international nongovernmental organizations and local civil-society movements, Western governments led an effort to draft a charter for a permanent international criminal court. In 1998, a UN-sponsored diplomatic conference in Rome adopted the Rome Statute, creating the first permanent international criminal institution. The ICC was tasked with investigating and prosecuting war crimes, crimes against humanity, and acts of genocide committed on the territories of its member states or by their nationals, or whenever asked by the UN Security Council. It would not look back to past injustices; it would have the power to go after crimes committed at or after its creation. And it would act only when national courts with jurisdiction over these crimes were "unable" or "unwilling" to do so themselves—meaning when governments lacked the necessary substantive law or legal infrastructure or when they were shielding culprits from responsibility.

The ICC became a reality after the 60th signatory to the Rome Statute ratified the treaty, in July 2002—just four years after the

The ICC's authority is inherently fragile—a big problem given that its effectiveness depends on the help of governments.

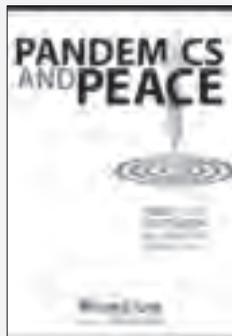
David Kaye

Rome conference. This was lightning speed by the standards of international treaty-making and a measure of the court's vast following. Still, it was only natural that the ICC, which sits at the intersection of war and peace, politics and law, would also attract enemies. China, Russia, and the United States have chosen not to join it, for instance, for fear that it might one day take aim at their own nationals. Washington has slowly been softening its position, but it remains wary. Earlier this year, in an unprecedented show of support for the court, it voted for the Security Council's referral of the Libya situation. (In 2005, it had abstained from voting on the Sudan referral regarding atrocities committed in Darfur.) But partly at the insistence of the U.S. government, the referral stipulated that the nationals of states that have not ratified the Rome Statute do not fall within the jurisdiction of the ICC. The idea was to protect them from prosecution by the ICC if they ever were to be suspected of committing crimes in the course of a foreign military intervention against Qaddafi.

In other words, unlike the ICTY and the ICTR, the ICC has very broad jurisdiction, both in time and space, but without enjoying the UN Security Council's unequivocal backing. This makes its authority seem inherently fragile—a big problem given that its effectiveness depends on the cooperation of governments. Prosecuting international crimes in countries where conflict is ongoing, or against sitting heads of state, is delicate work: it challenges not only accepted notions of state sovereignty but also the traditional territorial boundaries of criminal investigations. At the same time, the ICC relies on state authorities to arrest suspects and transfer witnesses, evidence, and intelligence, and most governments have done little to help. Some have stepped up in relatively simple situations: for instance, Belgium and France each arrested one Congolese suspect on their territory and transferred the two men to the ICC in The Hague. But Bashir, for one, has managed to travel around Africa and the Arab world, including to states that are parties to the Rome Statute, such as Chad and Kenya. The Security Council, the very body that referred the Sudan situation to the ICC, has not stood firmly behind the arrest warrant against Bashir; it could have increased the cost of doing business with Bashir by imposing sanctions on fugitive Sudanese officials and governments that flout the arrest warrant. The Security Council may deserve credit for making



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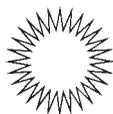
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Who's Afraid of the International Criminal Court?

the referral, but it appears uninterested in giving the court the kind of support it needs. And it is unclear whether when the time comes to back up the recent referral on Libya, the Security Council will once more undermine the court even as it seems to be empowering it.

COURTING TROUBLE

GIVEN THAT the ICC operates in a complicated, sometimes hostile political environment, it was bound to face serious problems. Yet many of its wounds have been self-inflicted. Management and personality clashes, for instance, have hindered its development. The court's leadership was in place by early 2003, with a triumvirate formed by the prosecutor, the court's president (the court's ceremonial head, who is responsible for external relations), and the registrar (the lead administrative officer). As impressive as the three principals were, they were mismatched. Moreno-Ocampo, interpreting the independence of the OTP broadly, challenged the registrar not to raid his bailiwick and continually picked battles with the registrar's staff on everything from human resources to witness protection. He also resisted coordination with the president. These petty battles over turf and resources undermined the sense that the court's leaders were sharing a historic mission. Meanwhile, many of the ICC's prosecutors and investigators chafed under what they perceived to be Moreno-Ocampo's micro-managing and erratic decision-making. Some of the OTP's most experienced staffers quit; those who remain say that low morale continues to plague the court.

Worse, the OTP has not made enough concrete progress. It has yet to conclude a single trial. Its first case, which indicted the Congolese militia leader Thomas Lubanga Dyilo for recruiting and using children as soldiers, has faltered repeatedly. Some observers have chided Moreno-Ocampo for failing to charge Lubanga with any crimes of sexual violence, a scourge in the Ituri region while he was in charge—this was a lost opportunity, the critics argued, considering the extent of gender-based atrocities in Congo and elsewhere in Africa. During opening statements in the case, Moreno-Ocampo was seen repeatedly using his BlackBerry, and he left the hearings, reportedly to attend the World Economic Forum in Davos, before the defense concluded its

David Kaye

presentation. Twice, a three-judge panel ordered that Lubanga be released (he has been in custody since March 2006) because of serious concerns that the prosecution had failed to share potentially exculpatory information with the defense. And although both times an appellate chamber ordered that Lubanga stay in detention, it also harshly criticized the OTP's work. Throughout, the prosecution repeatedly failed to implement court orders, infuriating the judges. Even if Moreno-Ocampo's team occasionally got the law right, its brash behavior undermined the judges' confidence in its good faith and competence.

Six years after the UN Security Council referred the situation in Sudan to the ICC, not one suspect is in custody. In 2007, the court issued a warrant for the arrest of Ahmad Harun, a senior official in Bashir's government, and Ali Kushayb, a leader of the Janjaweed militias, for committing war crimes and crimes against humanity in Darfur. But instead of carefully plotting the two men's arrests, targeting other parties at the same level of responsibility, and carefully establishing the Sudanese government's broader policy of repression and violence, in 2008, Moreno-Ocampo requested that the judges issue a warrant for Bashir's arrest, charging him, too, with war crimes and crimes against humanity—and also with genocide. The move was supposed to be a bold demonstration of the court's purpose. But deciding what to do about the genocide charge—which had never been brought against a sitting head of state—held up the judges' decision for eight months. Finally, in 2009, came a warrant for war crimes and crimes against humanity; it took another year—and an appeal—for the warrant for genocide to be issued. And the damage was already done. Internal dissent at the court had been exposed, public confidence in the genocide charge was undermined, and Darfur activists disagreed bitterly over strategy. Alleging genocide would have been ambitious in even the best investigative circumstances: it is always difficult to prove the crime's requirement that the perpetrators specifically intended to destroy, in whole or in part, a national, ethnic, racial, or religious group. But in the case of the atrocities in Darfur, there were special difficulties. As one former senior ICC prosecutor put it, "It is difficult to cry government-led genocide in one breath and then explain in the next why two million Darfuris have sought refuge around the principal army garrisons of their province." Many atrocities have clearly been committed against

Who's Afraid of the International Criminal Court?

civilians in Darfur; but whether Bashir intended to, and is responsible for trying to, destroy the region's ethnic communities remains a subject of intense debate. And so Moreno-Ocampo's big gesture backfired. The Sudanese government, which was already refusing to cooperate with the ICC, went into lockdown. It kicked most humanitarian workers out of Darfur and cracked down on the domestic opposition. The International Crisis Group, a strong supporter of the ICC, criticized Moreno-Ocampo's approach, accusing him of "risking politicizing his office" and taking a needlessly "confrontational" approach with Bashir. Today, progress on the Darfur file seems to have completely stalled.

A related problem has been the ICC's lack of legitimacy among some African leaders. Although 31 African countries have ratified the Rome Statute, many of them, as well as the African Union, have opposed the ICC's investigations in Sudan and Kenya. This may have something to do with self-serving politics—mutual back-scratching among the continent's leaders. But with all its formal investigations targeting African states—the Central African Republic, Congo, Kenya, Libya, Sudan, and Uganda—the court has also invited the charge that it is an agent for postcolonial Western interests.

This is unfortunate. For one thing, Africa is the setting for innumerable atrocities, and international attention to them should be welcomed, not shunned. For another, the ICC has been conducting preliminary examinations (inquiries that may or may not turn into formal investigations) outside Africa, including in Afghanistan, Colombia, Georgia, Honduras, and the Palestinian territories. Unfortunately, Moreno-Ocampo has failed to see these as easy opportunities to defang the opponents who call the OTP biased. He could have taken a more aggressive line regarding Colombia, for example, and launched a full investigation into war crimes and crimes against humanity committed by paramilitary officials with links to official government agencies. The facts called for it, and the circumstances allowed it: with the Colombian courts seeming unlikely to pursue any senior-level cases, the ICC had the jurisdiction to step in.

By commission and omission alike, the OTP has repeatedly made itself a target for charges of politicization. This has come as a surprise to those who applauded Moreno-Ocampo's decision early on to create

David Kaye

within the OTC a special office to encourage cooperation from other international actors and ensure the ICC's complementarity with national courts. Moreno-Ocampo has undoubtedly faced significant pressure to go after senior leaders, but having chosen to pursue the big fish and failed to catch many, now he does not have much to show for his efforts. Particularly during its nascent phase, the ICC needed a more effective operator, institution builder, and diplomat.

TRIALS AND TRIBULATIONS

THERE ARE reasons to hope that the ICC can still become a viable agent against impunity, chief among them the desire of victims worldwide to see the court succeed. The upcoming election of the next prosecutor is an occasion to do right by them.

African leaders are understandably pushing for an African prosecutor. The continent has largely embraced the Rome Statute, and the ICC has focused on some of Africa's most conflict-riven states. Having an African lead the prosecution over the next decade could help inspire domestic and regional efforts at developing accountability and the rule of law by demonstrating that international justice is not a norm imposed by the West but one shared by top African jurists. An African prosecutor might also have a better sense of how to reach out to African communities that need to be convinced of the ICC's value. Yet a search for Moreno-Ocampo's replacement that starts and ends with a focus on Africa would only bolster the ICC's unwanted reputation as a single-minded, regionally focused court. Two well-regarded Gambian lawyers—Fatou Bensouda, the ICC's deputy prosecutor, and Hassan Jallow, chief prosecutor of the ICTR—are currently the front-runners. (The chief prosecutor of the ICTY, the Belgian Serge Brammertz, is thought to be a long shot, not least because much of the work will require leading prosecutions involving Congo, a former Belgian colony.) But as the parties to the Rome Statute begin to look for candidates—they have already established a search committee—they should dispel the impression that anyone already has a lock on the position. And they should consider candidates without any geographic constraints; the ICC deserves the prosecutor best able to meet its core challenges.



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Who's Afraid of the International Criminal Court?

At the bureaucratic level, the next chief prosecutor will need to be a manager who can lead on multiple fronts. First among those must be an effort to gain back the confidence of the ICC's investigators, analysts, and other prosecutors. Recruiting and retaining the most highly qualified staffers means giving them substantial authority and providing them with guidance without micromanaging them. Another important task will be to rebuild the OTP's reputation with the court's judges. The next prosecutor will also have to bring several trials to conclusion, as well as conduct high-profile investigations in difficult environments, such as Libya.

In all these tasks, the next prosecutor will need to display political and diplomatic savvy. One pressing and thorny issue will be getting states to enforce arrest warrants, especially those against Bashir and the other Sudanese indictees. This will not be easy. Even key ICC supporters in Africa, such as Ghana, Senegal, and South Africa, have been unable to beat back the anti-ICC fever within the African Union. To many African Union members, arresting Bashir may seem less desirable than ever now that he appears to be accepting the fact of southern Sudan's secession, which was decided by referendum early this year. Some Western officials are reportedly in favor of getting the Security Council to defer enforcing the arrest warrant against him; the U.S. special envoy to Sudan, J. Scott Gration, has publicly stated his concern that the warrant has complicated peacemaking efforts. On the other hand, ignoring this warrant would likely undermine the credibility of the court's warrants generally.

In such a fraught political environment, the next prosecutor will not make any headway using confrontational or triumphalist rhetoric. The OTP would do better to rethink its top-down approach in Sudan and reopen investigations concerning other senior-level figures with potential liability for the atrocities committed in Darfur. The suspects are already known: a secret annex to the 2005 report of the UN's International Commission of Inquiry on Darfur is said to list over four dozen names. Focusing on suspected perpetrators at levels of

By commission and omission alike, the prosecution's office has repeatedly made itself a target for charges of politicization.

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seniority lower than Bashir's would allow ICC prosecutors to establish that the Sudanese government implemented a widespread policy to commit atrocities in Darfur. The ICC seems likely to prosecute two Darfur rebel leaders for attacking UN peacekeepers; bringing a viable case against Sudanese government figures in addition to those two would significantly bolster the ICC's credibility. Over the long term, holding one or several trials that establish Khartoum's involvement in the atrocities in Darfur could put pressure on governments that currently give Bashir assistance. It could also add to the pressure on Bashir himself, particularly if someone in his circle is found guilty.

The LRA leader Kony will continue to pose both a diplomatic and a military challenge. Since the warrants for the arrest of Kony and four of his lieutenants were issued in 2005, the Ugandan government has pushed the rebels out of northern Uganda, bringing a modicum of safety to the region's residents. But now the LRA is brutalizing civilians in bordering areas of the Central African Republic and Congo. Short of mounting a military operation aimed at arresting Kony and his commanders, which no government appears prepared to do, there may be no solution to this problem—at least none within the powers of the ICC prosecutor. When it comes to the LRA file, the main challenge for the next prosecutor will be to continue to press for arrests without appearing powerless in the face of ongoing atrocities.

So far, the threat of ICC prosecutions has helped generate some useful discussion about justice at the national level. In places as diverse as Colombia and Kenya, for instance, the court's activities have helped generate public calls—and, in Kenya, legislation—for domestic trials for war crimes and crimes against humanity. The next ICC prosecutor should take the task a step further, doing more than simply advocating for national efforts and instead playing a substantial role in shaping them. Moreno-Ocampo and court officials have said all the right things about the importance of national prosecutions, and there has been some interaction between prosecutors and investigators at the ICC and their national counterparts. But this activity has been treated as though it is tangential to the court's success. In fact, it is essential. The prosecution of senior officials in The Hague should support the prosecution of lower-level officials in national courts. Under the new prosecutor, the ICC should help build the capacity of

Who's Afraid of the International Criminal Court?

national legal systems to try international crimes by sharing more strategy, tactics, and information, much as the ICTY has done to assist prosecutors throughout the Balkans.

WITNESS FOR THE PROSECUTION

THE NEW prosecutor will need to defend the ICC against charges that it brings too little accountability while standing in the way of peace and stability. Among other things, this will mean deploying the post's powers carefully, with a full awareness of their limits. At times, this could require considerable restraint: for instance, the OTP might be better off not seeking any warrants in the Libya case if the Security Council is unlikely to help with enforcement. The ICC prosecutor must be a forceful spokesperson for international criminal justice, of course, but that job also requires understanding that most governments see justice as only one priority among many. Not all international prosecutors have successfully handled this aspect of the role. Carla Del Ponte, the third chief prosecutor of the ICTY and the ICTR, regularly tussled with officials at the tribunals, government officials in the Balkans, and members of the UN Security Council—so much so that in 2003 the Security Council took back the ICTR half of her job. Louise Arbour, who held the dual position before Del Ponte, was just as firm in insisting that states cooperate with the courts, but she also managed both to get her hands dirty with investigations and prosecutions and to maintain the respect of the state leaders whose support she needed. Moreno-Ocampo is more Del Ponte than Arbour, and the ICC needs an Arbour.

Arbour herself once wrote that the international community's repeated failure to prevent atrocities "leaves criminal justice to meet the sometimes unrealistic expectations about the contribution that it can make to social peace and harmony, to the eradication of hatred, and to the reconciliation of previously warring factions." Substitute "the ICC prosecutor" for "criminal justice" in that sentence, and the difficulty of the job becomes clear. To be effective, the ICC's next chief prosecutor must share Arbour's healthy understanding of both the court's promise and its limitations. 🌐

Recalibrating Homeland Security

Mobilizing American Society to Prepare for Disaster

Stephen Flynn

THE UNITED STATES has made a mess of homeland security. This is hardly surprising. The policymakers responsible for developing homeland security policy in the wake of September 11, 2001, did so under extraordinary conditions and with few guideposts. The Bush administration's emphasis on combating terrorism overseas meant that it devoted limited strategic attention to the top-down law enforcement and border-focused efforts of the federal departments and agencies assigned new homeland security responsibilities. President Barack Obama has largely continued his predecessor's policies, and congressional oversight has been haphazard. As a result, nearly a decade after al Qaeda struck the World Trade Center and the Pentagon, Washington still lacks a coherent strategy for harnessing the nation's best assets for managing risks to the homeland—civil society and the private sector.

For much of its history, the United States drew on the strength of its citizens in times of crisis, with volunteers joining fire brigades and civilians enlisting or being drafted to fight the nation's wars. But during the Cold War, keeping the threat of a nuclear holocaust at bay required career military and intelligence professionals operating

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within a large, complex, and highly secretive national security establishment. The sheer size and lethality of U.S. and Soviet nuclear arsenals rendered civil defense measures largely futile. By the time the Berlin Wall came down and the Soviet Union collapsed, two generations of Americans had grown accustomed to sitting on the sidelines and the national security community had become used to operating in a world of its own.

To an extraordinary extent, this same self-contained Cold War-era national security apparatus is what Washington is using today to confront the far different challenge presented by terrorism. U.S. federal law enforcement agencies, the border agencies, and the Transportation Security Administration (TSA) are subsumed in a world of security clearances and classified documents. Prohibited from sharing information on threats and vulnerabilities with the general public, these departments' officials have become increasingly isolated from the people that they serve.

This is the wrong approach to protecting the homeland. Even with the help of their state and local counterparts, these federal agencies cannot detect and intercept every act of terrorism. Police, firefighters, and other emergency responders will not always be immediately at hand to protect and rescue those in harm's way. Professionals are usually not the first responders to terrorist attacks and other disasters. A sidewalk T-shirt vendor, not a police patrol officer, sounded the alarm about Faisal Shahzad's SUV in his May 2010 car-bombing attempt on New York's Times Square. Courageous passengers and flight-crew members, not a federal air marshal, helped disrupt the suicide-bombing attempt by Umar Farouk Abdulmutallab aboard Northwest Airlines Flight 253 on Christmas Day 2009. It often falls to ordinary citizens—family, friends, neighbors, and bystanders—to lend a hand in times of crisis.

Coping with terrorism requires localized, open, and inclusive engagement of civil society. But the U.S. government has neither adequately informed nor empowered civilians to play a meaningful role in defending the country. To better involve civilians in homeland security, the United States must remove the inadvertent obstacles it has placed in their way. Citizens, in turn, must be willing to grapple

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with the risks they and their communities are likely to face and embrace a more active role in preparing for disasters.

DEVELOPING TRUST

TO IMPROVE the nation's capacity to manage dangers, federal agencies must avoid alienating the very people they are responsible for protecting. Regrettably, Washington's growing homeland security bureaucracy has largely overlooked the need to garner support from the public. New security measures are advanced without spelling out the vulnerability that they are designed to address. The American public has generally tolerated this thus far, but presuming the public's submissiveness risks breeding resentment and lack of cooperation over time. Alternatively, when citizens understand the appropriateness of a given security measure, they will be more willing to collaborate to achieve its goal.

When the TSA introduced full-body x-ray scanners and enhanced pat-downs at U.S. airports last fall, it prioritized public compliance over public acceptance. Given the coercive tools at its disposal, the TSA correctly presumed that it could force civilian acquiescence to this more intrusive passenger screening process. But the marginal additional capabilities provided by the scanners and pat-downs came at a heavy cost. Public confusion and anger over the new program, expressed by the Thanksgiving holiday travel opt-out campaign, spawned a vocal minority that has sown general public skepticism and may impede future U.S. government efforts to improve homeland security.

In explaining its security measures to the public, the government should not promise more than it can deliver. U.S. officials should avoid making the kind of statements issued frequently after September 11 to the effect that terrorists have to be right only once, whereas U.S. officials have to be right 100 percent of the time. Such declarations might demonstrate firm resolve, but they set an impossible standard; no security regime is foolproof. Common drug-smuggling techniques can evade the new scanning technology at U.S. airports. Radiation portal monitors, deployed with much fanfare at U.S. seaports, are unlikely to detect shielded nuclear material, raising the possibility that a nuclear weapon or dirty bomb encased in lead

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could pass through undetected. Public officials should acknowledge the potential limits of these technologies and other security protocols in deterring terrorists. Creating unrealistic expectations guarantees anger, disappointment, and mistrust should a terrorist attack succeed.

U.S. policymakers should also refrain from measures that provide the optics of security rather than real security. For example, the presence of cement barriers outside a train station may reassure daily commuters. But if those barriers are not anchored to the ground, an explosive-laden truck could ram them aside and make it to the station's entrance. The ensuing tragedy would leave commuters feeling rightfully deceived and the families of victims outraged. Security protocols must survive a "morning-after test"; that is, they should be able to withstand a postmortem by the public about their adequacy, even if they failed to thwart an attack. If the post-incident assessment deems the security measures to be lacking credibility, there will be hell to pay.

OPEN UP

NATIONAL SECURITY officials should also resist the secrecy reflex. U.S. intelligence and federal law enforcement agencies perform too much homeland security work behind closed doors. Their proclivity to operate in a world of restricted documents and windowless rooms often leaves both the private sector and the general public out of the loop.

On the surface, it seems sensible to avoid releasing information about vulnerabilities or security measures that potential adversaries could exploit. But this insularity often undermines the defense of critical infrastructure, such as seaports, dams, and waterworks. In determining the best way to protect a suspension bridge, for example, the bridge's chief engineer is likely to have ideas that would not occur to a law enforcement or military professional working in the Department of Homeland Security. But government officials frequently fail to consult that engineer. They will share security information only with vetted company security officers, who in turn are barred from passing this information on to senior executives and managers who do not

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hold active security clearances. As a result, investment and operational decisions are often made with scant attention paid to the potential security stakes.

The U.S. government should increase its transparency with the broader public as well. Many policymakers believe that candor about potential dangers may generate excessive public fear. Yet the secrecy reflex often contributes to public anxiety. People are most frightened when they sense their vulnerability to threats but feel powerless to address them. U.S. officials have stated for nearly a

Federal agencies
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decade that terrorism is a clear and present danger, but they have given citizens little information about how to cope with that hazard. Instead, citizens are told to proceed with their daily routines because the government is hard at work protecting them. The psychological effect of this is similar to that of a doctor telling a patient that she is suffering from a potentially life-

threatening illness but providing only vague guidance about how to combat it. No one wants to receive disturbing news from his physician, but a prognosis becomes less stressful when doctors provide patients with all the details, a clear description of the available treatments, and the opportunity to make decisions that allow the patient to assert some personal control over the outcome. In the same way, the U.S. government can decrease fears of terrorism by giving the American public the information it needs to better withstand, rapidly recover from, and adapt to the next major terrorist attack.

Flight attendants routinely tell passengers that they may need to use their seat cushions to stay afloat in the event of an emergency water landing. Although escaping a plane in the water is a frightening scenario, this safety instruction does not generate panic among passengers. Similarly, there is no reason why civilians should not be told what bombs and detonators look like, on the very remote chance that someone like the “Christmas Day bomber” ends up seated next to one of them on a plane. Having better-informed airport workers, flight crews, and passengers could prove a far more effective safeguard than deploying hundreds of new body scanners at airports.

AVOID OVERREACTING

WASHINGTON MUST also avoid overstating the threat of terrorism. Terrorist attacks are not all the same. Small-scale attacks of limited destructiveness pose the most likely terrorist danger to the United States today. Although Osama bin Laden remains on the loose, al Qaeda's senior leadership infrastructure has essentially been dismantled, undermining its ability to conduct sophisticated large-scale operations in North America. Aligned groups or other terrorist organizations may still organize catastrophic attacks, but such ambitious terrorist operations require groups of operatives with capable leaders, communications with those overseeing the planning, and time to conduct surveillance and to rehearse. Money, identity documents, and safe houses for operatives must be secured, and other logistical needs must be met. All this effort creates multiple opportunities for intelligence and law enforcement agents to disrupt plots before they come to fruition.

In the face of these challenges, terrorists have adapted their tactics. Now, attacks on U.S. soil are likely to be perpetrated by homegrown operatives who act alone or with one or two accomplices. Such operations are difficult to detect and intercept. Yet lone gunmen and suicide bombers can inflict only limited damage. Tragically, such attacks will destroy property and take innocent lives. But Mother Nature generates far more frequent and disastrous incidents. Virtually no terrorist scenario could equal the devastation caused by the March 2011 earthquake and tsunami that hit northern Japan. Similarly, it is hard to imagine that a terrorist armed with a weapon of mass destruction could produce more casualties than a global outbreak of a virulent strain of the flu virus: epidemiologists estimate that as many as 100 million people died of the Spanish flu in 1918. Even when terrorism is measured against other national security challenges, some perspective is warranted. During the height of the Cold War, a nuclear exchange with the Soviet Union would have left two-thirds of the American people dead and much of the world in ruins. That was a true existential danger, and one that the most ambitious terrorists cannot hope to match.

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Similarly, U.S. policymakers must avoid overreacting to terrorist incidents when they do occur. In the aftermath of the bombing attempt aboard Northwest Airlines Flight 253, congressional leaders on both the left and the right declared it better to overreact than underreact to the risk of terrorism. This rare bipartisan consensus was unfortunately entirely wrong. Terrorism is fueled by the confidence that Americans will react to it by embracing draconian measures that damage the U.S. economy. Al Qaeda's October 2010 attempt to bomb airplanes by hiding explosives in ink cartridges shipped from Yemen was consistent with this strategy. The terrorists hoped that the midair destruction of any plane—cargo or civilian—would spur U.S. officials to respond with costly and disruptive methods that would undermine the movement of global cargo. In other words, their strategy depends on how Americans react—or, more precisely, overreact—to acts of terrorism.

Yet such smaller-scale, less destructive, and less lethal operations, even if unsuccessful, can produce this overreaction only when overwrought media coverage and political recriminations generate a rush to deploy expensive and often counterproductive new defenses. Conversely, a response of confident resilience to acts of terrorism would provide a real measure of deterrence by demonstrating that such attacks will not achieve their desired ends. Although the United States cannot prevent every act of terrorism, it can control how it responds to them.

THE WAY FORWARD

THE U.S. GOVERNMENT can avoid hindering its own actions to protect the homeland by building trust and setting proper expectations with civilians. To develop a comprehensive homeland security strategy, however, Washington should place greater emphasis on developing adequate societal resilience. Resilience is the capacity of individuals, communities, companies, and the government to withstand, respond to, adapt to, and recover from disasters. Since disruptions can come not just from terrorism but also from natural and accidental sources as well, advancing resilience translates into building a general level of preparedness. Ideally, a program of

resilience would address the most likely risks that people, cities, or enterprises may face. This would minimize the potential for complacency while assuring a level of basic skills, such as first aid and effective emergency communications, which are useful no matter the hazard.

Building societal resilience requires a bottom-up, open, and participatory process—that is, the exact inverse of the way U.S. policymakers have approached homeland security to date. A program of resilience mandates individuals, communities, and companies to take precautions within their respective areas of control. Success is measured by the continuity or rapid restoration of important systems, infrastructure, and societal values in the face of an attack or other danger.

Resilience begins on the level of individuals. A program of resilience would promote self-reliance in the face of unexpected events, encouraging civilians to remain calm when the normal rhythms of life get interrupted. It would also teach individuals to make themselves aware of the risks that may confront them and to be resourceful by learning how to react to crises. And it would make preparedness a civic virtue by instructing civilians to refrain from requesting professional assistance unless absolutely necessary, thus freeing up manpower for those in the greatest need.

Promoting individual resilience involves acknowledging that many Americans have become increasingly complacent and helpless in the face of large-scale danger. Reversing this trend demands a special emphasis on educating young people. Students should learn to embrace preparedness as both a practical necessity and an opportunity to serve others. These students, in turn, can teach their parents information-age survival skills, such as texting, which may offer the only means to communicate when cellular networks are overloaded (800 text messages consume the same bandwidth as a one-minute call). As demonstrated in the aftermath of the 2010 Haitian earthquake and the Deepwater Horizon

Al Qaeda's strategy depends on how Americans react—or, more precisely, overreact—to acts of terrorism.

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oil spill that same year, social media are transforming the way rescuers and survivors respond to crises. These new tools have the power to turn traditional, top-down emergency management on its head.

Resilience also applies to communities. The U.S. government can promote resilience on the communal level by providing meaningful incentives for collaboration across the public, private, and nonprofit sectors before, during, and after disasters. Much like at the individual level of resilience, communities should aspire to cope with disasters without outside assistance to the greatest degree possible.

Building resilient communities requires providing community leaders with tools to measure and improve their preparedness based

The tenth anniversary of September 11 will provide Obama with an opportunity to recalibrate the nation's approach to homeland security.

on a widely accepted standard. The Community and Regional Resilience Institute, a government-funded research program based at Tennessee's Oak Ridge National Laboratory, has spearheaded an attempt to define the parameters of resilience, modeled on the method by which fire and building codes were created and are maintained. It has drawn on a network of former governors and former and current mayors, emergency planners, and aca-

demics to develop detailed guidelines and comprehensive supporting resources that will allow communities to devise resilience plans tailored to their needs. Other countries, including Australia, Israel, and the United Kingdom, have instituted similar programs. Federal and state governments could provide communities that implement a comprehensive risk-awareness strategy and a broad-based engagement program with tangible financial rewards, such as reduced insurance premiums and improved bond ratings.

U.S. companies compose the third tier of resilience. Resilient companies should make business continuity a top priority in the face of a disaster. They should invest in contingency planning and employee training that allow them to serve and protect their customers under any circumstance. Corporations must also study the

Recalibrating Homeland Security

capabilities of and partner with their suppliers and surrounding communities. Much like individuals and communities, corporations with resilience would possess the ability to sustain essential functions and quickly resume their operations at full capacity after a disaster. Resilience may also bring financial benefits to companies able to demonstrate their dependability in the wake of a major disruption. Such companies are likely to experience an increase in market share by maintaining regular customers and attracting new ones as well.

Although most large corporations invest in measures that improve resilience, smaller companies—which are the backbone of local economies and yet are constrained by limited resources—generally do not. But small businesses can rectify this in a low-cost manner by creating a buddy system between companies located in different regions. For instance, a furniture store in Gulfport, Mississippi, that may fall victim to an August hurricane could partner with a furniture store in Nashville, Tennessee, that may suffer from spring flooding. These businesses would agree to assist each other in providing backup support for data, personnel, customers, and suppliers in the event of a disaster.

INSTILLING RESILIENCE

To HIS credit, Obama explicitly identified resilience as a national security imperative in his May 2010 National Security Strategy. Homeland Security Secretary Janet Napolitano did the same in the February 2010 Quadrennial Homeland Security Review. Both have made frequent references to the importance of resilience in their speeches. But neither the federal bureaucracy nor the general public appears to be paying much attention.

The approaching tenth anniversary of September 11 will provide Obama with an opportunity to recalibrate the nation's approach to homeland security. While honoring the enormous sacrifice of the U.S. armed forces and those who have been working to protect the U.S. homeland, he should ask citizens to step forward and assume their own unique role. For individuals, families, neighbors, employers, and employees, the way to honor the lives so tragically lost in the

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Twin Towers, in the Pentagon, and aboard United Airlines Flight 93 is to unite in preparing for future emergencies. The president should ask citizens from every walk of life to embrace a personal commitment to making the United States more resilient.

When passengers enter the new body scanners at U.S. airports, they are directed by TSA screeners to hold their hands above their heads and stand still while their images are taken. The position closely resembles the universal stance for surrendering—undoubtedly why many find the process so uncomfortable. An emphasis on resilience, by contrast, is consistent with the U.S. tradition of grit, determination, and hope in the face of adversity. When tested, Americans have always bounced back better and stronger. It is long past time for Washington to stop treating civil society as a child to be sheltered and to acknowledge the limits and counterproductive consequences of relying so heavily on protective measures. In good times and bad, the greatest asset of the United States has always been its people. 🌐

Reviews & Responses



REUTERS/GORAN TOMASEVIC

A statue of the Iraqi dictator Saddam Hussein falling in Firdos Square, Baghdad, April 9, 2003

The works of totalitarian art rarely
outlast the regimes that produced them;
they are quickly consigned to
oblivion or destroyed outright by
enraged populations.

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What Is Totalitarian Art?

Cultural Kitsch From Stalin to Saddam

Kanan Makiya

Totalitarian Art: In the Soviet Union, the Third Reich, Fascist Italy, and the People's Republic of China. 2nd ed. BY IGOR GOLOMSTOCK. Overlook Press, 2011, 420 pp. \$40.00.

Earlier this year, the government of Iraq, in a misconceived act of outreach to the country's once dominant Sunni community, began restoring a dilapidated monument in Baghdad. Originally constructed in the late 1980s as a celebration of Iraq's supposed triumph in its war against Iran, the Victory Arch was partially dismantled in 2008 by Sadrist elements who were eventually stopped by orders from the Iraqi prime minister. The monument consists of two sets of giant forearms and hands brandishing swords, draped with a net containing a gruesome collection of enemy helmets. Conceived by Saddam Hussein himself and carried out by the Iraqi sculptor

Mohammed Ghani Hikmat using casts of Saddam's own arms, it is such an outstanding example of totalitarian kitsch that I used it as a lens through which to view the degradation of culture in Iraq under the Baathist regime in my 1991 book *The Monument*.

But what exactly makes something totalitarian art? In his important and encyclopedic tome on the art produced under the twentieth century's four most brutal political systems—the Soviet Union, the Third Reich, Fascist Italy, and the People's Republic of China—Igor Golomstock makes it clear that he is writing not about “art under totalitarian regimes” but rather about “totalitarian art,” a particular cultural phenomenon with its own ideology, aesthetics, and style. This type of art did not arise because of common threads running through Soviet,

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EDUARDO MUNOZ/REUTERS

An Iraqi soldier passing the Victory Arch in Baghdad, June 2008

German, Italian, and Chinese culture; the cultural traditions of the countries, Golomstock holds, are “simply too diverse” to explain the stylistic and thematic similarities among totalitarian works. He collects these similarities under the term “total realism,” a genre that has its roots in the socialist realist art of the Soviet Union after 1932, when Stalin decreed it the only type of art acceptable.

One cannot think of a more perfect example of the totalitarian artistic impulse than Saddam’s insistence that a cast of his own forearms be used as the mold from which the Victory Arch was to be made. But in general, depictions of the leader, perhaps the most common subject of total realism, had to be mythologized. It would not do, for example, for a Soviet artist to depict Stalin as the short, pockmarked, bandy-legged man that he really was. His physical attributes, as in F. S. Shurpin’s portrait *The Morning of Our Fatherland*, had to undergo the same transformation as Stalin’s version of history, to be turned into what the writer Milan Kundera so eloquently referred to as “the beautifying

lie.” To make this point even more explicit, in this new edition of the book (it was first published in 1990), Golomstock has added a postscript on totalitarian art in Saddam’s Iraq. Although the art of that era was produced in a largely Arab and overwhelmingly Muslim culture, it still fits into the same paradigm as the art produced in Maoist China. As Golomstock argues, the similarities within totalitarian art demonstrate “the universality of the mechanisms of totalitarian culture.”

Golomstock arrived at this insight in the late 1950s when he was working as a children’s guide in the Pushkin Museum of Fine Arts, in Moscow. He discovered that children who were well versed in the Stalinist art of the previous decades were unable to tell the difference between Nazi and Soviet works. “It was then,” he writes, “in the bowels of the totalitarian system, ‘in the belly of the whale,’ that I first had the idea of this book: it arose from an intuitive sense of the strange closeness between two artistic systems that were . . . ideologically hostile to one another.”



TOM STODDART/GETTY IMAGES

An image of Saddam Hussein that covers a wall in Baghdad, September 1989

By cataloging and reproducing hundreds of images, some never before published, of paintings, posters, and sculptures and juxtaposing Soviet, German, Italian, and Chinese works to one another, Golomstock has fleshed out that original intuition. His exploration of these works, and his unearthing of the multitude of stories surrounding their origin, production, and fate, is invaluable. *Totalitarian Art* is an indispensable work of reference on the art produced under four regimes that, between them, are responsible for the deaths of tens of millions of people.

SPONSORING CREATIVITY

Golomstock's story about Soviet schoolchildren is eerily reminiscent of how Oleg Grabar opened his groundbreaking 1973 book, *The Formation of Islamic Art*. Grabar noted that if a person with a "modicum of artistic culture" were leafing through hundreds of images of major works of art from all over the world, he would, without fail, be able to identify those that experts label "Islamic art." But what makes Islamic art unique? Grabar was quick to show that it had little, if anything, to do with Islam. Many works of art made by or for non-Muslims are appropriately studied as examples of Islamic art. There is, after all, a Taj Mahal in India made by Indians drawing on Hindu, pre-Islamic traditions and a Dome of the Rock in Jerusalem made by Christian artisans whose craft was Byzantine in origin. Yet experts regard both architectural masterpieces as unquestionably Islamic. What is Islamic about the art, Grabar writes, is its "special

overlay, a deforming or refracting prism which transformed, at times temporarily and imperfectly, at other times permanently, some local energies or traditions."

In its early centuries, Islamic civilization was a fusion of many preexisting cultures, which in turn gave birth to new forms of literature and art that are recognizable as Islamic, even centuries after the original creative spark died out. There is such a thing as Islamic art, comparable to Gothic or baroque art, because of a centuries-long historical juncture that transformed ethnic and geographic traditions and created a new kind of symbiosis between local

modes of artistic expression and pan-Islamic ones. Historians may not yet fully understand how a particular tile made in Muslim Spain came to bear an uncanny and elusive resemblance to one made in Hyderabad, India, but as Grabar has demonstrated, they do know that both are indubitably Islamic.

The same elusive and unselfconscious creative impulse cannot be found in state-sponsored totalitarian art. To begin with, it is often indistinguishable from propaganda. Consider the amateurish poster of Saddam on a white horse (à la Vasily Yaklovlev's portrait of the Soviet marshal Georgy Zhukov) that was plastered all over Baghdad in 1989—the year he rode under his Victory Arch on that very horse. Because they are so bound up with the state and its politics, the works of totalitarian art rarely outlast the regimes that produced them; they are quickly consigned to oblivion or destroyed outright by enraged populations.

After the U.S. invasion of Iraq, for example, jubilant Baghdadis clambered on top of the toppled bronze statue of Saddam in Firdos Square and dragged the severed head through the streets. Totalitarian art, in other words, seems to be rejected once the political conditions that led to its creation are lifted. The art that has survived in Germany and the former Soviet Union has only recently begun to be pulled out of museum basements, largely for the purpose of study, not admiration.

More important, totalitarian art has not yet produced masterpieces that, irrespective of the odious systems that birthed them, could be said to have made permanent



GOLOMSTOCK, LONDON

Vasily Yakovlev, Portrait of Georgy Zhukov (1946)

contributions to human culture. Perhaps this is because, unlike Islamic art, for example, totalitarian art's production has everything to do with a top-down, state-driven project to bring about an aesthetic and spiritual union of government and people according to a prefixed dogma.

Benito Mussolini was the first political leader to propagate the idea that art should serve the revolution and the state. But Italian fascism was never quite able to realize this vision. It was never able to fully fuse ideology, organization, and terror into the kind of state-run cultural machine that Mussolini's own fascist doctrine called for. Whereas Hitler and Stalin used both



F. S. Shurpin, The Morning of Our Fatherland (1948)

threats and rewards to co-opt artists, Mussolini used only the latter, and so pre-Fascist Italian culture was never laid to waste the way German and Russian culture were. The concrete implementation of the concept of total realism—in paint, marble, and building materials—was left to Hitler’s Germany, Stalin’s Russia, and Mao’s China. Italy’s inability to realize the totalitarian cultural project highlights how unimaginable such a project would have been in the formative centuries of Islam, when no state or empire had the resources, repressive agencies, or organizational wherewithal to bring about the necessary fusion that Mussolini called for and that Hitler and Stalin put into effect. Totalitarianism is a twentieth-century enterprise that would have been impossible to realize in premodern, nonindustrialized societies.

THE ELEMENTS OF STYLE

To be sure, Islamic and totalitarian art do have something in common. Behind both

lay an originally political and ideological impetus, not an artistic one, that made new aesthetic forms possible. Both can be precisely dated, since Muslim sources document when different lands became Islamic and the beginnings of totalitarianism can be pinned down in the twentieth century with even greater precision. The day the Third Reich collapsed in 1945 ended the German experiment with total realism, and the day the statue in Firdos Square came tumbling down in 2003 ended Iraq’s. The Soviet Union’s fascination with the form reached its apogee between 1946 and 1953, only to wither away in later decades.

But Golomstock does much more than provide the political markers for the start and the end of full-blown totalitarian culture. He makes a cultural argument that there was a nexus between totalitarianism and modernism. “We shall never be able to understand the nature of totalitarian culture,” he writes, “unless we examine its ideological sources in what it referred

What Is Totalitarian Art?

to with contempt as ‘modernism.’” In his problematic first chapter, “Modernism and Totalitarianism,” Golomstock writes of a “hereditary link” between the avant-garde movement of the first decades of the twentieth century, which by and large welcomed the 1917 Russian Revolution, and the total realism movements of the 1930s and 1940s, which he sees as that revolution’s offspring. Totalitarian regimes, he argues, disguise themselves in the revolutionary garb of modernist art in their early stages, before turning to “the most conservative and outmoded” cultural traditions once they have legitimated themselves.

Unfortunately, in making this ideological connection between some avant-garde artists and the total realists, Golomstock has lost sight of the initial experience in the 1950s that brought him to all the important insights of this book. If he were to place works by such giants of early modernism as Umberto Boccioni and Wassily Kandinsky side by side with works by such total realists as Yakovlev and Heinrich Knirr, he would find that the children he had taught in the 1950s would have no trouble at all telling them apart. (The children would, of course, not know the names of the modernists, because these had been erased from art history books, just as their works had been removed from museums.) The stylistic gap between the two groups is so large that it is senseless to claim that evolving ideologies somehow connect them. Contrary to Golomstock’s reasoning, an artist should not qualify as the progenitor of totalitarian art simply because he or she hailed

fascism and revolution in Europe in the first decades of the twentieth century.

The fundamental distinction that needs to be made here, one ignored by Golomstock, is between, on the one hand, an artist’s rhetoric and the political ideas he or she holds (including the meaning given to his or her own work) and, on the other hand, the work itself and how it speaks to fellow artists and viewers of art in society at large. It does not really matter if Boccioni, the great Italian sculptor and painter, joined forces with Mussolini. What matters is that he learned from such modernist giants as Georges Braque and Constantin Brancusi and went on to help shape cubist sculpture



COURTESY OF THE ARMY ART COLLECTION, U.S. ARMY CENTER OF MILITARY HISTORY

Heinrich Knirr, Portrait of Adolf Hitler (1939)

Kanan Makiya

in Europe, influencing such important artists as Raymond Duchamp-Villon, C. R. W. Nevinson, and Wyndham Lewis—who were as removed from totalitarian ideas and movements as it was possible to be. Boccioni, then, was both an artist and an Italian Fascist, but his work is not remotely connected with totalitarian art.

DICTATORIAL TASTES

The crucial element in the creation of totalitarian culture was the involvement of the state, not indirectly, through the financing of culture, but directly, by imposing a “dictatorship of taste,” as the Russian futurist poet Vladimir Mayakovsky enthusiastically called it. To find, as in post-Baathist Iraq, boxes of files containing hundreds of pages of correspondence from the Office of the President providing guidance on the minutiae of wall posters and paintings and murals and monuments made in Baghdad under Saddam, even as he was waging wars with Iran, Kuwait, and the United States: this is the true measure of totalitarian culture, not what this or that Iraqi artist said about art before Saddam even came to power.

The fact that artists, even great ones, have acquiesced in, collaborated in, and even argued for state organization of art and culture is beside the point; it is the implementation of the supposed necessity of that organization, so thoroughly documented by Golomstock, that ultimately creates the universal forms of totalitarian art that even schoolchildren can immediately recognize as such. Moreover, it matters how good these artists are at what they do. Golomstock acknowledges this in his postscript on totalitarian art in Iraq. No Iraqi artist working for Saddam, he writes, “was as gifted as Arno Breker, Vera Mukhina or

Alexander Gerasimov”—all artists who worked under Hitler or Stalin.

This statement betrays Golomstock’s overly hasty observations about Iraqi art, whose quality he fails to appreciate. Totalitarian art is only interesting when the best artistic talent engages in it, and this is what happened in Iraq. Under Hitler, many of the best artists went into exile, continuing modernism on the more welcoming shores of the United States. (The consequences of choosing not to flee can be severe: the poet Mayakovsky stayed on in Stalin’s Russia, which may have had something to do with why he shot himself in 1930.) In Iraq, by contrast, most of the talented artists of the 1950s and 1960s collaborated with the new regime. Ghani Hikmat and Khalid al-Rahal, two of the most promising young Iraqi talents in the 1960s, went on to carry out such total realist monstrosities as the Victory Arch and the Monument to the Unknown Soldier in the 1980s. They did so because their project of the reappropriation of Iraqi *turath*, or “heritage,” was hijacked by the Baath Party, which found it politically parallel to its own idea of a Baathist-led “renaissance” of Arabness.

After 1968, once the totalitarian machinery of the state had been set up, the government poured money into the arts. Over time, it directed artistic life to fit state-driven political goals, to the point where Saddam himself began designing monuments. What the Iraqi experience shows, when the pre-totalitarian works of Iraqi artists are compared with the later totalitarian works that were dictated by the Saddam regime, is how much the work of the individual artist was transformed into something quite unrecognizable from what it used to be. Totalitarian art is the lifeless and mindless outcome of that dictation. 🌐

Recent Books on International Relations

Political and Legal

G. JOHN IKENBERRY

*The Origins of Political Order: From
Prehuman Times to the French Revolution.*

BY FRANCIS FUKUYAMA. Farrar,
Straus & Giroux, 2011, 608 pp. \$35.00.

Fukuyama is best known for his reflections on “the end of history,” but with this landmark study, he turns to history’s beginning, tracing the origins and trajectories of political order from prehistoric times to the French Revolution. (A second volume will take the story to the present.) Drawing inspiration from Samuel Huntington’s classic study *Political Order in Changing Societies*, Fukuyama begins with humans’ earliest steps to construct tribal societies before moving on to the gradual emergence of organized political communities and the rise of the territorial state. At each turn in this rich survey, he is interested in the origins and evolution of political institutions, whether they be Arab, African, Chinese, European, or Indian. Political development, he argues, is manifest in societies’ gradual, contested, and reversible transitions toward the modern state, where authority is centralized, the rule of law holds sway, and representative leaders are held accountable. The book incorporates

both traditional accounts of the rise of the state, emphasizing war and economic predation, as well as those that focus on transformative ideas about law, justice, and religion.

*Zero-Sum Future: American Power in an Age
of Anxiety.* BY GIDEON RACHMAN.

Simon & Schuster, 2011, 352 pp. \$27.00. In this lively chronicle of the last three decades, Rachman, a columnist for the *Financial Times*, argues that the 2008 financial crisis “changed the logic of international relations,” ushering in a new era marked by a dysfunctional world economy and intensifying “zero-sum” geopolitical rivalries. The optimistic post-Cold War era, when globalization, democracy, and U.S. leadership seemed to be lifting all boats and bringing the world together, is over. Rachman unfurls his narrative in a sequence of brief portraits of political leaders and public intellectuals—such as Deng Xiaoping, Ronald Reagan, and Bill Gates—who are emblematic of various features of the rapidly transforming global landscape. The book points to the obvious problems that are unsettling the global system, including climate change, nuclear proliferation, failed states, and the failure of institutions such as the G-20 to foster cooperation and manage

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gloeconomic instability. As Rachman writes, these problems might be more tractable if the United States were still sufficiently dominant to impose solutions, but the shift of power and wealth toward Asia and the rise of a rival Chinese authoritarian capitalist system are undermining the coherence and stability of the current world order. Taking the long view, however, it is far from clear that world politics are, as he believes, more zero-sum now than in the past.

Dangerous Times? The International Politics of Great Power Peace. BY

CHRISTOPHER J. FETTWEIS.

Georgetown University Press, 2010, 304 pp. \$29.95.

Not since World War II have any major countries directly fought a war with one another—the longest period of great-power peace in centuries. Scholars have debated the sources and significance of this “long peace,” variously pointing to nuclear deterrence, democratization, and economic interdependence. All these explanations look to long-term shifts in the costs of war and the benefits of peace. In this book, Fettweis goes a step further and argues that a deeper transformation has occurred in the way citizens of great powers think about large-scale war. He asserts that there has been a long-term shift in the norms of war, not unlike earlier shifts in norms that undermined the acceptability of dueling and slavery. Much of the book is focused on the implications for theories of international relations. Unfortunately, Fettweis spends very little time actually looking for empirical indications of evolving norms. It may well be that today’s great-power peace reflects a discontinuity in the nor-

native underpinnings of international politics. But skeptics who read this book will probably remain skeptics.

Determinants of Democratization:

Explaining Regime Change in the World, 1972–2006. BY JAN TEORELL.

Cambridge University Press, 2010, 220 pp. \$90.00 (paper, \$28.99).

Beginning in the 1980s, countries across southern and Eastern Europe, Latin America, and Asia made transitions to democracy. In recent years, this “third wave” of world democratization has slowed and, in some cases, reversed. This important book presents fascinating empirical findings that explain why some countries have become democracies and others have not, and why some democratic breakthroughs have endured and others have slid backward. Echoing the classic work of the political scientist Adam Przeworski, Teorell argues that modernization primarily helps prevent reversals to authoritarianism rather than promote transitions to democracy. Interestingly, he suggests that this “modernization effect” has to do with the spread of media: a free press seems to undercut antidemocratic coups. Short-term economic gains, meanwhile, can reinforce authoritarian rule, whereas sudden economic crises can trigger pro-democracy movements. Teorell also finds evidence of a “diffusion effect,” whereby a successful democratic transition in one state can stimulate efforts elsewhere. The book’s rich findings will no doubt stir the scholarly debate and lend support to democracy promoters who wish to strengthen pro-democratic groups and independent media.

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History and Neorealism. EDITED BY

ERNEST R. MAY, RICHARD
ROSECRANCE, AND ZARA STEINER.
Cambridge University Press, 2010,
406 pp. \$99.00 (paper, \$33.99).

The Prussian field marshal Helmuth von Moltke famously remarked that “no plan survives contact with the enemy.” The same might be said for theories of international relations after they make contact with the real world. In this collection of essays, leading diplomatic historians and international relations theorists explore the limits of realist theory in explaining why great powers do what they do. Although their critiques are not new—indeed, scholars spent the two decades after the appearance of Kenneth Waltz’s *Theory of International Politics* in 1979 debating the explanatory claims of the balance of power—this book does illuminate how great powers’ ideologies, domestic politics, and shifting power relationships shape their behavior. The authors all focus on historical moments when major states defied the expectations of balance-of-power theory, failing to respond to rising threats, pursuing appeasement, or going overboard. Paul Schroeder finds realism’s balancing logic insufficient to explain patterns of conflict in the seventeenth and eighteenth centuries. Niall Ferguson examines German foreign policy during the Munich crisis. May, one of the volume’s editors, explores the “underuse” of military power. The book is not really a devastating indictment of realism—after all, the authors all use realism as a base line from which to identify the other factors at work. But it does show the fruitfulness of exploring the interplay between history and theory.

Economic, Social, and Environmental

RICHARD N. COOPER

The Haves and the Have-Nots: A Brief and Idiosyncratic History of Global Inequality.

BY BRANKO MILANOVIC. Basic
Books, 2011, 272 pp. \$27.95.

This delightful and quirky book explains in layman’s terms the evolution of income inequality over the years, within countries and between countries. Twenty-six vignettes tackle diverse questions: Where does the reader fit into the global distribution of income? How unequal was income in the Roman Empire? Who was the world’s richest person in history? How egalitarian was socialism in practice? Is there an emerging global middle class? How does the search for love and wealth in *Pride and Prejudice* differ from that in *Anna Karenina*? A growing volume of data on income distribution within countries and new data on purchasing power comparisons between countries have permitted the author, an economist at the World Bank, to make quantitative generalizations that could once only be guessed at. It is a pity he did not include (in an appendix) some of the data he draws on so skillfully.

Financial Globalization, Economic Growth, and the Crisis of 2007–09. BY WILLIAM R.

CLINE. Peterson Institute for
International Economics, 2010,
256 pp. \$28.95.

Following within a decade of the Asian financial crisis, the recent global financial crisis has revived the debate over the merits of openness to foreign finance, especially

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for developing countries. Restrictions on international capital movements are back in fashion. In this useful overview, Cline reviews the extensive and scattered economic literature on the contribution of financial openness to economic growth, correcting the mistaken impression that the literature provides little support for it. The results of many studies are overwhelmingly one-sided in showing that financial openness encourages growth—it has boosted the GDPs of the emerging countries by 0.5 percent a year since 1990, Cline estimates, and it has boosted those of the rich countries by even more. The cumulative gains of opening up to foreign capital outweigh the losses attributable to occasional financial crises (as opposed to global recessions, which hurt countries largely by reducing trade).

Exorbitant Privilege: The Rise and Fall of the Dollar and the Future of the International Monetary System. BY BARRY EICHENGREEN. Oxford University Press, 2011, 224 pp. \$27.95.

Reform of the international monetary system is on the agenda for the G-20's 2011 summit. Eichengreen, an economic historian, has written a brief and readable account of how the international monetary system got where it is today and of past efforts, both successful and (mainly) unsuccessful, to reform it. He argues that the dollar is deeply embedded in the world economy and that it will be difficult for any alternative—the euro, the yuan, or the International Monetary Fund's reserve asset, Special Drawing Rights—to dislodge it anytime soon. The dollar continues to be attractive because of the size of the U.S. economy and the scale and liquidity of U.S. financial markets and, above all,

because many foreign firms and governments continue to use it. Eichengreen also skillfully debunks the notion that the Chinese government could damage the United States by dumping its large holdings of dollars and the view that the United States' geopolitical influence hinges on the international role of the dollar. In fact, any serious damage to the United States' role in the world is likely to be done by Americans' own inattention to fiscal discipline.

Quiet Politics and Business Power: Corporate Control in Europe and Japan. BY PEPPER D. CULPEPPER. Cambridge University Press, 2010, 248 pp. \$90.00 (paper, \$29.99).

Hostile takeovers often make for exciting news wherever they occur. But they are especially exciting when they occur outside the United Kingdom and the United States, since they are much less common in other countries. Around the world, resistance to such takeovers is gradually crumbling, although at markedly different rates. Culpepper, a political scientist, tries to explain why this is so, focusing on public policy in France, Germany, Japan, and the Netherlands. Whereas France and Japan have seen a significant decline since 1990 in the proportion of corporate equity held by "stable" shareholders (that is, shareholders that are unlikely to sell to an upstart buyer), Germany and the Netherlands have not. The change in stable shareholding, Culpepper argues, is not so much a cause as a consequence of shifting attitudes toward management. So long as the issue of corporate control remains politically unimportant, national policy will largely be determined by the preferences of companies' managers, rather than by those

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of institutional investors, workers, or even politicians. But if the issue develops political salience—as it did in the United States after the Enron scandal or, more recently, in reaction to the high pay for executives at bailed-out banks—management sometimes, but not always, loses control of the issue.

The Decline of Sterling: Managing the Retreat of an International Currency, 1945–1992. BY CATHERINE R. SCHENK. Cambridge University Press, 2010, 454 pp. \$99.00.

Banking on Sterling: Britain's Independence From the Euro Zone. BY OPHELIA EGLENE. Lexington Books, 2011, 167 pp. \$60.00.

Together, these two books cover the evolution of the United Kingdom's currency since World War II. Schenk, a historian, focuses on the decline of sterling as an international currency, a process that started as a British policy objective in the late 1940s and finally concluded three decades later. Drawing on archival material, she details the evolving and occasionally conflicting views within the British government about both goals and tactics and examines the financial backing the United Kingdom received from other countries to support sterling.

Eglene, a political scientist, follows events since 1990 and focuses on the United Kingdom's deliberations on joining the euro—that is, abolishing sterling altogether. She concludes that both the views of the United Kingdom's financial sector and official anxiety about it, rather than ideology or public opinion, played the decisive role in the country's procrastination with respect to joining the eurozone.

Military, Scientific, and Technological

LAWRENCE D. FREEDMAN

15 Minutes: General Curtis LeMay and the Countdown to Nuclear Annihilation.

BY L. DOUGLAS KEENEY. St. Martin's Press, 2011, 384 pp. \$26.99.

How the End Begins: The Road to a Nuclear World War III. BY RON ROSENBAUM.

Simon & Schuster, 2011, 320 pp. \$28.00.

General Curtis LeMay, forever associated with the firebombing of Japan and nuclear belligerence during the Cold War, was also a formidable manager. Keeney's book is not so much about LeMay as about the extraordinary system he created to ensure that the United States could threaten the Soviet Union with nuclear retaliation under all circumstances. Keeney cites LeMay's views in 1950 about what would be needed to allow the United States to deliver a retaliatory strike rather than just a first strike: an intelligence system that would warn of an incoming attack, a continual war footing for the air force, sufficient funds to support ambitious operational planning, and, in LeMay's words, the need to "re-examine present policies which imply that we must absorb the first blow." If retaliation was the order, then everything revolved around the 15 minutes of Keeney's title—the time it would take to get strategic bombers airborne while giving the president time to decide whether to exchange nuclear devastation. This strategy explains the massive size of the U.S. arsenal, which at its peak comprised some 34,000 nuclear weapons. The justification for all this is that it worked: mutual deterrence took hold,

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and the Cold War ended peacefully. But accidents and potentially catastrophic errors were regular. Along with David Hoffman's *The Dead Hand*, Keeney's book is yet another chilling reminder of the enormous gamble of Cold War deterrence.

It would certainly be grist for the mill for Rosenbaum, an accomplished journalist with a talent for exploring familiar issues from novel angles. His instincts are liberal and antinuclear, and in *How the End Begins*, he interrogates nuclear experts about how stable nuclear relationships were in the past and whether, in the light of Iranian endeavors, one can be confident about the future. He is particularly bothered by a question that is also at the heart of Keeney's book, one that was posed in 1975 by a major in the Strategic Air Command (to whom Rosenbaum's book is dedicated) and one that leads Rosenbaum into a disquisition on the morality of second-strike retaliation: Should the order to unleash a nuclear strike be issued, how can one know if the president is sane?

The Age of Airpower. BY MARTIN VAN CREVELD. PublicAffairs, 2011, 512 pp. \$35.00.

A new book from Van Creveld is always something to be savored. There have been many previous histories of airpower, but none so comprehensive and sensitive to context as this one. No recorded use of aircraft in war has been excluded, whether during the 1939–40 Russo-Finish War or the El Salvador insurgency in the early 1990s. Even fictional accounts of air war are included. In some ways, the book is a masterpiece of compression. Yet the result can be dense, and at times, Van Creveld's sources are not the best. The underlying argument, moreover, is unconvincing. The

basic thesis is that airpower had reached its country-wrecking peak by 1945, after which it declined, as nuclear deterrence suppressed great-power war and as the arrival of missiles, satellites, and drones rendered increasingly expensive aircraft superfluous. As Van Creveld points out, airpower has not been effective in "wars among the people," and the air forces of the major powers have all shrunk since their glory days. But so, of course, have their navies and their armored divisions; the real argument to be made is about the declining utility of all types of military power. Van Creveld is right to be aware of the limits of airpower used on its own, but few commanders would wish to fight their land wars without air superiority.

Triumph Revisited: Historians Battle for the Vietnam War. EDITED BY ANDREW WIEST AND MICHAEL J. DOIDGE. Routledge, 2010, 256 pp. \$125.00 (paper, \$36.95).

The Columbia History of the Vietnam War. EDITED BY DAVID L. ANDERSON. Columbia University Press, 2011, 488 pp. \$65.00.

In 2006, the historian Mark Moyar published a lively and vigorously revisionist account of the Vietnam War. He challenged all aspects of the orthodox view. This view, he argued, underplayed the viciousness of the North Vietnamese Communists, the genuine concerns of other countries in the region about the implications for them should South Vietnam collapse, and the fact that with a little less timidity, the Communists could have been beaten. If instead of overthrowing the South Vietnamese leader Ngo Dinh Diem, the Americans had worked on taking the battle to the North, the

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war would now be viewed in a quite different light. Hence the title of his book, *Triumph Forsaken*. In *Triumph Revisited*, Wiest and Doidge have collected Moyar's critics (and there are many) to explain why the standard explanations for the United States' failure in Vietnam—its exaggerated Cold War fears, its hopeless client, and its incoherent strategy—remain compelling. Moyar is allowed a spirited defense. The collection demonstrates the importance of debate as a way of illuminating important issues and questioning established positions.

Anderson, who contributes a fair and considered chapter to *Triumph Revisited*, is also the editor of *The Columbia History of the Vietnam War*. Although the contributors to this volume acknowledge the various debates surrounding the war, they all tend to follow the mainstream view on it, and so there is none of the cut and thrust of Wiest and Doidge's collection. No new theories about the main features and turning points of the war are advanced. Nonetheless, the quality and authority of the authors ensure that *The Columbia History* will have a place as an accessible and coherent account of the war's course, from before the United States' involvement to the North's eventual victory.

The United States

WALTER RUSSELL MEAD

The Right Kind of Revolution: Modernization, Development, and U.S. Foreign Policy From the Cold War to the Present. BY MICHAEL E.

LATHAM. Cornell University Press, 2011, 256 pp. \$69.95 (paper, \$22.95).

Theories of development and modernization have played a crucial role in the

formation of U.S. policy since George Washington's administration promoted the "civilization" of the eastern Native American tribes. When the French Revolution failed to create a moderate and liberal republic, when the newly independent South American republics collapsed into chaos, and when decolonization created fragile new states around the world, American intellectuals and policymakers argued about what modernization is and how it can be promoted. Latham's review grasps the strategic importance of modernization theory to U.S. foreign policy and at times offers penetrating and useful analysis. He does an excellent job of showing how Americans' technocratic assumptions have caused problems when events in places such as Egypt under Gamal Abdel Nasser, India under Jawaharlal Nehru, and Iraq more recently have not worked out as hoped. But Latham is sometimes more eager to castigate past administrations than to understand the dilemmas they faced. Nobody really knows how modernization really works, where history is headed, or how to raise living standards in poor countries. Yet the United States' values and interests lead the country, over and over, to promote what it hopes will be positive changes around the world.

The Dogs of War: 1861. BY EMORY M. THOMAS. Oxford University Press, 2011, 128 pp. \$14.95.

As the United States lurched toward civil war 150 years ago, the political leaders in both the North and the South, Thomas writes in this concise book, were profoundly ignorant of their true situation. Abraham Lincoln was perhaps the most deluded of them all; both his words and his deeds

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were predicated on the belief that only a handful of hotheaded aristocrats really cared about the Confederacy and that the silent majority of moderate Southerners would return to the Union once passions had cooled. Jefferson Davis had a clearer idea that the war might be long and bitter, but he believed—and would continue to believe into 1865—that the South could fight a successful guerrilla war against the North. Neither president knew how to use military leaders effectively in 1861. In Thomas' view, Davis never quite understood that Robert E. Lee believed that the South's only path to victory lay in destroying the North's army on the field of battle. And although Lincoln's chief military officer (the aged War of 1812 veteran Winfield Scott) thought from the beginning in terms of a long and bitter war, Lincoln rejected his advice as unpalatable.

The South and America Since World War II.

BY JAMES C. COBB. Oxford

University Press, 2010, 392 pp. \$24.95.

This masterful history of the American South since World War II analyzes the social and economic transformation of a region that within living memory was still William Faulkner territory. In 60 years, the Jim Crow laws have fallen and much of the region has been through both industrialization and (as textile mills fled to Asia) deindustrialization. The country's most rural region has become suburban and metropolitan; domestic migrants and immigrants are changing the South's demography and culture at an unprecedented rate. The most Democratic region of the country has become the most Republican; the South has more weight in Congress today than at any time since the Civil War. Yet the region remains the country's most

distinct and problematic. Cobb, one of the South's leading historians, has produced a clear and compelling portrait of a tumultuous time, using race relations, economic development, and culture as three lenses through which to understand the contemporary South and its future. A look at how underdevelopment has both restricted the South's choices and shaped its culture would have made the book even more useful; at times, Cobb seems to be scolding the South rather than explaining it. But the South does not always make perverse choices because of some flaw in its nature; frequently (as with its hunger to attract low-wage and environmentally destructive industries), it is trying to make the best of a bad situation.

Nearest East: American Millennialism and

Mission to the Middle East. BY HANS-

LUKAS KIESER. Temple University

Press, 2010, 224 pp. \$59.50.

Kieser, a German Swiss scholar, brings his backgrounds in Ottoman studies and Protestant theology together to offer a rewarding perspective on the complex relationship between the United States and what he calls the "nearest East." Kieser understands as few others do just how important Protestant missionaries in the Ottoman Empire in the first two decades of the twentieth century were to American progressive intellectuals and religious leaders. His description of the gulf of mutual misunderstanding that separated Ottoman and American Protestant reformers is haunting. And his analysis of how those reformers lost hope after the mass murder of Armenians during World War I is revelatory. (U.S. missionaries had seen the Armenians as the modernizers of the Middle East, and their near extinction

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dealt a blow to the missionaries' fusion of Enlightenment optimism and Protestant Christianity.) Unfortunately, Kieser does not have the same familiarity with Arab sources that he does with Ottoman ones; his nearest East really includes only Asia Minor. And like many writers with strong theological and moral commitments, he sometimes piles a very high mountain of moral judgment on very shaky foundations of political analysis. Nevertheless, at its best, *Nearest East* casts fresh light on an episode that left lasting marks on the United States' culture and its relations with a vital part of the world.

Western Europe

ANDREW MORAVCSIK

Bust: Greece, the Euro, and the Sovereign Debt Crisis. BY MATTHEW LYNN.

Bloomberg Press, 2010, 288 pp. \$27.95. Uncertainty about the future and myopic thinking drive boom-and-bust cycles in financial markets. The same factors drive cycles in financial journalism. Immediately after the European Union and the International Monetary Fund bailed out troubled European governments in May 2010, when the reporting for this book ends, many were still predicting disaster for the eurozone. Lynn, a journalist, captures the conventional wisdom behind that pessimism. The euro, he says, was always motivated primarily by politics, not economics; the Germans accepted it only as a quid pro quo for reunification, even though it does not really benefit them. He believes that the debt contagion is likely to spread to Italy, Spain, and Portugal; that eventually the euro must collapse; and

that Europe's and the United States' power have irrevocably shifted to Asia. But observers have grown more optimistic since Lynn wrote his book. The Europeans have redoubled their efforts to stabilize the system, because it is in their economic interest to do so. The French and the Germans are bailing out their banks, and the Greeks are working toward a restructuring or a partial default. *Bust* gives a sensible midterm report on the euro crisis, but the final chapter has yet to be written.

The Spanish Republic and Civil War. BY JULIÁN CASANOVA. Cambridge University Press, 2010, 370 pp. \$99.00 (paper, \$31.99).

More than 25,000 books and essays have appeared on the Spanish Civil War, and almost 75 years later, still no consensus has emerged about its causes, course, and consequences. In part, this is because historians still cannot resist taking sides in what was the quintessential battle among twentieth-century political ideas. Nearly every important organized ideology of that century was represented. Fascists, monarchists, Catholics, nationalists, liberals, anti-clericalists, Socialists, Communists, and anarchists all took part. After the assassinations, terrorism, and mass killing spread, the Nazis, the Italian Fascists, and the Soviets intervened, while the British and the French appealed. The war ended with the Republicans' unconditional surrender to General Francisco Franco and led to a half century of repression. Few have contributed more to understanding these events than Casanova, an eminent professor at the University of Zaragoza. Here, he synthesizes new research, much of it by a generation of young historians, into a lively, engaging account—the best available in English.

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Genocide and the Europeans. BY KAREN E. SMITH. Cambridge University Press, 2010, 288 pp. \$90.00 (paper, \$31.99). In world politics, idealistic schemes often begin with high hopes and end with disappointment. Such has been the case with Europe's response to recent genocides. So, also, is the experience of this book's author in applying trendy social science to this issue. Smith sets out to vindicate so-called constructivist theories of international relations, in the form of the proposition that international law alters the ideals, identities, and norms to which states adhere. The Genocide Convention, she conjectures, may encourage states to combat massive violations of human rights, and if any government in the world takes human rights seriously, surely it must be those in Europe. But after examining the official responses of France, Germany, and the United Kingdom to crises in Bosnia, Kosovo, Rwanda, and Darfur—or, more often, their nonresponses—Smith becomes more skeptical. Governments do tailor their actions to their public rhetoric. Yet Paris, Berlin, and London, just like Washington, also respond by recalibrating their rhetoric to duck responsibility, choosing whether to define events as “genocide” depending on their interests. The German government has been the most likely to use the term, in large part because it knows its smaller military is unlikely to be called on to intervene. France and the United Kingdom have been less likely to do so, because they might be obliged to deploy their more robust military forces. The result is perverse: Europe remains divided, self-interested, and cautious, even in the face of the worst atrocities. As François de La Rochefoucauld wrote, “Hypocrisy is the homage that vice pays to virtue.”

The Empire Project: The Rise and Fall of the British World System, 1830–1970. BY JOHN DARWIN. Cambridge University Press, 2009, 814 pp. \$39.00 (paper, \$28.99). The nineteenth-century historian Sir John Seeley famously remarked that the British “conquered and peopled half the world in a fit of absence of mind.” Seeley was right that the United Kingdom's empire was neither planned nor coherent. Yet nonetheless it was, as the title of this book suggests, a “project,” resulting from the deliberate, largely self-interested choices of British decision-makers. It also required, to a surprising extent, the cooperation of elites and masses in the territories that composed it—without which, British power and wealth alone would surely have been insufficient. Oxford University's Darwin offers a brilliant modern synthesis of the project's history. The guiding theme is the rise and fall of the United Kingdom's power and wealth—resulting from geopolitical forces over which the British had little control. He is particularly good on the empire's ineluctable but slow decline, arguing that only in the midst of World War II did it become clear that the nineteenth-century conception of empire was finished. Yet in telling the story of a great power's inevitable trajectory, Darwin does not neglect history's humanistic, less predictable side: the United Kingdom's clever diplomacy, the remarkable ethnic solidarity felt by the descendants of settlers, the role of imperial romanticism among both the conquerors and the conquered, and the extraordinary individual personalities behind the scenes. This long yet readable book is now the best general history of the British Empire.

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From Fatwa to Jihad: The Rushdie Affair and Its Aftermath. BY KENAN MALIK.

Melville House, 2010, 272 pp. \$25.00.

Most books about Islam and Europe tend to be predictable, empirically thin polemics written by outsiders. This book is different. It is not just a sociocultural critique but also a personal memoir by an Indian-born, British-raised research psychologist and journalist who has toiled in the trenches of the culture wars. Although Malik is a socialist and has no time for anti-immigrant polemics, he criticizes the British government's policy of fostering independent multicultural communities. This policy has empowered fundamentalist clerics by naming them official spokespeople for Muslim communities that are, in fact, divided and moderate. He presents an intriguing explanation of how radical Islam has taken hold in the United Kingdom, based on the saga of how Ayatollah Ruhollah Khomeini's 1989 fatwa against Salman Rushdie for his book *The Satanic Verses*—originally just an opportunistic effort for Khomeini to gain a political advantage in Iran—managed to spark fundamentalist religious confrontation and, ultimately, jihadist terrorism. Malik believes the causes of extremism do not lie in religious tradition: most radicals are neither religious nor traditional. Nor do they lie in hostility toward Western foreign policy, about which most British Muslim radicals care relatively little. He views the sort of jihadism that led to the July 7, 2005, bombings in London as a form of youthful rebellion, akin to membership in street gangs or middle-class slumming. It is motivated by young men's antipathy toward their parents and their desire for street credibility—forces stronger among the better educated. The tragic result has

been an increasingly illiberal and divided society, with little cultural space for second-generation British Muslims.

Western Hemisphere

RICHARD FEINBERG

The New Nicaragua: Lessons in Development, Democracy, and Nation-Building for the United States. BY

STEVEN E. HENDRIX. Praeger, 2009, 286 pp. \$59.95.

In this impassioned political memoir, the man who led the U.S. Agency for International Development's democracy-promotion programs during the 2006 presidential campaign in Nicaragua details just what political nation building means at the grass-roots level. With purposeful transparency, Hendrix reveals the trail of money and technical assistance that flowed from U.S.-based nongovernmental organizations to Nicaraguans fighting for fair elections, integrity in government, a more effective judiciary, and a vibrant civil society. In his energetic efforts, Hendrix mobilized the impressive network of democracy-promotion specialists that USAID has nurtured around the Western Hemisphere. Hendrix adamantly rejects charges of interventionism and insists that his motives were not "right versus left" but rather "right versus wrong." On election day, Nicaraguan voters preferred one of the "wrong" candidates, awarding the United States' nemesis Daniel Ortega a slim plurality. Yet Nicaragua remains a vigorous, if imperfect, democracy, a work in progress that should give Hendrix some comfort.

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Dragon in the Tropics: Hugo Chávez and the Political Economy of Revolution in

Venezuela. BY JAVIER CORRALES AND MICHAEL PENFOLD. Brookings

Institution Press, 2010, 195 pp. \$22.95.

Easily the best scholarly treatment of Hugo Chávez's hybrid electoral autocracy, Corrales and Penfold's book courageously refutes orthodox explanations—from the right and the left—for this unique caudillo's rise and resilience. Chávez gained power not because of neoliberal market reforms and political decay but rather because of the reverse: Venezuela's statist, oil-based economy and prior democratic openings had created the conditions for Chavismo. Especially insightful—and heartbreaking—is the story of how Chávez has drained the once proud state oil company of capital to fund his politically driven social programs and ambitious foreign policy agenda. Equally fascinating is how he has cleverly manipulated his international largess and appeal to the region's radical left to mute external criticism of his rule. Most likely, the authors predict, Chávez will sustain his increasingly entrenched neopopulist regime, unless a more unified opposition can build bridges to regime moderates who fear future chaos. This masterful monograph's dissection of Chávez's astoundingly shrewd political tactics will be carefully studied by both his well-wishers and his detractors.

Hemispheric Giants: The Misunderstood History of U.S.–Brazilian Relations. BY

BRITTA H. CRANDALL. Rowman & Littlefield, 2011, 230 pp. \$65.00.

Much of what is written on U.S.–Latin American relations relies on media reports or recycles other academic works. Crandall, in contrast, took the time to interview

U.S. policymakers and career diplomats. Her discovery: the mainstream complaint that the United States has forever neglected Brazil is way off the mark. In fact, U.S. officials—at both the senior and the middle levels of the bureaucracy—have recognized Brazil's relative weight and have repeatedly sought to engage its Foreign Ministry. But hung up on fears of being overwhelmed by U.S. power, or driven by their own dreams of Brazilian hegemony over South America, Brazilian diplomats have often turned their backs on U.S. advances. In this well-researched and balanced treatment, Crandall foresees the potential for bilateral cooperation on emerging global issues, ranging from financial stability to energy supplies, on which U.S. and Brazilian interests may converge. But will Brazil sufficiently redefine its strategic posture to pick up these gains?

Rethinking Corporate Social Engagement: Lessons From Latin America. BY

LESTER M. SALAMON. Kumarian Press, 2010, 176 pp. \$21.95.

At the behest of the Inter-American Foundation (a U.S. government entity focused on grass-roots economic development), the nonprofit guru Salamon surveyed the corporate social responsibility movement in Latin America. Essentially a reprint of that consulting report, this primer, loaded with clear snapshots of cutting-edge cases, focuses on five countries: Argentina, Brazil, Chile, Colombia, and Mexico. Overall, Salamon finds that leading Latin American firms are adapting modern practices of corporate social responsibility—aligning their philanthropy with their business goals, forming partnerships with government entities and non-governmental organizations, and including

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local communities in business decisions. Yet corporate participation is still spotty and too often focused more on public relations than on meaningful reform. Nonetheless, Salamon is “cautiously optimistic” that corporate social engagement is more than a passing fad.

Living Standards in Latin American History: Height, Welfare, and Development,

1750–2000. EDITED BY RICARDO D.

SALVATORE, JOHN H. COATSWORTH, AND AMILCAR E. CHALLU. David Rockefeller Center for Latin American Studies, 2010, 350 pp. \$29.95.

The average heights of most human populations are highly correlated with childhood nutrition. Building on this insight, a fascinating new field of study, anthropometric history, is demonstrating that extreme economic inequalities are reflected in the differing physical statures of social classes. In the eighteenth and nineteenth centuries, for example, well-fed European aristocrats towered over their undernourished peasants. This volume reveals that even today, a shockingly high percentage of impoverished Guatemalans suffer from stunted growth, whereas Mayan immigrant children living in California grow significantly taller—suggesting that poverty, not genetics, is stunting their relatives back home. This innovative collection offers numerous surprises for conventional historians: in various periods when the urban poor were presumed to have suffered from economic austerity or authoritarian deprivation, for instance, anthropometry cannot find signs of worsening nutrition. The good news is that as a region, Latin America displays the lowest percentage of stunted growth in the developing world and has registered

a dramatic drop, from 26 percent in 1980 to 13 percent in 2000.

Eastern Europe and Former Soviet Republics

ROBERT LEGVOLD

Allah's Angels: Chechen Women in War. BY PAUL J. MURPHY. Naval Institute Press, 2010, 320 pp. \$34.95.

Mention the title of this book, *Allah's Angels*, and the thought is immediately of “black widows,” the Chechen female suicide bombers who have blown up stadiums, subways, and planes in Moscow and elsewhere. Murphy does deal with this subset of Chechen women, but his angels comprise all categories of Chechen women—on whichever side of the violence. Indeed, the first and second Chechen wars imposed all manner of cruelty on the women of the region: they were wounded or killed by indiscriminate bombing and shelling, kidnapped for ransom, tortured as suspected terrorists (by Russians), murdered as suspected collaborators (by Chechens), robbed, raped, burned out of their homes, and targeted in honor killings. Yet they also stood up—sometimes as furious packs descending on those who had seized an innocent person, at other times in small nongovernmental organizations struggling to focus attention on human rights abuses. In smaller, more lethal numbers, they have also fought back as so-called white stockings, female snipers whose ranks include even a few non-Chechen biathletes, who joined the cause out of sympathy or for money. Murphy

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describes all these women in mind-numbing detail, one personal story after another, and with stomach-turning precision.

Mirrors of the Economy: National Accounts and International Norms in Russia and Beyond.

BY YOSHIKO M. HERRERA. Cornell University Press, 2010, 272 pp. \$49.95.

Studying how Russia has changed the way it does its national economic accounting may sound dry, but it is far from so. On the contrary, given the impact that GDP statistics have on politics and policy choices—sometimes including international politics—how these are measured and reported has immense practical consequences. During the Soviet era, Russia and its neighbors used completely different metrics from those of the United Nations System of National Accounts (SNA), which from the 1950s onward slowly became the international standard. After the collapse of the Soviet Union, Goskomstat—the old Soviet-era statistical agency, staffed with bureaucrats for whom the SNA was anathema—abruptly and thoroughly discarded its old system of accounting. How and why? Herrera believes that the old guard's bifurcated sense of norms (the SNA was for market-based economies; their system, for a command economy) was key. Once one economic order replaced another, so, logically, should one bookkeeping system replace another. This leads Herrera to make a much larger point concerning the way norms influence institutions and institutions influence norms. This she does deftly, adding convincing complexity to standard theory.

Lost and Found in Russia: Lives in a Post-Soviet Landscape. BY SUSAN RICHARDS.

Other Press, 2010, 320 pp. \$15.95.

There are other excellent recent travelogues

about Russia's deep, remote interior—for example, Ian Frazier's *Travels in Siberia* and Anna Reid's *The Shaman's Coat*—but Richards' book is different in two ways.

First, she returned to the same places every year or two from the collapse of the Soviet Union to 2008, allowing her to gauge and color the picture of how the upheaval and confusion evolved over the intervening years. The color is gray, sometimes black, with eventually a bright splash of success here and there. Second, the core of her account revolves around deepening relationships with a half dozen individuals and couples mostly in Saratov and a godforsaken neighboring town named, yes, Marx. The ups and downs of their lives and their relationships with Richards mirrored the fate of much of the country. Richards' odyssey grew out of curiosity about the government's plans to create a modern homeland for the Volga Germans, ethnic Germans expelled by Stalin from the lands their eighteenth-century immigrant ancestors had settled, a prospect that soon withered. From there, she wandered into the world of Russian mysticism, traveling first to a community of Old Believers (Russian Orthodox traditionalists) deep in the forests of eastern Siberia and then to an odd, secretive Uzbek city obsessed with creatures from outer space. Eventually, she visited a scientific enterprise at the Siberian Branch of the Russian Academy of Sciences that, taking its inspiration from nineteenth-century Russian scientist-philosophers, is seeking to merge a spiritual cosmos with hard science.

The Kirov Murder and Soviet History. BY

MATTHEW E. LENOE. Yale University Press, 2010, 872 pp. \$85.00.

On December 1, 1934, a disaffected,

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psychotic party worker stalked Sergei Kirov, the first secretary of the Leningrad Communist Party, as he walked the hall to his third-floor office and shot him in the back of the head. From this act flowed an ever-widening cascade of murderous events. Stalin charged Grigory Zinoviev and Lev Kamenev, once leaders of the opposition against him, with “moral complicity” in Kirov’s killing. He then spread the blame to much of the Leningrad party organization and eventually, as the Communist Party’s purge swelled, to all manner of supposed opposition figures, including so-called Trotskyite terrorists. In mainstream Western historical scholarship, Kirov’s murder has long been thought to have been plotted by Stalin. In a post-Soviet Russia fascinated with more titillating theories, some have alleged that the assassin’s motive was that of a jealous husband. Lenoe’s massive volume combines biography—of both Kirov and his killer, Leonid Nikolaev—with an assessment of the vast documentation yielded by the Soviet archives, and it concludes that Nikolaev most likely acted on his own. As the documents and witnesses tell their story, the monstrous use that Stalin made of the event stands still more baldly exposed.

No Precedent, No Plan: Inside Russia’s 1998 Default. BY MARTIN GILMAN. MIT Press, 2010, 416 pp. \$29.95.

Gilman was the International Monetary Fund’s senior representative in Moscow from 1996 to 2002, served on its Russia team far longer, and now teaches at Russia’s Higher School of Economics. His book is an insider’s assessment of the missteps that led to the Russian government’s default on its domestic obligations in 1998 (an avoidable event, in his view) and the economic

crisis that followed (which he believes was also avoidable), and it includes a behind-the-scenes account of the interplay between the IMF and Russian officials. But the book is much more than this. To make what happened in 1998 intelligible and to counter what he sees as the vastly oversimplified standards by which Western observers have judged Russia’s economic reform, Gilman stresses how constrained the country’s options were after the Soviet Union collapsed in 1991. The decisive problem then was the crumbling of effective state power. Coming out of its initial inadvertent success and the 1998 crisis, Russia, he argues, was later well served economically by Vladimir Putin’s leadership, particularly during his first presidential term, when the lessons of 1998 were clearly at work.

A Guided Tour Through the Museum of Communism: Fables From a Mouse, a Parrot, a Bear, a Cat, a Mole, a Pig, a Dog, and a Raven. BY SLAVENKA DRAKULIC. Penguin Books, 2011, 208 pp. \$14.00.

Of all the genres employed to explore the long night of Eastern European communism, fables have not, until now, been one of them. Drakulic’s book is a little like David Sedaris’ *Squirrel Seeks Chipmunk* as serious history. A mouse, a parrot, and a string of other creatures each tell a story about one of the Eastern European states. The parrot describes Yugoslav President Marshal Tito’s life on the Brijuni Islands; the cat, Polish President Wojciech Jaruzelski’s agonized reflections on his 1981 decision to crush Solidarity; the mole, the events surrounding the fall of the Berlin Wall; the pig, the effects of the Hungarian ruler János Kádár’s “goulash communism”; and so on. Drakulic is not trying to present the entire communist experience. Rather, she means to let a few

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apparently random, if significant, facets—embellished by sardonic fictionalized observations—give readers a sense of the foibles, fears, and absurdities of life back then.

Middle East

L. CARL BROWN

Egypt on the Brink: From Nasser to Mubarak. BY TAREK OSMAN. Yale

University Press, 2010, 304 pp. \$20.00. Published a short time before thousands of Egyptians began pouring into Cairo's Tahrir Square, *Egypt on the Brink* is a timely account of Egypt near the end of the 30-year Mubarak era. It is presented thematically, rather than chronologically, and one of the most intriguing themes is the notion that whereas Egypt in the age of liberal nationalism (the 1920s and 1930s) and the Nasser years (1952–70) had a regional standing and a sense of national purpose, Hosni Mubarak's regime lost both this standing and this purpose as it devolved into a dreary despotism. Yet Osman writes with neither nostalgia nor disdain. Separate chapters discuss the Islamists, the Christians, the rise of liberal capitalism, and Egypt's youth. Even the conclusion, which speculates on who and what regime would replace Mubarak, now overtaken by events, offers useful thoughts on Egypt's distinctive politics.

Pakistan: A Hard Country. BY ANATOL LIEVEN. PublicAffairs, 2011, 592 pp. \$35.00.

Deadly Embrace: Pakistan, America, and the Future of the Global Jihad. BY BRUCE RIEDEL. Brookings Institution Press, 2011, 180 pp. \$24.95.

Challenging the notion that Pakistan is

fragile, Lieven presents in exquisite detail how things actually work, for better or worse, in that "hard country." Pakistan's political parties, he says, are best understood in terms of their different provincial roots, and each of the four major provinces offers a different culture. Islam in Pakistan, meanwhile, is about more than the Sunni-Shiite split, involving a complexity of contending movements. Lieven devotes an entire chapter to the Pakistani military, whose roots in the British Raj (1858–1947) he delineates. All this makes for a state that offers both limited services to and limited rule over society. In many areas, tribal or feudal customs provide the substance of governance, and along the 1,600-mile Durand Line, separating Pakistan from Afghanistan, the pretense of Pakistani sovereignty veils a de facto regional autonomy. In this system, the Pakistani Taliban will be resisted only as they thrust out from beyond their thinly populated border area. The Pakistani Taliban jihad, provoked by the U.S.-led campaign in Afghanistan, will subside only after a Western withdrawal from Afghanistan. Thereafter, Lieven warns, there should be "no more wars against Muslim states under any circumstances whatsoever."

The much shorter book *Deadly Embrace* is in a sense a primary source about U.S. policy toward Pakistan. Riedel, a veteran CIA official, was brought out of retirement in early 2009 by the Obama administration to chair a special committee reviewing Washington's policy toward Afghanistan and Pakistan. His conclusion is that a "jihadist state" is possible in Pakistan and a proactive U.S. policy to forestall that danger is needed. Thus, readers are presented with the conundrum of two intelligent specialists making plausible

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but opposing arguments, the one giving priority to Western withdrawal and the other to what in the Raj days would have been dubbed a “forward,” or activist, policy.

Faith Misplaced: The Broken Promise of U.S.-Arab Relations, 1820–2001. BY USSAMA MAKDISI. PublicAffairs, 2010, 432 pp. \$28.95.

The title of this history of U.S.-Arab relations and those of its chapters—winding downward from “Benevolent America” to “Betrayal”—might suggest that it is just one more overheated polemic about Israel and the Palestinians. Not so. This is the work of a historian not so much pleading a case as bringing to life the mindsets and interactions of Arabs and Americans while highlighting the less well-known Arab side of the story. Telling that history requires touching on subjects usually filed in other historical folders. Makdisi neatly weaves a number of them—Arab immigration to the United States, U.S. missionaries in the Middle East, the oil company Aramco, U.S. universities in the Arab world—into a more conventional history of Washington’s diplomacy in the region. He does indeed argue that U.S. support for Israel has strongly shaped U.S.-Arab relations, and that is in itself a useful corrective, given the tendency in many quarters to discount that factor.

What Is a Palestinian State Worth? BY SARI NUSSEIBEH. Harvard University Press, 2011, 256 pp. \$19.95.

Nusseibeh, president of Al-Quds University, in Jerusalem, and a scion of an eminent Palestinian Muslim family, has long championed a peaceful settlement between Israel and the Palestinians. Here, he probes how the Israelis and the Palestinians can

reach that goal. His optimal solution would be two states, but he fears that may no longer be feasible. A single state granting citizenship to all living in Israel and in those Palestinian territories that Israel conquered in 1967 seems equally unlikely. So Nusseibeh advances the idea of a single state run by the Israelis that offers the Palestinians civil and human rights but no political rights. “Simply put,” he writes, “in this scenario the Jews could run the country while the Arabs could at last enjoy living in it.” This striking proposal grows out of Nusseibeh’s political philosophy. He recognizes the fears and hopes of the Israelis as well as the Palestinians, stresses the morality and practicality of nonviolence, and views the state not as an end in itself but as a means to the good life. This idea of a “second-class citizenship” for Palestinians, he adds, could perhaps be just an “interim step.” One can appreciate Nusseibeh’s laudable effort to get beyond a seemingly endless occupation and fruitless negotiations, but his stark proposal is a nonstarter. Perhaps, however, this proposal and the other painstakingly reasoned arguments in this book will provoke the parties to reconsider that ideal but elusive two-state solution.

Asia and Pacific

ANDREW J. NATHAN

Inside the Red Box: North Korea’s Post-Totalitarian Politics. BY PATRICK MCEACHERN. Columbia University Press, 2011, 320 pp. \$35.00.

McEachern is a U.S. Foreign Service officer based in Seoul who analyzes Pyongyang policymaking. Instead of the

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usual view of a one-man decision-making process, he proposes a “post-totalitarian institutionalist” model in which three bureaucratic actors with different views—the party, the military, and the cabinet—compete to shape the information and options available to Kim Jong Il and the ways in which his decisions are implemented. The approach helps explain many of the contradictions and oscillations of North Korean policy. The different positions of the three bureaucracies arise from their distinctive missions—the party’s, to protect its ideological vision; the military’s, to defend state security; and the cabinet’s, to promote economic survival. All elites, meanwhile, share an interest in the survival of their dysfunctional regime. Even the most pragmatic institution, the cabinet, is unwilling to trade away nuclear weapons in the face of what it sees as an existential threat from the United States. There are no real soft-liners.

Mao’s New World: Political Culture in the Early People’s Republic. BY CHANG-TAI HUNG. Cornell University Press, 2010, 328 pp. \$39.95.

The politics of remaking Chinese ideology and literature after the 1949 revolution have been thoroughly studied. Less well known are the dramas behind the reconfiguration of physical space, the staging of public celebrations, and the redesign of graphic arts. Hung’s meticulous research reveals the struggles over values and power behind the granite surface of revolutionary China’s new look. City planners fought over how big and what shape to make Tiananmen Square. Beijing icons such as the Great Hall of the People, the big museums, and the railway station were built in haste and with constant tinkering.

Displays at what was then the Museum of the Chinese Revolution had to be revised to give enough prominence to Mao. A famous oil painting was altered four times as some of the leaders portrayed in it were purged and then rehabilitated. One failure was the party’s attempt to replace charming New Year’s prints of gods and fat babies with socialist realist pictures of labor heroes and political leaders: the book’s illustrations make it easy to understand why the peasants were not interested.

Harmony and War: Confucian Culture and Chinese Power Politics. BY YUAN-KANG WANG. Columbia University Press, 2011, 328 pp. \$50.00.

Does Chinese strategic culture emphasize harmony and defense, thereby assuring that China’s rise will be peaceful? Or is the culture realist, encouraging China to push its interests harder as its capabilities increase? Wang’s thesis is that China has a strategic culture that is predominantly peaceful and defensive but that this culture has little influence over the country’s grand strategy. He tests the thesis with a rich historical account of China’s international actions from 960 to 1644, showing that the Song and Ming dynasties alternated between defensive and offensive behavior depending on the balance of power with neighboring political units. The theoretical implication is that China, like other states, shapes its strategy in response to the balance of material power. The practical implication is that China’s behavior will continue to emphasize defense so long as it is weaker than the United States but will become more assertive if the opportunity arises.

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Advantage: How American Innovation Can Overcome the Asian Challenge. BY ADAM SEGAL. Norton, 2011, 294 pp. \$26.95. Segal, a senior fellow at the Council on Foreign Relations, believes that there is no way to stop the forces of globalization from diffusing high technology to rising U.S. competitors such as China and India. But he thinks the United States can maintain its dominance by innovating faster than technology leaks out. Unlike China or India, the United States benefits from low levels of government interference in business, a culture of risk taking, freedom of information, robust intellectual property rights—and the very openness to the world that makes technology so hard to control in the first place. Segal believes the United States should invest more in education and infrastructure, do more to promote innovation, and smooth out counterproductive kinks in the legal system. The analysis aims to be encouraging. But it is hard to take much comfort from such a challenging prescription.

The Making of Northeast Asia. BY KENT CALDER AND MIN YE. Stanford University Press, 2010, 368 pp. \$65.00 (paper, \$24.95).

Countering the prevailing view of Northeast Asia as constantly in crisis, Calder and Ye document the region's intensifying economic, cultural, and human interactions; its expanding financial and environmental interdependencies; and its growing policy coordination, especially among China, Japan, and South Korea. Cultural conflicts focused on Japan are fading into the background, tensions between Taiwan and mainland China have cooled, multi-lateral policy dialogues and other transnational institutions are becoming more

common, and visionaries have proposed new transportation and energy links. Most analysts focus on how crises involving North Korea, Taiwan, or various territorial disputes could derail regional relations, but these authors focus on integrative forces that they think are quieter but more powerful: the economic pulling power of China, the cross-border interests of businesses, and the ambitions of political leaders to gain more independence from the United States.

Cambodia's Curse: The Modern History of a Troubled Land. BY JOEL BRINKLEY.

PublicAffairs, 2011, 416 pp. \$27.99. Brinkley cuts a clear narrative path through the bewildering, cynical politics and violent social life of one of the world's most brutalized and hard-up countries. Years of foreign aid, the well-meaning hectoring of diplomats and nongovernmental organizations, and several rounds of elections have done nothing to reform the lawless scramble for self-interest that permeates Cambodia's government from top to bottom. Brinkley's chief villain is the dictator Hun Sen, who has fixed elections and assassinated challengers since he came to power in 1985. But the author has equal contempt for Hun Sen's rivals—among them, the former king Norodom Sihanouk and the pro-American reformer Sam Rainsy—and for the foreign idealists who have repeatedly accepted Cambodian politicians' promises of improvement in exchange for billions of dollars in largely misused aid. Brinkley finds the roots of the Cambodian tragedy in a historical tradition of abusive dictatorship, the psychological wounds of the Khmer Rouge's genocide, and a geostrategic position that is just important enough to draw Western aid but

Recent Books

not important enough to attract the political capital required to make the aid work.

Weapons of the Wealthy: Predatory Regimes and Elite-Led Protests in Central Asia. BY SCOTT RADNITZ. Cornell University Press, 2010, 216 pp. \$35.00.

The Tulip Revolution that overthrew President Askar Akayev's government in Kyrgyzstan in 2005 entered the honor roll of "color revolutions." But Radnitz argues that this was not a case of civil society rising up spontaneously to overthrow an authoritarian elite. Instead, elites on the outs with the ruling group mobilized their clients at the village level in a process he labels "subversive clientelism." They replaced one corrupt regime with what turned out to be another, which, in turn, was upended by new protests in 2010. Ironically, the groundwork for this revolution was laid by the relatively liberal political and economic reforms of the first post-Soviet Kyrgyz regime, which allowed independent elites to strike roots in the villages. In neighboring Uzbekistan under President Islam Karimov, Radnitz writes, a more statist regime left no room for autonomous elites. When popular protests occurred there—most notably in 2005—they remained localized and failed to overthrow the government.

The Perils of Proximity: China-Japan Security Relations. BY RICHARD C. BUSH. Brookings Institution Press, 2010, 421 pp. \$32.95.

The scholar-diplomat Bush argues cogently that China will "widen its Eastern strategic buffer"—in the East China Sea and on the islands (Taiwan and the Senkaku Islands) located therein. In doing so, it will alter the status quo and increase the likelihood of a

clash between the Chinese military and the Japanese forces already there. Through a close analysis of the institutions that govern each nation's military, he documents an even larger problem: that neither country is well equipped to deal with the consequences. He expects sclerotic collective leadership and multiple debilities in the countries' respective political and military systems to conspire with the security dilemma to turn clash into crisis. Along the way, Bush identifies dangers that have largely escaped notice, such as the capabilities of China's "independent cyber militias," which exist beyond state policy, and the uncoordinated command-and-control systems and "dysfunctional intelligence communities" in both countries. His sobering, but not unduly inflated, analysis ends by mapping Washington's frustrations with both countries. Scholars will find leads for further research, analysts will find insights into the moving parts of East Asia's security community, and policymakers will find evenhanded guidance for how to manage the revival of China as a great power.

RICHARD J. SAMUELS

Africa

NICOLAS VAN DE WALLE

Dancing in the Glory of Monsters: The Collapse of the Congo and the Great War of Africa. BY JASON STEARNS.

PublicAffairs, 2011, 400 pp. \$28.99. Stearns' readable account of the ongoing war in the Democratic Republic of the Congo lacks the sweeping historical detail of Gérard Prunier's *Africa's World War* or the careful examination of the underlying

Recent Books

ethnocultural sources of the conflict of René Lemarchand's *The Dynamics of Violence in Central Africa*. Stearns is more concerned with the perceptions, motivations, and actions of an eclectic mix of actors in the conflict—from a Tutsi warlord who engaged in massive human rights violations to a Hutu activist turned refugee living in the camps and forests of eastern Congo. He tells their stories with a judicious mix of empathy and distance, linking them to a broader narrative of a two-decade-long conflict that has involved a dozen countries and claimed six million victims. Although everyone agrees that the war was initiated by Rwandan President Paul Kagame's regime in the wake of the 1994 Rwandan genocide, observers tend to disagree about how much blame should be placed on Rwanda for the crimes against humanity that have characterized the conflict that continues to fester in northeastern Congo. Stearns is among those who believe that violence against civilians has been a consistent policy on the part of the Rwandan regime and its agents.

The Fear: Robert Mugabe and the Martyrdom of Zimbabwe. BY PETER GODWIN.

Little, Brown, 2011, 384 pp. \$26.99.

Making History in Mugabe's Zimbabwe: Politics, Intellectuals, and the Media. BY

BLESSING-MILES TENDI. Peter Lang, 2010, 304 pp. \$63.95.

Zimbabwe's Land Reform: Myths and Realities. BY IAN SCOONES, NELSON MARONGWE, BLASIO MAVEDZENGE, JACOB MAHENEHENE, FELIX MURIMBARIMBA, AND CHRISPEN SUKUME. James Currey, 2010, 272 pp. \$29.95.

Reading these three fine books on Zimbabwe under Robert Mugabe produces

something of a Rashomon effect, so different are the elements they emphasize and the information they put forward. Godwin's harrowing account of events at the peak of the political violence in 2008 fits most neatly within the dominant narrative of events. A somewhat less autobiographical sequel to his 2006 memoir, *When a Crocodile Eats the Sun*, his new book examines the violent crack-down Mugabe engaged in after his ruling party, the Zimbabwe African National Union–Patriotic Front (ZANU–PF), lost the elections to the Movement for Democratic Change (MDC) in March 2008. Godwin recounts gruesome stories of MDC stalwarts being beaten, tortured, and killed by the regime's goons, in the context of a country that has collapsed both economically and morally. Although Zimbabwe's small white minority features prominently in the book, it is less about race than about the horrors of arbitrary and cruel authoritarian rule and the attempts by courageous men and women to promote democracy and the rule of law.

The other two books represent critiques of this dominant narrative. Neither ignores the violence, but both portray the current standoff between the Mugabe-led ZANU–PF government and the pro-democracy opposition in Zimbabwe as the inevitable denouement of a long tale of colonial exploitation and inequality. The Lancaster House Agreement of 1979, which resulted in Zimbabwe's independence, left 42 percent of the country's arable land in the hands of 6,000 mostly white commercial farmers. Economic expedience led Mugabe to largely neglect land reform until the late 1990s, when the government made the relatively popular decision to forcefully expropriate white-owned farms, a move

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that set in motion the current crisis. Whatever the outcome, the books by Tendi and Scoones and his colleagues suggest that no future government will restore the white commercial farm sector to anything like its past prominence.

As Tendi explains in his absorbing discussion of the debates within Zimbabwe's intellectual and media elites, colonialism had generated a powerful set of nationalist grievances focused on race and land, which gave ZANU-PF's hard-line positions legitimacy. The book is forthrightly critical of Mugabe's repression, but its main purpose is to argue that ideas have mattered in Mugabe's hold on power. Mugabe's intellectuals advanced a "patriotic history" that put the MDC on the defensive and weakened the claims of white settlers, who were viewed as having stolen the land they now farmed. Tendi is surely right that Western outrage has been too focused on the fate of the white farmers and that Westerners are too indulgent of the historical injustices that continue to simmer in the national imagination. The book helps readers understand why Mugabe still enjoys significant support, even if, in the end, political ideas have less to do with his regime's longevity than does brute force.

According to Scoones and his colleagues, although much of the land reform process has been violent, chaotic, and illegal, it has been relatively effective in redistributing land to previously landless peasants. With a careful ground-level analysis of land reform in the southern province of Masvingo, the book shows that a large number of previously landless peasants are now making productive investments and have bettered their prospects for long-term food security. Some political cronies have

benefited from the program, but the authors contend that this phenomenon has been grossly exaggerated by the media. They do not, however, analyze the land reform's opportunity costs, which arguably include a decade of political violence, the decline of GNP by a third, and a 50 percent increase in the poverty level.

Sudan: Darfur and the Failure of an African State. BY RICHARD COCKETT. Yale

University Press, 2011, 320 pp. \$22.00. The great merit of this history of Sudan since independence is Cockett's skill at integrating the crises in southern Sudan and Darfur with the politics of Khartoum. Each of the rebellions against central rule, he explains, is a product of growing resentment over the centralization of political power in a narrow part of the country around the capital. Much of the book is devoted to the crisis in Darfur, and Cockett discusses both the complex web of racial and ethnic aspects and the elite personal conflicts that shaped the collapse of the province. Examining the international dimensions of the conflict, he finds that the Sudanese government's cooperation with American and British intelligence after 9/11 led the U.S. and British governments to "go soft" on Khartoum regarding the deteriorating situation in Darfur. It was only once the massive ethnic cleansing started that U.S. and British policy changed. 🌍

Letters to the Editor

Peter Hakim on Latin American culture; Tim Ferguson, Charles Heck, and Mitchell Hedstrom on U.S. financial health; and Andrew Jacovides on Turkey

PROGRESS AND THE PAST

To the Editor:

Former Costa Rican President Oscar Arias (“Culture Matters,” January/February 2011) accurately pinpoints the most vexing questions about Latin America: Why has the region not progressed more steadily and quickly over the years, and what has held it back? But the president’s answers are a generation out of date.

His notion that Latin Americans resist change because they “glorify their past” has not applied to Brazil for half a century. Nor is it true for Chile, Colombia, or Mexico—or even for Cuba or Venezuela. Sure, Mexico honors its Aztec ancestors. But China, Israel, and the United States also exalt their pasts. Venerating history is not the same as preserving the status quo.

Although he offers no causal connection, Arias could be right in fingering “absence of confidence” as an impediment to progress. Surveys suggest that personal trust is in short supply in Latin America. But although many in the region are deeply unhappy with their governments, that hardly justifies Arias’ assertion that Latin Americans are “disillusioned with politics.” Brazilian President Luiz Inácio Lula da Silva left office this January with an approval rating above 85 percent. He was able to handpick his successor precisely

because Brazilians trusted him. Similarly, the presidents of Chile and Colombia left office last year with 70 percent support. Arias himself ended his presidency in 2010 with an approval rating of almost 60 percent.

And a lack of “commitment to democracy”? “A soft spot for authoritarianism”? Latin America’s political deficits are huge, but no other developing region is more democratic. Virtually all of the region’s 50 presidential elections since 2000 were free and fair, and most were highly competitive. Yes, Cuba remains a dictatorship, fraud tainted Haiti’s recent election, Honduras suffered a military coup, democracy is nearly extinguished in Venezuela, and the rule of law is withering in Bolivia, Ecuador, and Nicaragua. However, these are mostly small, desperately poor countries, long governed incompetently. Democracy is hardly robust in the region, but it has made enormous strides in most places. A centrist pragmatism has now become the ideological norm. More and more Latin Americans are rejecting the populist temptation and voting for what they think works.

Arias is right that the region’s mounting military outlays are not good news. But Latin America’s expenditures today are modest compared to those of other regions

Letters to the Editor

and those of its own past. Two of the biggest spenders—Brazil and Chile—are universally applauded for their notable economic and social advances and are reliable democracies. Although Arias acknowledges that Latin America is a region largely at peace, he goes on, incongruously, to censure its culture of militarism. I am not sure what he would say about the bloody battles against organized crime in so many Latin American nations, since he hardly mentions crime, despite the fact that many think organized crime is the area's most intractable problem.

Latin Americans are mostly following Arias' good advice—to recognize that their problems lie in themselves. Two decades of progress in most of the region and its rising prospects for the future attest to that.

PETER HAKIM

*President Emeritus and Senior Fellow,
Inter-American Dialogue*

THE IMPENDING SQUEEZE

To the Editor:

Roger Altman and Richard Haass ("American Profligacy and American Power," November/December 2010) persuasively argue that continued American profligacy promises to undermine American power. But the situation is even more urgent than they suggest.

Although Altman and Haass expect markets to remain calm "possibly for two or three years," the rising price of gold suggests otherwise. Gold has risen from \$460 per ounce to \$1,400 per ounce in the last five years—representing a 67 percent devaluation of the U.S. dollar per unit of gold. As former U.S. Federal Reserve Chair Alan Greenspan has said, gold is "the ultimate means of payment."

Moreover, on top of new government debt over the next several years, maturing existing debt will need to be refinanced. At 4.6 years, the average maturity of the U.S. federal debt held by the public (debt that now totals \$9.1 trillion) is tight relative to, for instance, the average maturity of 13.5 years for British government debt. According to the International Monetary Fund, the maturing debt of the U.S. government will equal 18.1 percent of U.S. GDP during 2011 alone.

Altman and Haass rightly note that the U.S. government's annual interest expense will rise dramatically as its stock of debt increases and interest rates inevitably rise. Further debt increases would substantially darken the fiscal outlook for the federal government. And even a relatively small rise in interest rates would have a significant impact.

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Commission*

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Managing Director, TIAA-CREF

TURKEY'S CYPRUS PROBLEM

To the Editor:

Hugh Pope ("Pax Ottomana?" November/December 2010) observes that Turkey succeeded in being elected to a rotating seat of the UN Security Council for 2009–10. It might then be assumed that Turkey's policies have been guided by the principles of the UN Charter. But Turkey continues its 40,000-strong troop occupation of a large part of the Republic of Cyprus—an EU and UN member state—despite numerous Security Council resolutions since its initial 1974 invasion

Letters to the Editor

calling for its immediate withdrawal. Turkey does not comply with its legal obligations to Cyprus or to the EU and forcibly interferes with Cyprus' rights in its exclusive economic zone of maritime jurisdiction.

Pope writes that "in 2003, the [ruling party in Turkey] reversed traditional Turkish policy by agreeing to endorse a UN plan to reunify" Cyprus. What he does not say, however, is that the latest version of the plan wholly incorporated Ankara's demands. In addition, Pope makes an unfounded assertion in stating that "since joining the EU in 2004, Cyprus has pulled all available levers to block Turkey's own accession to the union." If this were the case, Turkey would not have been endorsed as a candidate for EU membership in 2005, since such a decision requires unanimity, and so Cyprus could have exercised its veto.

Like Pope, many welcomed Turkish Foreign Minister Ahmet Davutoglu's declared goal of the "settlement of disputes" that "directly or indirectly concern Turkey" and Turkey's "zero problem" policy toward its neighbors. Other than paying lip service to supporting the UN-sponsored intercommunal talks on Cyprus, however, Turkey has not conceded an inch toward achieving a solution within the agreed framework.

If the Cyprus problem were solved through a viable compromise settlement with Turkey's help, Turkey will

have removed a major obstacle to its EU accession. Moreover, a reunited and peaceful Cyprus, free of foreign troops, would be transformed into a bridge of peace from a bone of contention and would cooperate with Turkey and Greece on an array of issues. This outcome can be achieved through good neighborly relations on the basis of the principles of the UN Charter, not through occupation, domination, and a Pax Ottomana.

ANDREW JACOVIDES

Former Ambassador of Cyprus to the United States

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The Muslim Brotherhood After Mubarak

By Carrie Rosefsky Wickham

Portraying the Muslim Brotherhood as eager and able to seize power and impose its version of sharia on an unwilling citizenry is a caricature that exaggerates certain features of the Brotherhood and underestimates the extent to which the group has changed over time.

www.foreignaffairs.com/the-muslim-brotherhood-after-mubarak

Libya's Terra Incognita

By Frederic Wehrey

For decades, the outsized personality of Muammar al-Qaddafi has obscured the many rivalries among Libya's domestic groups, from the tribes to the military. With the Qaddafi era coming to a likely end, how will these actors now vie for supremacy?

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Bahrain's Shia Question

By Kristin Smith Diwan

The democratic uprising taking place in Bahrain has been accompanied by concerns of Shia insurrection and resurgent Iranian influence. The United States should not buy into this fear.

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Overcoming Fear and Anxiety in Tel Aviv

By Aluf Benn

The popular revolt against Hosni Mubarak in Egypt has made many Israelis uneasy. But could the Egyptian crisis in fact offer the Israeli government a new opportunity for regional diplomacy?

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FOREIGN AFFAIRS



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how

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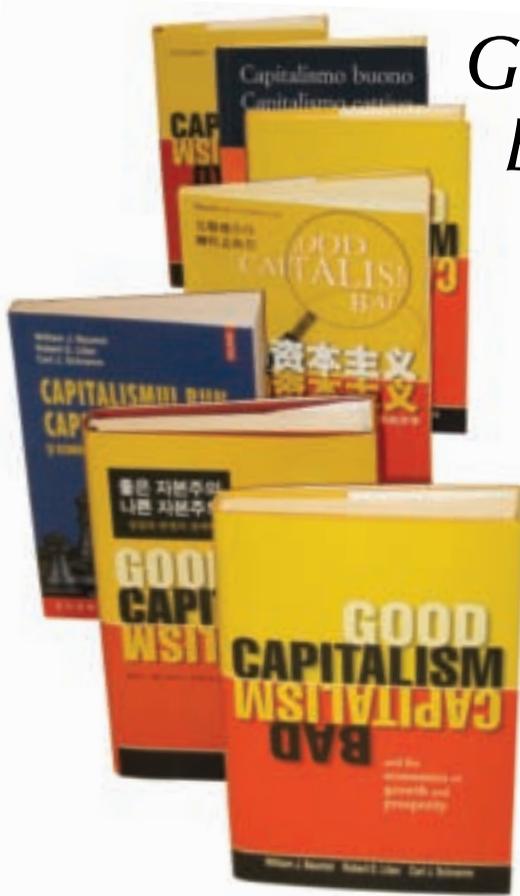
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Essays



In the course of its 60 years,
NATO has united the West,
secured Europe, and ended the
Cold War. What next?

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An Agenda for NATO

Toward a Global Security Web

Zbigniew Brzezinski

NATO's 60TH anniversary, celebrated in April with pomp and circumstance by the leaders of nearly 30 allied states, generated little public interest. NATO's historical role was treated as a bore. In the opinion-shaping media, there were frequent derisive dismissals and even calls for the termination of the alliance as a dysfunctional geostrategic irrelevance. Russian spokespeople mocked it as a Cold War relic.

Even France's decision to return to full participation in NATO's integrated military structures—after more than 40 years of abstention—aroused relatively little positive commentary. Yet France's actions spoke louder than words. A state with a proud sense of its universal vocation sensed something about NATO—not the NATO of the Cold War but the NATO of the twenty-first century—that made it rejoin the world's most important military alliance at a time of far-reaching changes in the world's security dynamics. France's action underlined NATO's vital political role as a regional alliance with growing global potential.

In assessing NATO's evolving role, one has to take into account the historical fact that in the course of its 60 years the alliance has institutionalized three truly monumental transformations in world affairs: first, the end of the centuries-long “civil war” within the West for transoceanic and European supremacy; second, the United States' post-World War II commitment to the defense of

ZBIGNIEW BRZEZINSKI was U.S. National Security Adviser from 1977 to 1981. His most recent book is *Second Chance: Three Presidents and the Crisis of American Superpower*.

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Europe against Soviet domination (resulting from either a political upheaval or even World War III); and third, the peaceful termination of the Cold War, which ended the geopolitical division of Europe and created the preconditions for a larger democratic European Union.

These successes, however, give rise to a legitimate question: What next? What are the implications and lessons to be drawn from the past 60 years? NATO's new secretary-general has been tasked to "develop a new Strategic Concept and submit proposals for its implementation for approval at [NATO's] next summit." Given the current and likely future security dilemmas confronting the alliance, that new concept will have to deal with at least four fundamental challenges: first, how to attain a politically acceptable outcome for NATO's deepening engagement in the overlapping Afghan and Pakistani conflicts; second, how to update the meaning and obligations of "collective security" as embodied in Article 5 of the alliance's treaty; third, how to engage Russia in a binding and mutually beneficial relationship with Europe and the wider North Atlantic community; and fourth, how to respond to novel global security dilemmas.

The first two of these challenges pertain to NATO's credibility as a regional U.S.-European alliance, the latter two to its potential global role. Failing to cope with any one of these four challenges could undermine the three transformational legacies of NATO noted earlier. And those legacies, far from being only of historical significance, are relevant to the alliance's globally important mission today.

UNITING THE WEST

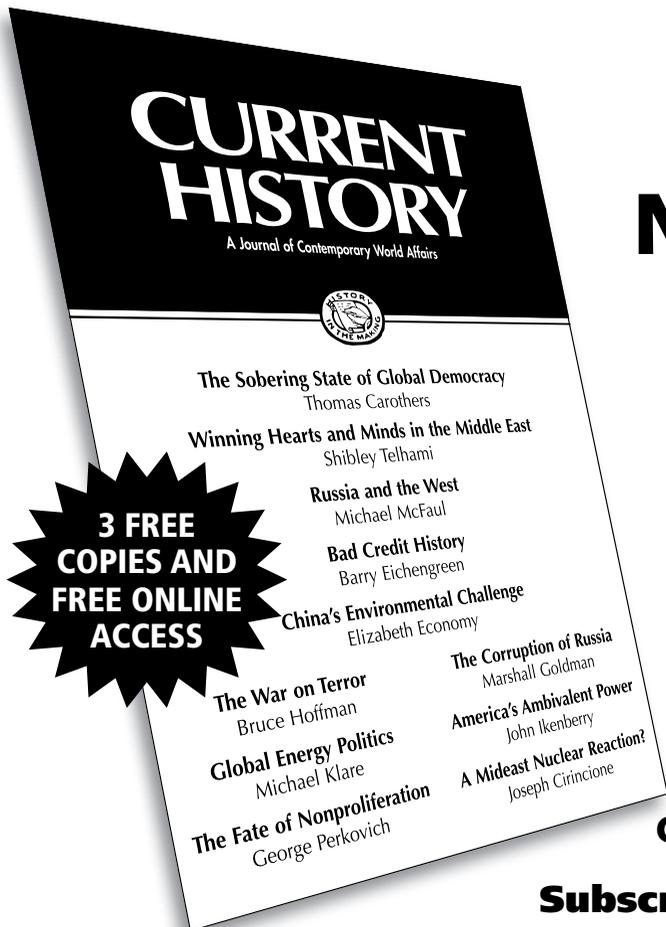
FOR THE last 500 years, world politics has been dominated by states located on the shores of the North Atlantic. As these states competed with one another for treasure and power, they in effect established the North Atlantic region's worldwide imperial supremacy. But that supremacy was not stable. It was periodically undermined by violent rivalries among the North Atlantic states themselves. In changing combinations, Portugal, Spain, France, the Netherlands, and the United Kingdom competed, fought, and replaced one another as the preeminent overseas imperial power.

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Over the course of the last two centuries, the global hierarchy changed dramatically even as the scope of the rivalry expanded, under Napoleon's France, from oceanic control to domination over Europe as well. Napoleon's challenge further transformed the geopolitics of the North Atlantic rivalry by precipitating the entry of two non-Atlantic powers—central European Prussia (which later became Germany) and Eurasian Russia (later the Soviet Union)—into the competition for the first time. A century later, World War I, which in fact was largely a European war, drew in the United States from across the Atlantic. The United States' entry proved decisive to the outcome of that war, and the victory of the new British-French-U.S. coalition seemed to assure the continued financial and political preeminence of the North Atlantic region.

That turned out to have been an illusion. France was bled to exhaustion. The United Kingdom was nearly bankrupt. The United States was still painfully ambivalent about its global role. And then Germany's quick resurgence triggered World War II. This global conflict was only very partially won by the latest variant of the North Atlantic coalition—the U.S.-British one—which had to share the spoils of victory in Europe with its wartime partner (and rising rival), the Eurasian Soviet Russia. Europe's central and eastern regions passed under Moscow's control, and its western remnants (still divided within by bitter memories of war) became dependent entirely on the future course of the United States. In the two world wars, Europe had effectively committed political suicide.

To its credit, the United States rose to the challenge. NATO was one of the two key instruments used by Washington to foster transnational cooperation in the western remnant of Europe. Although the Western Europeans themselves recognized the need to overcome their historical divisions, their initial postwar efforts centered as much on keeping Germany down as on advancing Western integration. It was the United States that, through the Marshall Plan, made Western Europe's economic recovery a genuinely transnational effort, one that even included the western parts of occupied Germany. And it was British diplomacy—driven by London's recognition that its day in the sun had come to an end and that the United Kingdom's world role depended overwhelmingly on its ability to tie itself closely to Washington—that



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most persuasively pressed the United States to make an explicit and binding security commitment to Western Europe's survival as a collection of democratic states and as an integral part of the shrunken West.

Although NATO was created primarily to provide such assurance against the looming Soviet threat, its political effect in Western Europe was to promote reconciliation with the former Axis powers Germany and Italy, while fostering an enduring acceptance of transatlantic interdependence. Most notable and significant in that regard was the initially difficult termination of Franco-German hostility. The French at first strongly opposed any formula for German rearmament, even within a common European defense community. But gradually, farsighted French and German leaders cultivated a political reconciliation that eventually flowered into a genuine entente.

None of this would have happened without NATO. Its transnationally integrated but militarily U.S.-dominated structures made the inclusion of German forces (albeit without a separate command or general staff) more palatable to the French even before the eventual admission into the alliance, in 1955, of West Germany as a full-fledged member. The institutionalization of NATO and the later emergence of the European Economic Community (which subsequently evolved into the EU) thus meant that the civil war within the West was finally over. The historic importance of that fact cannot be overstressed.

NATO itself, however, was conceived in fear and born in a fatigued Europe. Expectations of a new war were initially widespread, and the sense of vulnerability was acute. U.S. forces, except for a relatively weak presence in occupied Germany, were back home and mostly demobilized. The Europeans naturally pressed for a rapid return of U.S. forces and for automaticity in launching a full-scale military response to an attack. At first, however, U.S. war planners were inclined to think of the United States' security commitment to Europe—in the event that war could not be deterred by what was then a U.S. nuclear monopoly and a Soviet ground offensive could not be stopped by a massive bombing of Russia—as realistically involving only the

In the vulnerable
decades after
World War II,
conflict was avoided
largely because NATO
remained united.

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obligation to defend a European bridgehead, to be followed later by a second liberation of Europe. Quite understandably, that was not entirely reassuring to the Europeans.

In that setting, the collective-action-triggering Article 5 of the North Atlantic Treaty was designed to bind the United States to Europe, but in a way that could overcome the traditional reluctance of Americans to become entangled in distant foreign conflicts. For the Americans, the wording in Article 5—to the effect that each ally would react to an attack on any one of them “by taking forthwith . . . such action as it deems necessary, including the use of armed force”—meant that Washington retained the right to determine how it would react militarily if Soviet forces crossed the Elbe River. For the Europeans, it was a pledge that the United States would in any case be militarily engaged from day one. The commitment itself was clear, but the nature of the response was contingent. Nonetheless, through NATO, the strategic interdependence of the West became binding. And that formula sufficed for the next 60 years.

Whether World War III was actually likely will never be known. The post-1945 Soviet Union, ensconced in the middle of Europe, loomed as an enormous threat. But it was also war weary, and it had to digest what it had engorged. On both sides, some strategically farsighted officials were arguing behind the scenes that the emerging new contest for global supremacy would be politically prolonged but probably—at least for quite a while—not resolved by force of arms. On the U.S. side, George Kennan made a compelling case that the Soviet Union, although aggressive, could be contained and eventually worn down. Arguing that the threat from the Soviet Union was predominantly political and not military, he warned against excessive militarization of the Western response.

It is now clear from the Soviet archives that some leading Russian experts on the West, casting their arguments in Marxist terminology, were similarly inclined. In 1944, the Soviet foreign minister, Vyacheslav Molotov, annotated for Joseph Stalin memorandums prepared by Ivan Maisky (the wartime Soviet ambassador in London and by then a deputy foreign minister) and Maxim Litvinov (at one point Maisky’s equivalent in Washington and by then also a deputy foreign minis-

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ter). They concluded that the postwar era would be marked by the United States' ascendancy, the United Kingdom's decline, intensified capitalist contradictions, and a prolonged period of growing competition between the United States and the Soviet Union—but not war. Even though Stalin occasionally spoke darkly of another world war, he also seemed to think that it would not come anytime soon.

In 1950, Stalin may have viewed the Korean War as a convenient diversion from the standoff in Europe and also as an opportunity to potentially increase China's dependence on the Soviet Union. However, fears in the West that the Korean War was a precursor to a larger war precipitated a massive U.S. military deployment in Europe. Thus, the Korean War induced a political psychosis that intensified the inclination of both sides to define the Cold War largely as a military contest. Paradoxically, by spurring a confrontation in Europe between two armed camps, the violent conflict in Asia may have made both a war of miscalculation and a political accommodation in a divided Europe less likely.

Of course, one can never know if a NATO defined less in military terms (as Kennan urged) might have been able to explore a political *détente* with the Soviet Union after Stalin's death, in 1953 (at the time there were some vague hints of Soviet interest in a compromise on Germany), during the Hungarian Revolution of 1956, or before the Soviet military suppression of the Prague Spring in 1968. All that is clear is that the possibility of exploiting the disarray in the Soviet leadership to achieve a peaceful revision of the political status quo was not seriously explored.

The reality is that in the vulnerable decades after World War II, conflict was avoided largely because the United States stayed committed to defending Europe and NATO remained united. That unity was tested during the two war-threatening crises of the early 1960s: the Berlin crisis and the Cuban missile crisis. In neither case is there reason to believe that Moscow was inclined to start a war, but in both the Soviet leadership was impatiently gambling that intimidation might work to alter the geopolitical status quo. Yet the paramount interest of the two antagonists in avoiding an all-out war prevailed, even if their continuing military standoff in a divided Europe did as well.

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ENLARGING THE WEST

BY THE late 1970s and early 1980s, the Soviet Union's officially proclaimed expectations of surpassing the United States in both economic and military power had begun to look hollow, and strains within the Soviet Union itself—intensified by Mikhail Gorbachev's perestroika—began to mitigate Western fears that growing Soviet strategic power might make Europe vulnerable to nuclear blackmail. In that setting, both sides became more willing to actively explore such issues as arms control, human rights, and even troop reductions. By the end of the decade, the rapidly growing disarray in the Soviet bloc—spearheaded by the success of the Solidarity movement in Poland and prudently exploited in its final phase by NATO (and particularly by closely cooperating U.S., German, British, and French leaders)—had gotten out of hand. Before long, both the Soviet Union and the Soviet bloc became history.

NATO's role then changed. It became the framework for stabilizing a suddenly unstable geopolitical situation in central and eastern Europe. It is now easy to forget that even after the dissolution of the Soviet bloc in 1989–90—the emancipation of Eastern Europe, the reappearance of independent Baltic states, and the reunification of Germany—the resented Russian army remained deployed, as during the Cold War, on the banks of the Elbe and, until 1994, in the former Soviet satellite states. Although the army's eventual withdrawal was all but inevitable, the uncertainties regarding regional security, border issues, and fundamental political identity in the former Soviet bloc were complex. With the emerging EU in no position to offer reassuring security, only NATO could stably fill the void.

What followed was less the product of strategic design than the result of history's spontaneity. The latter is often confusing and contradictory, and yet ultimately decisive. That was largely the case with NATO's expansion eastward. Initially, Russia's new leadership acceded reluctantly to it (notably, in the course of Russian President Boris Yeltsin's negotiations with Polish President Lech Walesa in August 1993); only on second thought, shortly thereafter, did Russia begin to object. Moreover, recently declassified materials clearly refute the oft-made argument that Russia was promised that NATO would not expand. In any case, there was no practical way of preventing the

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spontaneous surge of the central and eastern European states toward the only Western institution that could simultaneously assure their security and help define their political identity.

One has to remember that the central and eastern Europeans were in a mood of enthusiastic emancipation from the Soviet Union's almost five-decade and rather heavy-handed domination. They were determined to become an integral part of the free Europe and disinclined to become a geopolitical no man's land between NATO and Russia. If the central and eastern European states had been left out, the Europe divided in two by the Cold War, instead of becoming one, would have become a Europe divided into three: the NATO states in the west; a West-leaning but insecure central and eastern Europe, as well as the newly sovereign but unstable Belarus and Ukraine, in the middle; and Russia in the east. How such an arrangement could have peacefully endured is difficult to imagine. An enlarged NATO has proved itself to be by far preferable to the instability or even violence (à la Ukraine or Georgia recently) that almost certainly would have at some point ensued in a central and eastern Europe left to its own uncertain devices between a reunified Germany in NATO and a resentful Russia still tempted to view the region as part of its "near abroad." (It is noteworthy that the freshly reunited Germany, an immediate neighbor to central and eastern Europe, had no such illusions on this score and played a key role in pushing forward the NATO enlargement process.)

In brief, NATO enlargement was historically timely and also the right thing to do. By the early years of the twenty-first century, the almost total geopolitical overlap between membership in NATO and membership in the EU made it clear that Europe was finally both secure and united. The closure of the prolonged European civil war meant that Americans and Europeans, in looking back at NATO's first 60 years, did have genuine cause for celebration in April 2009.

ADJUSTING TO A TRANSFORMED WORLD

AND YET, it is fair to ask: Is NATO living up to its extraordinary potential? NATO today is without a doubt the most powerful military and political alliance in the world. Its 28 members come from the globe's two most productive, technologically advanced, socially

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modern, economically prosperous, and politically democratic regions. Its member states' 900 million people account for only 13 percent of the world's population but 45 percent of global GDP.

NATO's potential is not primarily military. Although NATO is a collective-security alliance, its actual military power comes predominantly from the United States, and that reality is not likely to change anytime soon. NATO's real power derives from the fact that it combines the United States' military capabilities and economic power with Europe's collective political and economic weight (and occasionally some limited European military forces). Together, that combination makes NATO globally significant. It must therefore remain sensitive to the importance of safeguarding the geopolitical bond between the United States and Europe as it addresses new tasks.

The basic challenge that NATO now confronts is that there are historically unprecedented risks to global security. Today's world is threatened neither by the militant fanaticism of a territorially rapacious nationalist state nor by the coercive aspiration of a globally pretentious ideology embraced by an expansive imperial power. The paradox of our time is that the world, increasingly connected and economically interdependent for the first time in its entire history, is experiencing intensifying popular unrest made all the more menacing by the growing accessibility of

Washington's arrogant
unilateralism in Iraq
and its demagogic
Islamophobic
sloganeering weakened
the unity of NATO.

weapons of mass destruction—not just to states but also, potentially, to extremist religious and political movements. Yet there is no effective global security mechanism for coping with the growing threat of violent political chaos stemming from humanity's recent political awakening.

The three great political contests of the twentieth century (the two world wars and the Cold War) accelerated the political awakening of mankind, which was initially unleashed in Europe by the French Revolution. Within a century of that revolution, spontaneous populist political activism had spread from Europe to East Asia. On their return home after World Wars I and II, the South Asians and the North Africans who had been conscripted by the British and French imperial armies propagated a new awareness of anticolonial nation-

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alist and religious political identity among hitherto passive and pliant populations. The spread of literacy during the twentieth century and the wide-ranging impact of radio, television, and the Internet accelerated and intensified this mass global political awakening.

In its early stages, such new political awareness tends to be expressed as a fanatical embrace of the most extreme ethnic or fundamentalist religious passions, with beliefs and resentments universalized in Manichaeic categories. Unfortunately, in significant parts of the developing world, bitter memories of European colonialism and of more recent U.S. intrusion have given such newly aroused passions a distinctively anti-Western cast. Today, the most acute example of this phenomenon is found in an area that stretches from Egypt to India. This area, inhabited by more than 500 million politically and religiously aroused peoples, is where NATO is becoming more deeply embroiled.

Additionally complicating is the fact that the dramatic rise of China and India and the quick recovery of Japan within the last 50 years have signaled that the global center of political and economic gravity is shifting away from the North Atlantic toward Asia and the Pacific. And of the currently leading global powers—the United States, the EU, China, Japan, Russia, and India—at least two, or perhaps even three, are revisionist in their orientation. Whether they are “rising peacefully” (a self-confident China), truculently (an imperially nostalgic Russia) or boastfully (an assertive India, despite its internal multiethnic and religious vulnerabilities), they all desire a change in the global pecking order. The future conduct of and relationship among these three still relatively cautious revisionist powers will further intensify the strategic uncertainty.

Visible on the horizon but not as powerful are the emerging regional rebels, with some of them defiantly reaching for nuclear weapons. North Korea has openly flouted the international community by producing (apparently successfully) its own nuclear weapons—and also by profiting from their dissemination. At some point, its unpredictability could precipitate the first use of nuclear weapons in anger since 1945. Iran, in contrast, has proclaimed that its nuclear program is entirely for peaceful purposes but so far has been unwilling to consider consensual arrangements with the international community that would provide credible assurances regarding these intentions.

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In nuclear-armed Pakistan, an extremist anti-Western religious movement is threatening the country's political stability.

These changes together reflect the waning of the post-World War II global hierarchy and the simultaneous dispersal of global power. Unfortunately, U.S. leadership in recent years unintentionally, but most unwisely, contributed to the currently threatening state of affairs. The combination of Washington's arrogant unilateralism in Iraq and its demagogic Islamophobic sloganeering weakened the unity of NATO and focused aroused Muslim resentments on the United States and the West more generally.

SUSTAINING ALLIANCE CREDIBILITY

THE DISPERSAL of global power and the expanding mass political unrest make for a combustible mixture. In this dangerous setting, the first order of business for NATO members is to define together, and then to pursue together, a politically acceptable outcome to its out-of-region military engagement in Afghanistan. The United States' NATO allies invoked Article 5 of the North Atlantic Treaty in deciding to join the campaign to deprive al Qaeda of its safe haven in Afghanistan. The alliance made that commitment on its own and not under U.S. pressure. It must accordingly be pursued on a genuinely shared military and economic basis, without caveats regarding military participation or evasions regarding badly needed financial assistance for Afghanistan and Pakistan. The commitment of troops and money cannot be overwhelmingly a U.S. responsibility.

To be sure, that is easier said than done, but it should be the central political duty of NATO's new secretary-general to keep insisting on both military and financial support. The basic operating principle has to be that every ally contributes to the extent that it can and that no ally is altogether passive. The actual (not just pledged) contribution of each ally to the needed military, social, and financial effort should be regularly publicized and jointly reviewed. Otherwise, Article 5 will progressively lose its meaning.

Theoretically, it is of course possible that NATO at some point will conclude (and some of its members privately talk as if they have already done so) that the effort in Afghanistan is not worth the cost. Individual

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allies could quietly withdraw, salving their consciences by urging that NATO issue a grave warning of its collective intent to strike back from a distance if al Qaeda uses either Afghanistan or Pakistan as a base for launching new attacks against targets in North America or Europe. However, a NATO pullout, even if not formally declared, would be viewed worldwide as a repetition of the earlier Soviet defeat in Afghanistan. It would almost certainly prompt bitter transatlantic recriminations, would undermine NATO's credibility, and could allow Taliban extremists in Afghanistan and Pakistan to gain control over more than 200 million people and a nuclear arsenal.

Shortly after assuming office, the Obama administration concluded a policy review of the United States' goals in Afghanistan. Its reasonable conclusion was that a stable Afghanistan cannot be achieved primarily by military means. This goal will require a combination of a military effort that denies victory to the Taliban (and facilitates the progressive expansion of effective national control by the Afghan army) and a sustained international financial effort to improve the well-being of the Afghan people and the efficacy of the Afghan government. This is both more modest and more realistic than earlier notions of building a modern democracy in a society in which only the urban sectors are more or less quasi-modern and the rural areas are in many respects still quite medieval. Now that the elimination of al Qaeda's safe haven has been defined as the key objective, local accommodations with compliant Taliban elements no longer need to be excluded. NATO's military disengagement at some point could follow.

This redefinition of policy would provide a realistic basis for achieving a politically acceptable outcome but for one glaring omission: it does not address in a strategically decisive fashion the fact that the conflict with the Taliban in Afghanistan cannot be resolved without Pakistan's genuine political and military support for the effort to shore up a nonfundamentalist regime in Kabul. That full support has not been forthcoming in part because of the rising intensity of fundamentalist passions in Pakistan, especially among the rural sectors, and also because the geopolitical concerns of the Pakistani military about its country's own security are at odds with U.S. and British sensitivities regarding India's interests. Alas, for some in the Pakistani military, the extreme choice of a Taliban-controlled Pakistan that dominates a

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Taliban-controlled Afghanistan could even be preferable to a secular Pakistan wedged insecurely between a threatening India and an Afghanistan that geopolitically flirts with India in order to be independent from Pakistan.

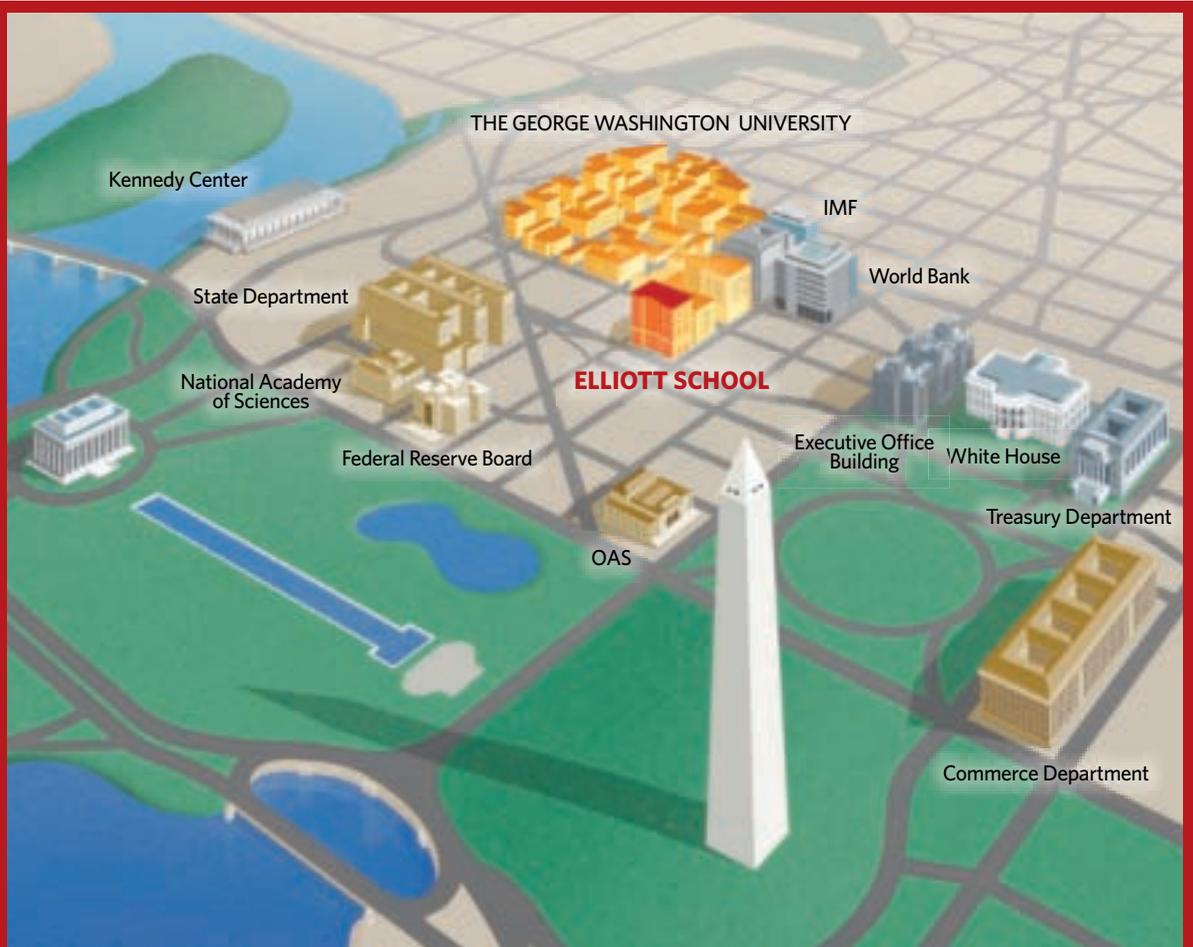
Given China's rivalry with India and its strategic stake in a viable Pakistan, engaging China in a geopolitical dialogue about Pakistan's long-term security could be helpful in reassuring Pakistan regarding Afghanistan and India. India—despite its reciprocal antagonism with Pakistan—also has a stake in its western neighbor's not triggering a regional upheaval. Similarly, Iran, which views the Taliban with hostility, could again play a constructive role in helping stabilize Afghanistan's western region, much as it did in 2002. A serious effort by NATO to engage China, India, and Iran in a strategic dialogue on how best to avoid a regionwide explosion is thus very timely. Without that dialogue, NATO's first campaign based on Article 5 could become painfully prolonged, destructively divisive, and potentially even fatal to the alliance.

REAFFIRMING COLLECTIVE SECURITY

IT WAS noted earlier that Article 5 of the North Atlantic Treaty sufficed for 60 years. But is it still credible? A closer look at its wording may be in order:

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 . . . 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.

Since European states 60 years ago yearned for guaranteed U.S. power but had no effective power themselves, that wording satisfied the basic European need. It mitigated their collective insecurity by committing the United States at a time when all knew that only the United States could respond with meaningful force. And once it did, all the others would pretty much have to follow. Now, however, the situation is different. The war in Afghanistan is a case in point. Most



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An Agenda for NATO

of the United States' allies now feel relatively secure. It is the United States that needs committed allies in that war. But the qualified wording of Article 5 ("as it deems necessary") gives each of them the option to do as much or as little (or even nothing) as they think appropriate. And suppose the Taliban were to take over Pakistan, with its nuclear arsenal, and then threaten NATO in Afghanistan. Would that meet Article 5's triggering standard of "an armed attack against one or more of [the NATO allies] in Europe or North America"?

Even more perplexing is the current significance of Article 5 to Europe itself. It raises the question of how tightly binding are NATO's collective-security obligations. If a geopolitically exposed European member of NATO were to become a victim of an armed attack and if the United States and the United Kingdom and other NATO allies were inclined to come to its aid but, say, Greece and Italy were not, could Article 5 be invoked?

Despite the expansion of its membership to 28 countries, NATO remains bound by what it has defined as "a fundamental principle"—namely, that "all NATO decisions are made by consensus," that "consensus has been accepted as the sole basis for decision-making in NATO since the creation of the Alliance in 1949," and that "this principle remains in place." Accordingly, the secretary-general of NATO, as part of the task assigned to him at the recent alliance summit, might consider designating a senior allied group to undertake a review of the current meaning of Article 5. Not only the Afghan challenge but also the significant decline of the U.S. military presence in Europe, the increased membership in NATO itself, and the changes already noted in the global security context call for another look at this key article. Even if a war in Europe is unlikely (and in any such case, the U.S. reaction would be the most significant for some time to come), it is right to ask whether a single member—or even two or three members—of a collective-security alliance have the right to in effect veto a joint response. Perhaps some thought should be given to formulating a more operational definition of "consensus" when it is shared by an overwhelming majority but not by everyone.

Article 13 of the treaty should also be reviewed. It provides for the right of any member to leave NATO after 20 years but does not include any provision for NATO to exclude a member for not being true to its

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obligations. Unfortunately, the possibility that at a critical juncture, some external financial or political influence could seduce a NATO member can no longer be entirely excluded, particularly given the size of the expanded alliance and the abundance of outside temptations. One should not sweep under the rug the fact that a vague consensus that shields divisions may help preserve NATO's formal unity but would do so at the cost of potential paralysis in a moment of urgent need. Credible collective security will have no enduring meaning if it involves only selective benefits.

ENGAGING RUSSIA

THE ALLIANCE also needs to define for itself a historically and geopolitically relevant long-term strategic goal for its relationship with the Russian Federation. Russia is not an enemy, but it still views NATO with hostility. That hostility is not likely to fade soon, especially if Prime Minister Vladimir Putin becomes president again in 2012. Moreover, for a while yet, Russia's policy toward NATO—driven by historical resentment of the Soviet defeat in the Cold War and by nationalist hostility to NATO's expansion—is likely to try to promote division between the United States and Europe and, within Europe, between NATO's old members and NATO's new members.

In the near future, Russia's membership in NATO is not likely. Russia—out of understandable pride—does not seek to be a member of a U.S.-led alliance. And it is also a fact that NATO would cease to be NATO if a politically nondemocratic and militarily secretive Russia were to become a member. Nonetheless, closer political and security cooperation with a genuinely postimperial Russia—one that eventually comes to terms, like the United Kingdom, France, and Germany did before, with its new historical context—is in the long-term interest of the United States and Europe. Hence, two strategic objectives should define NATO's goal vis-à-vis Russia: to consolidate security in Europe by drawing Russia into a closer political and military association with the Euro-Atlantic community and to engage Russia in a wider web of global security that indirectly facilitates the fading of Russia's lingering imperial ambitions. It will take time and patience to move forward on both, but eventually a new generation of Russian leaders will recognize that

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doing so is also in Russia's fundamental national interest. Russia's increasingly depopulated but huge and mineral-rich Eurasian territory is bordered by 500 million Europeans to the west and 1.5 billion Chinese to the east. And the alternative favored by some Russian strategists—an anti-Western axis with China—is illusory for two reasons: its benefits would be dubious to the Chinese, and the economically weaker and demographically depleted Russia would be congested China's junior partner.

At this stage, the EU can be a more productive vehicle for promoting positive change in the East—by exploiting the fact that none of Russia's newly independent neighbors wishes to be its colony or satellite again—and NATO can make a contribution by consolidating the results of such positive change. In such a division of labor, the Eastern Partnership, originally proposed by Poland and Sweden, could very well be an effective instrument for promoting closer ties between the EU and Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine. With its activities ranging from providing financial and technological assistance to offering university scholarships and facilitating travel to the West, the initiative is responsive to the evident aspirations of the peoples concerned and capitalizes on the widespread public desire in the East for closer ties to the EU.

Russia today cannot react to such an initiative in the same manner as the Soviet Union would have in the past. The Kremlin has to respond by making equally attractive offers to the countries concerned, thereby indirectly confirming its own respect for their sovereignty, however reluctant that respect may be. In addition, the competition between Russia and the EU that such an initiative will foster will not only be beneficial to the countries so courted but also cultivate popular aspirations in Russia for similarly privileged social access to the West. Moreover, given the close social links between Russia and Ukraine, the more Ukrainian society gravitates toward the West, the more likely it is that Russia will have no choice but to eventually follow suit.

NATO has to be careful not to unintentionally reinforce Russia's imperial nostalgia regarding Ukraine and Georgia. The political subordination of each is still an evident, and even provocatively stated (especially

NATO has the means to become the center of a globe-spanning web of cooperative-security undertakings.

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by Putin), objective of the current rulers in the Kremlin. In steering a prudentially balanced course, NATO should maintain its formal position that eventual membership in NATO is open to both countries but at the same time continue to expand its collaborative relationship with Russia itself, as well as with most members of the Moscow-sponsored Commonwealth of Independent States. In addition to forming the NATO-Russia Council, NATO has already developed Individual Partnership Action Plans with four CIS members. Moreover, 11 CIS members currently collaborate with NATO in both the Partnership for Peace program and the Euro-Atlantic Partnership Council.

These programs, although modest and carefully designed not to challenge Moscow's premier standing in the CIS, do provide the basis for considering a more formal security arrangement between NATO and Russia beyond the NATO-Russia Council. In recent years, Russia has occasionally hinted that it would favor a treaty implying an equal relationship between NATO and the Kremlin-created (and somewhat fictitious) Collective Security Treaty Organization, which was set up in 2002. Replacing the defunct Warsaw Pact and copying NATO's treaty, the CSTO now includes Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan. NATO has been reluctant to consider a formal pact with the CSTO, since that would imply political-military symmetry between the two. However, this reservation could perhaps be set aside in the event that a joint agreement for security cooperation in Eurasia and beyond were to contain a provision respecting the right of current nonmembers to eventually seek membership in either NATO or the CSTO—and perhaps, at a still more distant point, even in both.

A NATO-CSTO treaty containing such a proviso would constitute an indirect commitment by Russia not to obstruct the eventual adhesion to NATO of either Ukraine or Georgia in return for the *de facto* affirmation by NATO that in neither case is membership imminent. The majority of the Ukrainian people presently do not desire NATO membership, and the recent war between Georgia and Russia calls for a cooling-off period (which should not exclude providing Georgia with purely defensive antitank and anti-air systems, so that the country does not remain temptingly defenseless). It should be in the interest of both Russia and the West that Ukraine's and Georgia's orientation be determined through a democratic political process that respects

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the national sovereignty and the political aspirations of the peoples concerned. Anything less could prompt a seriously damaging downturn in East-West relations, to the detriment of Russia's long-term future.

REACHING OUT TO ASIA

By thus indirectly resolving a contentious issue between NATO and Russia, a NATO-CSTO agreement could also facilitate a cooperative NATO outreach further east, toward the rising Asian powers, which should be drawn increasingly into joint security undertakings. Today's Shanghai Cooperation Organization was originally formed in 1996 as the Shanghai Five to deal with border issues among China, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan. In 2001, it was renamed and expanded to include Uzbekistan. At that time, it was also charged with fashioning cooperative responses to terrorism, separatism, and drug trafficking. Afghanistan, India, Iran, Mongolia, and Pakistan have observer status. Turkey, given that it is a NATO member and has a special interest in Central Asia, could perhaps play a key role in exploring a cooperative arrangement between NATO and the SCO. A positive outcome could foster security cooperation on a transregional basis in one of the world's most explosive areas.

Such gradually expanding cooperation could lead, in turn, to a joint NATO-SCO council, thereby indirectly engaging China in cooperation with NATO, clearly a desirable and important longer-term goal. Indeed, given the changing distribution of global power and the eastward shift in its center of gravity, it could also become timely before long for NATO to consider more direct formal links with several leading East Asian powers—especially China and Japan—as well as with India. This could perhaps also take the form of joint councils, which could promote greater interoperability, prepare for mutually threatening contingencies, and facilitate genuine strategic cooperation. Neither China nor Japan nor India should avoid assuming more direct responsibilities for global security, with the inevitable shared costs and risks.

To be sure, it will not be easy to engage such new global players in fashioning the needed security framework. It will take time, patience, and perseverance. Despite the opposition of the rising powers to the United States' recent unilateralism in world affairs and their lingering

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resentment of Western domination, it is easier for these powers to pay lip service to the notion of shared obligations while letting the United States (supported by Europe) assume the actual burdens. Accordingly, the enlistment of new players will be a protracted process, but it must nonetheless be pursued. There is no other way to shape effective security arrangements for a world in which politically awakened peoples—whose prevailing historical narratives associate the West less with their recent emancipation and more with their past subordination—can no longer be dominated by a single region.

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TO REMAIN historically relevant, NATO cannot—as some have urged—simply expand itself into a global alliance or transform itself into a global alliance of democracies. German Chancellor Angela Merkel expressed the right sentiment when she noted in March 2009, “I don’t see a global NATO. . . . It can provide security outside its area, but that doesn’t mean members across the globe are possible.” A global NATO would dilute the centrality of the U.S.-European connection, and none of the rising powers would be likely to accept membership in a globally expanded NATO. Furthermore, an ideologically defined global alliance of democracies would face serious difficulties in determining whom to include and whom to exclude and in striking a reasonable balance between its doctrinal and strategic purposes. The effort to promote such an alliance could also undermine NATO’s special transatlantic identity.

NATO, however, has the experience, the institutions, and the means to eventually become the hub of a globe-spanning web of various regional cooperative-security undertakings among states with the growing power to act. The resulting security web would fill a need that the United Nations by itself cannot meet but from which the UN system would actually benefit. In pursuing that strategic mission, NATO would not only be preserving transatlantic political unity; it would also be responding to the twenty-first century’s novel and increasingly urgent security agenda. 🌐



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The Default Power

The False Prophecy of America's Decline

Josef Joffe

EVERY TEN years, it is decline time in the United States. In the late 1950s, it was the Sputnik shock, followed by the “missile gap” trumpeted by John F. Kennedy in the 1960 presidential campaign. A decade later, Richard Nixon and Henry Kissinger sounded the dirge over bipolarity, predicting a world of five, rather than two, global powers. At the end of the 1970s, Jimmy Carter’s “malaise” speech invoked “a crisis of confidence” that struck “at the very heart and soul and spirit of our national will.”

A decade later, academics such as the Yale historian Paul Kennedy predicted the ruin of the United States, driven by overextension abroad and profligacy at home. The United States was at risk of “imperial overstretch,” Kennedy wrote in 1987, arguing that “the sum total of the United States’ global interests and obligations is nowadays far larger than the country’s power to defend them all simultaneously.” But three years later, Washington dispatched 600,000 soldiers to fight the first Iraq war—without reinstating the draft or raising taxes. The only price of “overstretch” turned out to be the mild recession of 1991.

Declinism took a break in the 1990s. The United States was enjoying a nice run after the suicide of the Soviet Union, and Japan, the economic powerhouse of the 1980s, was stuck in its “lost decade” of stagnation and

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so no longer stirred U.S. paranoia with its takeover of national treasures such as Pebble Beach and Rockefeller Center. The United States had

The United States remains first on any scale of power that matters, whether it is economic, military, diplomatic, or cultural.

moved into the longest economic expansion in history, which, apart from eight down months in 2001, continued until 2008. “Gloom is the dominant mood in Japan these days,” one Asian commentator reported in 1997, whereas “American capitalism is resurgent, confident and brash.” That year, the *New York Times* columnist Thomas Friedman wrote that “the defining feature of world affairs” was “globalization” and that

if “you had to design a country best suited to compete in such a world, [it would be] today’s America.” He concluded on a triumphant note: “Globalization is us.”

In those days, any declinist harrumph sounded quirky or simply generic. The indictment delivered in 1994 by the Oxford fellow John Gray could have come from any time: “The U.S. no longer possesses any recognizable common culture.” It had degenerated into a melee of “warring cultural and ethnic groups,” with “ungovernability” just around the corner. For Gray, it all added up to a “spectacle of American decline.”

But by the end of the Bush administration, declinism had returned with a vengeance. This year, inspired by the global financial crisis, Paul Kennedy revisited the arguments he had laid out in his book *The Rise and Fall of the Great Powers* over 20 years ago. “The biggest loser is understood to be Uncle Sam,” he wrote. Chronic fiscal deficits and military overstretch—the twin scourge of his 1987 book—were finally doing in the United States, he argued, and the “global tectonic power shift, toward Asia and away from the West, seems hard to reverse.”

Roger Altman, a former deputy secretary of the Treasury, has written in these pages that the financial crash “has inflicted profound damage on . . . [the United States’] standing in the world.” The German finance minister, Peer Steinbrück, has crowed, “The United States will lose its superpower status in the world financial system,” which “will become more multipolar.” And the historian Niall Ferguson has gone halfway, warning that although “the balance of global power is

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bound to shift,” “commentators should always hesitate before they prophesy the decline and fall of the United States.”

No such hesitation has befallen the new crop of declinists. Some of their lore is simply generic, divorced from time and circumstance, and thus achingly familiar to those who remember 50 years of similar boilerplate. Last year, Parag Khanna, a fellow at the New America Foundation, intoned that “America’s standing in the world remains in steady decline.” This has a familiar ring to it, as does Khanna’s announcement that U.S. power is “competing—and losing—in a geopolitical marketplace alongside the world’s other superpowers.”

Who are these superpowers? From the 1950s through the 1970s, it was the Soviet Union, and in the 1980s, Japan. Now, Khanna fingers the European Union and China. For Europe, it is the second time around the block—the old continent was touted as the multipolar muscleman by the previous generation of doomsters.

Finally, two foreign voices. One is that of Kishore Mahbubani, Singapore’s former UN ambassador, whose bid to succeed Kofi Annan as UN secretary-general was thwarted by Washington. As the title of his 2008 book, *The New Asian Hemisphere: The Irresistible Shift of Global Power to the East*, suggests, he chronicles not the degeneration of the United States as much as the triumph of Asia. His tone is avuncular, if not patronizing: “Sadly, . . . Western intellectual life continues to be dominated by those who continue to celebrate the supremacy of the West.” So the West, in this case the United States, is losing its grip not only on power but also on reality—going from Chapter 11 straight to the psychiatrist’s couch. In contrast, “the rest of the world has moved on. A steady delegitimization of Western power. . . is underway.” And who shall inherit the earth? Mahbubani suggests China, which “should eventually take over the mantle of global leadership from America.” This is a subtly contemptuous version of *America perdita*—wishful thinking posing as sober analysis.

A second voice is that of Dimitry Orlov, a Russian-born writer who saw the Soviet empire disembowel itself and, in an act of psychic revenge, has projected the same fate onto the United States. “At some point during the coming years,” he wrote in his 2008 book, *Reinventing Collapse: The Soviet Example and American Prospects*, “the economic system of the United States will teeter and fall. . . . America’s economy

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will evaporate like the morning mist.” He calls both the Soviet Union and the United States “evil empires.”

This brief history of declinism shows that doom arrives in cycles, and what comes and goes, logically, does not a trend make. Today, as after past prophecies of imminent debility, the United States remains first on any scale of power that matters—economic, military, diplomatic, or cultural—despite being embroiled in two wars and beset by the worst economic crisis since the Great Depression. The question, then, is, how well can the projections, dreams, and fantasies chronicled above stand up to this enduring reality?

GLEE AND GLOOM

EVER SINCE America was discovered, it has been an object of the imagination. Long before the 13 colonies jelled into a union, America was a construct more than a country—a canvas onto which the rest of the world would endlessly project its fondest dreams and fiercest nightmares.

The canvas is painted in two colors: glee and gloom. Glee is mainly celebrated abroad. Wanting the United States to falter is the natural reflex of those forced to coexist with a looming Gulliver who terrifies simply by throwing his weight around. So every decade, hope springs anew that this Gulliver will be muscled aside by somebody else. Far from foreshadowing the United States’ demise, these fantasies are actually a perverse way of paying homage to the giant’s fearsome clout—the troubles of small powers never provoke diagnoses of rampant debility.

The gloom is mainly Made in U.S.A. These nightmare scenarios come from a prophetic tradition in which the Jeremiahs hope to prevent what they predict by convincing the wayward to atone. Latter-day prophets use the language of decay to pursue a domestic agenda, whether it is a libertarian vision of isolationism and low taxes or a liberal one of more welfare and less militarism. These familiar motifs recall the words of the Founding Fathers, who saw aggrandizement abroad as a sure path to ruin at home. Thomas Jefferson warned against “entangling alliances”; John Quincy Adams did not want the United States to turn into “the dictatress of the world.” If she did, “she would no longer be the ruler of her own spirit.” Expansion, accordingly, equals the loss of America’s soul.

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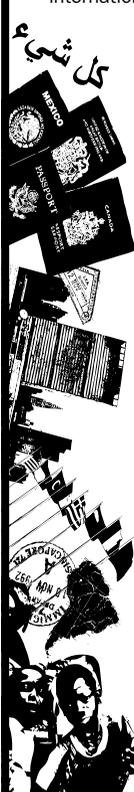
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The Default Power

Declinism has always oscillated between projection and prophecy, between those who cheer and those who fear *finis Americae*. A May 2009 *New Yorker* cartoon gently poked fun at recidivist doomsayers. It shows a penitent with a placard: “The End Is Still Coming,” and has a passerby asking his companion, “Wasn’t that Paul Krugman?” But simply pointing out the cycles and agendas found in any talk of decline does not dispose of the recurrent question: What is the United States’ standing in the world, and what might topple number one from its lofty perch? It is time for a look at the facts and figures.

JUST THE FACTS

IN ALL instances of declinism, economic failure serves as Exhibit A. But current figures show the U.S. economy to be worth \$14.3 trillion, three times as much as the world’s second-biggest economy, Japan’s, and only slightly less than the economies of its four nearest competitors combined—Japan, China, Germany, and France. Never before in modern history have the gaps between great powers been so wide. On the eve of World War I, the key players in the European balance of power were more or less evenly matched. The German economy, with a GDP of \$237 billion, had just eclipsed the British economy, then \$225 billion; France’s GDP was \$144 billion, and Russia’s was roughly \$230 billion.

Today, there is only one challenge to the dominance of the U.S. economy: the European Union’s aggregate GDP of \$18 trillion. But the more appropriate comparison may be with the 16-member eurozone, which has a common monetary policy and a rudimentary common fiscal policy—and a collective GDP of \$13.5 trillion, less than that of the United States. But an unwieldy conglomeration of 27, or even 16, states cannot be a strategic player.

The United States also comes out ahead among major powers in terms of per capita income, with \$47,000 per inhabitant. It is followed by France and Germany (both in the \$44,000 range), Japan (\$38,000), Russia (\$11,000), China (\$2,900), and India (\$1,000). It is not clear how China could soon best the United States in this regard, which has a per capita income that is 7.5 times as large as China’s. A country becomes neither rich nor powerful by adding up 1.3 billion very poor people—unless its riches are falsely measured by current account surpluses.

Josef Joffe

The gaps become exorbitant in the realm of military power, where the United States plays in a league of its own. In 2008, it spent \$607 billion on its military, representing almost half of the world's total military spending. The next nine states spent a total of \$476 billion, and the presumptive challengers to U.S. military supremacy—China, India, Japan, and Russia—together devoted only \$219 billion to their militaries. The military budget of China, the country most often touted as the world's next superpower, is less than one-seventh of the U.S. defense budget. Even if one includes among potential U.S. adversaries the 27 states of the EU, which together spend \$288 billion on defense, the United States still outweighs them all—\$607 billion compared to \$507 billion.

Nor can any other great power boast the United States' naval strength, a measure of a state's ability to project power quickly and over great distances. In 2005, as Robert Work, a defense analyst and now under-secretary of the U.S. Navy, has shown, the U.S. Navy commanded a naval tonnage exceeding the world's next 17 fleets combined. This is a dramatic shift from 1922, when the Washington Naval Conference tried to set the rules for a balance of power at sea. The three top competitors—the United States, the United Kingdom, and Japan—were allowed navies in the ratio of 5:5:3. At the time, the United Kingdom, the world's greatest maritime power, had a total naval tonnage of 525,000 tons. Germany, France, and Russia also had navies capable of fighting halfway around the world. Today, however, China, India, Japan, Russia, and the EU put together could not conduct a major war 8,000 miles from their shores, as the United States has done twice in Iraq and once in Afghanistan in recent years.

FALSE IDOLS

THE BREATHTAKING rise of China is at the center of the current spate of declinism, much as Japan's was in the 1980s. This argument is not about the present or the absolute decline of the United States but about its relative loss vis-à-vis China—the United States is supposedly doomed because China's economy has been growing at three times the rate of the United States' and therefore will surpass the United States in terms of output sometime in the next several decades.

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This would be a safe bet only if GDP is measured using purchasing power parity (PPP), which raises China's 2007 nominal GDP from \$3.3 trillion to almost \$8 trillion because of its extremely depressed price and wage levels. Taking a high-end estimate of Chinese growth—an annual rate of ten percent—China's economy would double every seven years, overtaking current U.S. GDP as early as 2015 and leaving the United States in the dust seven years later. But whatever the tipping point, this calculation suggests that China will emerge as number one. Alas, global standing is not measured by the low prices of nontradable goods, such as haircuts, bootlegged software, and government services. Think instead about advanced technology, energy, raw materials, and the cost of higher education in the West. These items are critical for growth and must be procured on the world market. Influence bought abroad, say, through foreign aid, also comes at exchange-rate prices, as does imported high-tech weaponry.

The debate over whether to consider GDP based on PPP or nominal GDP as a measure of economic power is endless. The Australian economist Saul Eslake, who predicts the *déclassement* of the United States on the basis of PPP as early as 2015, offers a typical caveat: "Of course, these projections may prove inaccurate: by and large they extrapolate the growth rates of the recent past, and make no allowance for a global economic downturn, or for downturns in any individual economy, and they do not seem to make much allowance for demographic factors."

Life, however, is not linear. China's uninterrupted double-digit growth rates are of a recent vintage, essentially since 2003. In 1989 and 1990, growth in China was four percent. In 1967 and 1968, China's growth actually fell, by 5.1 percent and 2.9 percent, respectively, and in 1976, it fell by 5.8 percent. These last three years are not plucked at random; the first two marked the beginning of the Cultural Revolution, and the last one, its end, and they offer a useful reminder of volatility driven by wrenching domestic upheaval. History sounded a similar warning against straight-line projections in 1989, the year of the crackdown in Tiananmen Square, when growth plummeted to four percent, compared with 11.3 percent the previous year. Karl Marx asserted that economics drives everything else—such turmoil suggests that politics is mightier still.

Estimates that China's economy will grow by six percent in 2009 are another cautionary tale. China's growth has dropped by half from

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a historical high of almost 12 percent in 2007, which serves as a warning that its miraculous growth is foreign made—China is a place where the rest of the world essentially rents workers and workspace at deflated prices and distorted exchange rates. The Chinese economy is extremely dependent on exports—they amount to around two-fifths of China's GDP—and hence vulnerable to global economic downturns.

In fact, China's exports have plunged by 26 percent this year. Such are the cyclical risks of playing offshore manufacturing heaven to the world. Export-led expansion may pick up in China again if world trade returns to earlier levels. But such a recovery would not solve the underlying problem: the structural deformation export dependency has wrought. Between 1991 and 1995, 100 million yuan in investment in fixed assets yielded 66.2 million yuan in GDP and

Unless China is not of this world, society's chickens will come home to roost, demanding to be fed or freed.

400 new jobs, according to Minxin Pei of the Carnegie Endowment. But ten years later, according to Pei's data, the same amount of investment added only 28.6 million yuan to GDP and 170 new jobs. The law of diminishing returns—the oldest in economics—has begun to bite.

This also has political consequences, which are never factored into linear forecasts based on past performance. Precisely because China is so export dependent, it devotes only 35 percent of GDP to private consumption, compared with 60 percent in many Western countries. Something will have to give, as some 70,000 civil disturbances each year in China suggest, the latest being the turmoil in Xinjiang in July 2009 that killed hundreds. If China does shift resources into social services and support, exports and export-led growth will necessarily fall. Germany is an instructive case: it has about the same export ratio as China, but it also supports a welfare state that eats up one-third of its GDP, which has resulted in an average annual growth rate of 1.5 percent over the last decade. The Chinese regime thus faces the predicament of choosing between exports and welfare. Authoritarian modernization à la Deng Xiaoping has managed to suppress this clash, but unless China is not of this world, society's chickens will come home to roost, demanding to be fed or freed.

Even if China manages to avoid the pernicious dynamics of authoritarian modernization—war, revolution, and upheaval—that eventually

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befell imperial Germany, Japan, and Russia, it will face another challenge in its demographic deterioration. Essentially, China will grow old before becoming rich, as Mark Haas, a professor of political science at Duquesne University, has noted. According to Goldman Sachs, by 2050 the Chinese economy will long have overtaken the U.S. economy, with a GDP of \$45 trillion, compared with the United States' \$35 trillion. But by then, the median age in the United States will be the lowest of any of the world's large powers, except India. The United States' working-age population will have grown by about 30 percent, whereas China's will have dropped by three percent. The economic and strategic consequences will be enormous. China's aging population will require a shifting of resources from investment to welfare, thus reducing China's growth. And as the economic pie shrinks, a growing number of pensioners—329 million by 2050—will demand a larger slice. This will necessarily cut into the share for the People's Liberation Army. If China cannot dodge this double whammy, how can it be expected to unseat the United States as the greatest military power the world has ever seen?

Perhaps it is time to play a different round of the compound-interest game so beloved by the declinists. Assuming China's economy grows at seven percent—twice the historical rate of the United States'—China's GDP will double between 2007 and 2015, from \$3.3 trillion to \$6.6 trillion, and then double again by 2025, to \$13.2 trillion. By that time, assuming 3.5 percent annual growth for the United States (the historical average), U.S. GDP will have grown to \$28 trillion. Given the myriad challenges China faces, this scenario is more realistic than projections based on China's recent growth rates. China, it seems, still has a way to go before it can dethrone the United States.

LAST MAN STANDING

COMPOUND-INTEREST games are entertaining but not enlightening, since power, the most elusive concept in political science, is not just a matter of growth rates. What, then, makes a country great? A large population, a large economy, and a large military are necessary but not sufficient conditions. What puts the United States in a league of its own? For one, the world's most sophisticated military panoply, fed by a defense budget that dwarfs all comers and gives the United

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States the means to intervene anywhere on the planet. But there is even more: an unmatched research and higher-education establishment that continues to drive excellence. All projections that show China surpassing the United States in the first half of this century leave out these two unspectacular—but critical—sources of power. Of the world's top 20 universities, all but three are American; of the top 50, all but 11 are located in the United States. By contrast, India's two best universities are tucked away in the world's 300-to-400 tier. China does a bit better, its top three—Nanjing University, Peking University, and Shanghai University—are in the 200-to-300 group of the world's 500 best. Harvard and Stanford are not quaking, and neither are Cambridge and Oxford. China's public spending on education, meanwhile, has been in the range of 2.0–2.5 percent of GDP over the last quarter century—this for a population four times as large as the United States' and an economy four times as small. In the United States, average spending has been close to six percent, higher than that of India, Japan, Russia, and the EU. The same pattern holds for research and development (R & D) outlays, with the U.S. rate almost twice as high as China's—again as a fraction of a vastly larger GDP.

Education and R & D are critical because they condition future performance. True, an increasing number of U.S. graduates in the hard sciences are foreign born or first-generation immigrants. But far from betraying a failure on the United States' part, this trend actually dramatizes a unique advantage: no other country draws so many of the world's best and brightest to its labs and universities, especially from China and India.

Another aspect of national power is a warrior culture. The United States still has one, as does the United Kingdom. But Europe—although it bests or equals the United States in terms of population, economic size, and military might—no longer has the mindset that once made it the master of the world. The armies of European countries are no longer objects of national pride and no longer serve as ladders for social advancement, nor are they the principal agents for promoting the national interest. For all its marvelous riches, Europe is hardly a prime player in the contemporary great-power game: it does not think like a global power, nor can it move with the speed or decisiveness of a real state. The EU takes pride in being a civilian power that expands by force

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of example, rather than by force of arms. And why not, as long as the United States acts as the security lender of last resort?

What distinguishes the United States from the rest is its choice of role and mission in the world. This self-definition is best illuminated by a comparison with Russia, which wants back what it lost, and China, which wants more than it has. Both countries want more, but for themselves, not for all. Driven by selfish purposes, powers such as Russia and China cannot be what the United States was at its best in the twentieth century: a state that pursued its own interests by also serving those of others and thus created global demand for the benefits it provided. It is neither altruism nor egotism but enlightened self-interest that breeds influence.

The United States' choice of its role, in addition to its vast material riches, made it the twentieth century's indispensable nation. While acting on its own interests, it twice saved Europe from itself, and then saved it a third time, during the Cold War, from the Soviet Union. In the interwar period—again, obeying its own economic interests—the United States sought to blunt what John Maynard Keynes called “the economic consequences of the peace” by pumping dollars into Europe's economies. Although the Dawes and Young Plans, two U.S.-led economic assistance programs after World War I, were surely designed to make Europe safe and profitable for U.S. investments and exports, they also promoted recovery in Europe, as the Marshall Plan did a generation later. Much has been said about the splendid institutional architecture the United States put in place after World War II, from the United Nations to NATO, and from the International Monetary Fund to the Organization for European Economic Cooperation. But the point needs repeating: to find profit for itself, the United States provided for others. But all this occurred during times of war, hot or cold, when hard necessity generated the incentive to shoulder the burden and pay the price. What makes the United States indispensable now?

The United States is the default power, the country that occupies center stage because there is nobody else with the requisite power and purpose. Why not any of the others? On a speculative note, it may take a liberal, seafaring empire to turn national interests into international public goods. The United Kingdom built a global empire for itself, but in the process it produced a whole slew of precious public goods: free trade, freedom of the seas, and the gold standard.

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It is difficult to imagine China, India, Japan, Russia, or the EU as guardians of the larger common interest. The EU comes close, but it has neither the means nor the will to act strategically. Japan, although rich enough to marshal the means, will continue to huddle under the United States' strategic umbrella as long as it is extended. India has the size and the population, but apart from being the poorest of them all, it is trapped in a permanent conflict with Pakistan (and a latent one with China), which monopolizes its resources and attention. China and Russia are revisionist powers in business only for themselves. They also lack the right polity. The United Kingdom and the United States are history's only liberal empires. To labor for a liberal order abroad requires such an order at home, and so does the habit, sincere or selfish, of articulating the national interest in a universal language. The British Empire's rule over India was more benign than Belgium's over the Congo under the rapacious reign of King Leopold, and it was also more pleasant than is China's in Tibet or Russia's in its former Soviet empire. The United States has routinely intervened in Central America—where it once kept a lot of nasty company—but China's rebellious students put up a replica of the Statue of Liberty in Tiananmen Square, and not one of Lenin's mausoleum. China and Russia might shine forth as models of authoritarian modernization, but to capture a wider swath of the political imagination, it takes a country that is not just rich but also democratic and free.

A PRINCE AND HIS KINGDOM

THE UNITED STATES was far from universally loved under President George W. Bush. Many foreigners saw it as taking advantage of the “unipolar moment” by going to war twice and defying a slew of international agreements and institutions, from the Kyoto Protocol to the International Criminal Court. The United States' autonomy, ran the message of *Gulliver Unbound*, was not going to be curbed or controlled by the world at large. And yet, for all the anti-Americanism that has coursed through western Europe, the Islamic world, and Latin America in recent years, the United States has remained the world's dominant power. When it adopted a hands-off policy toward the Arab-Israeli conflict in the early years of the Bush administration, no other state could fill the vacuum. And when it decided to reengage in the peace process

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in Annapolis in 2007, everybody showed up; no other government could have mustered that much convening power. Nor could any other nation have harnessed the global coalition that has been fighting the Taliban in Afghanistan. The six-party talks with North Korea were orchestrated by the United States; on the other hand, the three-party talks with Iran—led by France, Germany, and the United Kingdom—could not put a stop to Iran’s nuclear ambitions. The moral is that either the United States takes care of the heavy lifting or nobody does. And this is the concise definition of a default power.

Nor can the rest truly constrain U.S. might. France, Germany, and Russia tried to do so in the run-up to the second Iraq war, in 2003, but ultimately could not stop the U.S. behemoth. In a grudging homage to U.S. power, Germany Chancellor Gerhard Schröder helped the war effort by granting the United States basing and overflight rights and agreeing to guard U.S. installations in the country to free up U.S. forces for duty in Iraq. More recently, in 2008, it was the United Kingdom and the United States—rather than the G-20—that took the lead in battling the global financial crisis, with massive stimulus measures and injections of liquidity. The speed with which Barack Obama captured hearts and minds around the world after his election in November 2008 represented a rare moment in the annals of the great powers—a moment of relief at having a U.S. president who made it possible for the world to love his country again.

Of course, the United States will not get its way always or everywhere, nor will worldwide affection for Obama translate into a surfeit of U.S. influence. The default power is still an überpower, and other states will seek to balance against it. China and Russia, for example, protect Iran and North Korea from painful UN sanctions. Meanwhile, China and the United States hold each other hostage in a state of M-MAD, or “monetary mutual assured destruction.” China cannot unload hundreds of billions of dollars’ worth of U.S. Treasury bills without destroying the dollar and its trade surplus, which created its hoard in the first place. Nor can Washington force Beijing to give up

To capture a wider swath of the political imagination, it takes a country that is not just rich but also democratic and free.

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on its predatory trade and exchange-rate policies without suffering monetary retaliation.

But financial deterrence does not a new default power make. The economic storm that hit the United States in 2008 has triggered a tsunami in China, which has cut its growth rate in half—although six percent is still a lot better than the negative growth suffered by much of the West. And like the world's other aspiring powers, China lacks the legitimacy that transforms muscle into leadership. The Obama administration grasps this enduring essence of world politics—it adds kindness to clout, amicability to hard assets.

Take Obama's overtures to the Muslim world, outlined first in his inaugural address and then more fully in his speech in Cairo in June. Prince Obama needs no advice from Machiavelli, who famously counseled that it is best to be both loved and feared. By flattering the Islamic world and widening the distance between Israel and the United States, the Obama administration hopes to improve its chances of forging a Sunni Arab alliance against Iran. Forgoing the use of force against Iran's and North Korea's nuclear armaments may be more than just an act of prudence, especially when the costs of war—say, retaliation by Iran against tanker traffic in the Persian Gulf or a North Korean attack on South Korea—loom larger than the risks of proliferation down the road. What cannot be averted might just as well be turned into a diplomatic advantage. Tehran's and Pyongyang's unchecked nuclear ambitions may well facilitate U.S.-led coalition building against them. A default power always gains stature when the demand for its services soars.

The default power does what others cannot or will not do. It underwrites Europe's security against a resurgent Russia—which is why U.S. troops remain welcome there even 20 years after Moscow's capitulation in the Cold War. It helps the Europeans take care of local malefactors, such as former Serbian President Slobodan Milosevic. It chastises whoever reaches for mastery over the Middle East, thus the United States helped Iraq in its war against Iran between 1980 and 1988 and then defanged it in 1991 and again in 2003. Only the default power has the power to harness a coalition against Iran, the new pretender in the Middle East. It guarantees the survival of Israel, but at the same time, the Palestinians and the Saudis look to the United States for leverage

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against Jerusalem. Is it possible to imagine China, Europe, or Russia as a more persuasive mediator? No, because only the United States can insure both the Arabs and the Israelis against the consequences of misplaced credulity.

In the new Great Game, the United States offers itself as a silent partner against Russian attempts to restore sway over its former satrapies, and it leads the renewed battle against the Taliban in Afghanistan and Pakistan, signaling ever so softly that it will sequester Pakistan's nuclear weapons if chaos widens into collapse. At the same time, only the United States can rein in both India and Pakistan and protect each against the other. The United States has drawn India into its orbit, and in doing so it has added to the informal balance against China. Dreams of Asia Rising must pay respect to a strategic reality centered on the United States as the underwriter of regional security. Whether Vietnam or Japan, South Korea or Australia—all of Asia counts on the United States to keep China on its best behavior and Japan from going nuclear.

Gainsayers will still dramatize China's growth rates as a harbinger of a grand power shift. The facts and figures and the story of the resistible rise of previous contenders should give pause to those who either cheer or fear the United States' abdication. Linearity is not a good predictor. Imperial powers have regularly succumbed to the ebb and flow of power, although in the United Kingdom's case, that took 300 years. How long will the United States' luck last? Addicted to constant reinvention, it should not fall prey to the rigor mortis that overwhelmed the Ottoman, Austrian, Russian, and Soviet empires.

As the twenty-first century unfolds, the United States will be younger and more dynamic than its competitors. And as a liberal empire, it can work the international system with fewer costs than yesterday's behemoths, which depended on territorial possessions and had to conduct endless wars against natives and rivals. A *Tyrannosaurus rex* faces costlier resistance than the bumbling bull that is the United States. A final point to ponder: Who would actually want to live in a world dominated by China, India, Japan, Russia, or even Europe, which for all its enormous appeal cannot take care of its own backyard? Not even those who have been trading in glee and gloom decade after decade would prefer any of them to take over as housekeeper of the world. 🌐

Low and Behold

Making the Most of Cheap Oil

Edward L. Morse

AFTER DROPPING from close to \$150 in the summer of 2008 to under \$34 last winter, the price of oil had more than doubled by the spring and was hovering around \$60 in July. It is unlikely to rise to last summer's peak anytime soon. To the contrary, there are good reasons to believe that lower prices are here to stay for a while. Last year's high prices and the recession have severely damped demand, and the growth of new production capacity, especially in Saudi Arabia, is buoying supplies.

The rapid fall and then rebound in oil prices over the past year surprised many people. But it was not unusual: commodities markets are cyclical by nature and have a history punctuated by sudden turning points. Although this generally makes it difficult to forecast prices, it is safe to say that commodities markets will remain lower over the next few years than they have been over the past five. In the oil industry, the most important new factor that accounts for low prices is the return of surplus production capacity among the members of the Organization of the Petroleum Exporting Countries (OPEC) for the first time since 2002–3.

Most oil industry analysts expect high prices to return soon, along with economic recovery. This is probably a mistaken view; more likely, the prices for oil and other commodities will be range-bound again. This would be a happy development, as it would provide unusual

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opportunities to tame the volatility in prices. An extended period of low prices could reverse the trend toward resource nationalism, the tendency of producing countries to concentrate control over their resources in the hands of state-run entities, that has characterized energy politics for most of the last decade. It would also translate into new chances for constructive diplomacy with oil producers and set the stage for more balanced relationships between energy producers and their buyers.

The United States has a major stake in providing constructive leadership for change in the oil market. Until now, however, President Barack Obama and his administration have not appeared interested in seizing these opportunities. They seem to be sticking to the energy agenda they developed during the 2008 presidential campaign, which focused on making the United States energy independent by rapidly reducing the country's reliance on fossil fuels and promoting renewable resources. But they are ignoring the fact that these changes cannot take hold in less than a decade and that in the meantime they might miss a unique chance to forge changes in the oil sector.

FROM GLUT TO LACK AND BACK

EXTRA PRODUCTION capacity traditionally has a damping effect on prices, and so from about 1981 to 2001, the governing assumption was that if oil prices rose, OPEC countries would release more supplies into the market. When prices fell, producers would curtail output and set production quotas, and when they rose again, OPEC countries would leak additional oil into the market. And the cycle would repeat itself. Energy Intelligence, a leading market analyst, estimates that the world's surplus oil-production capacity peaked at around 12 million barrels per day in 1985, was eliminated soon after Iraq invaded Kuwait in 1990 and the United Nations embargoed oil from Iraq, and climbed back up to over five million barrels a day in mid-2002. Until about 2002, the conventional wisdom held that the world was mired in a permanent oil glut and that with so much oil around investments to find and develop more of it were too risky.

Then, in 2002–3, the overhang in production capacity evaporated rapidly and unexpectedly. Some analysts invoked the so-called peak oil theory and blamed the situation on an unprecedented acceleration

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in the decline of oil production caused by the gradual exhaustion of underground resources. But there were more reasonable explanations for what put pressure on oil supplies. Even those countries with plenty of oil resources suffered political impediments to production that could not easily be removed. Venezuela's state oil company went on strike in protest against President Hugo Chávez, civil disorder over living conditions in the Niger Delta crippled Nigeria's oil sector, Iran failed to put in place an investment regime to attract foreign capital, the United States launched a war to oust Saddam Hussein, and resource nationalism in Russia and other non-OPEC countries reduced production growth.

As the market tightened, prices escalated relentlessly. Consumers and producers worried that supplies might be disrupted. They worried particularly about Iran, whose supplies might drop if Israel or the United States attacked its nuclear sites or if Tehran decided to reduce its exports; with reduced spare capacity in the system, there would be no extra oil to replace any from Iran that might be lost. In western Europe, the fear was that Moscow would suspend natural gas supplies for political reasons. As always, the fear of consumers played into the greed of producers, creating a complex dance between the two groups. Western governments promoted an energy dialogue with individual producers. But these producers, on their own, were largely powerless in the face of rising prices. They, in turn, blamed the countries of the Organization for Economic Cooperation and Development (OECD) for not curbing financial speculation in the oil market and failing to invest enough in refining capacity.

In short order, the virtual disappearance of surplus oil-production capacity jolted the market. The loss of that cushion, which had seemed a fixture for decades, surprised both consumers and producers, not least Saudi Arabia, whose commitment to readily supply the world market is the basis of its political clout both within OPEC and globally. The tightness in supplies exposed the complacency or, rather, the failure of Saudi Arabia and other producers to adequately invest in exploration and the production of crude. Western oil companies, such as BP and ExxonMobil, were also being timid: their executives knew they would be penalized by Wall Street analysts if they invested too much capital in new production at the expense of distributing dividends.

By 2003–4, Saudi Arabia was concerned. It responded by raising production: from 7.5 million barrels per day in 2002 to 9.2 million



barrels per day in 2003. After a dip in 2004, it produced close to ten million barrels per day in 2008—even as production in four other OPEC countries, Iran, Iraq, Nigeria, and Venezuela, fell short of what 1998 projections had assumed they would be producing by eight million barrels a day. Still, with every barrel produced in Saudi Arabia expected

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to make up for shortfalls elsewhere, there was only a little surplus capacity for the world.

Further disproving the peak oil theory, since 2003 Saudi Arabia has also successfully engaged in a massive campaign to increase its production capacity (not just its actual production). This means it has committed to being able to raise its output quickly and massively in the event supplies from the second- and third-largest producers

Saudi Arabia's spare production capacity will be the most critical element in keeping prices low.

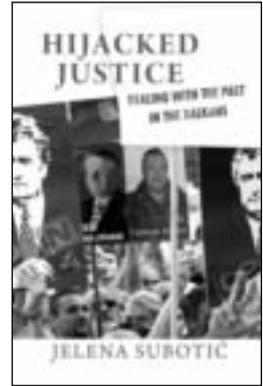
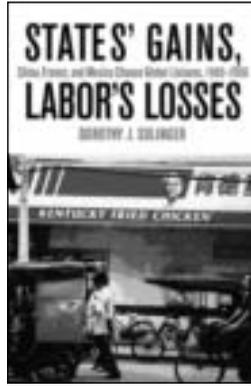
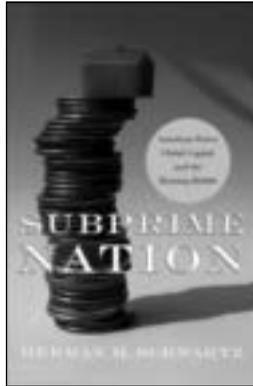
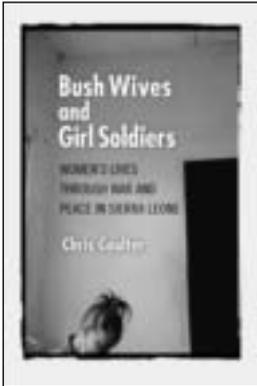
in OPEC are disrupted. Saudi capacity was 9.5 million barrels per day in 2002. Huge production expansions, including a new field that opened in June and can yield one million barrels a day, have raised capacity to 12.5 million barrels per day. Another one million barrels per day of potential capacity is on standby, meaning that it could be developed within 12 to 18 months. And because of Saudi

Arabia's efforts to increase its production capacity, OPEC's total production capacity could exceed 37 million barrels per day in 2010. This would be a record level: five million barrels per day more than in 2002 (before the strike in Venezuela) and more than ten million barrels per day above today's level.

The disappearance of spare Saudi production capacity was the most critical element in driving up prices from 2003 to 2008—and its reemergence should be the most critical element in keeping them low over the next three years (or more, if global demand fails to rebound enough). Saudi Arabia wants spare production capacity for multiple reasons, including, importantly, to give it influence in the G-20 (the group of finance ministers and central-bank governors from the leading economies) and other international forums. Riyadh's ability to increase production is the key to its being taken seriously.

Saudi Arabia will also likely use its surplus capacity to keep prices moderate in order to spur global economic growth, maintain long-term demand for oil, and deter investments in alternative sources of energy. In addition, by increasing Riyadh's ability to keep prices low, surplus capacity will help it reduce the revenues of oil producers—such as Iran, Russia, and, to a lesser extent, Venezuela—that use them in ways that undermine regional stability. And it will help Saudi Arabia

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ensure discipline within OPEC by enabling it to, at any time, threaten to increase production and thereby lower prices.

Surplus capacity benefits others, too. It brings lower prices to consumers. It reduces speculation that takes advantage of price spikes in paper markets. To the degree that Saudi Arabia chooses to set a price band within which it hopes to maintain prices—at the moment it would seem that band is between \$40 and \$75—speculators will be reluctant to test those limits. Saudi Arabia has used its capacity to add or reduce production quickly in order to punish speculators in the past.

WHERE THERE'S A DRILL, THERE'S A WAY

EVEN SO, many market observers who concede that Saudi Arabia and other OPEC countries have raised capacity claim that oil prices will inevitably rise because of stagnating production in non-OPEC countries and because lower prices reduce investments in new capacity. They argue that the lower prices of late 2008 and 2009 have prompted non-OPEC producers to curtail their capital expenditures, which will accelerate the decline in output. But this view is wrong. For one thing, these analysts ignore the fact that the lead-times in finding and developing oil are long, sometimes as long as ten years. Investments from the past half decade will start to bear fruit over the next few years, which means that even the price downturn of late 2008 will have little impact on supplies in the years ahead.

The Saudi national giant Saudi Aramco massively increased its investments to develop new resources after 2003. So did oil firms large and small throughout the world. But unlike their Saudi and other Middle Eastern state-controlled counterparts, international oil companies did not have an inventory of discovered but undeveloped fields readily available. They had to go out and find new ones. Some energy analysts have suggested that these firms' efforts were hindered by diminishing prospects, hikes in production taxes, or moves by the governments of producing states to reserve increasing shares of potential finds for their state-owned firms. In fact, there were plenty of deep-water resources waiting to be tapped—in the Gulf of Mexico; off the coast of Brazil; in the eastern Mediterranean; in the Gulf of Guinea; in the Caspian Sea; off the shores of India, China, Indonesia,

Edward L. Morse

and Australia; and along the shores of Arctic-bordering states (the United States, Canada, the United Kingdom, Denmark, Norway, and Russia)—and oil companies spent increasing sums to do so.

If there was an obstacle, it was not a lack of hydrocarbon reserves—deep-water resources appear to be even more abundant than was thought a decade ago—but a lack of equipment to discover and produce them. Fewer than two dozen drilling vessels (each costing \$1 billion) were available in 2000. But as contracts were put in place at the time of very high oil prices, the fleet of vessels started to expand. By 2012, there should be closer to 150 such units available for finding and developing deep-water resources.

The high prices of the last decade have also spawned massive technological breakthroughs, including in some surprising places. The United States used to be considered a country that would eventually suffer a long-term natural gas deficit and be condemned to import

Investments in new development from the past half decade will start to bear fruit over the next few years.

supplies, some piped from Canada, others shipped as liquefied natural gas (LNG) from around the world. But high gas prices—as high as \$13 per million BTUs in 2008, some 160 percent more than prices today—have spurred phenomenal developments in technologies to drill for natural gas trapped in shale rock throughout the United States. The Haynesville Shale, in Louisiana, is so large

and prolific that even as the use of gas rigs has fallen in other parts of the United States, current activity there makes up for a quarter of the decline elsewhere. Even at today's lower natural gas prices, total production in Haynesville could increase tenfold by late 2010. What is more, the Marcellus Shale, which stretches from West Virginia through Pennsylvania and into New York, may contain as much natural gas as the North Field in Qatar, the largest field ever discovered. Shale resources in North America are so vast that plans are being made to develop them for export as LNG from Canada's west coast.

Shale resources are also widespread throughout Europe, and in the aftermath of Moscow's hardball diplomacy vis-à-vis Ukraine in early 2008 and early 2009, interest is growing among European governments to find replacements for Russian supplies. Tapping into shale

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resources has raised some environmental concerns—over excessive water consumption and the injection of fluids underground to facilitate production—including in the U.S. Congress and at the U.S. Environmental Protection Agency. But so far, there is little evidence that these new technologies are damaging underground water supplies. High prices have triggered similar technological revolutions all along the energy production chain, lowering the costs of extracting oil from Canadian oil sands, the Siberian tundra, and off the coast of Brazil. The fact is that the market for the goods and services needed to find and develop resources, like all markets, responds to price signals.

After the volume of drilling rigs, supply boats, and tubular steel rose for five years because of higher demand for oil and higher oil prices, the costs of finding and developing resources plateaued in 2008. They have since fallen by more than 30 percent and are still falling. There was concern last winter that lower prices would result in lower capital expenditures to develop new resources and then in rapidly falling production. But as the markets for construction materials and services have weakened with the recession, the costs of production have fallen faster than capital expenditures. In such an environment, it is rational for companies to postpone projects until costs are as low as possible. Yet projects that have historically been costly, such as the development of Canadian oil sands or deep-water developments, have not been canceled. Deep-water exploration in the Gulf of Mexico and off the shores of Brazil is increasing 50 percent faster than was expected a year ago. Executives at the U.S. energy company ExxonMobil and the Canadian firm Suncor Energy say that the costs of developing oil sands have dropped so much that their companies are going ahead with large projects they had postponed until now—projects that, combined, should provide 300,000 barrels per day of new output by 2012. Last year, these projects would not have been viable with the price of oil at less than \$90 a barrel. Today, they make sense with oil at \$60 a barrel.

As a result, last year's gloomy forecasts of waning production are being proved wrong. Last December, the International Energy Agency and the U.S. Department of Energy were forecasting drops in the oil and gas output of non-OPEC countries, particularly Russia, for this year and next. But by mid-2009, non-OPEC output was surprisingly

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robust. At midyear, the International Energy Agency was projecting growth in the output of non-OPEC countries, and the Department of Energy was also projecting an increase. Russia's output could rise by 200,000 barrels a day this year rather than falling by 600,000–700,000 barrels a day, as many had forecast at the end of last year. And barring disruptions from hurricanes, output in the United States seems likely to rise this year and in 2010.

THE SOFT BIGOTRY OF HIGH EXPECTATIONS

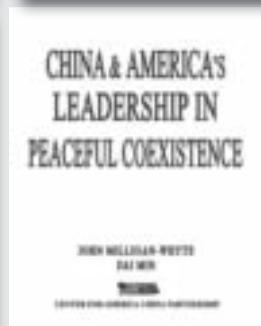
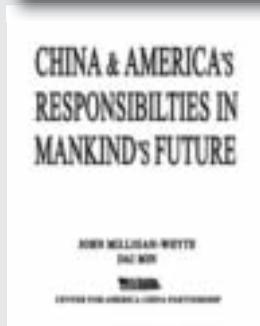
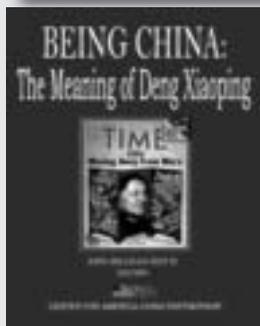
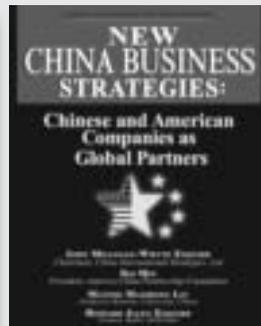
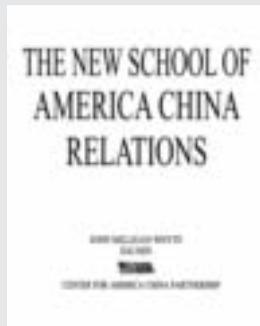
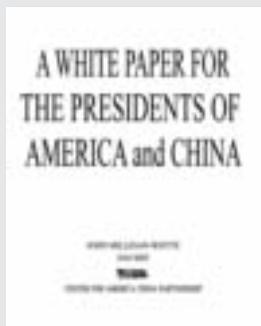
THERE ARE also surprising developments on the demand side, and the conventional wisdom has not yet caught up. Most analysts expect that once the world economy starts recovering, global oil demand will rebound to its former growth rate of 1.5–1.8 percent per year—a rate that would require the production of at least 1.8–2.0 million barrels of new oil a day. This forecast is based on the anticipated increase in demand for motor transportation and motor fuels, itself the expected result of population growth and higher per capita income.

But a return to prior growth rates is unlikely. For one thing, the market is responding to last year's high prices. Tracking the trend, the International Energy Agency has lowered its estimates for oil demand in 2030: it forecast 106 million barrels a day in its 2008 report, down from 116 million barrels a day in its 2007 report. Projections of future demand will inevitably be cut even further: one extraordinary lesson of the last 60 years is that after every spike in oil prices, demand growth flattens considerably.

For two decades before the 1973–74 oil shock, global demand grew at a rate of 7.6 percent a year, requiring global oil supplies to double each decade. But in the late 1970s, in response to higher prices associated with the Iranian Revolution and the resulting global recession, fuel-substitution measures, and conservation, demand declined from 65 million barrels a day to 60 million barrels. When global demand growth resumed in the mid-1980s, it reached only 4.3 percent a year. Countries with historically high demand growth, especially, have experienced unexpected and sharp drops in demand. For example, Japan's oil appetite was growing at a sustained rate of ten percent a year before 1973, when global oil prices spiked, and South Korea's demand growth was at

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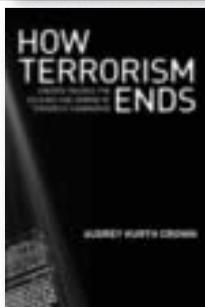
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double-digit levels before 1998, when the effects of the 1997–98 Asian financial crisis began to be felt. Japan has never again exceeded its pre-1973 oil needs, nor South Korea its demand of pre-1998.

Likewise, the great energy consumers of today are likely to have been chastened by the high prices of last year. In recent years, global demand growth has been driven mainly by demand in the United States, the Middle East, and China. In recent decades, the greatest engine of global oil demand has been the United States—it increased imports by a total of about six million barrels a day between 1990 and 2007, an average of 350,000 barrels a day per year—as a result of growing gasoline demand and declining domestic crude oil production. But now, due to the higher oil prices in 2008, oil demand in the United States has reached a plateau, even as the output of U.S. crude has been rising. And with new mandates for increased biofuel production and higher fuel-efficiency standards for cars, U.S. gasoline consumption is unlikely to return to its peak of 2007 anytime between now and 2020. The United States is no longer a driver of growth in the global demand for oil.

In the Middle East, too, the causes of recent growth in demand are receding. Over the past three years, total demand for oil in the Middle East rose by about 350,000 barrels a day every year. This was due not only to population increases and higher per capita income levels but also to a one-off surge in demand for power during a period of extraordinary economic growth. Double-digit growth in the demand for power, which was needed to support industrial expansion and urbanization, outpaced the development of the infrastructure necessary to convert natural gas into power. The result was a surge in the demand for fuel oil and crude oil, which can be burned to generate power. But that time is over. The natural gas infrastructure, as well as natural gas supplies, has expanded, while growth in the demand for power has dropped by more than half, falling to more sustainable levels. Oil demand growth in the Middle East is now 35–40 percent below the rates of 2003–8.

In the three main oil-consuming regions—the United States, the Middle East, and China—demand growth will be lower than has been assumed.

Edward L. Morse

A different story is unfolding in China and other emerging markets with growing energy appetites, but the moral is the same: demand growth will be lower than has commonly been assumed. Like India and other oil-importing countries, China is learning that subsidizing energy drains government budgets and hampers economic adjustment. When emerging markets are left to operate more freely, prices are indeed high, but they bring substantial macroeconomic reform. The Chinese leadership now believes that this is doubly good because it reduces the high costs of subsidies and allows markets to adjust more rapidly. The surge in China's exports from 2004 to 2007 was in sectors that both used a lot of energy and received subsidies for their energy costs—the steel, aluminum, and cement industries. But price reform and increased energy efficiency in China and, of course, the recession and subsequent protectionism in international markets have ended the trend. The result has been a drop in oil demand growth from eight percent to six percent—or a drop of about 150,000 barrels of oil a day.

About 150,000 barrels will also be saved annually in the United States and the Middle East each, for a total of 450,000 barrels annually. Thus adjusted, the world's total rate of demand growth can be readily satisfied by current production, as it is increasing, without the need to put pressure on prices and without fear that they will exceed \$75–\$80 per barrel. Moreover, given the changing situations in the United States, the Middle East, and China, when global demand growth eventually rebounds, it is likely to be substantially lower than it was before the current economic crisis. Instead of reaching rates of 1.5–1.8 percent per year, as in the previous decade, demand growth is more likely to fall in the range of 1.0–1.3 percent—a difference of 500,000 barrels of oil a day.

THE GEOPOLITICS OF OIL

THE PROSPECT of more reasonable growth in energy demand creates opportunities for the Obama administration, as well as the governments of other OECD countries: it is a chance to make energy markets less volatile and strike arrangements with producing countries that will better serve the United States' long-term interests. But to do so, Washington will have to put as much vigor into developing an international energy strategy as it has devoted to its domestic environmental and energy programs.

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One of the Obama administration's major objectives should be to expand to the oil and gas markets the rules of global trade and investment that govern the United States' relationships with OECD countries when it comes to manufactured goods—and likewise expand them to China, Mexico, Russia, and the restrictive markets in OPEC. This would be an antidote to resource nationalism and the use of oil as a tool of leverage in foreign policy, two practices that became more prevalent among large energy exporters as prices rose in 2007 and 2008.

The underlying geopolitics of the oil market is, of course, defined by the world's dependence on oil as an energy source, particularly in the transportation sector, and by the concentration of oil resources in a handful of countries. These basic features divide the world roughly into three groups of states. The first category is made up of states—in particular, the United States, Canada, the western European countries, and the OECD countries of Asia—that have essentially relinquished the use of oil as an instrument of policy in their relationships with one another. They have given up trying to impede one another's access to energy or prevent one another from realizing profits from the sale of energy. And the energy exporters in the group have stopped currying favor with their importer counterparts by granting them arms shipments or construction projects, voting in their favor in international organizations, or engaging in other activities that have little to do with oil. That said, these states entertain more nuanced relations with the rest of the world—other OPEC countries, Russia, emerging-market countries. They have unabashedly used oil as an instrument of policy in some instances—an example is the United States' and Europe's dealings with Iran and, until recently, Libya.

In a second group of countries, for which oil and gas revenues are critical sources of income, energy diplomacy remains a core instrument. In relatively benign environments or when prices are low, resource-rich countries are at least as dependent on energy markets as their markets are on them. This means that they cannot simply take advantage of their customers or make gains at their expense. Rather, sellers and buyers must think in terms of relative gains and losses: they might both gain or both lose, but one will gain or lose more than the other. In tight markets, however, some producers nakedly resort to using energy as a tool of leverage. This can take on the brutal face of Russia's gas

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diplomacy—of withholding supplies to blackmail buyers for money or political ends. Or it can take on the more subtle face of Iran's or Venezuela's tactics. Tehran uses its oil revenues to promote its interests in Iraq, Lebanon, Palestine, and Saudi Arabia, sometimes by backing insurgents against these countries' governments, and Caracas uses its own to undertake anti-American activities throughout Latin America.

In the third group of countries, which includes much of the emerging world, including, most important, Brazil, China, and India, the picture seems more mixed. China and India are major oil importers, and although state-controlled companies play a large role in the energy sector of those countries, their activities are also subject to market mechanisms. In their relations with other states, especially members of the OECD, the governments of Brazil, China, and India have tended to adopt market solutions, treating investments and trade flows as commercial, not political, matters. This has generally limited their ability to use energy as leverage. But when dealing with non-OECD countries, they, and the Chinese government in particular, have backstopped the activities of their state companies, donated or sold arms to producers at reduced prices, and offered construction projects as side payments for access to resources. When energy prices are low, such extra costs can seem excessive—and so the United States should focus its diplomacy on pointing out to these states the benefits that could accrue to them if they treated oil investments and trade as purely commercial ventures. These emerging-market countries already know that subsidizing the use of energy is costly. But for them, especially China, it is important that the West become more open to investments by their national companies in the OECD.

Now that China has unusually large amounts of foreign currency, it can afford both to buy companies abroad to secure access to commodities in the long term and to offer long-term credit to secure long-term imports at advantageous prices. It is thus important to forge policies that urge China to rely on international energy markets. In order to discourage China from seeking resources only in other emerging-market countries, Chinese companies should be invited to invest in Western companies that produce oil, gas, and other commodities—at least so long as Beijing reciprocates by allowing Western companies in China to be on an equal footing with its national companies and

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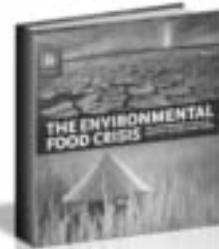
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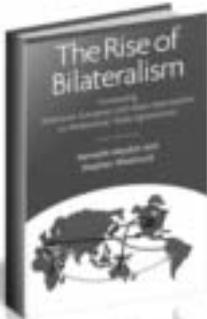
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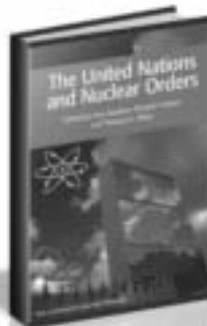
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by following the antibribery convention and the codes of conduct that govern OECD countries. With respect to Brazil, a democracy and a major long-term exporter of energy, Washington and its Western allies should encourage policies that keep the main national company, Petrobras, honest and competitive by forcing it to face competition at home. Allowing open investment flows and treating foreign investors on a par with national companies can go a long way toward taming self-defeating resource nationalism.

MOSCOW TAMED?

THE CHALLENGES are greater when it comes to resource producers. The abrupt decline in oil prices has had an immediate and corrosive impact on them, especially those states that rely heavily on oil revenues to finance both their domestic programs and their foreign policies. In Russia, revenues from taxes on energy sales, domestic or foreign, are critical to the legitimacy of the state and to its hopes of pursuing assertive policies abroad. Especially during the years of Vladimir Putin's presidency, when oil prices rose steadily, the former superpower grew critically dependent on its oil and gas sales as a form of influence. Russia has built its foreign policy on controlling the resources of former Soviet states and their access to pipelines that would connect them to third-party markets around the Mediterranean, in northern Europe, and in East Asia. But having pegged its hopes—and its budget—on oil priced at \$140 a barrel, Moscow has found its plans challenged when oil is \$90 and almost impossible to meet when it is \$40. With oil at anything less than \$75, Moscow finds itself needing to confront fundamental choices between capital expenditures at home and other spending.

And yet the Russian government has been slow to recognize that the effectiveness of its energy weapon has declined. Moscow's decision to play pipeline politics with Ukraine and so deny Europe access to natural gas has been undermined by two factors. The populations and governments of several European states have grown wary enough of Moscow that they are now seeking ways to limit their dependence on Russian gas supplies. Additionally, Russia's now-critical need for revenue from natural gas exports limits the credibility of its threats to deny supplies to buyers.

Edward L. Morse

In response, Washington and other Western governments should focus on pursuing win-win solutions with Russia and reducing competition among those OECD countries that import energy from Russia. While prices were rising, Russian firms used their unfettered access to Western credit markets to borrow capital with few strings attached. This was particularly the case for the state-owned energy giant Gazprom, which has borrowed tens of billions of U.S. dollars in Western markets since 2004 without any requirements that it reinvest in new energy supplies—or any other conditions. Gazprom used the money to buy assets in the very countries where the credits were issued, and without any monitoring. Now, with the company's cash flow reduced to a fraction of what it was once expected to be and international credit having vanished, Gazprom is turning (as are other Russian firms) to the Russian state as a creditor of last resort—this at a time when the ruble has been depreciating and the state itself is struggling to maintain its revenue base, which has been drained by lower energy prices.

These conditions mean that now is a good time to change the credit policies of the United States and other OECD countries toward Moscow and foster changes in how Moscow runs its domestic oil and gas markets. Reciprocity and equal treatment should be stressed. In these times of financial reform, the governments of OECD countries should allow their banks to lend to Russian oil and gas companies only against collateral in resources and only with commitments from those companies to invest in more resources. Unlike Mexico or Saudi Arabia, Russia has allowed foreign investment in its hydrocarbon sector, but it has not treated foreign investors as the equals of local firms. Western governments should deny Russian firms unfettered access to Western markets until Russia treats Western companies as it does its own. Until that happens, one focus of any new policy should be to stress to Moscow what Russia would gain from extending national treatment to foreign firms. After all, treating ExxonMobil or Total as the Russian oil companies Rosneft and Lukoil are would not reduce the Russian government's regulatory control over the country's oil sector. And in return for leveling the playing field, Russia would be able to secure better international partnerships for its firms.

The drop in oil prices also creates opportunities for the United States to change its relations with Iran and Venezuela. The governments

Low and Behold

of both those countries have faced greater strains and internal pressures and need more capital to develop their oil industries. As oil prices continue to stay below the level that can sustain these governments' oil-revenue-dependent budgets, Tehran and Caracas will be increasingly in debt and will need to turn to foreign firms for capital to boost their domestic production. And if the West holds out the prospect of greater capital, it might see a softening in the foreign policies of Iran and Venezuela.

A CHALLENGING OPPORTUNITY

THE MORE direct challenge for the United States will be to set the right policies for relations with Saudi Arabia. Saudi Arabia's objectives in the oil market naturally converge with those of the United States. Both countries want to keep prices moderate in order to spur global economic growth. Both prefer to see Iran with lower revenues than it has earned in recent years. Both hope to control the flow of petrodollars to terrorists. And both want to limit the volatility in prices created by wanton speculation. But Saudi Arabia has a very different view of the role of the state in managing energy and a dramatically different system of government.

The U.S.-Saudi energy dialogue, which Washington has neglected for years, needs to be reinvigorated. Now that Saudi Arabia has a huge spare production capacity and thus the tools to advance Washington's economic and political goals, it should be easier to establish between the two governments better and higher-level communications about the oil market and the global political economy. Such a dialogue cannot take place at the level of energy ministers. It requires the kind of political attention that can come only from the Department of State or the White House. Saudi Arabia appears to want to keep oil prices between \$40 and \$75 a barrel in order to promote global economic growth and limit the revenues of rival producers while nonetheless adequately funding its own budget. Washington's relations with Riyadh involve other difficult diplomatic issues, such as the creation of a Palestinian state and how to secure participatory governance in Iraq after the withdrawal of U.S. troops. With its spare production capacity, which is unlikely to disappear anytime soon, Riyadh has

Edward L. Morse

earned itself special standing with Washington. Neither China nor any other country can do as much as Saudi Arabia can to bring change to the global energy sector. Thus, aggressively seeking to end oil imports to the United States from the Middle East—a policy articulated by Obama during and after his election campaign—is not the way to harvest the potential fruits of U.S.-Saudi relations.

Other critical areas will also require coordinated government action. The G-8 (the group of highly industrialized states) appears to be working on one of these areas: it is looking for ways to tame financial flows into energy markets and limit price volatility by promoting greater transparency and greater controls over swaps and derivatives. Financial reform in the United States is already heading in this direction. The United States should also use international institutions to promote transparency and better governance in energy-producing countries that have been weakened by lower oil prices—such as Nigeria and many sub-Saharan African states. Transparency in markets must also be encouraged in China, as a lack of basic data about the oil market there—*are China's oil imports put into storage or consumed?*—places undue pressure on world prices.

The opportunities presented by lower oil prices should not detract from the important goals of reducing global greenhouse gas emissions, enhancing the United States' energy security, and building a new generation of energy-efficient nonhydrocarbon fuel sources. But they should not be overlooked; it would be dangerous to ignore oil and “old energy.” However laudable it might be to pursue clean energy, energy efficiency, and alternatives to oil and coal, oil will continue to be a critical factor in the world's economic stability and security. Defanging those that use oil as a weapon, prolonging moderate prices, and anticipating supply disruptions require an activist and global approach to energy, not a parochial and national one. It is time for Obama to publicly recognize that bringing energy independence to the United States is an impossible task and that pursuing more modest goals is a better way to ensure the country's energy security. 🌐

Middle East takes to the air!

NEXT ONE UP

Amid a global crisis in the airline industry, the Middle East region is the rare exception to the rule. In June 2009, the International Aviation Transport Association (IATA) released a sobering forecast, estimating a collective loss of \$9 billion for the global airline industry in 2009, as a result of economic recession. The Middle East will not be unaffected, but it is expected to be the only region worldwide to enjoy passenger growth this year, rising by 1.2 percent. This resilience follows years of steep industry growth, and the region continues to invest heavily in aviation.

Airlines are at the forefront of this drive. A thousand new aircraft were ordered in the past four years alone. "They continue deploying capacity where other airlines are cutting capacity, and that has produced positive growth," says Abdul Wahab Teffaha, secretary-general of the Arab Air Carrier Organization (AACO). Fleet expansion is part of a long-term strategy that favors continuously high levels of service

and anticipates a surge in demand, resulting from economic development, the growing importance of tourism, and the Middle East's geographic advantage as a transit hub. Airlines in the region will soon have the youngest fleet anywhere in the

"The major driver for Arab world airports becoming the hubs of the twenty-first century is the fact that in most of the developed world the development of infrastructure is almost at a standstill."

Abdul Wahab Teffaha
Secretary-General AACO

world and, with modern long-haul carriers, will be able to service an ever-wider area of operations.

Regional economies have long realized the potential of an expanding aviation sector. "Air transport employs maybe half a million people in the region. The contribution

"The share of the region in international passenger traffic increased from 5 percent in 2001 to 10 percent in 2008. The region has been growing at a much higher rate than the industry average. With this traffic growth you are bound to have expansion in airlines and infrastructure."

Dr. Majdi Sabri
Regional Director IATA

to GDP is about \$17.5 billion annually," explains Dr. Majdi Sabri, IATA's regional director for the Middle East and North Africa. Governments in the region are putting their weight behind the creation of infrastructure that matches the industry's high-growth expectations. "The expansion of infrastructure is conducive to a more prominent role played by the airlines of this region in international air traffic, not only for traffic within the region, but between various world regions," explains Dr. Sabri. He estimates the region's current airport projects at \$50 billion. Some obstacles remain; more competitive "Open Skies" agreements, for example, are still widely missing. "Compared to other regions of the world, the Middle East is a fairly restrictive environment," says Dr. Sabri. "But there is a clear trend towards more liberalization." It appears that little indeed stands in the way of the Middle East becoming the world's next aviation hub.

GRAND DESIGN ABU DHABI

In the emirate of Abu Dhabi, development of a strong aviation sector is part and parcel of a general push for greater economic sustainability. Access to efficient and diversified airport infrastructure represents a major asset for Abu Dhabi, as it prepares for further growth and increasing international integration. A wide redevelopment of Abu Dhabi's entire airport infrastructure is being driven by the Abu Dhabi Airports Company (ADAC), incorporated as recently as 2006. "ADAC is becoming somewhat of a springboard for the economic development of Abu Dhabi per se, and not just the aviation sector," explains Khalifa Al Mazrouei, chairman of ADAC. "As an incorporated company, we are offering different solutions for businesses that want to come and establish themselves in the region."

A \$6.8 billion investment in the expansion of Abu Dhabi International is under way and will create a next-generation gateway. The construction of a second runway, new air traffic control tower, and midfield terminal complex, to be completed by 2012, will enable the airport to eventually handle more than 20 million passengers annually. It will also greatly facilitate the continued success of national carrier Etihad, which operates from Abu Dhabi International. "We have had tremendous success and growth with Etihad, and as an airport we needed to be able to match that growth with infrastructure," says Al Mazrouei.

ADAC is furthermore in the process of developing a sizable logistics park, providing business space for companies in the light manufacturing, aviation, cargo, and freight industries. "The idea is to cater to the need of businesses; being adjacent to an airport is extremely efficient in terms of moving goods and products and services," says Al Mazrouei. It's a concept that is also being applied at Al Ain International airport. "We are always looking at an extra edge that creates a differentiator." With a total of five assets under its management, the company is keen on promoting complementary business concepts that will allow ADAC – and by extension Abu Dhabi – to develop and compete in diverse market segments.

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>>AIR CARGO - THE NEXT BEST THING

ADAC's development plans for Al Ain International include an important growth market beyond passenger traffic: air cargo. Al Ain is almost emblematic of the opportunities that follow from the Middle East's growing trade volume. Situated equidistant from three of the largest ports in the region, Dubai and Abu Dhabi in the UAE and Sohar in Oman, Al Ain suggests itself as a natural center for the logistics industry, connecting air freight with sea freight. As elsewhere in the region, cargo transport is a business model in full takeoff.

The Middle East was the only world region to experience any kind of growth in air cargo

volumes during the first four months of 2009. According to figures from IATA, the Middle East achieved a 0.8 percent growth in international cargo traffic and could maintain domestic freight at static levels, where international air cargo traffic worldwide fell by 23.5 percent and domestic freight by 11.7 percent.

"The advantage of the Middle East is its location, linking east and west, north and south," explains Fathi Hilal Buhazza, president of Maximus Air Cargo. "In terms of cargo networks, there is now a lot of rebalancing of regional routes. Rather than having a point-to-point delivery from one place to another, many people prefer transshipment in the Middle East."

Maximus Air Cargo, the largest all-cargo airline in the UAE, takes advantage of these opportunities. Owning a diverse fleet of cargo aircraft, including some of the world's largest commercial transport planes, Maximus has broad sector expertise and a rare capacity for transporting oversized cargo. It services the Middle East, Europe, Africa, and Asia with scheduled and chartered flights. "We have become a real one-stop

shop in terms of cargo solutions," says Buhazza. Customers, such as Etihad, Iberia, and Air France, as well as the royal family and the government, appreciate the unique business model. The company doubled its turnover in 2008



■ Maximus Air Cargo supports humanitarian relief

and is on target to achieve sales of \$130 million in 2009.

As the official carrier of the UAE Red Crescent, Maximus is also strongly involved in the humanitarian sector. Buhazza is firmly committed to providing humanitarian flights at cost-price only. "The idea is that for the price of five flights, we can do seven flights," he says, describing an approach to bringing down the cost of aid transports. "Now we are looking at making it an international initiative. We are hoping that the industry will join us in this effort," he says, inviting worldwide support for this industry-first support scheme, known as "Care by Air." The success of Maximus will thus pay in more than just one way.

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THE RIGHT KIND OF GROWTH

A government's commitment to its aviation industry is nowhere more obvious than in the size and success of Dubai International, the region's largest airport. Already handling 37 million passengers annually, Dubai International expects to extend capacity to 75 million passengers, following recent expansion. Government is furthermore planning for a new airport on the outskirts of Dubai, designed to potentially become the world's largest airport. For Paul Griffiths, CEO of Dubai Airports, such long-term vision is the guarantor of long-term success. "The government has rightly said that the aviation infrastructure of Dubai is intrinsically linked with the prosperity of Dubai. If you stop investing in the growth of the infrastructure, then you stop investing in the future economic success of Dubai," he says.

The Kingdom of Bahrain follows a similar strategic approach, if on a smaller scale—there, too, a strong airline is part of overall development planning. "There is a master plan for the airport, there is a master plan for the kingdom, there is a master plan for Gulf Air," says Bjorn Naf, CEO of Gulf Air. One of the oldest carriers in the region, Gulf Air is going through extensive refueling, adding sixty new aircraft to strengthen performance. "We want to be smarter and not bigger," says Naf.

Qatar Airways, on the other hand, thinks big. For the past twelve years, passenger growth has averaged 35 percent annually and, despite the global downturn, the company perseveres with ambitious expansion plans. "We are still looking at positive double-digit numbers while most airlines are looking at stagnant or negative growth," says Akbar Al Baker, CEO of Qatar Airways. The airline plans to grow its fleet to at least 110 air-

"My objective here is never to be in a situation where the airport infrastructure is not facilitating growth. That is a completely unacceptable situation for us to be in. Which seems to be a perfectly acceptable situation in other parts of the world."

Paul Griffiths, CEO, Dubai Airport

craft in the coming years, while New Doha International Airport will bring total handling capacity to 50 million.

Lebanon's national carrier, Middle East Airlines (MEA), is a much smaller operation but has achieved a remarkable turnaround. Since 2001 it has undergone major restructuring. "We closed all nonprofitable routes, shutting eleven out of thirty-six stations. We decreased the number of planes and made higher utilization. We increased the productivity of our labor," explains Mohamad El Hout, the CEO of MEA. "In 2002 we reached break-even and started making profit." Placing more emphasis on quality service, he says, "We were the first company in the world to introduce a wide-body plane." Downsizing and focus on core markets has brought commercial success and protected MEA from the recent shocks of the market. The company increased profits to about \$70 million in 2008, at a time when other carriers were struggling. Six new aircraft are now on order and MEA plans to increase frequency and open a new route.

Clearly, abundant opportunities present regional players with substantial leeway in developing diverging business strategies for both established and emerging markets. United by an immense potential for growth and committed to investing in tomorrow's demand, Middle East aviation will continue to surprise.

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The Dollar Dilemma

The World's Top Currency Faces Competition

Barry Eichengreen

LEGIONS OF pundits have argued that the dollar's status as an international currency has been damaged by the great credit crisis of 2007–9—and not a few have argued that the injury may prove fatal. The crisis certainly has not made the United States more attractive as a supplier of high-quality financial assets. It would be no surprise if the dysfunctionality of U.S. financial markets diminished the appetite of central banks for U.S. debt securities. A process of financial deglobalization has already begun, and it will mean less foreign financing for the United States' budget and balance-of-payments deficits. Meanwhile, the U.S. government will emit vast quantities of public debt for the foreseeable future. Together, these trends in supply and demand are a recipe for a significantly weaker dollar. And as central banks suffer capital losses on their outstanding dollar reserves, they will start considering alternatives.

This is especially likely because these trends are superimposed on an ongoing shift toward a more multipolar world. The growing importance of emerging markets has sharply reduced the United States' economic dominance, weakening the logic for why the dollar should constitute the largest part of central-bank reserves and be used to settle trade and financial transactions.

As emerging markets grow, they naturally accumulate foreign reserves as a form of self-insurance. Central banks need the funds to intervene

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Barry Eichengreen

in the foreign exchange market so that they can prevent shocks to trade and financial flows from causing uncomfortable currency fluctuations. This capacity becomes more important as previously closed economies open up and when international markets are volatile, as has been the case recently. It is only logical, in other words, for emerging markets to accumulate reserves.

But in what form? There is a growing feeling among economists and government officials that any system that uses a national currency, such as the dollar, as international reserves is seriously flawed. In order to acquire dollar reserves, countries must run current account surpluses with the United States. The U.S. government, for its part, finds it easy to finance its current account deficit: the foreign central banks that buy its debt securities are a kind of captive market. Insofar as foreign central banks are net buyers of U.S. debt securities—that is, so long as demand is high—U.S. interest rates are lower than they would be otherwise. This allows the U.S. government and, indirectly, the household and corporate sectors in the United States to assume more debt. And as has been shown at considerable cost recently, excessively low interest rates and easy credit are conducive to asset bubbles and, ultimately, financial instability.

These problems were not so pronounced while the U.S. economy was large relative to the world economy and the additional demand for dollar reserves was modest. But over the last decade, neither condition has prevailed. The flow of foreign finance for the U.S. current account deficit grew disturbingly large—a manifestation of what is sometimes referred to as the problem of global imbalances. To be sure, this was not the only factor to set the stage for the crisis; at least as important were distorted incentives created by skewed compensation practices for institutional investors and lax government supervision and regulation. But to the extent that global imbalances did play a part in the crisis, the dollar-based reserve system is implicated.

Like its economic logic, the political logic for a dollar-based international monetary and financial system also seems less compelling today. After World War II, when the United States stationed significant numbers of troops in Europe and Asia, the host countries viewed providing limited support to the U.S. debt market (by accumulating dollar securities) as a *quid pro quo*. Today, it is not obvious to them

The Dollar Dilemma

why they should subsidize the U.S. government and prop up Americans' living standards. Foreign officials increasingly object to the United States' "exorbitant privilege," as Valéry Giscard d'Estaing, then the French finance minister, put it in the 1960s, and are actively contemplating alternatives to dollar reserves.

AN INCONVENIENT TRUTH

THE ONLY problem is that, for all the talk about change, the dollar's importance to the world has not diminished. In the foreign exchange market, the dollar actually strengthened following the outbreak of the crisis. When investors fled to safety, they fled to U.S. Treasury bills. In the face of spreading illiquidity, U.S. and foreign investors alike sought refuge in the most liquid market, the market for U.S. government debt securities. Since then, the dollar exchange rate has fluctuated, but there has been no dollar crash. And there is no evidence of a massive loss of confidence.

The same conclusion follows from data on the composition of the foreign currency reserves of central banks and governments. According to the International Monetary Fund (IMF), 64 percent of all identified official foreign exchange holdings were in dollars at the end of 2007, down only marginally from 66 percent in 2002–3 and still considerably higher than during the first half of the 1990s. (The dollar represented 71 percent of all identified holdings in 1999, but this unusually high number reflected the one-time destruction of Germany's French franc reserves and France's deutsche mark reserves; these became domestic-currency-denominated claims when the euro was created.) IMF data on the composition of international reserves are incomplete, since some countries, notably China, do not report theirs. One way of inferring those countries' dollar reserves is to look at the U.S. Federal Reserve's custodial holdings of U.S. Treasuries on behalf of foreign central banks. These show that foreign authorities have continued to accumulate dollars, and even accelerated their purchases in the first half of 2009.

All that has changed is that foreign central banks are now accumulating U.S. Treasury obligations rather than the securities of government agencies such as Fannie Mae and Freddie Mac and that they are favoring

Barry Eichengreen

short-term bills over long-term bonds. Late last year, the further accumulation of Treasuries arguably could have signaled that foreign public investors were shifting from bank deposits to Treasuries because they were alarmed by the condition of the U.S. banking system. But this is a less likely explanation today, now that confidence in the U.S. banking and financial system has begun to return. The crisis may have deterred private foreign investors from investing in the United States, but it has not deterred foreign central banks, which are accumulating dollars at least as fast as before. They are providing a growing share of the financing for the United States' current account deficit.

FIRST-MOVER ADVANTAGE

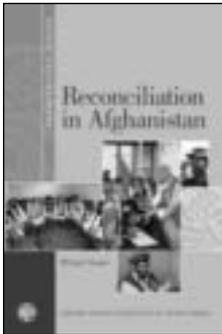
WHAT, THEN, explains the gap between rhetoric and reality? At the most basic level, the economic logic for holding reserves in dollars, although less overwhelming than in the past, remains compelling. It still makes sense for countries to hold their reserves in the same currency that they use to denominate their foreign debt and conduct their foreign trade, since central banks use the funds to smooth debt and trade flows and intervene in foreign exchange markets. And many countries continue to borrow and settle their trade in dollars, the rise of the euro and other potential competitors notwithstanding. At the end of 2008, some 45 percent of international debt securities were denominated in dollars, compared to only 32 percent in euros. And according to the 2007 triennial survey of the Bank for International Settlements, the dollar was used in 86 percent of all foreign exchange transactions, compared to just 38 percent in which the euro was used (the total for all currencies is 200 percent since two currencies are involved in each transaction).

As of April 2008, according to the IMF, 66 countries used the dollar as their exchange-rate anchor, compared with just 27 that used the euro. What peg a central bank chooses has an important influence on the currency composition of its reserves. Central banks want not just to maximize the returns on their portfolios but also to minimize their riskiness. In a state that pegs its currency to the dollar, for instance, domestic inflation tends to track U.S. inflation, and so, in that case, holding reserves in dollars will mean less variance in terms of domestic purchasing power.



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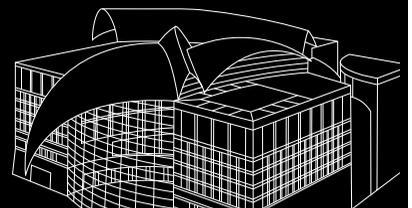
Conflict, Identity, and Reform in the Muslim World

*Challenges for U.S.
Engagement*

**Daniel Brumberg and
Dina Shehata, editors**

This reader highlights the challenges that escalating identity conflicts within Muslim-majority states pose for both the Muslim world and for the West. A product of USIP's Muslim World Initiative, this volume embraces diverse normative, analytical, and disciplinary interests, while identifying points of convergence and difference that together point to innovative ways to improve U.S.-Muslim relations and promote Muslim-world peacebuilding.

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The Arab Peace Initiative: A Primer and Future Prospects

Joshua Teitelbaum

In the wake of the 9/11 terrorist attacks, Crown Prince Abdullah of Saudi Arabia transformed the focus on Saudi involvement in terrorism by proposing to Israel “full withdrawal” from all the territories for “full normalization of relations.” Yet by the time the Saudi initiative became the Arab Peace Initiative, its terms had hardened. It would bring Syria to the shores of the Sea of Galilee and enshrine a Palestinian “right of return” to Israel.

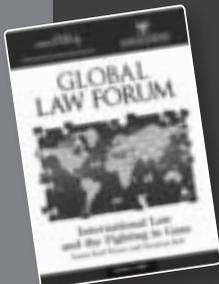


Defensible Borders for a Lasting Peace

(Revised and updated, 2008)

*Maj.-Gen. (res.) Yaakov Amidror, Amb. Meir Rosenne,
Amb. Dore Gold, and MK Dr. Yuval Steinitz*

In this groundbreaking study, the U.S. commitment to Israel regarding its right to “defensible borders” is fully analyzed. This study was undertaken in light of the April 14, 2004, letter by President Bush to Prime Minister Ariel Sharon, and the bi-partisan majority that the letter subsequently received in both the U.S. Senate and House of Representatives. In this updated report, the military, legal, and diplomatic aspects of “defensible borders” in the West Bank are examined in light of Israel’s experience with its disengagement from Gaza.



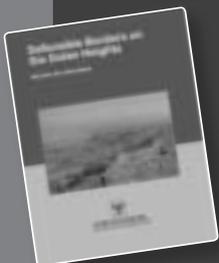
International Law and the Fighting in Gaza

Justus Reid Weiner and Avi Bell

This briefing paper refutes, one by one, the claims that Israel is violating international law in the Gaza Strip, and explains the serial violations of international law by the Palestinian organizations in Gaza and by Hamas in particular. If Israel deviates from international law, it is by exercising unwarranted restraint towards Gaza by providing aid to these groups that it should completely cut off.

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Defensible Borders on the Golan Heights

Maj.-Gen. (res.) Giora Eiland

The “security arrangements” Israel proposed with Syria in the 1990s in the event it withdrew from the Golan Heights no longer apply in the new security environment Israel faces today. Moreover, it is far from guaranteed that such a withdrawal will drive a wedge between Syria and Iran.

The Dollar Dilemma

Estimates of what mix of currencies maximizes a particular combination of risk and return typically assume that all currencies are equally easy to buy and sell—that is, they posit that all markets in bonds are equally liquid, no matter what currency they are denominated in. This liquidity is critical. If reserves are not readily convertible into cash, they cannot easily be deployed in market operations—hence the appeal of the market for U.S. Treasury bonds: it is the single most liquid government bond market in the world, as reflected in its high turnover and the narrow spreads between the bid price and the ask price (in investment speak, the “bid-ask spread”). This liquidity is partly a function of the U.S. economy’s sheer size, but it is also a self-reinforcing feature. Foreign investors undertake their transactions and concentrate their holdings in U.S. markets because these markets are liquid, and that activity, in turn, makes them more liquid. As in politics, in the competition to be a leading international financial center and to hold the top reserve-currency status, incumbency is an advantage.

Other currencies struggle to compete. The pound sterling and the Swiss franc were once important reserve currencies, but the British and Swiss economies are too small today for the pound or the franc to serve as more than a subsidiary reserve currency; neither country can provide debt instruments on the scale required by the global financial system. Thus, at the end of 2007, the pound accounted for less than three percent of identified global reserves, and the Swiss franc accounted for less than one percent.

Japan’s economy is bigger, but the Japanese government long discouraged the use of the yen internationally on the grounds that this would undermine its ability to maintain a low and competitive exchange rate and complicate its conduct of industrial policy. If foreigners had been able to buy and sell Japanese securities in large numbers, the Japanese government would have had more difficulty using the financial system to channel funds toward the domestic firms it favored. Japan now seems anxious to see the yen play a larger international role, especially within Asia, but its past policy has limited the market’s current liquidity. More recently, Japan’s economic stagnation and zero interest rates have made holding reserves in yen unattractive. (As of the end of 2007, the yen accounted for barely three percent of total identified official holdings of foreign exchange.) Japan’s aging

Barry Eichengreen

population will mean that its economy, as well as its currency, is unlikely to play an expanding global role.

THE EURO STAR

THIS LEAVES the euro as the only reasonably serious rival—not exactly a coincidence given that one motivation for introducing the euro in the first place was to create a European alternative to the dollar. The euro area, which comprises the 16 members of the European Union that have adopted the euro as their currency, possesses the requisite scale: it has a GDP comparable to that of the United States and, at least for the moment, an even greater ratio of debt to GDP. But the euro area's stock of government debt securities is heterogeneous, with the bonds of different governments offering different risks, different returns, and different degrees of liquidity. German government bonds have a reputation for stability, but since institutional investors tend to hold them to maturity, the market for them lacks liquidity. Other euro-area countries have serious financial problems. Ireland's sovereign debt has been downgraded by the rating agencies, and there are worries that ratings for the bonds of other euro countries, such as Greece, Italy, Portugal, and Spain, could drop, too. Italy has the largest outstanding stock of bonds of any euro-area country, but its economic troubles make them unattractive as reserve assets. The current global economic crisis has encouraged talk of issuing euro-area bonds with the backing of the entire set of euro-area members, including, most importantly, Germany. If this were done on a significant scale and if this debt were to replace the member states' national debt securities, the euro area would possess a market with roughly the uniformity and liquidity of the United States' Treasury market. But such radical fiscal federalism is not something to which the German government, among others, is likely to agree.

Financial markets in the euro area will undoubtedly expand as more EU members adopt the currency. If nothing else, the economic crisis has strengthened the euro's prospects as an international currency by driving home the fact that the euro area can be a safe harbor in a financial storm. The European Central Bank has more capacity to act as a lender of last resort than, say, the National Bank of Denmark.

The Dollar Dilemma

And intra-European solidarity notwithstanding, the only way a state can guarantee its access to exceptional liquidity from the ECB is by adopting the euro. Markets in euro-denominated securities may not have all the liquidity that might be hoped for, but they are at least more liquid than the market in Danish krone. This became clear in the turbulence that followed the collapse of Lehman Brothers in the fall of 2008. Whereas the ECB was able to cut interest rates and flood distressed financial markets with liquidity, the National Bank of Denmark had to raise interest rates to defend the krone, which had fallen as a result of deleveraging by foreign investors. Now, opinion polls in Scandinavia and policy statements by eastern European officials indicate greater support for adopting the euro.

Not so in the United Kingdom, ever the outlier on these matters. There the crisis has tarnished the reputation of the pro-EU Labour government and strengthened the euro-skeptical opposition. The United Kingdom's adoption of the euro would make the biggest difference for the development of the euro's international role, given London's status as an international financial center and the pound's long history as a reserve currency. But this is not going to happen anytime soon. Meanwhile, EU members oppose accelerating the admission of new eastern European countries to the euro area. The implications are that the euro area will expand slowly rather than rapidly and that the euro's rise as a rival to the dollar will be gradual.

The euro's importance as a reserve currency will grow first and foremost on the euro area's own periphery. It is already the dominant currency for trade among EU countries outside the euro area. The EU is also seeking to develop stronger ties with the non-EU countries to its south and east. With leadership from French President Nicolas Sarkozy, it has put in place the Union for the Mediterranean, a partnership between the EU and most non-EU countries bordering the Mediterranean. The EU relies on its neighbor Russia for its energy supplies, and Russia, in turn, relies heavily on the EU for revenues.

As countries in the EU's neighborhood develop deeper links with the union, it will make sense for them to hold more of their reserves in euros. For example, in recognition of the growing importance of Europe for its trade and finance, Russia has recently raised the weight of the euro in the basket of currencies it uses to guide its exchange-

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rate policy. It follows that the country will also want to hold a larger share of its reserves in euro-denominated securities. Russia's central bank confirmed in its most recent annual report that it had increased the share of euros in its reserves from around 42 percent to more than 47 percent between the beginning of 2008 and the beginning of 2009 while reducing the share of dollars from 47 percent to under 42 percent. In June, Alexei Ulyukayev, the bank's first deputy chair, indicated that Russia intended to further reduce the share of dollar-denominated assets in its portfolio as its assets mature.

For these reasons, the central banks of countries on the EU's periphery are poised to further reallocate their reserves from dollars to euros. The euro is likely to become an increasingly important reserve currency in the EU's part of the world. That does not mean, however, that the euro will surpass the dollar globally. The dollar has a head start, and relatively unfavorable demographics in the euro area mean that in the years ahead growth will be slower there than in the United States.

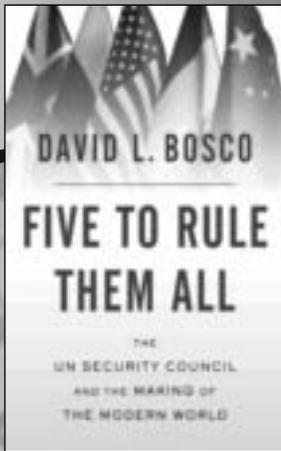
PRISONERS OF THEIR OWN DEVICE

DIVERSIFICATION BY Russia would be one thing, but diversification by China, much less by emerging markets as a group, would be another. The economist Brad Setser has estimated that China's official dollar assets as of May 2009 were roughly eight times those of Russia. With some 60 percent of China's official reserves held in dollar-denominated assets, diversification by Beijing would be a very big deal.

And Chinese officials are facing mounting pressure to do something. The issue has become a flashpoint domestically—unsurprisingly, as China's foreign currency reserves amount to \$2,000 per Chinese resident, the equivalent of a third of its per capita income. In a recent online poll conducted by the Chinese newspaper *Global Times*, 87 percent of Chinese respondents called China's holdings in dollars unsafe. On a visit to China in June, U.S. Treasury Secretary Timothy Geithner felt compelled to reassure an audience of students at Beijing University that U.S. Treasury bonds were secure.

At the same time, the Chinese government is aware that it is trapped by the magnitude of its current dollar holdings. Selling U.S. Treasury securities in the quantities needed to significantly alter the composition

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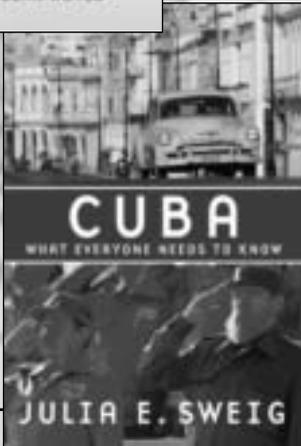


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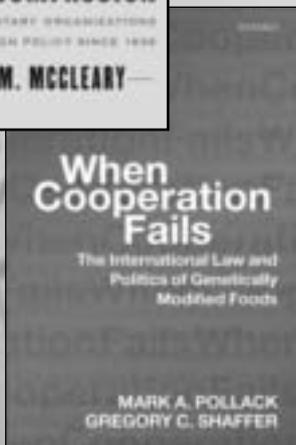


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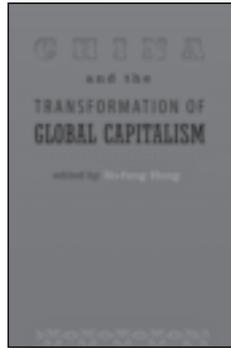
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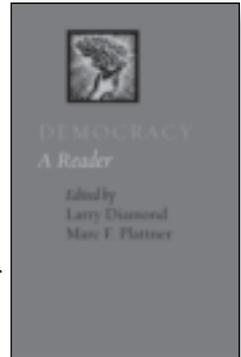
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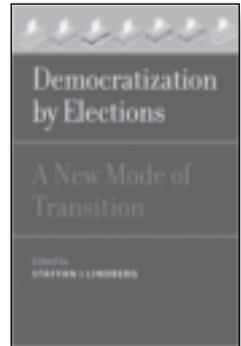
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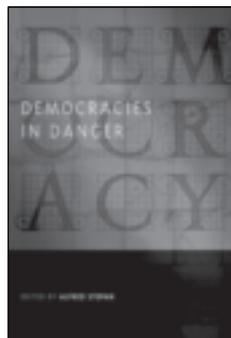
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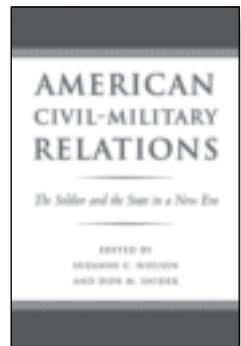
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The Dollar Dilemma

of China's reserve portfolio would make the prices of these securities tank. If the People's Bank of China moved significant amounts of money from dollars to other currencies, the dollar would depreciate, causing further losses on China's residual holdings. The specter of such effects deters Beijing from acting hastily. Moreover, disruptions to the U.S. Treasury market that raised interest rates in the United States would not endear Beijing to Washington. And transactions that caused the dollar to depreciate sharply, leaving other investors wrong-footed and roiling international markets, would not endear it to other governments. John Maynard Keynes' famous remark comes to mind: "If you owe your bank manager a thousand pounds, you are at his mercy. If you owe him a million pounds, he is at your mercy."

The sensible strategy under such circumstances is to make a series of small adjustments in the composition of one's portfolio over time. This, in fact, is what China's reserve managers appear to be doing—yet another reason why the decline in the share of the dollar in global reserves is likely to occur gradually.

FUNNY MONEY

UNDERSTANDABLY DISSATISFIED with existing alternatives, China and other countries have begun exploring other options. In March, the governor of China's central bank, Zhou Xiaochuan, made a splash by arguing that the dollar should be replaced as the world's reserve currency by Special Drawing Rights (SDRs), the accounting unit used by the IMF in transactions with its members and currently composed of a basket of four currencies (the dollar, the euro, the yen, and the pound). In June, Moscow suggested that it might be prepared to trade \$10 billion of its U.S. Treasury holdings for IMF bonds, which would conceivably be denominated in SDRs. A United Nations commission headed by the economics Nobel laureate Joseph Stiglitz has advocated a greatly expanded role for SDRs in the international monetary and financial system.

The idea of a supranational reserve currency goes back to the 1940s—to Keynes' call for creating a new international unit (he called it "bancor") and to the Yale economist Robert Triffin's demonstration of the dynamic instability of an international system that uses a national unit as the

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main form of reserves. Empowering the IMF to issue SDRs so that it could meet central banks' growing demand for international reserves would eliminate the exorbitant privilege of existing national suppliers, such as the United States, and remove the asymmetry that has fed global imbalances and credit-market problems. It would also solve the dilemma faced by large reserve holders, such as China, by creating a real alternative to national currencies.

But reserves are attractive only if they can be used, and at the moment governments can use SDRs only to settle accounts with other governments and the IMF. They cannot use them to intervene in foreign exchange markets or in other transactions with market participants. Making SDRs more appealing would require developing private markets in which they could be bought and sold. It would be necessary to build liquid markets on which governments and corporations could issue SDR bonds at competitive cost. Accepting SDR-denominated deposits and extending SDR-denominated loans would have to be attractive to banks. And it would be necessary to restructure foreign exchange markets so that traders seeking to buy, say, South Korean won for Thai baht could, before buying won, sell baht for SDRs rather than for dollars.

This is a tall order: it is worth recalling that a previous attempt to commercialize SDRs in the 1970s never really got off the ground. Only a few public-sector companies issued SDR-denominated debt, and only a few banks ever accepted SDR deposits. It is not hard to see why: the first issuers of SDR liabilities would incur extra costs by virtue of the instrument's novelty; the first private SDRs, by definition, could not be traded on a liquid market. This puts them at a competitive disadvantage since there already exist liquid markets in dollar- and euro-denominated assets. Displacing national currencies is as much of an uphill battle now as it was in the 1970s.

Winning that fight would require significant investments by governments over an extended period. If China is serious about elevating the SDR to reserve-currency status, it should take steps to create a liquid market in SDRs. Specifically, it could issue its own SDR-denominated bonds. This would be a much more meaningful step than buying SDR bonds from the IMF—which China, Brazil, and Russia have recently said they are prepared to do—because those bonds cannot be traded and thus would not foster market liquidity. The first governments

The Dollar Dilemma

issuing SDR bonds would pay a price for the novelty, but that price would be the cost of investing in a more stable international system.

Then there is the question of who would be on the demand side of the market. Many government bonds are held by pension funds and insurance companies because the maturity of these bonds matches the maturity of their obligations to pensioners and policyholders; this means they can be confident that they will have the requisite money on hand when the time comes to pay out on outstanding contracts. But SDR bonds would not match the currency denomination of their liabilities. If, say, the dollar depreciated against the euro, a European insurance company with SDR bonds and euro-denominated liabilities would find itself in deep trouble. One day, pensioners and policyholders may be prepared to accept payouts in a basket of currencies. But putting it this way is a reminder that the day when there will be a deep and liquid market in SDRs, with adequate demand and supply, is very far away.

Yet another challenge would be creating an SDR-based foreign exchange market. The IMF would be the obvious market maker: it could trade SDRs with all participants, private and official, at narrow bid-ask spreads, competitive with those for dollars. The dollar first became an international currency in the 1920s, when the newly established U.S. Federal Reserve started buying and selling dollar acceptances, a kind of negotiable draft, thereby creating a liquid market for those instruments. If the international community is serious about SDRs as an international reserve unit, it will have to empower the IMF to similarly act as a market maker—and provide it with a budget for the undertaking.

Finally, in order for SDRs to truly become an international currency, the IMF would have to be able to issue additional SDRs in periods of shortage, much like the U.S. Federal Reserve provided dollar swaps to ensure adequate dollar liquidity in the second half of 2008. Under current rules, SDRs cannot be issued without the agreement of 85 percent of the IMF's members—not exactly a recipe for quick action. The IMF's management would have to be empowered to decide when to issue more SDRs; it would have to have independence and authority, like the monetary policy committee of a central bank. In effect, the IMF would have to become more like a global central bank and an international lender of last resort. And this clearly is not going to happen overnight.

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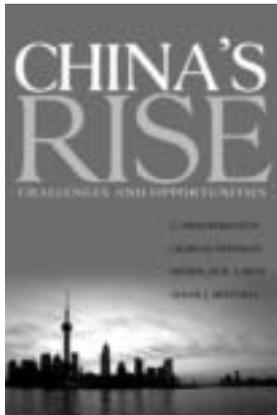
RENMINBI TO THE RESCUE?

WITH ZHOU, the governor of China's central bank, aware of these realities, one wonders why he was promoting SDRs last spring. One explanation is that he was making a political point. He wanted to signal China's unhappiness with prevailing arrangements and remind other countries, on the eve the G-20 economic summit in London, that China expected to actively participate in discussions of international monetary reform and to advocate a rules-based multilateral system. He may also have been playing to his audience at home, seeking to deflect criticism that the Chinese authorities, by failing to actively seek out alternatives to the dollar, have not been careful stewards of the country's international reserves.

Or the tactic may have been a diversion, designed to distract attention from China's real objective, which is to make the renminbi itself a reserve currency. This would free China of the need to hold foreign currencies to smooth its balance of payments, and it would allow it to print more or less of its currency as needed, just as the United States does now. Wang Zhaoxing, vice-head of the Shanghai branch of the China Banking Regulatory Commission, suggested to reporters in May that the renminbi could become a major reserve currency by 2020.

But for now, the renminbi remains inconvertible. Foreigners can only use it to purchase goods from China or in cross-border trade with China's immediate neighbors and the special administrative regions of Hong Kong and Macao. Last spring, Brazil and China announced that they wished to explore ways to use their currencies in bilateral trade, but the statement was mainly a way to advertise the extent of their trade. What use would most Brazilian firms have for renminbi when these cannot be converted into reais? Similarly, the swap agreements that China has concluded over the last year with Argentina, Belarus, Hong Kong, Indonesia, Malaysia, and South Korea are of little practical importance; they are largely a way for Beijing to signal its desire to be an international player. The central banks of these countries cannot use renminbi to intervene in foreign exchange markets, import merchandise from third countries, or pay foreign banks and foreign bondholders. China would become a more consequential supplier of emergency credits

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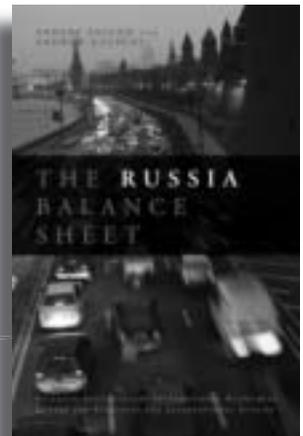
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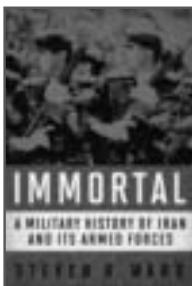
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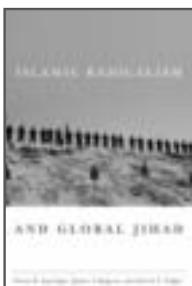
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The Dollar Dilemma

if it made these available in dollars—but that would undermine the use of swaps to enhance the renminbi's international role.

In time, China could strengthen the international role of the renminbi by developing liquid securities markets and liberalizing foreigners' access to them. In time, it could make its currency convertible for financial and trade transactions. The question is, in how much time? China has been feeling its way toward capital account convertibility, the ability to freely convert local financial assets into foreign ones and vice versa, for more than a decade, and it is still only partly there. As other Asian countries have learned, to their chagrin, maintaining financial stability while granting investors at home full freedom to trade foreign assets and investors abroad full freedom to trade domestic assets requires satisfying formidable preconditions. Markets must be transparent. Banks must be commercialized. Supervision and regulation must be strengthened. Monetary and fiscal policies must be sound and stable. The exchange rate must be flexible enough to accommodate larger flows of capital. In other words, China must move to full capital account convertibility; this is a prerequisite to the renminbi's coming of age internationally. But to do so, China would have to first abandon a growth model in which bank lending and a pegged currency have been two of the main instruments of development policy. This will not be easy. Witness how the Chinese authorities' first reactions to the economic crisis were to further rely on directed lending (in order to boost investment) and to reinforce the renminbi's peg to the dollar (in order to sustain exports).

All of this suggests that China's financial markets will continue to be opened up to foreign investors only gradually. Until now, renminbi-denominated bonds have been sold only in China and only by Chinese and multilateral banks, such as the Asian Development Bank and the International Finance Corporation. The Chinese government has been reluctant to allow foreign corporations to issue bonds, since this would interfere with its ability to channel savings to Chinese industry. The situation is beginning to change, if slowly. In May, HSBC Holdings and the Bank of East Asia announced that they were the first foreign banks authorized to sell renminbi-denominated bonds in Hong Kong. But Hong Kong has open markets, and the China Development Bank and the Bank of China are already permitted to issue renminbi-

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denominated bonds to individuals there. It would be much more significant if such activities were allowed in Shanghai. Permitting the United States, for example, to issue renminbi-denominated bonds there on a small scale might help turn Shanghai into an international financial center. (Guo Shuqing, chair of the China Construction Bank, called for this during a visit to the United States in June.) Households would presumably regard these bonds, with their returns guaranteed in renminbi, as an attractive alternative to bank deposits, which are often funneled into industrial development. But if they did, China's entire development model would be put at risk.

To be sure, the Chinese government would like to see the United States offer an exchange-rate guarantee on its dollar-denominated securities. Guaranteeing new Chinese holdings against a depreciation of the dollar against the renminbi would be tantamount to issuing those bonds in renminbi. Governments have been known to take such steps. But the strategy is rightly seen as a sign of desperation. It can backfire if the foreign currency appreciates. And as the renminbi is expected to appreciate against the dollar, U.S. authorities are not likely to see this as an attractive option.

That said, China's efforts to internationalize the renminbi should not be underestimated. Chinese policymakers are serious about making Shanghai an international financial center by 2020. But meeting that objective will require building broader and more liquid financial markets in renminbi-denominated assets and liberalizing the access of foreign investors to those markets. And this, in turn, will entail a host of policy changes that would amount to abandoning China's tried and true growth model. Such changes cannot occur overnight, and perhaps not even before 2020.

Another reason that 2020 may be an overly ambitious target date by which to turn the renminbi into a reserve currency is that even if China's economy grows at seven percent annually for the next decade—slower than in the past, given its less favorable demographics now, but still exceptionally fast by historical standards—in 2020 its GDP will be only half the size of the United States' GDP at market exchange rates (market rates being what matter for international transactions). Even then, in other words, the renminbi will have a smaller platform than the dollar from which to launch its international career. Liquidity and

The Dollar Dilemma

transaction costs in renminbi markets will not be comparable to those in dollar markets, and holding reserves in renminbi will therefore continue to have limited appeal. The option will be attractive principally to countries that conduct most of their trade with China and do most of their international financial business in Shanghai. For reasons of proximity, if nothing else, these countries will be Asian first and foremost. The market for renminbi reserves will thus be disproportionately concentrated in Asia, at least initially, much as the market for euro reserves is now disproportionately concentrated in Europe.

This raises the question of whether Asia might one day wish to follow Europe in creating a single regional currency. Much ink has been spilled over the question, but it seems unlikely. China does not need to participate in a monetary union in order to achieve the economic and financial scale necessary for its currency to play a role internationally. It does not have to share monetary sovereignty with its neighbors in order for its currency to become a reserve unit. Rather than pushing ahead toward a regional monetary union, in the manner of Paris and Berlin, Beijing would almost certainly prefer to wait, for the longer it waits, the more the renminbi will matter within the region. There are plenty of reasons why a pan-Asian monetary union is unlikely—ranging from the very different structures of the different economies in Asia to the limited appetite for political integration in the region. But the renminbi's own prospects as an international currency are an important one.

Can the renminbi serve as a regional reserve currency? Yes. As a subsidiary reserve currency? Yes. As a dominant reserve currency? For the foreseeable future, this is hard to imagine.

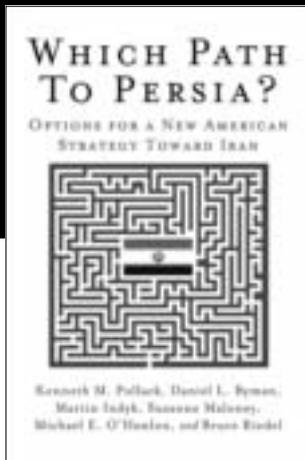
MEET THE NEW BOSS

BY PROCESS of elimination, it is clear that the dollar will remain the principal form of international reserves well into the future. It will not be as dominant as in the past, for the same reasons that the United States will not be as dominant economically as it once was. In the short run, the euro will gain market share, especially in and around Europe. In the longer run, the renminbi's role will also grow, especially in Asia. But for as far as one can see clearly into the future, the dollar will remain first among equals.

Barry Eichengreen

This state of affairs—with several national currencies sharing, albeit unequally, the status of reserve currency—would not be unprecedented. A similar situation existed for several decades before World War I, when the pound sterling was the dominant reserve currency but the French franc and the German mark held significant market shares, especially in regions commercially and financially linked to France and Germany. Recent research has shown that the pound and the dollar supplied roughly equal shares of global foreign exchange reserves in the 1920s. The view that there is room for only one reserve currency at any point in time is belied by history. The dollar may have dominated to the exclusion of other reserve currencies after World War II, but this reflected exceptional circumstances, including the United States' exceptional dominance of global markets and the fact that only it had deep and open domestic financial markets. And these exceptional circumstances are now a thing of the past.

The emergence of a reserve system based on multiple currencies should not be viewed as alarming. Such an arrangement functioned smoothly before World War I: the different reserve units coexisted peaceably, each in effect with its own constituency. This arrangement also avoided the kind of instabilities seen recently, in which a single supplier is flooded with foreign finance by reserve-hungry emerging markets, feeding asset bubbles. To be sure, the 1920s turned out less happily. When, in 1931, the United Kingdom experienced first a fiscal crisis, then a banking crisis, and finally a currency crisis, central banks around the world shifted their reserves from pounds to dollars. And when instability spread to the United States, some switched back to pounds, others to gold. The international monetary system was destabilized and ultimately destroyed by these erratic shifts. But, if anything, the lesson is that reserve-currency competition ratchets up the market discipline felt by policymakers. The more alternatives central banks and other international investors possess, the more pressure policymakers will feel to take the steps needed to maintain those investors' confidence. Given the proclivities of most policymakers, this is not a bad thing. 🌐



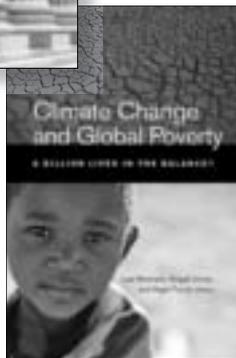
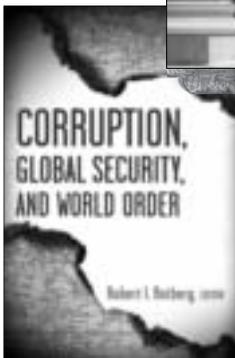
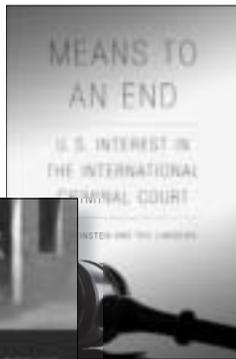
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The Death of Dayton

How to Stop Bosnia From Falling Apart

Patrice C. McMahon and Jon Western

AFTER 14 YEARS of intense international efforts to stabilize and rebuild Bosnia, the country now stands on the brink of collapse. For the first time since November 1995—when the Dayton accord ended three and a half years of bloody ethnic strife—Bosnians are once again talking about the potential for war.

Bosnia was once the poster child for international reconstruction efforts. It was routinely touted by U.S. and European leaders as proof that under the right conditions the international community could successfully rebuild conflict-ridden countries. The 1995 Dayton peace agreement divided Bosnia into two semi-independent entities: the Federation of Bosnia and Herzegovina, inhabited mainly by Bosnian Muslims and Bosnian Croats, and the Serb-dominated Republika Srpska (Serb Republic, or RS), each with its own government, controlling taxation, educational policy, and even foreign policy. Soon after the war's end, the country was flooded with attention and over \$14 billion in international aid, making it a laboratory for what was arguably the most extensive and innovative democratization experiment in history. By the end of 1996, 17 different foreign governments, 18 UN agencies, 27 intergovernmental organizations, and about 200 nongovernmental organizations (NGOs)—not to mention tens of thousands of troops from

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across the globe—were involved in reconstruction efforts. On a per capita basis, the reconstruction of Bosnia—with less than four million citizens—made the post-World War II rebuilding of Germany and Japan look modest.

As successful as Dayton was at ending the violence, it also sowed the seeds of instability by creating a decentralized political system that undermined the state's authority. In the past three years, ethnic nationalist rhetoric from leaders of the country's three constituent ethnic groups—Muslims, Croats, and Serbs—has intensified, bringing reform to a standstill. The economy has stalled, unemployment is over 27 per-

Dayton's priority was to end the violence, but the accord included compromises that encouraged Bosnia's fragmentation.

cent, about 25 percent of the population lives in poverty, and Bosnia remains near the bottom of World Bank rankings for business development.

Most worrisome is the inability of the leading political parties to agree on a basic political structure for the country. The Bosnian Serb leader Milorad Dodik is openly floating the prospect of secession for the RS—which is doing better than the fed-

eration in terms of economic growth and stability—and many Bosnian Croats are pushing for more autonomy within the federation. Meanwhile, Haris Silajdzic, the Bosnian Muslim representative to the country's collective presidency has called for a more centralized state and the dissolution of the RS, which he regards as an undeserved reward for Serbian-orchestrated genocide.

The political order established by Dayton seems to be careening dangerously off course, just as the guardrails that for 14 years prevented a descent into violence are being dismantled. As locals fret about the future, international organizations have already begun to withdraw from Bosnia. The powerful instruments of authority that the international community once possessed there have been diluted by extremist ethnic factions and by fading global interest in the country. The global financial crisis, the wars in Afghanistan and Iraq, and the diplomatic challenges in Iran and North Korea have made it tempting to declare Bosnia a "mission accomplished" and get out.

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There are at least three problems with such thinking. First, Bosnia may not remain peaceful for long. Unless checked, the current trends toward fragmentation will almost certainly lead to a resumption of violence—and if twentieth-century history is any guide, conflicts that begin in Bosnia rarely remain within its borders. Second, exiting Bosnia now will leave Bosnian Muslims isolated and vulnerable, sending precisely the wrong message to the Muslim world at a time when Brussels and Washington are trying to mend relationships frayed by the Iraq war and the “global war on terror.” Finally, if the international community cannot fulfill its promises in Bosnia—given the country’s location in the middle of Europe, the leverage that the EU and NATO possess there, and the massive amount of money invested thus far—the prospects for international state building elsewhere are extremely grim.

FROM FAVORITE TO FAILURE

THE STRIFE that tore the former Yugoslav republic of Bosnia and Herzegovina apart between 1992 and 1995 resulted in mass ethnic cleansing, concentration camps, and over 100,000 deaths. Immediately after the Dayton agreement was signed, dozens of governments, regional organizations, and NGOs descended on Sarajevo and became deeply involved in stitching Bosnia back together.

Thirty-six countries, led by the United States and backed by NATO, sent a total of 60,000 troops to enforce the treaty. Although the peacekeeping force was established for only one year, it was extended in the form of the robust NATO-led Stabilization Force (SFOR), which maintained a major security presence in Bosnia for over a decade. Since World War II, of all the postconflict countries that have had foreign troops on their soil, only occupied Germany in 1946 had more than Bosnia did in 1996.

Military force played a crucial role in stopping the violence, but it was only one part of a broader multi-institutional mission that included restructuring domestic institutions and providing large cash infusions for reconstruction and reconciliation. From 1996 to 2007, \$14 billion in foreign assistance flooded into Bosnia—amounting to approximately \$300 per person per year in a country

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of less than four million people. (By comparison, since 2002, international donors have pledged only about \$65 for each resident of Afghanistan per year.)

The Dayton framework had many advantages. It stopped the bloodshed, and it created the conditions for life to return to normal—at least on the surface. Bosnia has had several sets of municipal and national elections; its three armies have been integrated into a single multiethnic Bosnian army (each of the army's three major brigades is comprised of three ethnically based battalions), whose soldiers even fought alongside multinational forces in Iraq until December 2008. Dayton and the subsequent surge in international attention provided a high level of internal security, facilitated a widespread return of refugees and displaced persons, and created the conditions for a modest level of economic growth.

Areas such as the self-governing Brcko District, in the country's northeast, have become success stories. Brcko was the site of some of the worst violence during the war, but today the Muslim, Croat, and Serb communities there live in relative harmony. The international community established a strong protectorate structure in Brcko, under which the United States led a coordinated effort involving international organizations and domestic Bosnian institutions. At one point, SFOR included Russian troops working alongside U.S. soldiers, patrolling the streets and keeping the peace. Meanwhile, the Organization for Security and Cooperation in Europe coordinated a series of municipal elections, the EU and the U.S. Agency for International Development provided humanitarian relief, and Western NGOs helped reduce prostitution and human trafficking in the city. Just a decade after Dayton, Brcko was able to demonstrate the possibility of ethnic cooperation. Unfortunately, it has remained an exception.

DAYTON'S DEFECTS

THE DAYTON agreement's priority was to end the violence, but it included compromises that laid the foundation for Bosnia's current fragmentation. Today, most Bosnian Muslims and Bosnian Croats live in the federation, whereas most Bosnian Serbs live in the RS—

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Peter N. Stearns is Provost and Professor of History at George Mason University. He received a Bachelor’s degree *summa cum laude*, a Master’s degree, and a doctorate in History from Harvard University. He has written widely about world history. While at Carnegie Mellon, he won the Smith Award for Teaching and Educational Service in the College of Humanities and Social Sciences, as well as the Spencer Award for Distinguished Teaching.

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The Death of Dayton

but neither entity is completely homogeneous. The brutal ethnic cleansing carried out during the war was never completed, and many villages still contain pockets of minority ethnic groups.

Decentralization and power sharing, the twin principles underpinning this consociational democracy, allow each entity to have its own government, police force, and educational system. Within the federation, power is further decentralized to ensure that Muslims and Croats are able to rule themselves. To prevent any one group from dominating, quotas were adopted in national institutions. Bosnia's three-member presidency, for example, requires one Muslim representative, one Croat, and one Serb, and each representative can veto legislation that he believes undermines his own group's vital interests. As a result, almost every important issue at the central-government level is deadlocked.

In addition to political gridlock, this structure has several other detrimental effects: it breeds corruption, weakens political moderates, and stunts economic growth. Almost every public office—including low-level administration jobs—is allotted according to an ethnic quota, a spoils system that has led to extensive patronage networks, corruption, and inefficiencies. As a result, there are far too many bureaucrats running around the country. With 160 government ministers and a bloated public sector that gobbles up nearly half of the country's GDP, the framework is tailor-made for those who wish to stoke ethnic antagonisms for political gain. These ethnic chauvinists—in particular, Dodik and Silajdzic—preach to their respective constituencies and pledge to “protect” their groups. This, in turn, weakens moderates who advocate greater national unity and civic, rather than ethnic, identities.

Although Bosnia professes to seek the creation of a unified multiethnic state, its political institutions support ethnic partition at every level of government. The city of Mostar, where Muslims, Croats, and Serbs once intermingled peacefully, provides a clear example of the harmful effects of decentralization. Mostar was scarred by some of the worst violence of the war and remains deeply

Bosnia's goal is a unified multiethnic state, but its political institutions support ethnic partition at every level of government.

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divided: the Muslims now live primarily on the east side of the city, and the Croats dominate most of the city's west side. Prior to the war, there were nearly 24,000 Serbs living in the city, but today only a handful remain. Furthermore, most Croats in Mostar also hold Croatian citizenship and can vote in Croatia—a fact that has contributed to a significant immigration of Bosnian Croats to Croatia.

Despite the rebuilding of Mostar's famous sixteenth-century bridge, which was bombed during the war, the city remains extremely polarized. Unlike in Brcko, the international community decentralized its efforts in Mostar—a policy that gave rise to a number of absurd situations. Just a few years ago, for example, it was not possible to pay for a night's stay in a hotel in the Croatian section of the city with Bosnian currency because these hotels only accepted Croatian kuna. Even the markets in Mostar are segregated: for the most part, cigarettes and beer from Zagreb companies are sold in the Croatian section of the city; only cigarettes and beer from Sarajevo are sold in the Muslim district. It is no small financial burden for federation officials and municipal authorities to have to support separate hospitals, postal services, fire stations, and educational systems.

The federation as a whole is similarly dysfunctional. This year, the federation government is facing a 250 million euro budget deficit and will have to institute a ten percent budget reduction to qualify for a new 1.2 billion euro International Monetary Fund standby agreement (a short-term loan). The resulting cuts have already triggered a wave of protests from war veterans and trade union members who were lavished with social payments in the run-up to the 2006 and 2008 elections.

Sarajevo's bustling urban landscape—with its smattering of skyscrapers, rebuilt mosques, and charming outdoor cafés—masks a crucial fact: its citizens are embittered and frustrated by the country's institutional structure, which has left the federation economically worse off than the RS.

MONEY FOR NOTHING

AS INSTITUTIONAL fragmentation and unnecessary parallel structures drain the Bosnian Treasury, corruption has become endemic throughout the country, and the international community has been

The Death of Dayton

powerless to stamp it out. In 1999, a high-profile investigation uncovered that more than \$1 billion in aid—nearly one-fifth of the total dispersed between 1996 and 1999—had disappeared. Corruption is common to all transitional societies, but the political impact of corruption in Bosnia is particularly corrosive.

The police, political parties, the federation and RS governments, and the health-care and construction industries are generally cited as the most corrupt institutions and sectors. Bosnia's courts are also weak and susceptible to interference from ethnic nationalist elites. The establishment of the International Criminal Tribunal for the Former Yugoslavia (ICTY), in 1993, has left little energy and few resources for the development of Bosnian courts. Furthermore, now that the ICTY has begun referring war crimes cases back to Bosnia's domestic court system, the judiciary is simply overwhelmed by the number of cases. As a result, it is difficult to uphold the rule of law or control the rampant corruption, which has discouraged foreign direct investment and stifled private-sector development. In March 2009, for example, the Czech energy group CEZ canceled a 1.4 million euro contract because of pervasive corruption in the RS.

Bosnia's weak and disjointed domestic institutions have been further undermined by a series of international missteps. For more than a decade after Dayton, Bosnia was a hotspot for international do-gooders intent on making a difference. But good intentions and deep pockets were often accompanied by little historical knowledge and incoherent plans. Organizations that worked at cross-purposes or initiated efforts only to abandon them in the face of distraction, complacency, or fatigue undermined the entire state-building enterprise. As one Bosnian NGO officer put it, "Bosnians have come to understand the bargain well. Westerners come here with money and ideas, wanting to do good. In the end, we waste their money and they waste our time."

By default, civil-society development gained cachet as the central strategy for political development and ethnic reconciliation. If the international community's efforts were focused on supporting marginalized groups and encouraging citizen involvement from the bottom up, a culture of tolerance, it was assumed, would take root. Those advocating such ideas, however, lacked an understanding

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of the complexities of managing a postconflict transition overlaid on the postcommunist transition that had begun prior to the war. The strategies for a smooth postcommunist transition elsewhere in central and eastern Europe focused largely on decentralizing political and economic authority. In ethnically fractured postwar Bosnia, however, such decentralization further weakened efforts to build a coherent state.

The international community could have used a strong hand to stamp out corruption and strengthen national institutions. Unfortunately, it did not. The Dayton accord created the Office of the High Representative to coordinate and implement the accord's civilian aspects. The work of the OHR is overseen by the Peace Implementation Council—a grouping of 55 countries and international organizations that was charged with overseeing Bosnia's reconstruction. Yet PIC representatives rarely see eye to eye, and they have frequently been unable to press for the full implementation of Dayton for fear of rocking the boat. Even after the PIC gave the OHR expanded executive powers in 1997 to impose national policy and to remove political elites who obstructed the long-term goals of the peace agreement, the OHR was unable and often unwilling to demand the necessary reforms to develop a functional central governing system. Even when international organizations were successful in their own discrete areas, they often failed to coordinate their actions with others or carry out extensive evaluations to hold themselves accountable. As achievements slowed and as average Bosnians grew frustrated by the lack of success and the failure of the international community to solicit input from them, the credibility of the international community waned.

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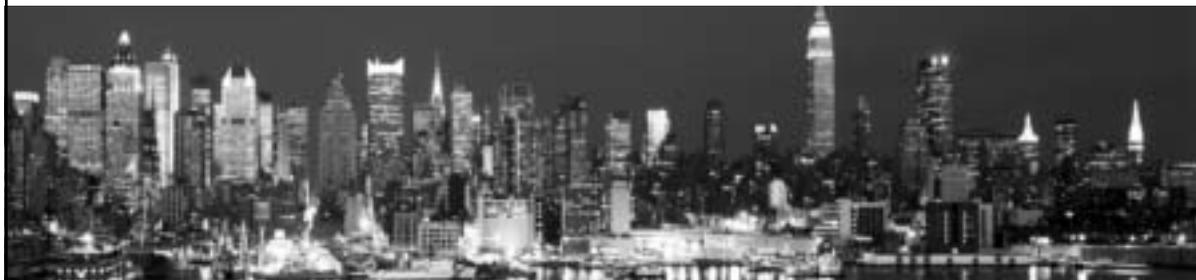
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The Death of Dayton

EU and NATO membership, on the condition that they develop certain institutions to help facilitate their eventual integration into these organizations. This seemed a necessary corrective for Dayton's deficiencies; both Brussels and Washington assumed that the allure of EU and NATO membership would override other political dynamics in Bosnia and finally give the international effort there some much-needed momentum.

But the international community faltered at the very moment when Bosnia needed a more robust commitment. After 9/11, the United States and much of the international community shifted its attention away from the Balkans. The Bush administration, which was at the time focused on defeating the Taliban in Afghanistan and mobilizing support for an invasion of Iraq, was reluctant to commit resources to Bosnia. Russia's increasing obstructionism within the PIC, a lack of international unity on Kosovo, and disagreements within the EU over Bosnia pushed France, Germany, and the United States to the point of wanting to declare victory in Bosnia and leave. Meanwhile, the allure of EU and NATO membership was not enough of an incentive to convince Bosnia's ethnic elites to scrap the institutions that had given them extraordinary power bases and to replace them with ones that would reduce their influence and strengthen the central government.

Rather than expend more effort, which might have generated a backlash from nationalist parties, the international community delegated much of its power in a misguided effort to let the Bosnians rule themselves. Given the dysfunctional institutional structure that the international community had helped create, this merely shifted power to obstructionist political elites rather than to those committed to improving Bosnia's situation. The transatlantic tensions that erupted over the Iraq war, along with Brussels' and Washington's subsequent scrambles for military resources to cope with the simultaneous conflicts in Afghanistan and Iraq, diverted attention away from Bosnia even more, laying the groundwork for the country's slow disintegration.

The international community delegated much of its power in a misguided effort to let Bosnians rule themselves.

Patrice C. McMahon and Jon Western

Although Bosnia experienced modest economic growth from 2000 to 2006 and seemed to be plodding along, major fault lines existed just beneath the surface. In 2006, the PIC announced its intention to close down the OHR and end Bosnia's status as an international protectorate. At the same time, the international community embarked on its first major effort to persuade Bosnia's elites to reform

Instead of facing
down ethnic nationalism
and dysfunctional
institutions, the
international community
gave in.

the constitution set up by Dayton to rid it of its flaws. In an effort spearheaded by the U.S. Institute of Peace, eight of the leading Bosnian political parties were urged to develop a series of constitutional reforms to centralize decision-making and state institutions. These reforms led to a tentative agreement to strengthen the central government's Council of Ministers and create two new national government ministries, one for a unified agricultural policy and one for science, technology, and the environment. The so-called April package broke down, however, due to last-minute obstructionism by Silajdzic and the leaders of a breakaway faction of the Croatian Democratic Union. In the end, the proposed amendment failed by two votes to garner the necessary two-thirds majority in Bosnia's parliament.

As the constitutional reform process faltered, the European Commission warned Bosnia that it would not move forward on a Stabilization and Association Agreement (SAA)—the precursor to EU membership—until the country adopted a series of significant reforms. Most urgently, the EU wanted reforms that put the central government, rather than the ethnic entities, in charge of the country's police force. But RS officials refused to relinquish control over any of their entity's institutions. This impasse, coupled with the failure of the constitutional talks, became the central issue in the 2006 national elections, which both Dodik and Silajdzic successfully exploited to gain strong showings for their respective Serb and Muslim exclusivist ethnic parties.

The issue of police reform remained deadlocked for more than a year, until the summer of 2007, when the Slovak diplomat Miroslav Lajcak became the UN high representative for Bosnia and tried to break the impasse. Lajcak instructed Bosnia's parliament to pass po-

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lice reform, threatening to use his powers to remove obstructionist officials from power. When Dodik refused in early October, Lajcak made a series of moves intended to secure the reform and break other important deadlocks by restricting the ability of entity representatives to boycott or veto decisions in the executive branch's Council of Ministers or legislation in the Parliamentary Assembly. For the next six weeks, however, Dodik and the RS parliament stood firm, vowing to protect Serbs' interests under any circumstances.

In early December 2007, at this critical juncture in the state-building effort, the international community blinked. Instead of facing down ethnic nationalism and addressing institutional contradictions, it gave in. Javier Solana, secretary-general of the Council of the European Union and high representative of the EU's Common Foreign and Security Policy, along with the PIC and Lajcak, agreed to negotiate with Dodik. With uncertainty over Kosovo's independence looming and ambivalence regarding Bosnia growing in Brussels and Washington, no one wanted trouble. In the end, Lajcak and the EU accepted watered-down commitments from the RS, and six months later Bosnia signed an agreement with the EU, starting it on the path to accession.

The OHR's capitulation to Dodik and the RS caused severe damage to the OHR's legitimacy. As the International Crisis Group put it in a March 2009 report, the episode revealed the worst of the international community: "It overreached in its demands on police reform, overreacted to its failures, and was unprepared for the consequences."

As this situation was unfolding, the international community decided to transfer the international peacekeeping mission from the NATO-led Stabilization Force to a smaller, weaker EU-led mission, EUFOR. Between 2005 and 2007, the international security presence declined from roughly 7,000 troops to fewer than 2,000, and these soldiers had less military capability. In 2007, EUFOR withdrew all the 1,000 troops stationed in Banja Luka, the capital of the RS and the only RS city with a significant international troop presence. Today, EUFOR has fewer than 2,000 troops deployed throughout the entire country. Soon, it will be reduced to a 200-person training presence without Chapter 7 UN peacekeeping authority, which is what has allowed the international security force to actively enforce key security

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elements of the Dayton accord. The reduced force levels and more limited mandate will cripple the international community's ability to deter an outbreak of interethnic violence or respond rapidly to local incidents that could potentially escalate.

PANDORA'S BOX

THE FAILED efforts at constitutional reform, the loss of the OHR's credibility, and the declining international security presence in Bosnia are all strengthening the country's nationalist politicians and parties. As a result, the international community is now in its weakest position since the war's end, with factions from all three ethnic groups now challenging the Dayton structure. Waning U.S. and EU interest in Bosnia has coincided with rising Russian commercial and diplomatic involvement in the Balkans, which Dodik has actively exploited to stabilize his political position within the RS and to strengthen the RS's hand in Bosnian politics. In particular, Dodik has used Russia's invasion of Georgia in August of 2008 and its diplomatic opposition to the United States and the EU's position on Kosovo as a rallying cry for his increased obstructionism when it comes to strengthening Bosnia's central institutions. Reversing these centrifugal trends will require a renewed focus on Bosnia to address core issues: rising ethnic nationalist pressure, weak central governance, and endemic corruption.

First, a strong U.S. commitment is necessary. One of the central features of Bosnian politics over the past three years has been the systematic and effective exploitation by nationalist parties of international complacency and of disagreements between the OHR, Brussels, and Washington. These divisions must be reconciled. EU policy currently reflects a diverse range of motivations and interests, and U.S. leadership is needed to refocus the international community's effort, starting with the appointment of a U.S. special envoy for the Balkans to spearhead a new initiative on Bosnia and the region as a whole. U.S. Vice President Joe Biden's visit to Sarajevo in May, his decision to travel there with Solana, and his sharply worded rebuke of the increasingly nationalist rhetoric emanating from Bosnia's political elite were all necessary and important first

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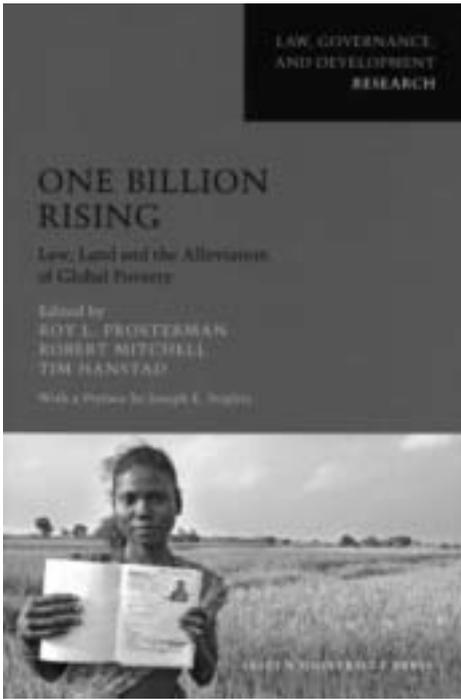
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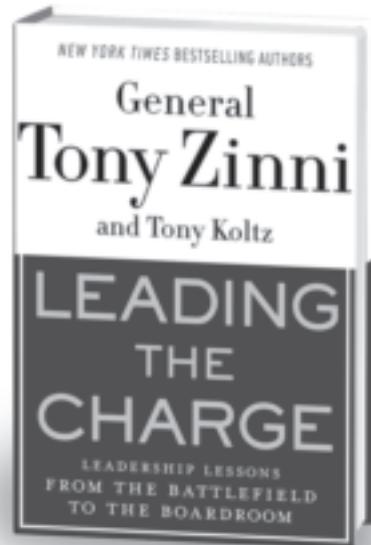


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steps for U.S. reengagement. However, a single visit will not on its own produce lasting changes in policy.

Second, EU accession remains the most significant diplomatic lever available to the West, although its allure has diminished in recent years due to the global financial crisis. Many Bosnians now wonder what tangible benefits EU membership would provide in the midst of a worldwide economic downturn. Given how easily Brussels watered down the conditions for Bosnia's SAA, most Bosnians believe that the conditions for EU membership will also be flexible, if not inconsequential. But they should not be. Brussels needs to launch a much more aggressive public diplomacy campaign to highlight not only the potential benefits of EU membership but also the costs of not meeting the EU's standards. As Kurt Bassuener of the think tank the Democratization Policy Council has noted, the failure to develop a centralized Bosnian agriculture ministry, for example, means that Serb farmers in the RS who grow high-quality organic fruits and vegetables cannot sell this lucrative produce in the EU market. Dodik's politically motivated obstructionism is thus costing Serbs in the RS jobs and income. Likewise, within the federation, disagreements between Muslims and Croats over ownership of state property continue to deter foreign direct investment, costing citizens jobs.

Exposing the costs of obstructionism and corruption to all Bosnians would weaken political support for the ethnic nationalists, create a stronger domestic constituency for reform and for the development of a functioning central state, and increase the allure of EU membership. Furthermore, the EU needs to impose more specific and strict conditionality for membership by demanding basic functionality, transparency, and accountability in Bosnia's state institutions. These institutions, as currently structured, are not even remotely consistent with EU standards. The Bosnian government needs to be given specific prescriptions on privatization, on the necessary cuts to bloated and inefficient public-sector spending, on the needed reform of government hiring practices, on creating a

Exposing the costs of obstructionism and corruption will weaken political support for ethnic nationalists.

Patrice C. McMahon and Jon Western

more equitable distribution of state property, and on the adoption of formal rules on budgeting and accounting. Brussels must also refrain from accepting compromises to the existing conditions it has specified for the closure of the OHR.

Third, as was true with the Dayton agreement, any solution for Bosnia will require the active support of its neighbors. Bosnian Serbs and Bosnian Croats look to Belgrade and Zagreb, respectively, for support, and Brussels currently has more leverage over Serbia's and Croatia's leaders than it does over ethnic elites in Bosnia. It must use this leverage to pressure the Croatian and Serbian governments not only to keep their ethnic brethren in line but also to actively support reform efforts within Bosnia.

Finally, the international security force should be maintained at current levels. Weakening it further would leave the international community without the capability to respond to a crisis. And withdrawing troops would further lessen the international community's diplomatic leverage. One possible solution would be to use Bosnian military installations as training camps for EU and NATO forces about to deploy to Afghanistan. Conducting predeployment training in Bosnia would be cheaper than maintaining a full peacekeeping operation and at the same time would reaffirm the international community's commitment to Bosnia, provide the means to begin the process for possible NATO membership for Bosnia, and help prevent a return to war.

CLOSING THE DEAL

AFTER 14 YEARS of the international community's efforts in the Balkans, eight in Afghanistan, and six in Iraq, it is clear that state building is not for the faint of heart. It is impossible to create a functional state that can be sustained and governed by local actors merely by throwing money and resources at the problem. As the experience in Bosnia has proved, state building is not a problem to be solved but a process to be managed.

The Dayton peace agreement is a model to emulate because it ended the violence and built the conditions for a return to normal life

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for many. At the same time, it offers a cautionary tale of the potential for institutional structures to create perverse incentives, spawn extremists, and eventually undermine national unity. Diplomats engaged in peacemaking in Bosnia and elsewhere must learn to weigh the long-term implications of the deals they make and ensure that both peace agreements and postconflict implementation strategies are flexible and open to adaptation as situations change.

Compared to the other major international state-building projects today—such as those in Afghanistan, Iraq, and Kosovo—the one in Bosnia appears to have the most going for it. Although it is not considered completely neutral, the international community has never been viewed as an occupying force in Bosnia, and global public opinion has largely seen Bosnia as a legitimate humanitarian project. Bosnia is also a small state with a postwar population of just under four million—a stark contrast to Afghanistan and Iraq, which are both six times as large as Bosnia in terms of population. Finally, although Bosnians may not feel blessed by their geography, their location in Europe prevents them from being ignored by their wealthy neighbors, a luxury that most conflict-ridden countries do not have.

It is tempting to assert that it is now time—nearly 14 years after Dayton—for Bosnians to take charge. But this is impossible within an institutional structure based on ethnicity that rewards those who appeal to fear and ethnic chauvinism. If the international community does not reverse these trends, the result may well be the redivision of Bosnia and a return to war. 🌐

Without Conditions

The Case for Negotiating With the Enemy

Deepak Malhotra

DIPLOMACY APPEARS ready to make a comeback. The United States, after years of reluctance, is reconsidering the role of negotiation in confronting extremism and managing international conflict. India has resisted an aggressive response to the 2008 terrorist attacks in Mumbai and is open to diplomatic engagement with Pakistan over Kashmir. Participants in the six-party talks have been scrambling to decide whether, when, and how to engage North Korea since its nuclear test of May 2009. The generals in Afghanistan are busier today than they have been in recent years, but so are the diplomats. Certainly, not everyone has rushed to the bargaining table—witness, for example, the military defeat of the Tamil Tigers in Sri Lanka. But governments around the world are asking themselves the same important question: When should they negotiate with their enemies?

Determining the precise conditions for such talks is never easy. In the shadow of terrorism, the calculus is all the more complex. Not only can acts of belligerence or extremist violence strain or derail ongoing negotiations, but the persistence of violence is often the primary reason governments refuse to negotiate in the first place. This has long been the case in Israel, for example, where successive governments, especially those led by the conservative Likud

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Party, have refused to negotiate with Palestinian leaders until they bring the violence to a halt. The same dynamics influenced the peace process in Northern Ireland in the years leading up to the 1998 Good Friday Agreement. North Korea's recent provocations have elicited a similar response from hard-liners in Japan, South Korea, and the United States.

The ability of extremists to derail negotiations through violence and belligerence presents policymakers with a high-stakes dilemma: Should the muzzling of extremism be set as a precondition to negotiations, or should negotiations be initiated in order to reduce support for extremism? Similar considerations have plagued peace efforts around the world, from Colombia, where the government has struggled for decades to determine when it should demand a cease-fire from FARC (the Revolutionary Armed Forces of Colombia), to Kashmir, where using violence to derail prospective talks has become a predictable tactic. In Afghanistan, Iraq, and Pakistan, surges in extremist violence are threatening to further destabilize already-weak governments.

The cessation of violence is perhaps the most common precondition that governments evaluate when considering diplomatic engagement. But it is far from the only one. The Israeli government suggested earlier this year that it would only negotiate with the Palestinian Authority (PA) if it formally recognized Israel as a Jewish state. U.S. diplomats are debating whether Washington should demand that Iran freeze its uranium-enrichment program as a precondition to negotiations. Participants in the six-party talks are considering the extent to which North Korea should be forced to adhere to prior agreements before the next round of negotiations can begin. And governments everywhere have long been imposing preconditions on themselves, hesitating to negotiate with those seen as having blood on their hands. Israel and the United States, for example, have been reluctant to negotiate with Hamas, even after its resounding success in the 2006 Palestinian parliamentary elections. How such issues are decided is tremendously important. On the one hand, failing to set preconditions when they are useful can undermine the effectiveness of a negotiating strategy. On the other hand, preconditions that are ill conceived may eliminate the prospect of diplomatic engagement.

THE CONDITIONS FOR PRECONDITIONS

PEACEMAKERS IN Northern Ireland decided that the Irish Republican Army would have to cease its violence as a precondition for the involvement of Sinn Féin (the IRA's political wing) in the peace process, and the peace process was a resounding success. Yet when Israeli officials have demanded that Hamas and other terrorist groups stop their attacks before they will negotiate with the PA, substantive negotiations have typically failed to materialize. What accounts for the difference?

To determine whether and when to impose preconditions, governments should make two assessments. First, is the other side capable of meeting the demand? Far too often, preconditions are set without regard to the constraints that the opponent faces or the limits of the negotiation partner's influence. Second, will agreeing to the precondition significantly reduce the other side's bargaining power? When one side demands that the other make a highly valued, irrevocable concession before negotiations even begin, such a precondition will almost surely be rejected. Preconditions are appropriate only when they satisfy both criteria: the opponent is capable of meeting them, and doing so will not weaken its future leverage. Otherwise, they will serve no purpose except to create the impression that the other side has thwarted diplomatic efforts. Demands that ignore these criteria suggest either a flawed strategy or an attempt at political gamesmanship—or perhaps both.

Applying these criteria is especially important—and difficult—during a protracted violent conflict. Contrast, for example, the Sri Lankan civil war and the Israeli-Palestinian dispute. In Sri Lanka, the Tamil Tigers not only had a seat at the bargaining table, but they also controlled all the antigovernment violence. When the Sri Lankan government demanded the temporary cessation of violence as a precondition to negotiations, both criteria were met: the Tamil Tigers not only had the ability to stop the violence; they also had the power to resume it if the negotiations failed and thus would not be giving up any leverage by agreeing to lay down their arms and talk. The decades-long conflict ended with a military victory for the government, but the Tamil Tigers cannot blame their reluctance to negotiate on the government's precondition.

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In the case of the Israeli-Palestinian conflict, however, the PA has been the one at the bargaining table, but Hamas and other extremist groups have been responsible for much of the anti-Israel violence. When former Israeli Prime Minister Ariel Sharon stated that there would be no negotiations with the Palestinians until the violence stopped, the only thing that stopped was the peace process. The PA simply could not meet this precondition, as Hamas was not under its control. The problem with postures like Sharon's is that they give extremist organizations like Hamas too much influence—a veto, effectively—over if and when negotiations take place. Throughout the 1990s and the early years of this century, Yasir Arafat, as head of the Palestine Liberation Organization (PLO) and later the PA, did not have the power to fully rein in violent extremists, and his successor, Mahmoud Abbas, may exert even less control over Hamas. In other words, governments should demand the cessation of violence or belligerence as a precondition to negotiations only, first, when the other side is capable of meeting the demand and, second, when the other side can do so without having to relinquish all its leverage. When either condition does not hold, they would do better to follow the advice of former Israeli Prime Minister Yitzhak Rabin: “Fight terrorism as if there is no peace process; pursue peace as if there is no terrorism.”

The same analysis holds for the question of whether the PA's recognition of Israel as a Jewish state should be a precondition for final-status peace talks between the Israelis and the Palestinians. In April 2009, Israeli Prime Minister Benjamin Netanyahu made statements that were interpreted as asking for just that. This precondition would impose a far greater hurdle than Israel's demand for simple diplomatic recognition, which the PLO largely conceded during the 1993 Oslo negotiations. After a spate of criticism, Netanyahu's office backtracked. This was a welcome revision. If the PA were to recognize Israel as a Jewish state, it would sacrifice its future leverage, because this is a concession that would be difficult to retract if the negotiations failed. And most Palestinians believe that it would

One should never set preconditions without a clear understanding of the other side's perspective.

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compromise their ability to advance their long-standing demand that Palestinian refugees displaced in 1948 and 1967 be granted “the right of return.”

Another example of a diplomatic initiative potentially hinging on the wrong precondition is a proposal, currently under consideration, that North Korea be made to adhere to the agreements it has already signed before another round of negotiations is launched—this is what former U.S. Secretary of State Henry Kissinger has called “the minimum precondition.” On the one hand, it seems reasonable to demand this, lest the North Koreans feel free to disregard future agreements with equal abandon. On the other hand, why make this a precondition when it can just as easily be negotiated at the table? More important, if North Korea’s recent saber rattling was meant less to pressure the United States than to signal the regime’s strength at home as a leadership succession looms, then the North Korean leadership might not be able to meet the precondition at all: neither Kim Jong Il nor his successor could agree to respect prior agreements without signaling weakness to North Koreans at large or to those competing for the top job. As this example suggests, one should never set preconditions without a clear understanding of the other side’s perspective and the constraints the other side is under. When it comes to North Korea, it might be more useful to insist that if negotiations happen at all, they must happen very soon. Delays will only increase North Korea’s relative bargaining strength as Pyongyang continues to expand its nuclear capability.

ENGAGING WITH EXTREMISTS

GOVERNMENTS NOT only impose preconditions on others; they also impose preconditions on themselves. A government may want to wait until there is sufficient support among constituents for a peace process or insist on holding multilateral, as opposed to bilateral, talks. More commonly, even governments that are generally willing to negotiate often first set limits on their own behavior by refusing to talk to groups with ties to terrorists. The U.S. State Department, for example, publicly states that it will “make no concessions to terrorists and strike no deals.”

Without Conditions

This position has the virtue of ideological purity but the vice of impracticality. When everyone at the table has clean hands, governments are unlikely to make progress on what is often the most important issue: the cessation of violence. By making it difficult for governments to extract concessions on a critical issue, this precondition reduces the governments' own bargaining power. The experience of Northern Ireland demonstrates the value of bringing extremists—or their proxies—to talks. In 1997 and 1998, even though the Unionists were unwilling to negotiate directly with the IRA, the presence of Sinn Féin at the bargaining table allowed the parties to negotiate the issue of violence. Although Sinn Féin and the IRA by no means formed a monolithic entity, sufficient ties between the organizations made it possible to neutralize any potential spoiler tactics of the IRA by dealing with Sinn Féin. The implication is that governments should encourage ties between those responsible for violence and those willing to negotiate. For this reason, recent attempts to reconcile Hamas and the PA should be supported by Israel and the United States.

Unfortunately, diplomatic efforts are often based on carefully selecting only those negotiating partners who are unlinked to extremist violence. This was true of the United States' de-Baathification effort in Iraq and is true of Israel's support for the anti-Hamas leader of the PA, Abbas. Likewise, India's willingness to negotiate with Pakistan is predicated on the ability of Pakistan's leaders to distance themselves from extremists operating in Kashmir. In fact, the existence of some ties between Pakistan's leaders and those extremists would be useful in negotiating with the Pakistani leadership. Certainly, not all extremists are willing to negotiate, but efforts to exclude those groups that are willing to come to the bargaining table or send their proxies are ultimately self-defeating.

ERRING ON THE SIDE OF NEGOTIATION

THEIR POTENTIAL to cause strategic blunders notwithstanding, ill-conceived preconditions to negotiations are popular. Politicians who are personally opposed to negotiations make them because when unmet, they provide an easy excuse to scuttle diplomatic efforts. And

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politicians who support negotiations but are wary of public opposition favor preconditions because if met, they provide an early win with which to hedge against the risk of backing a peace effort that may ultimately fail. The public, in turn, tends to support such demands as just claims against an enemy that has behaved immorally or illegally.

Unfortunately, the appetite for preconditions is not matched by an adequate supply of reasoned analysis and nuanced debate about them. This creates a bias toward setting preconditions, ones that are often based on political expediency or simplistic assessments. This approach has been so detrimental that even the elimination of all preconditions to negotiations would yield better diplomacy than what has prevailed in recent years, particularly when it comes to the diplomatic efforts of the United States and Israel.

Change may be on the way. Barack Obama's call early in the U.S. presidential primaries—before he was leading in the polls—to negotiate with enemies without preconditions was, if not a fine-tuned policy revision, an important step forward. That Obama's stance was so strongly criticized as being naive and dangerous, when it was neither, illustrates the enduring appeal of preconditions. That these attacks were not altogether successful and that he subsequently reasserted his position—most notably, in his June 2009 Cairo speech—suggest that enough Americans have done some analysis of their own: If a country refuses to negotiate when it is clearly in a position of strength, when will it ever negotiate?

A wise foreign policy errs on the side of negotiation and removes as many impediments to diplomacy as possible. Carelessly conceived preconditions remain among the greatest barriers to achieving negotiated peace. Curtailing their use, if not discarding them altogether, would herald a new era in foreign policy—one both more ambitious and, ultimately, more successful. 🌐

“Helping people is at the core of our beliefs as Muslims; you have to contribute to charity and do something in your community and in other communities in order to feel balance in your life.”

Yasser Mohammad Abdo Yamani
Managing Director
Iqraa Foundation



Kingdom of Saudi Arabia

INVESTING IN HUMANITY

When the United Nations World Food Program (WFP) last year issued an urgent call for assistance, the largest contribution by far came from the Kingdom of Saudi Arabia. Its donation of \$500 million exceeded the combined contributions of thirty-one other nations, continuing a tradition of Saudi Arabian foreign aid spending, which is one of the highest in the world—at an average of 4 percent of GDP annually. Western perception is little aware of these levels of commitment and of Saudi Arabia’s generosity in the face of hunger, poverty, and human need, be it at home or abroad. Instead, Saudi Arabia is often viewed with skepticism. Following the events of 9/11 in particular, Saudi Arabian charities were met with much scrutiny, seriously tainting the reputation of an entire sector, despite the charities’ significant contribution to development and emergency relief. Only slowly are these misperceptions receding.

Indeed, charitable giving, or zakat, is an integral part of the Muslim belief system. Zakat is the idea that those who are able should give to those in need, either in money or in kind. So firmly is this rooted in

“Our main goal is to help society, to help humanity, to progress.”

HH Prince Bandar bin Saud bin Khalid Al-Saud

Deputy Managing Director
King Faisal Foundation

society that Saudi Arabia has institutionalized zakat, by levying a tax on individuals and businesses, corresponding to 2.5 percent of annual income. In addition, Saudi Arabia also embraces the concept of sadaqa, or voluntary giving. The kingdom’s wealth supports a widely shared sentiment of responsibility toward those less fortunate. Individual contributions can be sizeable, such as the \$130 million donation made by a Saudi national

last year in support of cyclone-hit areas in Bangladesh. The donor, however, chose to remain anonymous. And this is not unusual; many Saudi Arabian individuals and businesses would find it immodest to advertise the extent of their philanthropic commitment.

The work and dedication of more than 500 charitable organizations in Saudi Arabia is but the strongest indicator of this commitment. Many of these have a strong domestic focus. Unemployment, poverty, and access to education and health services remain a challenge to society, despite a rapidly developing economy. These therefore are priority areas for intervention for many Saudi charities. Others make no distinction between the domestic and the international agenda and are fully committed to providing aid services anywhere in the world. Some indeed have grown into major global development organizations, held in high esteem for their impact and quality of work. 

FOUNDATIONS OF COMMUNITY

The King Faisal Foundation is one of Saudi Arabia's oldest philanthropic organizations. Established by the sons of late King Faisal in 1976, in honor of their father's work, the foundation has grown to world renown and into the largest organization of its kind in the region. In keeping with King Faisal's efforts, the foundation focuses on education. "We think that helping societies should be done through educating them," says HH Prince Bandar bin Saud bin Khalid Al-Saud, deputy managing director of the King Faisal Foundation. "We look at education as an agent of change. It is the only

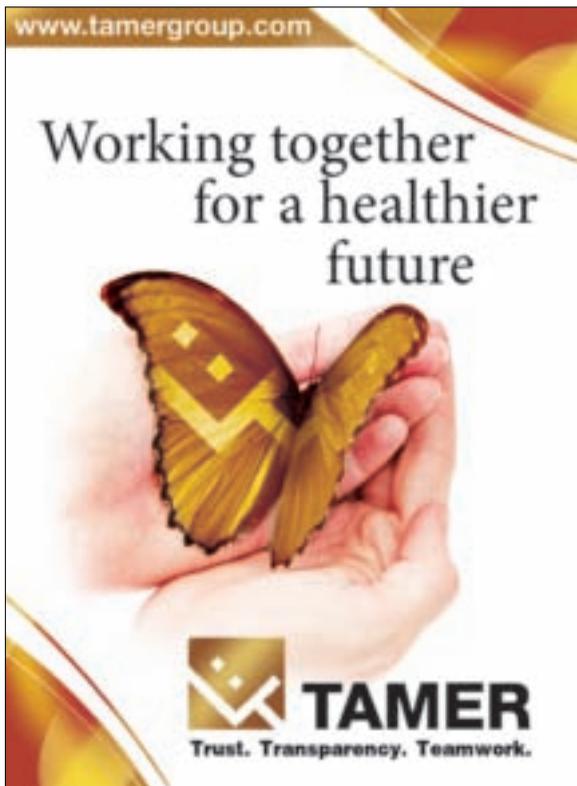
way for societies, countries, even individuals to uplift themselves," he explains. Among the foundation's most visible activities count the Alfaisal University, King Faisal primary and secondary schools, and the King Faisal Center for Research and Islamic Studies. The foundation furthermore awards grants to schools, universities, and other educational facilities around the world, and it engages in direct development projects with a broader mandate. "We never give out money. If an area needs help, we go and do the project ourselves," says Prince Bandar. This, incidentally, is a practice that has

similar approach. "We treat charity work like business. We do everything transparently," says Yasser Mohammad Abdo Yamani, the foundation's managing director. Its

"We are helping communities irrespective of race, color, or creed."

Yasser Mohammad Abdo Yamani
Managing Director
Iqraa Foundation

management expertise is widely recognized. Iqraa is active in Saudi Arabia but also has a strong international presence, in Africa and Asia, and it maintains branch offices in the United States, the United Kingdom, and South Africa. Healthcare is but one focus area. "In Kenya, we started a hospital in a poor area. We subsidize this hospital so that the cost to see a doctor is \$1," says Yamani. Similar projects exist in India. In Saudi Arabia, Iqraa works in cooperation with the government, providing the poor with access to clinical treatments. Nondiscrimination is an important element in Iqraa's work. "All our hospitals treat Muslim and non-Muslim the same way. We focus on poor people. A human is a human," underlines Yamani. This is "the essence of charity work," as Yamani calls it. Human development comes first, and Iqraa applies this same philosophy to dedicated programs for education, housing, community building, and vocational training.



MORE THAN RHETORIC

>>CSR IN THE KINGDOM

Above and beyond the commitment to philanthropic action, the practice of corporate social responsibility (CSR) is also quickly gaining ground among Saudi Arabian businesses. Very much a Western expression of corporate behavior, CSR is a novelty mostly in terminology. "Nobody in Saudi Arabia, I think still to this very day, can clearly tell the difference between charity or philanthropy and corporate social responsibility," says Dr. Nadia Baeshen, general manager of the CSR division of the Dallah Albaraka Group, "although they practice both." Companies indeed tend to have long traditions of investing in socially responsible activities, but have only started labeling and planning these as CSR activities in recent years.

The Dallah Albaraka Group, a holding company with business activities in sectors such as real estate, finance, and media, and with investments in over forty countries worldwide, is an industry leader. Its CSR activities are a benchmark for the way companies can support their communities. For example, Dallah Albaraka provides a facility for employees that offers personal loans at hugely preferential rates. A popular measure, as Dr. Baeshen confirms: "More than 50 percent of company staff utilizes the services of this fund." Externally, Dallah Albaraka supports a wide range of initiatives. It invests heavily in the development of small- and medium-sized enterprises, contributing financially to the Centennial Fund and training and advising entrepreneurs in business strategy and the use of funds. Other equally important programs are carried out in support of education, employment, and health, each delivering tangible benefits to the larger community. Dr. Baeshen is very clear about her role as a corporate player in Saudi Arabia. "I am not a donor. I am a long-term strategic partner."

The core values that continue driving Dallah Albaraka's CSR policy are those of its founder, Sheikh Saleh Kamel. "Saleh Kamel believes that we could not grow into a huge conglomerate organization if it weren't for the people of our society. So we are paying back a debt we owe to society," says Dr. Baeshen.

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Islamic Banking and Finance Explained

By Dr. Mohamed A. Elgari, SEDCO Shariah Advisor

A bank is a financial intermediary, intermediating between two groups in the community served by the bank: those who have more financial resources (savings) than they need today and those who need today more than they have. With the presence of such an intermediary the economy becomes more efficient as the utilization of available real resources becomes higher, thus resulting in more economic development and welfare for all. For centuries the function of financial intermediation was rendered by banks on the basis of a simple yet very effective *modus operandi*: banks borrow from a surplus group and lend to a deficit group. Clearly bankers can only make money if they charge interest for loans and in a competitive environment can only attract savings by paying interest. This model of financial intermediation started in Europe, maybe in ancient Greece, before then spreading to the rest of the world.

Muslims were well aware of the importance of financial intermediation. However, this model of banking, introduced into Muslim countries during colonial times, contradicts a basic tenet of Islam relating to usury. The definition of usury in Islam is unambiguous, it is simply the increase stipulated in a contract of loan. An interest based loan, no matter how little, is usurious in Islamic law. Hence, it was not possible for Muslim countries to assimilate this institution into their economic system. In the early Islamic civilization, Muslims knew many arrangements that served the purpose of channeling savings to useful uses in investment and trade. Such arrangements were personal and individual as was then the norm, but not institutional, although the aspect of intermediation was very clear.

The business concept pioneers of Islamic banking tried to develop was to simply institutionalize these arrangements into an alternative financial intermediation. Thus we ended up with what in the 1950s was called simply interest free banking and then became known as Islamic banking.

The concept of Shariah-compliant Banking

An Islamic bank is one that abides by Shariah (Islamic law) in all its dealings, however, like other banks, it has assets and liabilities. The liabilities or sources of funds in addition to its capital are savings received on profit and loss sharing and current accounts which are interest free. On the other side of the balance sheet the bank advances credit to its customers on the basis of *Murabaha* in which the bank purchases assets such as houses, vehicles or furniture, on cash basis from suppliers and sells back to its customers on installments with a profit. Islamic banks over the course of three decades were able to develop many products and financing schemes on the basis of either sale, lease or partnership. The form of sale contract in Shariah is much simpler than in other legal systems. Exchange and acceptance of an offer relating to an existing asset or commodity immediately transfers legal ownership. Payment of a price is only an outcome of the contract and is not a requirement for validity or enforceability unless the contract is made conditional on such payment. Furthermore, validity of a sale contract only requires a description of the commodity which could be beyond the immediate reach of the purchaser. The ability to use sale, lease and partnership as basis for the development of bank products offers limitless opportunities. Islamic

banks now have substitutes for credit cards, foreign exchange swaps, call options, etc., all founded on a non-interest basis and without creating a money for money relationship between the bank and the customer. Clearly such an approach means no monetary transaction can grow apart from real goods and services.

It is clear, therefore, that Islamic banking is a "legalistic" concept. From an economic point of view the same outcome may be delivered by an Islamic bank, except that it will not be usurious (as defined by Shariah) and will have a self-regulating mechanism to assure economic stability.

Islamic Banking in practice

What is the economic logic of Islamic banking? Simple: whenever money is exchanged it must be against real goods and services and never money for money. With money for money comes huge debt trading and with non-real goods and services come financial derivatives. These were the two villains that brought havoc to the world financial system.

Justice and fair play are the essence of Shariah rules relating to the economy. Therefore, Shariah requires the sharing of risks and rewards in the form of different partnerships. Hence partnerships in which parties do not share risks and rewards on an equal basis are questionable if not outright forbidden under Shariah guidelines. On the other hand social responsibility and ethical principles are embedded in the way Muslims do business according to Shariah.

Thus, investment in certain industries, such as alcohol, gambling, weaponry, and tobacco is prohibited. These industries benefit one partner at the risk of harm to other partners and thus risk and reward are not shared.

In addition, the guidelines involve a quantitative review. Investments cannot be made in a company that has debt financing, cash plus interest-bearing securities, or accounts receivable that are more than 33 percent of its market capitalization. Shariah also applies to trading and investing practices: an investor cannot borrow money on interest or make a short-term investment decision for purpose of speculation.

An interesting case study of the implementation of Shariah guidelines is preferred shares. Preferred shares are not permitted since they give an advantage to one partner over the others. But when the partnership (the deal) is important to an Islamic Investor then the Shariah advisor would permit the deal with the provision that any proceeds resulting from the preferred shares go to charity. This perspective places partners on equal footing thus enhancing the chances of success and at the same time benefiting Corporate Social Responsibility (CSR).

Please refer to the website of **Dr. M. Elgari** for further information: www.elgari.com



FOR A BETTER TOMORROW

>>WIN-WIN-WIN PARTNERSHIPS

Increasingly, companies are finding that corporate values, economic success, and greater communal good go hand in hand. The Tamer Group, for example, invests in education and raises awareness on health-related issues. It is one of Saudi Arabia's leading traders, investors, and manufacturers in the healthcare sector and is growing with the demand for more and better health services. By improving the quality of health education, Tamer is also able to boost its economic performance. "The health education program looks at certain chronic diseases, such as cardiometabolic syndrome and diabetes, where we have severe problems. It helps the community through education and it supports preventive medicine," explains Ayman Tamer, chairman of the Tamer Group. The company collaborates with universities, private and public hospitals, and other healthcare companies in delivering an educational program that highlights the importance of regular monitoring, testing, and preventive care. This serves the interests of all. "The

community is winning, companies are growing their business and spending more on corporate social responsibility, and universities, public, and private institutions are



■ The Tamer Group

happy to support these campaigns, because they are also sending a message and educating the community," underlines Tamer. "It's a win-win-win situation."

Other Saudi entities, such as the Saudi Economic and Development Holding Company (SEDCO), have turned adherence to strict ethical principles into a distinct and successful business model. SEDCO ap-

plies sharia-compliant principles to a diversified and hugely successful investment business. "This is what is usually termed 'socially responsible investing,'" says Ahmed Sulaiman Banaja, the company's CEO. And he is certain of the long-term advantages of an approach that precludes investment in sectors that are seen as having a negative impact on society. "There are strong indications that [socially responsible investing] will grow exponentially over the next five to ten years because people are realizing it's no longer just ethics; it's good business sense," he says. The success of such values-based business models will certainly also influence the wider corporate landscape in Saudi Arabia, particularly in a society that assigns so much importance to the welfare of the community. 

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Climate Countdown



Most negotiators preparing for the Copenhagen summit agree that the world's governments should aim to cut emissions in half, from 1990 levels, by 2050.

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Copenhagen's Inconvenient Truth

How to Salvage the Climate Conference

Michael A. Levi

This December, diplomats from nearly 200 countries will gather in Copenhagen to negotiate a successor to the 1997 Kyoto Protocol, which for the first time bound wealthy countries to specific cuts in greenhouse gas emissions. Most of these emissions come from burning fossil fuels—coal, oil, and natural gas—for energy, from deforestation, and from the agricultural sector. They must be cut deeply in the coming decades if the world is to control the risks of dangerous climate change.

Most of those devoted to slashing the world's greenhouse gas emissions have placed enormous weight on the Copenhagen conference. Speaking earlier this year about the conference, UN Secretary-General Ban Ki-moon was emphatic: "We must harness the necessary political will to seal the deal on an ambitious new climate agreement in December here in Copenhagen. . . . If we get it wrong we face catastrophic damage to people, to the planet."

Hopes are higher than ever for a breakthrough climate deal. For the past eight years, many argued that developing nations reluctant to commit to a new global

climate-change deal—particularly China and India—were simply hiding behind the United States, whose enthusiastic engagement was all that was needed for a breakthrough. Now the long-awaited shift in U.S. policy has arrived. The Obama administration is taking ambitious steps to limit carbon dioxide emissions at home, and Congress is considering important cap-and-trade and clean-energy legislation. The road to a global treaty that contains the climate problem now appears to be clear.

But it is not so simple. The odds of signing a comprehensive treaty in December are vanishingly small. And even reaching such a deal the following year would be an extraordinary challenge, given the domestic political constraints in Washington and in other capitals that make such an agreement difficult to negotiate and ratify. The many government officials and activists seeking to solve the climate problem therefore need to fundamentally rethink their strategy and expectations for the Copenhagen conference.

Many U.S. lawmakers want absolute near-term emissions caps from China and India, but those countries will not sign

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Copenhagen's Inconvenient Truth

up for anything of the sort for at least another decade. And before they consider a deal of any kind, Chinese and Indian negotiators are demanding that developed countries commit to cutting their greenhouse gas emissions by over 40 percent from 1990 levels by 2020, but none of the world's wealthiest countries will even come close to meeting this goal. Meanwhile, China, together with other developing countries, is also asking the wealthy nations to commit as much as one percent of their collective GDP—more than \$300 billion annually—to a fund that would help the rest of the world reduce its emissions and adapt to climate change. But Western politicians will not be willing to send anything near this amount of money to their economic competitors in order to secure a deal.

Some of these disagreements stem from negotiating bluster, but there is little sign that anyone is ready to make big compromises. And the high demands of any comprehensive global agreement are only half the problem. Even a blockbuster deal in which every country signed up to binding emissions caps would come nowhere close to guaranteeing success, since the world has few useful options for enforcing commitments to slash emissions short of punitive trade sanctions or similarly unpalatable penalties. The core of the global effort to cut emissions will not come from a single global treaty; it will have to be built from the bottom up—through ambitious national policies and creative international cooperation focused on specific opportunities to cut emissions.

The aim of a deal at Copenhagen should be to reinforce developed countries' emissions cuts and link developing countries' actions on climate change to objectives in

other areas—such as economic growth, security, and air quality—that leaders of those countries already care about. If, instead, negotiators focus on fighting against various governments' most entrenched positions, they may leave the world with nothing at all.

MOVING TARGETS

The goal of climate diplomacy should be a safe planet rather than a treaty for its own sake. There is an emerging consensus among negotiators that the world's governments should aim to cut emissions in half, ideally from 1990 levels, by 2050. This basic goal, endorsed by the G-8 (the group of highly industrialized states) at its 2008 summit, should frame U.S. calculations.

This target needs to be divvied up fairly between wealthy and developing nations. Even if rich countries managed to reduce their emissions to zero and all other nations held theirs steady, the world would still miss its 2050 target. With great effort, today's rich countries might be able to cut their emissions to 80 percent of 1990 levels by midcentury—a goal endorsed by the G-8 at its 2009 summit—but even that will be very hard. Developing countries, in some cases with Western financial or technological support, will need to make up the substantial difference.

To many governments, midcentury goals may seem far away, a perception that encourages them to delay cutting emissions and place their bets instead on the development of breakthrough technologies, which many claim will slash emissions at little cost. Others insist that the developed world can move first and wait a decade or two for developing countries to follow. Yet given the glacial pace at which global energy systems

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change, 2050 might as well be tomorrow. Most of the buildings, power plants, and industrial facilities built in the next decade will probably still be around several decades hence. Cutting emissions in 2050 thus requires changing global infrastructure investments today. Moreover, most innovation in energy technology will not happen in an inventor's garage. Most of the necessary innovation and cost cutting will come only as engineers and firms deploy clean-energy systems on a large scale and learn real-world lessons about which technologies and business models work. It will not be possible to make cheap emissions cuts in 2050 unless the world makes large-scale changes in investment patterns now. These decisions have clear near-term economic, and hence political, implications.

The European Union, Japan, and the United States have each proposed cutting their emissions by about 15 percent from 2005 levels by 2020, although each defines its objectives differently. These objectives are unlikely to change significantly, and although some are weaker than they should be, they provide a realistic starting point for action. Yet similar goals for the world's other big emitters—Brazil, China, India, Indonesia, and Russia—would be unreasonable. China, India, and Indonesia have per capita GDPs that are less than a tenth that of the United States; Brazil and Russia are richer but still lag far behind the United States. As these countries develop and bring people out of poverty, their emissions will naturally rise—and they should not be penalized for economic growth.

That said, failure to get these countries' emissions under control would be disastrous—and a missed opportunity. China and India are making massive infrastructure investments that could be

steered in a cleaner direction. Russia is more developed, but with one of the world's most inefficient economies, it, too, has room to cut emissions. Insufficient action in China, India, and Russia would also make it impossible to sustain domestic political support for U.S. efforts.

The goal for these three countries should be to deliver cuts in emissions intensity—emissions per unit of GDP—roughly equivalent to those the United States and Europe hope to achieve, aided where appropriate by Western financial and technological help. Under such a plan, emissions growth in China, India, and Russia would slow sharply. And if their economies develop along the lines that many project, their emissions would actually start to drop around 2025—a staggering turnaround that would help put the world on a safer environmental path.

By focusing on intensity rather than total emissions, the United States would assuage worries—especially in China—that climate diplomacy is a Western plot to constrain developing countries' growth. The current Chinese five-year plan, together with a range of technical analyses, provides some hope that this might be a realistic bargain. Chinese efforts have aimed to cut energy intensity by 20 percent between 2006 and 2010, although Beijing will probably not meet its goal; mandates for greater use of renewable energy bring these ambitions into the same range as the U.S. and European goals for the future.

Recent McKinsey & Company studies have identified cost-effective measures, primarily in power generation and consumption, transportation, and heavy industry, that could make similar cuts possible in both China and India through 2020, and the level of inefficiency in

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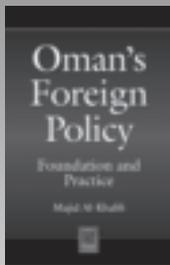
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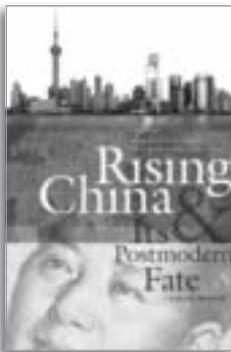
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Copenhagen's Inconvenient Truth

Russia suggests that it could also pursue such cuts.

The other top-ranking developing-country emitters, Brazil and Indonesia, are different because their emissions come mostly from deforestation, which is less closely tied to economic growth. (Deforestation releases carbon dioxide stored in vegetation and in the soil.) Brazil has offered to cut its rate of deforestation by 70 percent in the next ten years, provided it receives enough compensation, and Indonesia has suggested that it could actually halt deforestation with the right help, yet neither has identified exactly how much assistance it will need from the world's richer countries. Crafting the right package of support will take time, but the world should accept these goals as ambitious and focus on finding ways to realize them.

OUT WITH THE OLD

Americans accustomed to thinking about climate diplomacy within the framework of the Kyoto Protocol may assume that the obvious next step is to translate reduction goals into emissions caps, put them in a treaty, and establish a system for global carbon trading. But this would be problematic for three reasons.

First, negotiators from developing countries would insist on much less stringent caps than whatever they thought they could meet. Higher caps would give them a cushion by maximizing the odds of their remaining in compliance even if their domestic policies for cutting emissions failed. Likewise, these loose caps would protect them if their economies shifted in unexpected ways that increased their emissions, as happened in China in the early part of this decade and could happen in India in

the future. Inflated targets could also let developing countries collect large sums of money in exchange for little effort, if they were allowed to sell surplus emissions permits in a global cap-and-trade system. But potentially enormous financial flows from wealthy countries to poorer ones would make the system politically toxic in the West.

Second, even if a developing country met its agreed emissions cap, other nations would, in the near term, have little way of verifying this, since most developing countries, including China and India, lack the capacity to robustly monitor their entire economies' emissions. This would be doubly problematic if developing countries were allowed to sell excess emissions permits as part of a global cap-and-trade system, since errors in calculating emissions could lead to a situation in which wealthier countries transferred massive amounts of money to poorer ones that appeared to have cut their emissions more deeply than they actually had.

And finally, even if the problems of excessively high caps and poor verification could be solved, simple caps would have little value on their own. Canada is a case in point. Ottawa will soon exceed its Kyoto limit by about 30 percent, yet it will face no penalty for doing so because the Kyoto parties never agreed on any meaningful punishments. The United States and others have essentially no way to hold countries such as China and India to emissions caps short of using punitive trade sanctions or other blunt instruments that would make a mess of broader U.S. foreign policy. Obsessing narrowly in Copenhagen over legally binding near-term caps for developing countries is therefore a waste of time.

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The solution to all three problems is to focus on specific policies and measures that would control emissions in the biggest developing countries and on providing assistance and incentives to increase the odds that those efforts will succeed. Such bottom-up initiatives could include, among other things, requiring efficient technology in heavy industry, subsidizing renewable energy, investing in clean-coal technology, improving the monitoring and enforcement of building codes, and implementing economic development plans that provide alternatives to deforestation.

These measures would not be any less binding than emissions caps in practice. Moreover, if designed properly—and if they add up to deep enough cuts in each country's emissions—they would be far more likely to work. Actual emissions cuts happen because of policies, not promises, and the simple fact that governments could directly control these policies would increase the likelihood of success. Monitoring compliance would also be easier, since policies, unlike emissions targets, must be codified in law and reflected in specific changes on the ground. Developing countries could focus much of their near-term efforts on specific measures that dovetail with other objectives—such as reducing oil imports or cutting air pollution—making them more attractive and hence more likely to be implemented. Moreover, they could be linked to incentives from the outside, such as subsidized sales of efficient U.S. technology, which could be more effective and politically palatable than the simple but blunt financial incentives of a global cap-and-trade system.

GREEN CHINA, GREENER BRAZIL

Developing economies may be technically able to make the sorts of near-term emis-

sions cuts the world needs, but they are not going to pursue them effectively unless they get the right assistance from the world's wealthier nations. The United States, the EU, and Japan need to understand why countries make the energy policy decisions they do, see how those choices can be aligned with the emissions cuts the world needs, and then ask what they can do to help make sure those policies are actually implemented.

China, the world's largest emitter, provides a useful case study. Beijing is already taking significant steps to cut emissions—much more than most Americans appreciate. It has ambitious fuel-economy standards for its cars and trucks, fairly advanced codes for energy efficiency in its buildings, significant investments by its power companies in ultra-efficient conventional coal power and in wind power generation, and economic incentives for investments in renewable energy and for cutting industrial emissions. Unfortunately, these measures are not enough to deliver the emissions cuts the world needs over the coming decade, and the Chinese central government often lacks the ability to enforce the rules that are already on the books.

Still, Beijing's current policies and its long-term goals offer some hope for progress. China's dependence on cheap coal and oil may make the goal of rapid economic growth clash with that of controlling emissions, but it is not always a zero-sum game. For example, more efficient power plants, cars, and industrial facilities can help boost economic growth by saving money on resource costs over time.

In other cases, the potential economic payoff may come in the form of new technology that can be marketed to the world. Wind power, for example, is more expensive



than coal. However, it may eventually give China an economic advantage if Beijing's policies increase demand for domestically produced wind turbines and help build an industry that can then export clean-energy technologies to other countries.

For Beijing, securing energy supplies, like economic growth, is a double-edged sword. It makes reliance on dirty domestic coal attractive, yet at the same time it spurs investment in renewable sources of energy, which will help China diversify its supplies as it reduces its emissions. It also explains why Chinese leaders find efforts such as

fuel-economy standards, which directly target oil use—and hence imports—more attractive than broad emissions caps.

Shifting China onto a cleaner path will require Beijing to identify specific ways in which it can make deep emissions-intensity cuts. That could include better enforcement of building codes, mandating the use of efficient technology in factories, new subsidies for renewable energy, or a provisional commitment to use carbon capture and sequestration (ccs) technology on new coal plants by 2020. The United States and other wealthy countries should then offer

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to help China in whatever ways they usefully can. When it comes to building codes, Washington could help develop Beijing's monitoring and enforcement capacity; to aid heavy industry, international development banks could help provide loan financing for overhauls when Chinese capital markets do not; carbon-trading systems tailored to specific sectors could help Chinese firms sell carbon credits to wealthier countries if they exceed aggressive targets for cutting emissions intensity; wind power could be expanded by encouraging China to improve its protection of intellectual property, which would attract investment from international firms; and to help slash emissions from coal, the U.S. and Chinese governments could fund private demonstrations of CCS technology and share the resulting intellectual property so that Chinese firms could ultimately compete with those in the rest of the world.

Other bargains could help India reduce its emissions, too. India emits only about 30 percent as much carbon dioxide as China does, so shortfalls in India's emissions cuts would be easier to bear. That is fortunate, because India may ultimately present the greater challenge.

India is much poorer than China, and New Delhi lacks Beijing's massive capital reserves. This means that wealthy countries will have to provide more financial assistance to help India develop in a cleaner way. U.S.-Indian technological cooperation, rather than helping clean up heavy industry, could focus on India's vibrant information technology sector to build smart electric grids, which cut energy demand. Cooperation on clean coal, meanwhile, could focus on tailoring power plants to India's low-quality coal reserves. Over a third of India's citizens lack access to electricity,

in contrast to only a small fraction in China. As a result, investment in distributed power generation holds greater appeal in New Delhi.

Brazil presents a different sort of challenge altogether. Its energy system is one of the cleanest in the world, primarily because of its heavy reliance on hydroelectric power and biomass energy, but its emissions from deforestation vault it above India in the world's emissions rankings. Simply demanding that Brazil massively curb deforestation, even in exchange for money, will not solve the problem. The details will matter enormously.

Many forces drive Amazonian deforestation in Brazil: sometimes forests are cut for the value of their timber, but more often cattle ranchers cut down trees to expand their pastureland and hence their revenues. Land titles are often ambiguous, driving people to clear territory in order to claim it. After exhausting it, they resort to cutting down even more forests.

An essential step will be passing and enforcing legislation that clarifies land ownership and restricts deforestation. Outside help might be useful in designing regulations or acquiring the equipment to monitor violations. Although such legal changes will slow deforestation, they will not solve the problem; there is still too great an economic incentive for people to continue clearing forests and for the government to continue allowing it.

The solution will require the Brazilian government—with the help of financial assistance from wealthier countries—to pay ranchers, loggers, and others to stop cutting down trees. If those forests are later destroyed, however, that money will have gone to waste. Therefore, before any scheme to avoid deforestation can be

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Michael A. Levi

effectively funded, Brazil will need to create a plan that provides alternative opportunities for those who are today cutting down forests. That might mean, for example, helping ranchers use land more efficiently, so that they could expand their incomes without encroaching on the forests. Similar steps would also help address the “leakage” problem, which occurs when efforts to protect forests in one place simply shift deforestation elsewhere. In contrast, if a broader scheme helps increase beef production on unforested lands, for example, no new incentives for deforestation will be created. This is not a particularly elegant solution to global warming, but it is the sort of policy that might actually work.

The emissions problem, of course, goes beyond the biggest emitters, and the United States and other wealthy countries should not ignore other opportunities for cheap emissions cuts. Some of these, especially in the least developed countries, might come from carbon-trading schemes or climate funds that pay for individual projects or programs that cut emissions. Others will arise when development agencies make fighting climate change a priority when disbursing foreign assistance. The U.S. Agency for International Development, for example, should ensure that its efforts to improve agricultural productivity in the developing world are linked to steps to make agriculture more climate-friendly.

An approach to dealing with climate change based on hundreds, if not thousands, of individual policies and measures may be messy, but the complexity of the problem requires it. Many who pine for a simpler solution are either ignoring the real challenges of international action or romanticizing the multilateral regimes that have dealt with other problems on this

scale. But the genesis of other major international regimes, such as those dealing with nuclear weapons and global trade, illustrate that large global problems rarely have simple solutions.

REGIME CHANGE

Signed by its first participants in 1968, the Nuclear Nonproliferation Treaty (NPT) appears to be a model of simplicity: states with nuclear weapons agreed to eventually disarm, those without nuclear weapons pledged not to acquire them, and all states maintained a right to pursue civilian nuclear energy for peaceful purposes. But the actual nuclear nonproliferation regime is far more complex. Countless bilateral and regional relationships, each of which requires careful management, are used to shape states’ security decisions. The Nuclear Suppliers Group, a loose multilateral cartel, tries to control sales of nuclear technology. The core institution of the regime, the International Atomic Energy Agency, which inspects civilian nuclear programs, actually predates the NPT. And as proliferation has transformed from a problem that governments could directly control into one involving private and nonstate actors, the regime has had to add various new appendages, such as the Nunn-Lugar Cooperative Threat Reduction Program and the informal Proliferation Security Initiative.

Likewise, global trade agreements have been built piece by piece. The first round of the General Agreement on Tariffs and Trade, in 1947, involved only 22 countries; the global regime has since grown gradually, alongside a range of bilateral and regional trade accords. These trade agreements have often been secured through broader deals that extend beyond economic

Copenhagen's Inconvenient Truth

issues and have sometimes been supported by “aid for trade” arrangements that build countries’ basic capacities so that they can export goods. Moreover, trade agreements are far from simple. The agreements that created the World Trade Organization in 1995 total 550 pages, and the documents outlining each member state’s commitments extend many pages beyond that. (China’s accession protocol, for example, runs to 103 pages—not including the extensive schedules detailing tariff and quota obligations on everything from hams to styrofoam.)

As with the regimes for nonproliferation and trade, an effective climate regime will require attention to technical detail and depend on contributions from a host of bilateral relationships and multilateral institutions. The United States will need to make protecting the climate an integral part of its bilateral dealings, particularly with the world’s biggest emitters, just as it once made arms control an essential part of its Cold War relationships and today includes trade as a routine part of bilateral policy discussions. And since progress will require including climate concerns alongside those regarding economic development and energy security, the issue will necessarily become an increasingly important part of the work that institutions such as the World Bank and the International Energy Agency do. That does not mean Washington should put climate change above all else—indeed, the priorities of promoting national security and economic growth will often supersede the issue of climate change, just as nuclear nonproliferation and trade have sometimes been overshadowed by other objectives.

An appropriate forum will be needed to realize concrete emissions-cutting policies in the major emitting countries. The Bush administration’s Major Economies Meeting

on Energy Security and Climate Change brought together a small group of the biggest emitters for the first time, but these talks focused strictly on facilitating the UN negotiations. Its successor, the Obama administration’s Major Economies Forum on Energy and Climate, has wisely aimed to expand the discussions’ terrain to technological cooperation, too. After Copenhagen, this forum should undergo a third transformation and become one in which countries regularly pledge to coordinate and review a range of actions to cut emissions.

Washington’s goal in Copenhagen should be an agreement that strengthens the foundation for emissions-cutting actions elsewhere—unilaterally and through international cooperation—just as the foundational deals of the nonproliferation and trade regimes continue to support a host of institutions and efforts. If, instead, Copenhagen is seen as a major failure, it will sap the momentum of those fighting climate change and expose the United States to excessive blame. Realistic expectations and the right negotiating strategy are essential.

CONFIDENCE BUILDING

The negotiations leading up to Copenhagen have proceeded along five tracks: mitigation, adaptation, finance, technology, and creating a vision for long-term cooperative action. Mitigation focuses on near-term commitments to cutting emissions; adaptation, on efforts to deal with unavoidable climate change; finance, on schemes to pay for emissions cuts; technology, on frameworks for advancing and distributing low-carbon technology; and creating a long-term vision, on developing a simple framework that ties all this together. The United States needs something serious

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to offer on each front. It should also have a strong proposal for a scheme to measure, report, and verify countries' actions, another integral part of the negotiations.

Adaptation offers hope for progress because it can be separated, at least partially, from thornier elements of the negotiations. As part of an agreement, the United States should offer to devote several billion dollars annually over the next decade to help the least developed countries adapt to climate change. This would represent a relatively small increase in total U.S. development aid—which totaled \$26 billion in 2008—and could be targeted at areas that could yield multiple payoffs beyond mitigating climate change, such as improved health services (which will be needed since climate change will alter disease patterns). Some small part of that aid could flow through a UN-managed fund, but to be effective, most of it would need to move through bilateral channels and other well-established multilateral organizations in which U.S. policymakers already enjoy leverage and that have demonstrated their ability to spend money responsibly and efficiently. Such an offer would win Washington friends in many poorer developing countries, which could help build pressure on China and other major emitters to negotiate constructively.

Agreement on a long-term vision is the next-easiest target. The United States should press countries to agree that the world must cut its overall emissions in half by 2050, affirm that today's developed countries will need to cut their emissions by 80 percent by then to reach that goal, and recognize that the balance of the emissions cuts will need to come from the developing world, aided in part by outside support. The last element will be

the toughest because developing countries have been loath to accept any obligations without specific commitments of financial and technical assistance—indeed, the world's major economies tried but failed to agree on this formula at the G-8 meeting in July. It is nevertheless important to set a formal long-term goal, as it would provide a solid benchmark against which the success of targeted policies and measures could be judged.

Perhaps the biggest prize that might realistically be won in Copenhagen (or soon after) is an agreement on measurement, reporting, and verification (MRV). These may seem like technicalities, but they are actually central to the success of any climate-change measures. One of the greatest barriers to unilateral emissions cuts, particularly in the United States, is the suspicion that other countries are not going to do their part. But if a country, such as India, does take steps to deeply reduce its emissions, whether through a UN deal or on its own, having both a process and an institution responsible for verifying those cuts will be essential. Such verification will help make it more politically feasible to undertake similar emissions-cutting actions elsewhere, including in the United States.

A solid MRV scheme would also help link the actions of developing countries to support from wealthier nations. Any assistance from rich countries for emissions-cutting activities in countries such as India will need to be contingent on the actual implementation of these projects. Conversely, the implementation of those emissions cuts will depend on recipients' confidence that the support promised to them will actually be delivered. By providing transparency for both sides, an

Copenhagen's Inconvenient Truth

MRV scheme would appeal to both developing countries in need of assistance and the wealthier nations supplying it.

Reaching an effective agreement on MRV will be difficult. The U.S. government, which tends to resist any form of international scrutiny, would have to submit itself to the same verification measures as other countries. Moreover, if a deal on MRV is seen as a substitute for a broader international agreement on climate change, many major countries will balk. But a properly framed MRV scheme, combined with a registry of pledges on emissions-cutting activities and agreement on a long-term vision, could be the core of a useful near-term international agreement. An ambitious MRV deal cannot focus simply on emissions caps and carbon trading, as Kyoto did, because then the world would judge whether countries were pulling their weight by those criteria alone. A much more expansive scheme, one that measures and verifies all commitments—including targeted policies and assistance through non-UN channels—would encourage states to invest in a much wider range of mitigation and adaptation efforts.

THE COHA ROUND

An ambitious and legally binding deal on the other fronts—mitigation, finance, and technology—would be invaluable because it would increase confidence on all sides, which would, in turn, encourage further emissions-reduction efforts. But such a deal will be much harder to achieve and may be too far a reach right now. Negotiators should instead keep their expectations in check, aim for political agreement at Copenhagen on the form that a legal treaty on these fronts would ultimately take, and launch negotiations to fill in the

difficult details later. If the major governments do eventually reach a comprehensive legal agreement, it may not happen for several years. This delay should not stop the Copenhagen delegates from striking intermediate deals and implementing their own national policies to put the world on the path to a safer climate.

When it comes to mitigation, the United States should put forward provisional 2020 and 2030 targets for its own emissions cuts as a concrete offer in these discussions. (The 2030 targets it is currently contemplating are aggressive and could blunt criticism that its 2020 targets are too weak.) Washington should also be clear that it will not sign a deal codifying any targets until it receives sufficient commitments to major emissions-cutting initiatives, such as schemes for avoiding deforestation or boosting low-carbon energy, from the biggest developing countries. Anything significantly more from the United States or less from Brazil, China, and India will make ratification in the U.S. Senate impossible.

Gaining concessions from developing countries' governments and support from European allies will require Washington to make credible financial offers as well. Such financial support will likely need to rise over time to more than \$10 billion each year—a large number, but only about three percent of what Washington spends on imported oil. The United States should push the biggest and wealthiest developing-country emitters to agree that they will need to take significant actions on their own before they can expect financial help from Washington. This sort of “matching” approach, which makes clear that everyone is investing effort, is the only one that has a chance of being accepted politically in the United States.

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Furthermore, the U.S. government should argue that the Clean Development Mechanism—a program established under the Kyoto Protocol that currently funds voluntary emissions-cutting projects through carbon trading—must be streamlined, focused on the least developed countries, and expanded to include deforestation. Washington should also make sure that other financial support for emissions cuts, even if channeled bilaterally or through institutions such as the World Bank, has the same legitimacy in the eyes of world governments as money delivered through carbon trading or UN funds—something that China, India, and others have resisted.

When it comes to technology, the United States is likely to invest far more in research, development, and demonstration projects than most other countries. But several developing countries will press for a deal in which rich countries share intellectual property related to clean technologies. This matters most for Brazil, China, and India, for whom the chance to become clean-technology leaders is a critical incentive for action. An agreement on intellectual property is more likely to be reached outside the UN negotiations than within them because of the idiosyncrasies involved in dealing with each country. The United States should assure poorer countries that intellectual-property rights will not drive up the cost of disseminating technology to the point where it is prohibitive. It should also offer to share a substantial part of whatever intellectual property its public investments in technology create in exchange for an agreement that other intellectual property will be protected.

The best Copenhagen can do on mitigation, finance, and technology is to establish a longer-term bargaining process in which

the goal is getting the major developing countries to agree to specific emissions-cutting measures and getting wealthy countries to agree to provide assistance to poorer ones while also cutting their own emissions. This “Copenhagen Round” would be much more like an extended trade negotiation than like a typical environmental-treaty process. It may take many years before this results in a meaningful, legally binding agreement—and even that outcome is far from assured.

Indeed, many forget that the last climate deal took over eight years to finish. The world agreed on a lengthy legal text in Kyoto in 1997, but the content was still sketchy; it was not until 2001 that the final details were hammered out in Marrakech, and it took a series of side deals to bring the treaty into force in 2005. Serious pre-Copenhagen negotiations are less than a year old, and ambitions are much higher this time around. Eight years is too long to wait for action—but a bit of patience would be wise.

This makes it even more important for the United States to ensure that deals on adaptation, a long-term vision, and verification are not held hostage to what may be a very long stalemate. Washington should aim to have a deal on those fronts outlined in principle at Copenhagen and ironed out over the next year, even as work continues on the other parts of the agenda. Most important, the United States should make sure that aggressive bottom-up efforts to actually start cutting emissions, such as a U.S. cap-and-trade system and a sophisticated Brazilian effort to curb deforestation, do not wait for agreement on a comprehensive global deal. That is where the real action is, and there is no time to waste. 🌍

The Other Climate Changers

Why Black Carbon and Ozone Also Matter

Jessica Seddon Wallack and Veerabhadran Ramanathan

At last, world leaders have recognized that climate change is a threat. And to slow or reverse it, they are launching initiatives to reduce greenhouse gases, especially carbon dioxide, the gas responsible for about half of global warming to date. Significantly reducing emissions of carbon dioxide is essential, as they will likely become an even greater cause of global warming by the end of this century. But it is a daunting task: carbon dioxide remains in the atmosphere for centuries, and it is difficult to get governments to agree on reducing emissions because whereas the benefits of doing so are shared globally, the costs are borne by individual countries. As a result, no government is moving fast enough to offset the impact of past and present emissions. Even if current emissions were cut in half by 2050—one of the targets discussed at the 2008 UN Climate Change Conference—by then, humans’

total contribution to the level of carbon dioxide in the atmosphere would still have increased by a third since the beginning of this century.

Meanwhile, little attention has been given to a low-risk, cost-effective, and high-reward option: reducing emissions of light-absorbing carbon particles (known as “black carbon”) and of the gases that form ozone. Together, these pollutants’ warming effect is around 40–70 percent of that of carbon dioxide. Limiting their presence in the atmosphere is an easier, cheaper, and more politically feasible proposition than the most popular proposals for slowing climate change—and it would have a more immediate effect.

Time is running out. Humans have already warmed the planet by more than 0.5 degrees Celsius since the nineteenth century and produced enough greenhouse gases to make it a total of 2.4 degrees

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Celsius warmer by the end of this century. If the levels of carbon dioxide and nitrous oxide in the atmosphere continue to increase at current rates and if the climate proves more sensitive to greenhouse gases than predicted, the earth's temperature could rise by as much as five degrees before the century ends.

A temperature change of two to five degrees would have profound environmental and geopolitical effects. It would almost certainly melt all the Arctic summer sea ice. As a result, the Arctic Ocean would absorb more sunlight, which, in turn, would further amplify the warming. Such a rise could eliminate the Himalayan and Tibetan glaciers, which feed the major water systems of some of the poorest regions of the world. It would also accelerate the melting of the Greenland and Antarctic ice sheets, raising the sea level worldwide and provoking large-scale emigration from low-lying coastal regions. Cycles of droughts and floods triggered by global warming would spell disaster for agriculture-dependent economies.

Some of global warming's environmental effects would be irreversible; some of its societal impacts, unmanageable. Given these consequences, policymakers worldwide seeking to slow climate change must weigh options beyond just reducing carbon dioxide, especially those that would produce rapid results. Cutting black carbon and ozone is one such strategy.

POWERFUL POLLUTANTS

The warming effect of carbon dioxide has been known since at least the 1900s, and that of ozone since the 1970s, but the importance of black carbon was discovered only recently. During the past decade, scientists have used sophisticated instru-

ments on drones, aircraft, ships, and satellites to track black carbon and ozone from their sources to remote locations thousands of miles away and measure and model how much atmospheric heating they cause.

Black carbon, a widespread form of particulate air pollution, is what makes sooty smoke look blackish or brownish. It is a byproduct of incomplete, inefficient combustion—a sign of energy waste as much as energy use. Vehicles and ships fueled by diesel and cars with poorly maintained engines release it. So do forest fires and households and factories that use wood, dung, crop waste, or coal for cooking, heating, or other energy needs.

Black carbon alters the environment in two ways. In the sky, the suspended particles absorb sunlight, warming up the atmosphere and in turn the earth itself. On the earth's surface, deposits of black carbon on snowpacks and ice absorb sunlight, thereby heating the earth and melting glaciers. The Arctic sea ice and the Himalayan and Tibetan glaciers, for example, are melting as much as a result of black carbon as they are as a result of the global warming caused by carbon dioxide. The warming effect of black carbon is equal to about 20–50 percent of the effect of carbon dioxide, making it the second- or third-largest contributor to global warming. No one knows exactly how much warming it causes, but even the most conservative estimates indicate a nontrivial impact. And its large contribution to the melting of glaciers and sea ice, one of the most alarming near-term manifestations of climate change, is well documented.

The ozone in the lower level of the atmosphere is another major contributor to global warming that deserves attention. (This is different from the ozone in the

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stratosphere, which shields life on earth from the sun's ultraviolet rays.) A potent greenhouse gas, its warming effect is equal to about 20 percent of that of carbon dioxide. Unlike black carbon, which exists as particles, ozone is a gas. Ozone in the atmosphere is not emitted directly but formed from other gases, "ozone precursors," such as carbon monoxide (from the burning of fossil fuels or biomass), nitrogen oxides (from lightning, soil, and the burning of fossil fuels), methane (from agriculture, cattle, gas leaks, and the burning of wood), and other hydrocarbons (from the burning of organic materials and fossil fuels, among other sources).

Most important, black carbon and ozone stay in the atmosphere for a much shorter time than does carbon dioxide. Carbon dioxide remains in the atmosphere for centuries—maybe even millennia—before it is absorbed by oceans, plants, and algae. Even if all carbon dioxide emissions were miraculously halted today, it would take several centuries for the amount of carbon dioxide in the atmosphere to approach its preindustrial-era level. In contrast, black carbon stays in the atmosphere for only days to weeks before it is washed away by rain, and ozone (as well as some of its precursors) only stays for weeks to months before being broken down. Nonetheless, because both are widespread and continuously emitted, their atmospheric concentrations build up and cause serious damage to the environment.

Although reducing the emissions of other greenhouse gases, such as methane and halocarbons, could also produce immediate results, black carbon and ozone are the shortest-lived climate-altering pollutants, and they are relatively under-recognized in efforts to stem climate

change. Reducing the emissions of these pollutants on earth would quickly lower their concentrations in the atmosphere and, in turn, reduce their impact on global warming.

AN EASIER EXTRA STEP

Another promising feature of black carbon and ozone precursor emissions is that they can be significantly limited at relatively low cost with technologies that already exist. Although the sources of black carbon and ozone precursors vary worldwide, most emissions can be reduced without necessarily limiting the underlying activity that generated them. This is because, unlike carbon dioxide, black carbon and ozone precursors are not essential byproducts of energy use.

The use of fossil fuels, particularly diesel, is responsible for about 35 percent of black carbon emissions worldwide. Technologies that filter out black carbon have already been invented: diesel particulate filters on cars and trucks, for example, can reduce black carbon emissions by 90 percent or more with a negligible reduction in fuel economy. A recent study by the Clean Air Task Force, a U.S. non-profit environmental research organization, estimated that retrofitting one million semitrailer trucks with these filters would yield the same benefits for the climate over 20 years as permanently removing over 165,000 trucks or 5.7 million cars from the road.

The remaining 65 percent of black carbon emissions are associated with the burning of biomass—through naturally occurring forest fires, man-made fires for clearing cropland, and the use of organic fuels for cooking, heating, and small-scale industry. Cleaner options for the man-made

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activities exist. The greenest options for households are stoves powered by the sun or by gas from organic waste, but updated designs for biomass-fueled stoves can also substantially cut the amount of black carbon and other pollutants emitted. Crop waste, dung, wood, coal, and charcoal are the cheapest, but also the least efficient and dirtiest, fuels, and so households tend to shift away from them as soon as other options become reliably available. Thus, the challenge in lowering black carbon emissions is not convincing people to sacrifice their lifestyles, as it is with convincing people to reduce their carbon dioxide emissions. The challenge is to make other options available.

Man-made ozone precursors are mostly emitted through industrial processes and fossil-fuel use, particularly in the transportation sector. These emissions can be reduced by making the combustion process more efficient (for example, through the use of fuel additives) or by removing these gases after combustion (for example, through the use of catalytic converters). Technologies that both minimize the formation of ozone precursors and filter or break down emissions are already widely used and are reducing ozone precursors in the developed world. The stricter enforcement of laws that forbid adulterating gasoline and diesel with cheaper, but dirtier, substitutes would also help.

Fully applying existing emissions-control technologies could cut black carbon emissions by about 50 percent. And that would be enough to offset the warming effects of one to two decades' worth of carbon dioxide emissions. Reducing the human-caused ozone in the lower atmosphere by about 50 percent, which could be possible through existing technologies, would offset about

another decade's worth. Within weeks, the heating effect of black carbon would lessen; within months, so, too, would the greenhouse effect of ozone. Within ten years, the earth's overall warming trend would slow down, as would the retreat of sea ice and glaciers. The scientific argument for reducing emissions of black carbon and ozone precursors is clear.

A POLITICAL POSSIBILITY

Reducing emissions of black carbon and ozone precursors is also a politically promising project. It would yield significant benefits apart from slowing climate change, giving governments economic and developmental incentives to reduce them. Reducing ozone precursors, for its part, would have recognizable agricultural benefits. Ozone lowers crop yields by damaging plant cells and interfering with the production of chlorophyll, the pigment that enables plants to derive energy from sunlight. One recent study estimated that the associated economic loss (at 2000 world prices) ranged from \$14 billion to \$26 billion, three to five times as large as that attributed to global warming. For policymakers concerned about agricultural productivity and food security, these effects should resonate deeply.

In countries where a large portion of the population still depends on biomass fuels, reducing black carbon emissions from households would improve public health and economic productivity. Nearly 50 percent of the world's population, and up to 95 percent of the rural population in poor countries, relies on solid fuels, including biomass fuels and coal. The resulting indoor air pollution is linked to about a third of the fatal acute respiratory infections among children under five, or about

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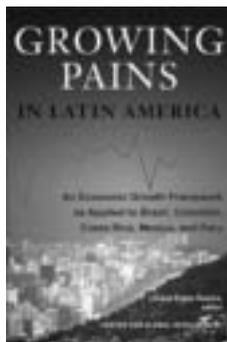
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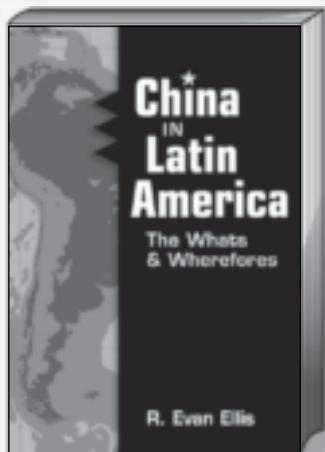
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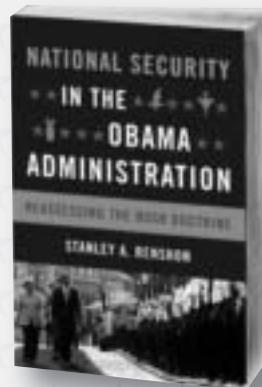
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seven percent of child deaths worldwide. Respiratory illnesses associated with the emissions from solid fuels are the fourth most important cause of excess mortality in developing countries (after malnutrition, unsafe sex, and waterborne diseases).

These health problems perpetuate poverty. Exposure to pollutants early in life harms children's lung development, and children who suffer from respiratory illnesses are less likely to attend school. Air pollution leaves the poor, who often earn a living from manual labor, especially worse off. Collectively, workers in India lose an estimated 1.6–2.0 billion days of work every year to the effects of indoor air pollution. Reducing black carbon emissions from households would thus promote economic growth and, particularly for rural women and children, improve public health.

Furthermore, both black carbon and ozone precursor emissions tend to have localized consequences, and governments are more likely to agree to emissions-reduction strategies that can deliver local benefits. With carbon dioxide and other long-lasting, far-spreading greenhouse gases, emissions anywhere contribute to global warming everywhere. But the effects of black carbon and ozone are more confined. When it first enters the atmosphere, black carbon spreads locally and then, within a week, dissipates more regionally before disappearing from the atmosphere entirely in the form of precipitation. Ozone precursors, too, are more regionally confined than carbon dioxide, although background levels of ozone are increasing around the globe.

Because the effects of black carbon and ozone are mostly regional, the benefits from reducing them would accrue in large

part to the areas where reductions were achieved. The melting of the Himalayan and Tibetan glaciers is almost reason enough for countries in South and East Asia to take rapid action to eliminate black carbon emissions. So is the retreat of the Arctic sea ice for countries bordering the Arctic Ocean. Regional groupings are also more likely than larger collections of countries to have dense networks of the economic, cultural, and diplomatic ties that sustain difficult negotiations. Moreover, both black carbon and ozone can be contained through geographically targeted strategies because many of the sources of black carbon and ozone are largely fixed. And so even if one country in a region seeks to regulate emissions, that country's polluting activities are unlikely to move to another country with less stringent policies—a common concern with agreements to reduce carbon dioxide emissions.

CLEANING UP

So what can be done to curb black carbon and ozone precursor emissions? A logical first step is for governments, international development agencies, and philanthropists to increase financial support for reduction efforts. Although some money for this is currently available, neither pollutant has emerged as a mainstream target for public or private funding. Simply recognizing black carbon and ozone as environmental problems on par with carbon dioxide would make policymakers more inclined to spend development funds and the “green” portions of stimulus packages on initiatives to tackle them. Developed countries could put their contributions toward customizing emissions-reduction technologies for the developing world

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and promoting their deployment—an important gesture of goodwill that would kick-start change.

Regardless of the source of the funding, aid should support the deployment of clean-energy options for households and small industries in the developing world and of emissions-reduction technologies for transportation around the world. This could mean distributing solar lanterns and stoves that use local fuel sources more efficiently or paying for small enterprises to shift to cleaner technologies. The specific fixes for small-scale industry will vary by economic activity—making brick kilns cleaner is different from making tea and spice driers more efficient—but the number of possible customers for the new technologies offers some economies of scale. When it comes to transportation, policy options include subsidizing engine and filter upgrades, shifting to cleaner fuels, and removing the incentives, created by government subsidies that favor some fuels over others, for adulterating fuel and for using diesel.

Deploying technologies to reduce emissions from so many culturally embedded activities, from cooking to driving, will not be easy. Enforcing emissions controls on many small, mobile polluters is harder than regulating larger sources, such as power plants. And in customizing technologies, close attention will need to be paid to the varied needs of households and industry. But creating and enforcing regulations and subsidizing and disseminating energy-efficient technologies are challenges that have been met before. The “green revolution”—the remarkable growth in agricultural productivity that occurred in the second half of the twentieth century—introduced radical changes to small-scale

farming. Other development initiatives have influenced fertility, gender equality, schooling, and other household decisions more sensitive than those about cooking and driving.

Moreover, the infrastructure for international financial and technological transfers already exists in the form of the World Bank, regional development banks, and UN programs that have supported development around the world for decades. The Global Environment Facility, a development and environmental fund that started as a World Bank program and is now the world’s largest funder of environmental projects, is well suited to finance cleaner technologies.

Governments and international agencies should also finance technology that tracks air quality, which is generally undermonitored. In the major cities of most developing countries, the number of sensors has not kept up with the growth in population or economic activity. In rural areas, air pollution is not tracked at all. Improving the monitoring of air quality and disseminating the data would inform policymakers and environmental activists. And tracking individuals’ emissions—through indoor air-pollution monitors or devices attached to cars’ tailpipes—could help motivate people to curb their emissions. Experimental initiatives to measure individuals’ carbon footprints and energy use have been shown to change people’s behavior in some settings.

Aid alone will not be enough, however. International organizations must also help governments identify and act on opportunities that mitigate climate change and promote development. International development institutions, such as the UN Environment Program and the multi-

lateral and regional development banks, could sponsor research, set up interministerial working groups, and establish standards for monitoring and reporting public expenditures. These initiatives would make it easier to identify possible areas of coordination among public health, agricultural, environmental, and anti-poverty programs. In most countries, domestic institutions are not designed to encourage cooperation among different authorities. Pitching the reduction of black carbon and ozone precursor emissions as public health and agricultural policies could help such efforts compete for scarce funds; enabling the clearer calculation of the environmental benefits of development policies would make policymaking more informed. Much in the same way that international development organizations currently support good governance to improve infrastructure and services, they should also promote better environmental governance.

RESPONDING REGIONALLY

The current piecemeal approach to climate science—in particular, the tendency to treat air pollution and climate change as separate issues—has at times led to bad policy. The decision of many countries to promote diesel as a means to encourage fuel efficiency, for example, may have had the inadvertent effect of increasing black carbon emissions. And air-pollution laws designed to reduce the use of sulfate aerosols, which cause acid rain, have ironically led to more warming because sulfates also have a cooling effect. Had policymakers instead integrated efforts to reduce air pollution with those to slow global warming, they could have ensured that

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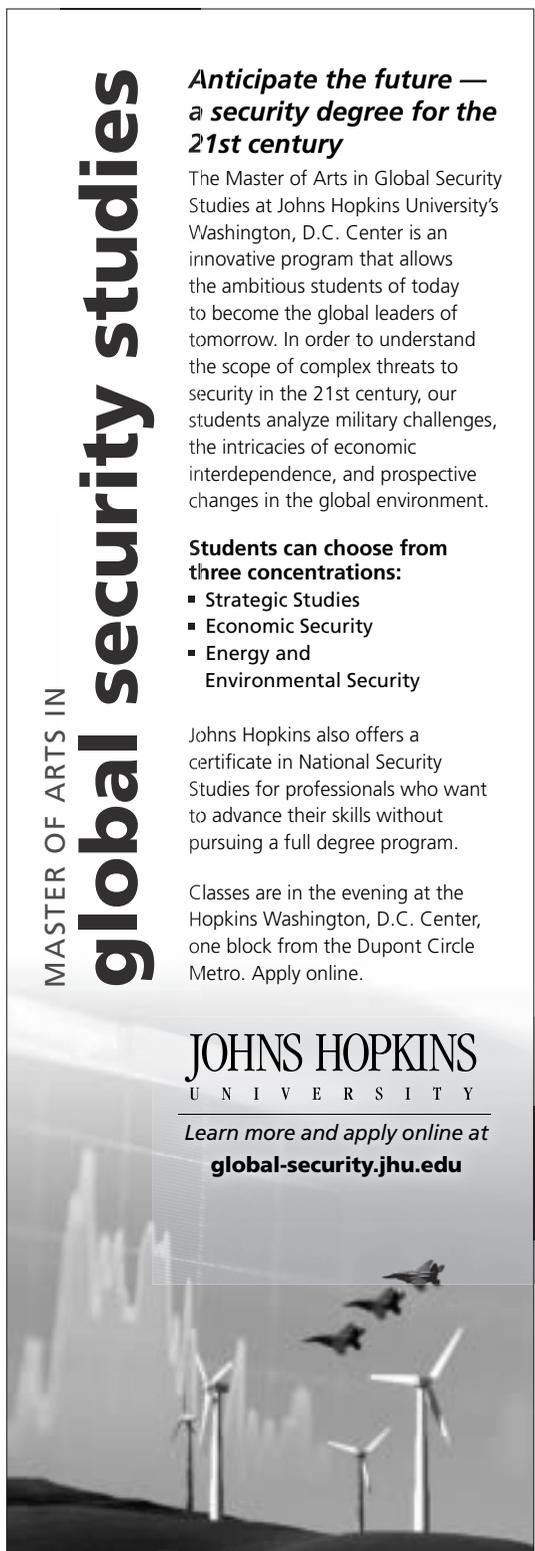
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Jessica Seddon Wallack and Veerabhadran Ramanathan

the reduction of sulfates was accompanied by an equivalent reduction in greenhouse gases.

A single global framework would be the ideal way to integrate various strategies for mitigating climate change. Bilateral or multilateral agreements are more feasible for getting started on reducing black carbon and ozone precursor emissions. These can strengthen governments' incentives to act by discouraging free-riding and by motivating governments to take into account the larger-scale impacts of their own emissions. Because the sources of black carbon and ozone vary from region to region, agreements to reduce them need to be tailored to suit regional conditions. In the Northern Hemisphere, for example, ozone precursors mostly come from industrial processes and transportation, whereas in the Southern Hemisphere, especially tropical regions, they mostly come from natural emissions (soils, plants, and forest fires). The sources of black carbon vary by region, too: in Europe and North America, transportation and industrial activity play a larger role than the burning of biomass, whereas the reverse is true in developing regions.

The impact of emissions on the climate is scientifically complex, and it depends on a number of factors that have not yet been adequately taken into account when devising climate models. The challenge, then, is to quickly create agreements that consider the complex links between human activities, emissions, and climate change and that can adjust over time as the scientific understanding of the problem evolves. Regional air-pollution agreements are easier to update than global agreements with many signatories. The UN Convention on Long-Range

Transboundary Air Pollution (most of whose signatories are European or Central Asian states) and its subsequent pollutant-specific protocols provide a ready model for regional agreements on short-lived climate-changing pollutants. The specific provisions of these agreements are based on the costs of reductions, scientists' knowledge of the sources and distribution of air pollution, and the ability to measure reductions—considerations that should also inform the regulation of black carbon and ozone precursor emissions. Moreover, these agreements commit countries to particular actions, not just specific outcomes. This is wise, given that emissions are difficult to monitor and quantify precisely.

Black carbon and ozone can also be built into existing bilateral discussions. The High-Level India-EU Dialogue, a working group of scientists and policymakers from Europe and India, is one such existing forum. In February 2009, it was already urging governments from Europe and India to work together to recognize and reduce the threat from black carbon. Participants proposed an interdisciplinary research project that would determine the effects of biomass-based cooking and heating on health and the climate and assess the obstacles to a large-scale deployment of cleaner stoves. Black carbon and ozone are also natural candidates for U.S.-Chinese cooperation on energy and climate change: China would reap public health and agricultural benefits from reducing emissions, and the United States would earn goodwill for helping China do so.

By building on existing air-pollution agreements, the risk of distracting climate-change negotiations from the substantial

The Other Climate Changers

task of promoting the reduction of carbon dioxide emissions could be avoided. Putting black carbon and ozone on the table in high-level climate talks could backfire if developing nations thought that they would be tacitly admitting responsibility for global warming by committing to reducing emissions of black carbon and ozone precursors or believed that the issue was an effort by developed countries to divert attention from the need for them to reduce their carbon dioxide emissions. Therefore, efforts to reduce emissions of black carbon and ozone precursors should be presented not as substitutes for commitments to reducing carbon dioxide emissions but as ways to quickly achieve local environmental and economic benefits.

THE LOW-HANGING FRUIT

Historically, initiatives to slow global warming have focused on reducing the emissions of carbon dioxide and other greenhouse gases and largely ignored the role played by air pollution. This strategy makes sense for the long run, since carbon dioxide emissions are, and will continue to be, the most important factor in climate change. But in the short run, it alone will not be enough. Some scientists have proposed geoengineering—manipulating the climate through the use of technology—as a potential option of last resort, but the reduction of black carbon and ozone precursor emissions offers a less risky opportunity for achieving the same end.

Such an approach would quickly lower the level of black carbon and ozone in the atmosphere, offsetting the impact of decades of greenhouse gas emissions, decelerating the rush toward a dangerously warm planet, and giving efforts to reduce carbon dioxide emissions time

to get off the ground. These pollutants are also tractable policy targets: they can be reduced through the use of existing technologies, institutions, and strategies, and doing so would lead to local improvements in air quality, agricultural output, and public health. In short, reducing black carbon and ozone precursor emissions is a low-risk, high-potential addition to the current arsenal of strategies to mitigate climate change.

At the current rate of global warming, the earth's temperature stands to careen out of control. Now is the time to look carefully at all the possible brakes that can be applied to slow climate change, hedge against near-term climate disasters, and buy time for technological innovations. Of the available strategies, focusing on reducing emissions of black carbon and ozone precursors is the low-hanging fruit: the costs are relatively low, the implementation is feasible, and the benefits would be numerous and immediate. 🌍

The Low-Carbon Diet

How the Market Can Curb Climate Change

Joel Kurtzman

The global economic crisis has battered the free market's reputation, but the market nevertheless remains a powerful tool both for allocating capital and for effecting social change. Nowhere is this truer than with the challenge of confronting and reversing climate change. Of all the market-based tools available for addressing this problem, the most potent are cap-and-trade systems for greenhouse gas emissions.

In their most basic form, cap-and-trade systems work by making it expensive to emit greenhouse gases. As a result, the owners of an emissions source are motivated to replace it with something less damaging to the environment. If they are unable to, the trading provisions allow them to purchase permits to continue emitting until they are ready to invest in new technology. Over time, as the amount of carbon allowed into the atmosphere is reduced, the price of a permit is expected to increase.

In existing cap-and-trade mechanisms, such as the European Union's Greenhouse Gas Emission Trading Scheme, govern-

ments cap the total amount of emissions allowed, and the amount of emissions permitted declines over time. Organizations such as utilities, factories, cement plants, municipalities, steel mills, and waste sites are given or sold permits that allow them to emit a certain portion of the relevant region's total greenhouse gases. If an organization emits less than its allotment, it can sell the unused permits to entities that plan on exceeding their limits. Under cap-and-trade systems, companies can trade permits with one another through brokers or in organized local or global markets.

The American Clean Energy and Security Act of 2009, the 1,201-page bill introduced by Henry Waxman (D-Calif.) and Edward Markey (D-Mass.) and passed by the U.S. House of Representatives on June 28, is an ambitious attempt by Congress to play catch-up after having failed to approve the Kyoto Protocol—which was ratified by 183 parties, including all the developed countries except the

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United States, in 1998. The bill adds further amendments to the Clean Air Act of 1970 and grants new authority to the Environmental Protection Agency (EPA), the Commodity Futures Trading Commission, and the Federal Energy Regulatory Commission, the last being the nation's main energy and electricity regulator. The bill also creates a registry of greenhouse gas emissions and systematizes what are now mostly haphazard efforts to offset emissions, such as planting trees, transforming animal waste into methane gas for energy use, and capturing methane as it escapes from landfills.

Most important, the bill seeks to reduce greenhouse gas emissions over time by creating carbon markets. The goal is to gradually reduce U.S. greenhouse gas emissions to 17 percent of 2005 levels by 2050, beginning with a modest three percent reduction by 2012. The bill would require reductions in emissions from most stationary sources of greenhouse gases, including power plants, producers and importers of industrial gas and fuel, and many other sources of carbon dioxide, such as steel mills and cement plants. It would also raise mileage standards and lower permissible emission levels for vehicles. Crucially, the bill puts its faith in the market and its ability to lower the cost of reducing emissions through the trading of permits. Although it seems revolutionary, this is not a new idea. For decades, markets have been used successfully as mechanisms for curbing different types of pollution.

ACID TEST

The conceptual framework for cap-and-trade systems was laid out in the 1960s and 1970s by two economists, Ellison Burton

and William Sanjour, who worked for the U.S. National Air Pollution Control Administration, which was eventually folded into the EPA. Beginning in 1967, they sought to develop decentralized programs to limit emissions of sulfur dioxide—a pollutant emanating from the smokestacks of coal-fired power plants that caused acid rain—and to limit them in the most inexpensive and efficient way possible.

Burton and Sanjour built computer models to simulate how market forces could be used to coordinate abatement activities by using penalties and—more important—incentives and rewards. From their perspective, the penalties and incentives had to be large enough to persuade emitters of sulfur dioxide to invest in changing their practices. Burton and Sanjour realized that the complexity of the problem was beyond the ability of any command-and-control model to solve because sulfur dioxide was emitted from tens of thousand of sources operated by thousands of different utility companies doing business under dozens of regulatory jurisdictions across the United States. Their approach proved to be remarkably successful.

Then, in the 1980s, the cap-and-trade model was employed successfully to eliminate the use of leaded gasoline in cars across the United States. When lead, a performance additive for internal-combustion engines, was found to cause neurological and cognitive disabilities in children, the EPA introduced a trading program to accelerate the phasing out of leaded fuels. The system the EPA deployed in 1982 put an overall cap on the production of leaded fuels but allowed refiners to buy or sell permits among themselves to produce those fuels, as long as they did not exceed the

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overall cap. At the time, the program was criticized as callous by some environmentalists, who believed it ignored the health risks to children and would allow corporations to profit even though leaded fuels were continuing to cause illness.

But the success of the program soon silenced its critics. It allowed refiners that had invested in new processes and plants for making unleaded fuel to sell their unused permits to refiners that had yet to make the change. As a result, capital flowed from leaded gasoline makers to unleaded refiners, acting as a tax on one and an incentive for the other. From a market-design perspective, the program created what economists call “strong positive feedback loops.” By 1987, a mere five years after the program began, nearly all leaded gasoline had been eliminated in the United States, and other countries were copying the program. The lead-abatement program turned out to be cheaper and more efficient than anyone had predicted.

A similar approach was used to confront an even larger environmental problem: acid rain. By the 1980s, acid rain—the problem Burton and Sanjour had first studied—was causing enormous harm to the environment and seemed intractable. Sulfur dioxide and nitrogen oxide released into the atmosphere from coal-burning power plants and other factories was combining with water vapor to form acid rain, mist, and snow. This acidic precipitation fell into lakes and streams, killing fish, algae, and other forms of aquatic life. It also damaged crops, stripped the paint off cars, scarred archaeological landmarks, and was even implicated in certain types of cancer.

In 1979, the United Nations passed the Convention on Long-Range Transbound-

ary Air Pollution, which marked the beginning of an international effort to reduce emissions of sulfur and nitrogen oxides. But it was not until the U.S. Congress passed the Clean Air Act Amendments of 1990 that the United States saw any meaningful reduction. The amendments enabled the EPA to place a national cap on emissions of sulfur and nitrogen oxides while allowing polluters to trade permits among themselves. Using 1980 emissions levels as the baseline, the program aimed to cut emissions of sulfur dioxide in half by 2010. In 2007, three years ahead of schedule, the agency’s cap-and-trade program achieved its reduction targets. The cost to emitters, which the Congressional Budget Office had estimated would be \$6 billion a year, came instead to about \$1.1–\$1.8 billion a year, largely because the program enabled emitters to choose their own solutions to the problem, rather than relying on a narrow range of mandated technologies and approaches. Thanks to this program, acid rain is no longer a first-order environmental challenge. And it can serve as an instructive model for policymakers seeking to combat climate change by creating a carbon market.

CAPPING CARBON

Although leaded fuels and acid rain were big issues in their day, they are small-scale problems compared to climate change. At its worst, acid rain harmed marine habitats and cropland, primarily in North America and Europe. But climate change affects the entire planet.

Climate change is not just an environmental problem; it is a humanitarian and health problem with multiple dimensions. Scientists warn that sea levels will rise, rainfall patterns will be altered, storm patterns will change, and the locations of

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deserts, cropland, and forests will shift. As a result, famine and disease could spread, leading to increases in migration from environmentally devastated countries to Europe and the United States.

But there is another issue that makes tackling climate change more difficult than removing lead from fuels or stopping acid rain: emissions of greenhouse gases are a byproduct of economic growth. Leaded fuel was the key to only a single industry, and the processes leading to acid rain were central to just one or two sectors of the economy. Unlike these pollutants, emissions of carbon dioxide are fundamental to almost every aspect of the global economy. Leaded gasoline had a relatively cheap substitute (unleaded gas), and emissions of sulfur and nitrogen oxides have relatively straightforward technological fixes. By contrast, the fossil fuels that produce greenhouse gases are not so easy to replace.

To add to the complications, today's emerging economies—Brazil, China, India, and Russia, among others—are following the same carbon-intensive path to prosperity first taken by Europe and the United States over a century ago. Coal, oil, natural gas, and wood—all of which contribute to carbon dioxide emissions—remain the world's predominant sources of energy. Despite recent investments in alternative fuels, solar, wind, hydroelectric, geothermal, and nuclear power still only account for a small share of the world's energy supply. Moreover, trillions of dollars have been invested in finding, developing, refining, transporting, marketing, selling, and using fossil fuels. A large portion of these costs will be difficult, if not impossible, to recover if fossil fuels are phased out. For example, pipelines and storage facilities designed to transport oil and gasoline can-

not be used for ethanol because of ethanol's corrosive effects; oil production facilities will not be needed at today's scale if next-generation cars are fueled by biofuels and natural gas or powered by electricity; and many coal-fired power plants will become obsolete once solar and wind energy become dominant. In short, changing the way the world produces energy in order to avoid the worst perils of climate change will be costly and complicated.

Rarely do industries—even those that pollute the most—willingly go out of business. Furthermore, until venture capitalists and other investors are certain that the economy is really transforming itself and that governments are committed to the transformation, few companies will gain access to sufficient capital to make the kind of large-scale investments necessary to change the terms of the world's energy-emissions equation. The transition from leaded to unleaded fuels cost refineries millions of dollars, and adding sulfur dioxide scrubbers to utilities' power plants cost them tens of millions, but a medium-sized solar- or wind-turbine installation could cost hundreds of millions, if not billions. And to complete the transition to new energy-production technologies, thousands of installations will be needed, along with infrastructure investments in projects such as enhancing the electricity-distribution grid. For policymakers, this presents a particular set of challenges. Weaning the global economy from carbon dependency and building an energy-efficient future will not be easy.

NO TAXATION WITHOUT MITIGATION

Cap-and-trade markets for greenhouse gases, such as the Chicago Climate Exchange (ccx), already exist in the United

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States, and a number of large companies and institutions have already joined the exchange to trade the right to emit carbon. These include Safeway; the Ford Motor Company; several universities; some smaller municipalities, such as Oakland and Berkeley, California; and several state and county governments. Although membership is voluntary, each entity signs a legally binding contract that requires it to reduce its emissions. In a few cases, companies have already made money as a result of their abatement processes, whereas others have had to pay in. Those that have profited joined the exchange because they knew that organizations that exceeded their contractually bound emissions targets would have to buy credits from those emitting less than their limit; polluters have participated in order to show their green credentials and to respond to consumer demand for cleaner energy.

In Europe, where adherence to the Kyoto Protocol is mandatory, the Greenhouse Gas Emission Trading Scheme has been operating since 2005 and allows the trading of emissions from stationary sources, such as electric utilities. The program is expected to trade permits for about 3.8 billion tons of carbon in 2009, according to Point Carbon, an independent research firm. The exchange covers approximately 10,500 sites, which emit about 40 percent of the region's greenhouse gases. Australia also has a market for carbon dioxide, and others are being formed in Canada and New Zealand. California, too, is likely to adopt a cap-and-trade system as a result of its own legislation, although a federal program could eventually take its place.

In 2008, the Milken Institute helped the Chinese city of Tianjin develop a

plan for a greenhouse gas trading system linked to the ccx. A Chinese system using the ccx's trading technology could form the basis of a truly global market for greenhouse gases, with standardized contracts, auditing methods, and goals. Indeed, other cities in China are also interested in developing markets for carbon, and traders there and elsewhere have shown interest in investing in those markets. If China and the United States, the world's two largest emitters of greenhouse gases, joined with Europe and the world's other major emitters to form a global market for carbon, it is conceivable that carbon could become one of the world's most traded products. Such a globally linked carbon market could transfer billions of dollars a year to quickly fund new emissions-abatement projects. Tianjin's agreement with the ccx represents an early first step and a hopeful sign that China and the United States could join forces to address the problem of climate change.

Despite these promising examples, critics of cap-and-trade systems argue that imposing taxes on fossil fuels and on emissions of greenhouse gases, such as carbon dioxide, methane, ozone, and chlorofluorocarbons, is the better policy because it is simpler to enact, more difficult to corrupt, and easier to enforce. Although it is true, for example, that raising the price of cigarettes through higher taxes has helped curb smoking, increased taxation only addresses one side of the issue—restricting one type of behavior but not promoting another.

Of course, proponents of taxes argue that by making something more expensive, taxes will force enterprising individuals or organizations to seek alternatives. Although this might be true, taxes produce change in a slow, measured, and bureaucratic way.

This occurs because taxation must be phased in and administered by the government; moreover, tax policy is always at the mercy of shifting political winds. When it comes to climate change, however, speed and certainty are important.

Cap-and-trade systems accelerate the process of emissions reduction by using incentives. Combining incentives with penalties helped rapidly remove lead from gasoline and reduce acid rain. It is doubtful that taxes alone would have been able to achieve these results, because no individual actor or organization would have received any tangible reward for changing its behavior.

Furthermore, because taxes raise prices, and because emissions of carbon touch almost all aspects of the economy, taxes would increase costs for a broad spectrum of industries, potentially slowing down the economy. With market-based mechanisms, however, capital is transferred directly from one organization to another: one part of the economy is penalized, but another is rewarded. Whereas taxes tend to act as a brake on the economy, cap-and-trade programs simply slow old sectors of the economy while jump-starting growth in new ones. As that happens, the promise of green industries and green jobs starts to become a reality.

Cap-and-trade programs function as a carrot and a stick. They add costs and difficulties to environmentally damaging processes, such as producing leaded gasoline or emitting sulfur and nitrogen oxides, and by allowing the trading of pollution permits, they transform those costs into incentives that reward emitters for changing their behavior. Fees charged for producing the wrong kind of gasoline went toward helping others produce the right kind.

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Joel Kurtzman

Money paid by slow-to-change producers of acid rain offset some of the costs of installing sulfur dioxide scrubbers in the smokestacks of utilities willing to change. In each of these successful examples, individual operators had to decide where to invest money. No government agency determined which smokestacks were to be fitted with scrubbers, which were to be replaced, and which were to be torn down. The government ran the programs and set the rules, but individual firms made the investments.

Similarly, using cap-and-trade systems as a policy tool for addressing climate change would allow a country's tens of thousands of carbon emitters to decide for themselves how to meet their region's overall emissions goals. It would also enable the emitters themselves to select which technologies to employ to reduce pollution, freeing the government from the responsibility of choosing winners and losers.

Under the cap-and-trade system approved by the U.S. House, most of the emissions permits—about 85 percent—would be allocated freely at first, and the remainder would be auctioned off. U.S. policymakers must be careful not to repeat the errors of those in Europe, where emissions credits were initially given out too freely because regulators overestimated the region's total emissions of carbon. This caused the price of permits to collapse to near zero soon after the program went into effect, in 2005. Over time, however, the price of carbon recovered, and it now hovers around \$13 per ton. As prices increased, European emissions declined. And although some of Europe's reductions were the result of the global economic slowdown, the cap-and-trade system was responsible for a substantial portion of the cuts.

For the United States, the key to making a cap-and-trade system work lies in correctly estimating the number of permits that need to be issued and then allowing emitters to trade them like any other commodity. Once this is accomplished, significant amounts of capital from private sources would likely be invested in efforts to fight climate change.

By making pollution-abatement programs profitable for investors, the system would create financial incentives for investing in clean energy. Rather than financing climate-change measures itself, the government would simply set the rules and let the market take over.

THE FOREST FOR THE TREES

Besides creating a framework for selling and trading permits, the House bill includes provisions for offsets. Offsets are activities undertaken, directly or indirectly, by an emitter to counteract the environmental damage caused by releasing greenhouse gases. The Clean Energy and Security Act recognizes that although countries have borders, the world's atmosphere does not. As a result, one ton of carbon released by an oil refinery in New Jersey, for example, could be offset by a reforestation program in the Brazilian Amazon—so long as it conformed to the rules laid out in the legislation and was subject to random audits. Offsets include programs that replace conventional energy with renewable sources, such as hydroelectric, wind, or solar power. They also include programs that turn animal waste into fuel.

Offsets are another way for companies and governments to counterbalance their emissions. One program involves emitters paying to plant trees or even entire

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forests, depending on the amount of carbon that needs to be offset. Because climate change is a global issue, tree planting can take place wherever it will do the most good, such as in the tropics, where some trees can grow very quickly and remove carbon from the atmosphere at an annual rate of about one-third of a ton per tree—significantly faster than trees planted in temperate climates. Offsets must involve new projects, not projects already under way, and their impact on the environment must be verified. Most of the world's carbon exchanges—as well as some brokers and nonprofit organizations—already trade or sell offsets.

In some cases, offsets accomplish multiple goals. For example, animal waste, which is a major problem for the world's dairies, poultry farms, and cattle ranges, is often simply left on the ground or raked into uncovered lagoons. But as it decomposes, animal waste emits methane gas, which is about 20 times as damaging to the environment as carbon dioxide. Methane emissions from animal waste are a global problem, and uncovered waste is also a threat to public health. Offsets purchased by U.S. and European emitters of carbon dioxide have transferred capital to nonprofit organizations that have reduced methane emissions from animal waste in remote villages in Africa and India by using simple measures to trap the methane. Some of these programs have used captured methane to generate power and run farm equipment and are now being used on a larger scale in Europe and the United States. By cleaning up the waste, these programs have made conditions more sanitary for rural workers and farm dwellers. Some dairies in the United States and elsewhere have begun highlighting their

animal-waste practices as part of their marketing. In addition, health regulations in certain countries make converting animal waste into energy more profitable than paying to dispose of it. Although some of these programs would no doubt be carried out based on their own merits, cap-and-trade systems serve as accelerators for programs that make sense but would not otherwise be top priorities.

MARKET MAGIC

Climate change comes at a time when a number of technologies, such as wind power, geothermal energy, and certain types of solar energy, have matured to the point where they can produce abundant supplies of clean energy—albeit not as cheaply as traditional energy sources, such as coal. The missing ingredient for combating climate change is access to capital—a problem that cap-and-trade systems address head-on. Until permits are traded and the price of carbon is set, price uncertainty will cloud the market. Over time, however, as the number of permits falls at regular intervals, the price of carbon will likely rise. The cost for emitters will increase in inverse proportion to that for organizations investing in abatement. As industries and investors begin to see carbon winners and carbon losers emerge, behaviors will begin to change.

Even though the government will have a role in allocating some of the capital collected from the sale of permits, market forces will allow businesses to select those technologies that work best for them. If the income received by the government from the initial sale of permits is allocated to offset programs rather than being used to subsidize specific technologies, the market can work without creating

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the type of distortions that arise when policymakers attempt to choose winners and losers themselves.

Cap-and-trade systems do not need a lot of moving parts: they can be reduced to six basic elements. First, cap-and-trade systems need firmly set long-term emissions caps that place an unambiguous limit on the amount of carbon dioxide permitted to be released into the atmosphere over the long haul.

Second, permits must be allocated to emitters. Ideally, the initial permits should be free, so that the proceeds from trading go directly from major emitters to those cleaning up their acts, something that the oversight and auditing provisions of the American Clean Energy and Security Act of 2009 will ensure. The next best option is for the government to auction permits; as long as the government allocates the correct number of permits, based on the overall capped amount of emissions, the market will set a price. Because the costs of cleaning up the atmosphere and changing the way humans produce energy are so large, it is imperative that all proceeds from cap-and-trade systems be invested in programs that reduce pollution or in related offset programs. If emitters do not invest that money to curb emissions, they will find themselves penalized as carbon prices increase and their emissions costs rise accordingly.

Third, cap-and-trade programs should include offset provisions that provide emitters with alternative ways of removing carbon from the atmosphere. If a government auctions or sells permits, the revenue should be used to finance offsets, such as forestation projects, to avoid distorting the market by favoring one technology or initiative over another. Given the size of

the emissions problem, there will be no shortage of offset programs from which to choose.

Fourth, emitters should be allowed to “bank” their permits so they can use them in the future. They should also be allowed to borrow permits against more expensive future allocations. Fifth, all emissions activities must be professionally audited to ensure that a ton of carbon really is a ton of carbon. Accounting firms, consultants, and nonprofit organizations can perform the audit function. They can do it through random checks, just as financial audits of large firms are conducted, or through technological means, such as by using permanently installed technology to monitor emissions. And finally, regulators and others must refrain from setting a minimum or maximum price for emissions and must allow the market to set its own.

It has been projected, based on EPA estimates of the future value of carbon, that the value of emissions permits as proposed in the House energy bill will be roughly \$60 billion a year in 2012 and will increase to \$113 billion in 2025. If sums this large were transferred annually from polluters to those undertaking alternative-energy, conservation, and emissions-abatement programs, these cash flows could help transform the economy into one that is more environmentally benign.

The market is a powerful force for allocating capital and creating wealth. And at a time when climate change threatens the globe, it can also be a powerful force for social change. With so much at stake for the environment, cap-and-trade legislation cannot wait. 🌍

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A NEW LEADER EMERGING

Masdar City, Khalifa Port, Saadiyat Island — these are but a few of a number of high-profile developments that are marking the inevitable rise of the emirate of Abu Dhabi. Following years of moderation and careful investment, the emirate is decidedly taking center stage. Abu Dhabi, the largest and by far wealthiest member of the United Arab Emirates (UAE), has arrived to assert its full weight and power, driving innovation and regional integration.

Ruled by His Highness Sheikh Khalifa bin Zayed Al Nahyan and his brother Crown Prince Mohammed bin Zayed Al Nahyan, the emirate has followed a course of gradual and sustainable growth. If Abu Dhabi reaches an expected GDP of \$150 billion by 2010, it will have more than tripled GDP in the course of just ten years. In defiance of a global economic recession, the economy keeps growing and is predicted to do so at an average rate of 6 percent annually for the next twenty years. The city of Abu Dhabi in the mean-

time is evolving into a sprawling next-generation metropolis of three million, integrating a large expatriate community.

"The emirate envisions tremendous changes in terms of where we are going, how we are developing in the future, and of where we want to be as a city and as an emirate," says Khalifa Hamad Mo-

"We need to continue spending money, strengthening the economy and investing in the real economy, in sectors where we can create jobs and maintain jobs by adding value."

Salah Salem Bin Omeir Al Shamsi
Chairman, Abu Dhabi Chamber of
Commerce and Industry

ammed Fares Al Mazroui, director-general of the Abu Dhabi municipality. "One clear vision is to be one of the top five cities internationally," he adds and explains that development is to be achieved "in close coordination with the people of Abu Dhabi to ensure that we

deliver something that fulfills their needs." This approach is typical for the emirate that connects future economic growth with greater social and environmental sustainability. "It is a question of building a socially cohesive and economically viable place," says Falah Al Ahbabi, general manager of the Urban Planning Council (UPC). The UPC was created one and a half years ago, as Al Ahbabi explains, "with the mandate to be the sole entity in planning and setting the strategies for urban growth in the emirate of Abu Dhabi." It manages the development of much of the emirate's built environment and is behind the elaboration of the Urban Structure Framework Plan, a long-term planning program that will eventually extend to the entire emirate. UPC puts a strong emphasis on growing businesses in harmony with their social and natural environment and protecting Abu Dhabi's cultural heritage. With proven success, the emirate's model for sustainable development may yet come to set standards for other regions. ■

THE FUTURE STARTS HERE

>> VISION 2030

Abu Dhabi's blueprint for the future is the bold and ambitious "Economic Vision 2030," first published at the end of 2008. Developed in consultation with the private sector, Vision 2030 represents the government's guidelines and priorities for the emirate's economic development for the next twenty-two years, placing particular emphasis on the diversification of the economy. The year 2030 counts as an important milestone, by which time Abu Dhabi expects to have significantly reduced its dependence on the hydrocarbon sector, to a point where nonoil sectors contribute the majority share to GDP growth. In short, overall growth is to be decoupled from the volatility of the oil market, reducing risks, encouraging

innovation, and creating opportunities for a young population.

"Our economy has fundamentally very strong bases," says Salah Salem Bin Omeir Al Shamsi, chairman of the Abu Dhabi Chamber of Commerce and Industry. "We have created an economy that is increasingly knowledge-based, strong in the private sector and in services. A real economy," he adds. The future of Abu Dhabi lies more and more in the development of highly skilled, knowledge-based, export-oriented sectors. "We are trying to become a major re-export center and a regional hub for tourism, culture, education, health, and transportation," says Al Shamsi, pointing to just some of the opportunities that will shape tomorrow's Abu Dhabi. Accordingly, transfer of

knowledge and technology, education, and entrepreneurial support will become the drivers of this new economy.

Through the recent creation of Abu Dhabi Basic Industries Corporation (ADBIC), a holding company, Abu Dhabi's government took a decisive step toward an engagement in large-scale industrial activity. "We are one of the key players in the country, even though our primary focus is not in the oil sector. We serve as a catalyst to industrial growth in Abu Dhabi, in support of the strategic diversification initiatives of the government," explains Hussain Al Nowais, chairman of ADBIC. "Our projects are mandated to focus on both energy-intensive and capital-intensive industries."



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ADBIC concentrates on the development of industries in the base metals, in particular aluminum, steel, and copper, and the petrochemicals sector. It draws on Abu Dhabi's comparative advantages: an advanced infrastructure, the availability of capital, and energy supply at relatively low cost. "The reason we focus on these industries is because they generate other downstream industries, which in turn create a cluster of industries," says Al Nowais. Current activities include a \$1 billion expansion of subsidiary Emirates Steel and the development of Polymers Park, the UAE's first cluster for the plastics conversion industry. This could draw investment of as much as \$4 billion. "ADBIC will kick-start activity and investment in the park by serving as the cluster's anchor investor. As the primary investor, we play the catalyst role in attracting more investment into the park and having other investors follow our lead," says Al Nowais. ADBIC is open to investment in all its industries and is looking at wider international interest. "We have a global approach to devel-

oping our industries and look at a range of potential partnerships with U.S., European, Japanese, and Chinese companies, for instance," emphasizes Al Nowais. He goes on to say, "Opportunities in Abu Dhabi continue to multiply. We have a lot to offer, and investors internationally should tap into these opportunities."

Committed to a sustainable integration of new businesses, Al Nowais stresses the need for investment in people, in building an

"We are very active trying to create a generation of industrialists and are looking at basic industries, to realize what kind of clusters can be created around these big basic industries."

Dr. Ahmed Khalil al Mutawa
CEO of the Khalifa Fund

efficient and knowledgeable workforce. "We need a highly-trained work force with the skills and expertise needed to run a business successfully and easily," he says. "Training and development of our local talent pool, through international partnerships and educational programs is of the highest priority for us."

velop Small and Medium Enterprises, another new organization, one that plays the role of facilitator. The Khalifa Fund is dedicated entirely to the creation of "a generation of entrepreneurs," as Dr. Ahmed Khalil Al Mutawa, CEO of the Khalifa Fund, describes it. "You can have buildings, you can have ports, you can have the best roads, but the software that powers all this is the human capital. So our job is to work with people to create the culture and the ability to

do business," he says. The Khalifa Fund offers a variety of support programs to train, finance, and support young entrepreneurs, be it for start-up or existing businesses. Lately the fund has also taken to actively seeking potential high-impact entrepreneurs who will be invited to join an

intensive development program. "We are going to have new entrepreneurs in areas that are an integral part of the emirate's vision," says Al Mutawa. Crucially, a larger number of small- and medium-sized enterprises will be able to drive economic and technological innovation in desired high-value-added sectors.

This sounds a note with the Khalifa Fund to Support and De-

Abu Dhabi is well on its way to turning vision into reality. The emirate means business, the more diverse the better. ■

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Reviews & Responses



A common mistake among Western media and academia is to understand Islamism as merely a reflection of Muslims' attachment to a timeless set of prescriptions called "Islam," as if these were removed from any political context.



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Review Essay

All (Muslim) Politics Is Local

How Context Shapes Islam in Power

Charles Tripp

Beyond Terror and Martyrdom: The Future of the Middle East. BY GILLES KEPEL.

Belknap Press, 2008, 328 pp. \$27.95.

The Crisis of Islamic Civilization.

BY ALI A. ALLAWI. Yale University

Press, 2009, 304 pp. \$27.50.

The maxim *Islam din wa-dawla* (Islam is religion and state) is often said to describe a distinguishing mark of Islam—the suggestion being that Islam is a religion with a political mission at its core. Both those who repeat the mantra with approving fervor and those who worry about it assert its essential truth and suggest that all Muslims must make it a part of their worldview. Some go so far as to claim that this axiom calls for a particular form of state structure or political behavior.

And yet, of course, the statement is nothing more than a political slogan—an artifact of its time, its meaning contingent on the setting in which it is used, like any

other rallying cry. This quality does not make the slogan any less meaningful for the Muslims who subscribe to it; what it does is highlight the fact that this saying reflects a preoccupation with state power in the modern world. The Muslims who adhere to it, no less than those who do not and no less than non-Muslims, are both the products and the makers of that world. This point is worth stating since much of the present debate about the role of Islam in world politics tends to downplay the political or, at least, display a one-dimensional understanding of what drives political ambition. The political behavior of Islamists, and sometimes that of all Muslims, is often treated as an exotic peculiarity that defies normal analysis and can only be explained as an extension of their faith.

Whatever one's reference point, however, the sometimes sordid business of

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All (Muslim) Politics Is Local

politics has a gravitational pull that brings lofty ideals and grand sentiments down to earth with a thump. To play the game of politics is to grapple with the practicalities of power. This requires making sense of why people act as they do and when they do: why they respond to certain calls to action—nationalist, Islamist, whatever—and why they think their political activities are appropriate, ethically as well as practically, to the ends they imagine worthy of achievement.

Investigating these questions may be an empirical or epistemological challenge, but it does not require singling out religious motivations, Islamic or otherwise. The same searching questions should be asked of the religiously motivated that are asked of liberals, conservatives, Marxists, fascists, nationalists, and any other group that tries to put into practice its imagined notion of the good life. One should not rely only on the players' descriptions of themselves. Yet this is precisely what has happened to the effort to understand the role of religion in shaping the political lives of Muslims. Many members of the Western media, and even many Western academics, have pointed to the most extreme of Muslim political tracts and suggested that these are what Islamism, or even Islam, is really about.

It is all the more refreshing, therefore, to encounter two serious books that avoid this pitfall: Gilles Kepel puts the "politics" back in "Islamist politics," and Ali Allawi explores the often troubled relationship between worldly power and the spirituality of Islamic beliefs. Both books indicate, in their own way, that all Muslims who seek to reshape the world according to Islamic ideals and traditions, whatever they may define those to be, are confronted by the

mundane need to bend an often obdurate reality to their will.

RELIGION AND POWER

The exercise of power is bound by time and place, and it depends on the competence of political actors. These conditions determine the political impact of any Islamic ideals. It is worth contrasting, for example, the very different outcomes of Ayatollah Ruhollah Khomeini's calls for revolt in Iran in 1963 and in 1978: the first foundered; the second started a revolution. In some cases, the venality of political actors can trigger disillusionment and a reappraisal of Islamic obligations, leading some to turn their backs on an Islamic political program. (Iran might become such a case, after the unrest over the presidential election earlier this year.) A program that does not work—spectacularly, corrosively, or insidiously—loses credibility and purchase. It can no longer move people; it has no traction. This may be the result of various factors unrelated to religion or ideology, but these factors necessarily affect the ways in which people understand and act on calls to put their ideals into practice.

Allawi captures this point well in his account of the rise, domination, and decline of secular ideologies and their adherents in the Middle East. Having lived through Iraq's turbulent years of revolution, he witnessed thousands of Iraqis being drawn to the Iraqi Communist Party and thousands of others coming to believe that Arab nationalism and Arab socialism, Baathist or otherwise, would bring modernity to Iraq. Unsurprisingly, Allawi is wary of these fallen gods.

For him, the Islamist political movements that originally emerged in Iraq in the 1950s and gained power thanks to the U.S. occupation after 2003, came not simply

Charles Tripp

from the disillusioned secularists. Crucially, he sees them as products of a distinctively Iraqi politics. They certainly identify themselves as Muslim—Shiite or Sunni—but they also represent what it means to be political actors in contemporary Iraq: having to deal with Kurdish secessionists, foreign intervention, and oil-based political economies. The resources of Islamist groups may be very different now than when these groups first emerged; demographics and power structures have changed. But the expression of their political imagination, no matter how self-consciously attached to distinctively Islamic markers, is similar to their predecessors'. Thus their attention to defining community and collective loyalties; the importance they attribute to territorial control and administration; their building of coalitions; their ideas of representation; their use of violence; their cultivation, with money, of patrimonial networks; their competing for political leadership—all are familiar features of political behavior. Self-consciously Islamist movements and parties, no less than the secular nationalist ones, to which they bear a strong family resemblance, are preoccupied with what works and how.

LOCATION, LOCATION, LOCATION

Grounding Islamist organizations and their sympathizers in a local political reality shaped by the histories, predicaments, and preoccupations of the people they seek to mobilize is a central theme of Kepel's wide-ranging study of various Islamic political movements, chiefly in the Middle East. Part of his intention is to demonstrate how political movements that define themselves based on their readings of Islamic traditions are best understood through a close analysis of the contexts that

produced them; they are not the generic symptoms of "resurgent" or "radical" Islam.

Looking at Islamist organizations from Afghanistan to Iraq, from Palestine to Lebanon, Kepel gives a convincing account of the failure of what he says are the two "grand narratives" that have dominated common understandings of political Islam over the past decade or so. The first is the narrative of the "war on terror." Put forward by the Bush administration and its circle of ideologues, it implied that the U.S. military would clear the way for the establishment of democratic politics across the Middle East. The second is both the target and the mirror image of the first: propagated by Osama bin Laden and his right-hand man, Ayman al-Zawahiri, it holds that jihad directed against the "far enemy," is the best way of establishing Islamic rule in Muslim-majority states and elsewhere. As Kepel points out, both theories are delusions, have equally improbable goals, and have inflicted horrific damage—damage that has often provoked local resistance and left the United States and al Qaeda bogged down in the intransigent politics of place, facing criticism, fragmenting alliances, and isolation.

Quite apart from the ethical revulsion these two narratives have provoked among Muslims and non-Muslims alike, another problem, as Kepel points out, is their remoteness from Muslims' actual, and diverse, experiences. Both narratives so reify religion as to turn political behavior into the mere reflection of an individual's attachment to a timeless set of prescriptions called "Islam," as if these were removed from the contexts in which Muslim principles and identities drive political actors. They also suggest that Muslims' politics can—or, in the case of bin Laden, must—

be understood in relation to their faith. Yet the truth is more complicated, contested, and contingent than these two narratives allow. Neither can explain why at a given time and place a given group of Muslims chooses the prescriptions it does from Islam's vast and rich tradition to guide its political behavior. And neither can account for why other groups of Muslims act on very different understandings of Islam or why still others see their engagement with power as having only the most tenuous connection, if any, to their religious beliefs.

What does explain these differences is political context. Kepel's account makes sense of the diversity of Muslims' politics, not simply in the Middle East, North Africa, and South Asia but also in western Europe, where a series of violent incidents and symbolic confrontations over the past decade has prompted talk of a fundamental incompatibility of values and a "clash of civilizations." A cursory glance at political reality makes clear that most of the conflicts involving Muslim immigrants in, for example, Denmark, France, the Netherlands, and the United Kingdom owed more to the policies pursued by these states' governments than to the Islamic identities or even Islamist proclivities of the protagonists. For Kepel, the policy eschewing integration in the Netherlands ("pillarization," which sees religious communities as separate pillars that help hold together the Dutch republic) and its counterpart in the United Kingdom ("multiculturalism," whereby the state lets people of different cultures regulate their own affairs) created fertile ground for the growth of radical Islamist political sentiments among Muslim immigrants in those two countries.

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Charles Tripp

These approaches have roots in the Netherlands' and the United Kingdom's imperial pasts: overseas, Dutch and British colonists favored ruling indirectly and cultivating native leaders to ensure order locally. In the Netherlands and the United Kingdom today, policies shaped by these traditions have prompted the authorities to be hands-off when it comes to their Muslim communities—at least until state security is threatened, at which point the state takes clumsy measures that many Muslims interpret as discrimination.

Kepel holds up the contrasting example of France, which has pursued clear and, according to some, highly intrusive policies designed to impose secularism in public life. He does concede that France's "assimilation" policy has been a good deal more successful at integrating Muslim immigrants civically than economically—hence, the politics of contestation, including riots involving French citizens with Muslim backgrounds, that has erupted periodically. But as Kepel's account makes clear, this is better understood as the rebellion of bored, out-of-work, and marginalized French youths living in dreary suburbs than as anything remotely resembling Islamist politics.

Whether these differences in policy provide the key explanation for the variety of political views among the Muslim immigrant communities of Europe is still up for debate. Some argue, for instance, that the explanation has more to do with these communities' links to the politics of their countries of origin. Nevertheless, Kepel's analysis is valuable for taking the trouble to scrutinize the micropolitics of different groups. He shows that the closer one looks, the more either irrelevant or troubling grand narratives about Islam and civilization become.

THE PRIVATIZATION OF ISLAM

Allawi's otherwise erudite and thoughtful book is, for its part, haunted by the kind of generalization that Kepel eschews. Allawi is writing about Islam as a faith on the stage of world history, and as the book's title suggests, his central concern is "the crisis of Islamic civilization." By this, he means a number of things but principally the fragmentation of authority, the loss of unifying cultural referents, and the divergence between the spiritual and the material in Muslims' conduct. Together, these fractures have deprived Islam of the kind of autonomous, self-rejuvenating drive that Allawi sees in other civilizations (say, China or the West) and have made it more vulnerable to domination by the forces of globalization, be they powerful governments, capitalism, or cultural hegemons. From Allawi's perspective, Islam has become privatized, an article of interior faith nothing like the framework for public life that he believes it has been historically and should continue to be. If for Kepel the privatization of religion is a recipe for social harmony and a goal of the secular state, for Allawi it is the beginning of the end.

This position presents Allawi with something of a dilemma. On the one hand, he pleads for Muslims to reconnect with the powerful spiritual essence of Islam and to reestablish Islam as a major player in world history. On the other, he is intensely wary of, indeed repulsed by the sight of, political Islamists scrambling to use any means available—graft, corruption, violence—for political advantage, thereby cutting themselves off from the "wellsprings of Islamic ethics." The targets of his anger include organizations such as al Qaeda and the Islamist parties of Iraq, which he

All (Muslim) Politics Is Local

sees as symptoms of the crisis of Islamic civilization rather than as part of the solution. As he rightly says, these groups reflect the politics of those they are fighting in all its ruthlessness, not the spiritual values at the heart of Islam.

The question is, how can one have any impact on the existing order without in some way succumbing to the logic of political practicalities? The harsh truth is that however sublime or spiritual the ideals—and Islam, no less than any other great religious tradition, can provide a dazzling array of such ideals—their champions will need to engage with the politics of place in order to realize them. There may be many ways of doing this, and disputes about which ways are best are inevitable, but at the heart of this task lies the old political conundrum of how to engage effectively the existing power structure without compromising one's core ideals. Reflecting on this question, one realizes that political discourse is the very antithesis of civilizational discourse, even if the latter can sometimes be used polemically in political debates. The closer one looks at the multitude of hopes, prejudices, fears, and activities that constitute political life, the harder it is to meaningfully apply to a political order an overarching, homogenizing, and essentializing term such as "civilization."

MODERNITY AND ITS DISCONTENTS

It should be little surprise, then, that Allawi is at his best when he turns to the particular. Some of his book's most powerful passages concern the corruption of governments in the Middle East and, in his memorable phrase, the "sinister cities" of the Persian Gulf, which have embraced materialism and an "oppressive modernity." These

grim facets of globalization form the reality of the modern world, as inhabited and created by Muslims and non-Muslims alike. Much of Allawi's concern, in other words, is not really about Islam as a religion, or even about Islam as a civilization, but rather about what has been happening to Muslims. They have had various responses to modernity and in the process have created new ways of being Muslim. Some of these responses—peaceful or violent, accommodating or rejectionist—could become an inspiration for millions. But even those will catch on not simply because of Muslims' professions of faith; if they do spread, it will also be because they help Muslims make sense of power, in all its forms.

This is the most important message of these books. Kepel and Allawi are at their strongest when they examine the intellectual and political trends that have shaped the experiences of Muslims across the globe. As Kepel and Allawi demonstrate, these trends have made Muslims full actors in the evolving story of world history, whether they act self-consciously with reference to their Muslim identities or not. To be a Muslim in the modern world is both to be shaped by that world and to take part in its shaping. Modernity, with all its ambiguities and sometimes contradictory impulses, is a composite affair, constantly refashioned by those who engage with it. Kepel's and Allawi's books are reminders that politics is rooted in time and place, and that at the same time it nonetheless follows a remarkably similar logic in all its various settings. Understanding this logic, while also grasping the full significance of context, helps one understand the behavior of political actors—and not just Muslim ones. 🌍

Review Essay

The Unbalanced Triangle

What Chinese-Russian Relations Mean for the United States

Stephen Kotkin

Axis of Convenience: Moscow, Beijing, and the New Geopolitics. BY BOBO LO. Brookings Institution Press, 2008, 277 pp. \$32.95.

Bobo Lo, a former Australian diplomat in Moscow and the director of the China and Russia programs at the Center for European Reform, in London, has written the best analysis yet of one of the world's more important bilateral relationships. His close examination of Chinese-Russian relations—sometimes mischaracterized by both countries as a “strategic partnership”—lays bare the full force of China's global strategy, the conundrum of Russia's place in today's world, and fundamental shortcomings in U.S. foreign policy.

China's shift in strategic orientation from the Soviet Union to the United States is the most important geopolitical realignment of the last several decades. And Beijing now enjoys not only excellent relations

with Washington but also better relations with Moscow than does Washington.

Lo calls the Chinese-Russian relationship a “mutually beneficial partnership” and goes so far as to deem Moscow's improved ties with Beijing “the greatest Russian foreign policy achievement of the post-Soviet period.”

Precisely such hyperbole drives the alarmism of many pundits, who believe that the United States faces a challenge from a Chinese-Russian alliance built on shared illiberal values. But as Lo himself argues, the twaddle about Russia being an energy superpower was dubious even before the price of oil fell by nearly \$100 in 2008. Even more important, Lo points out that the Chinese-Russian relationship is imbalanced and fraught: the two countries harbor significant cultural prejudices about each other and have divergent interests

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The Unbalanced Triangle

that are likely to diverge even more in the future. More accurately, the Chinese-Russian relationship is, as Lo puts it, an “axis of convenience”—that is, an inherently limited partnership conditioned on its ability to advance both parties’ interests.

But even Lo does not go far enough in his debunking of the Chinese-Russian alliance: he argues that it “is, for all its faults, one of the more convincing examples of positive-sum international relations today.” This is doubtful. The relationship may allow the Chinese to extract strategically important natural resources from Russia and extend their regional influence, but it affords the Russians little more than the pretense of a multipolar world in which Moscow enjoys a central role.

STRATEGIC MISTRUST

The year 2006 was the Year of Russia in China, and 2007, the Year of China in Russia, with both states hosting a slew of exhibits, cultural programs, trade talks, and state visits. At the opening ceremony in Moscow in March 2007, Chinese President Hu Jintao remarked, “The Chinese National Exhibition in Russia is the largest-ever overseas display of Chinese culture and economic development.” (It is worth noting that every year could be called the Year of China in the United States and that the U.S. consumer market is essentially one endless Chinese National Exhibition.)

By showcasing in Moscow 15,000 Chinese products from 30 industries—machinery, aviation, ship building, information technology, home appliances—Beijing sent the message that regardless of the substantial role the Soviet Union played in China’s post-1949 industrialization, there is now a new ascendancy, with China enjoying the dominant position. This, in

fact, is a return to the historical paradigm—China has generally set the agenda for relations between the two countries. The Chinese-Russian relationship dates from the Russian conquest of Siberia in the seventeenth century. The Russian empire, then not very rich, sought to trade with China, then the world’s wealthiest country. The two empires also discovered a common but often rivalrous interest in crushing the Central Asian nomads, leaving China and Russia with a 2,700-mile border, the world’s longest. Since then, this shared border has shifted numerous times and served as a source of intermittent tension. As recently as 1969, the two countries clashed along the Ussuri River, which separates northeastern China from the Russian Far East, and Soviet leaders discussed retaliating with nuclear weapons if China launched a mass assault.

Now, as Lo writes, their relations are, in many ways, better than ever. In June 2005, both sides ratified a treaty settling their border disputes. Cross-border business and tourism are brisk. In 2006, two million Russian tourists went to China and nearly one million Chinese visited Russia.

Still, as Lo subtly demonstrates, the Chinese-Russian “axis of convenience” is bedeviled by “pervasive mistrust” rooted in historical grievances, geopolitical competition, and structural factors. Moreover, it is a secondary axis. China and Russia talk about being strategic partners, but neither actually is central to the other’s concerns. China’s indispensable partner is the United States; Russia’s is Europe or, more specifically, Germany. In 2007, Chinese-Russian trade reached \$48 billion, up from \$5.7 billion in 1999, making China Russia’s second-largest trading partner after the European Union. But current Russian-EU trade

Stephen Kotkin

exceeds \$250 billion—the lion's share of it being between Russia and Germany—and Chinese-U.S. trade exceeds \$400 billion. China and Russia, Lo demonstrates, “pay far more attention to the West than they do to each other.” Their relationship is opportunistic. As Lo puts it, the two giants “share neither a long-term vision of the world nor a common understanding of their respective places in it.”

In addition—and this is the most important aspect of Lo's argument—whatever opportunity does exist in the relationship, China is in a better position to exploit it. China extracts considerable practical benefits in oil and weapons from Russia. In return, Beijing flatters Moscow with rhetoric about their “strategic partnership” and coddles it by promoting the illusion of a multipolar world. In many ways, the Chinese-Russian relationship today resembles that which first emerged in the seventeenth century: a rivalry for influence in Central Asia alongside attempts to expand bilateral commercial ties, with China in the catbird seat. Lo politely calls this incongruity an “asymmetry.”

GIVING AWAY THE STORE

The profound asymmetry in Chinese-Russian relations is most visibly illustrated by the two countries' roles in the Shanghai Cooperation Organization (SCO), a six-member security group founded in 2001, and by their energy and weapons trades.

So far, China has consistently resisted Moscow's lobbying for building the SCO—whose other members are the former Soviet states of Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan—into a quasi-military alliance that could counter NATO. In addition, the SCO declined to publicly endorse Russia's account of its August 2008

war with Georgia (Moscow claimed that the Georgian army attacked first, an assertion implicitly recognized even by the U.S. ambassador to Russia). China, it seems, is unwilling to impart any strategic significance to disputes in the Caucasus.

Meanwhile, using the SCO and business investments, China has been making economic inroads into Central Asia, a region that Russia has traditionally considered within its sphere of influence. Chinese companies have been on a buying spree in recent years, making investments throughout Central Asia in minerals, energy, and other industries. Beijing appears to have cracked even the difficult nut of Turkmenistan—a pipeline now under construction is slated to run from the natural gas fields in Turkmenistan to Xinjiang, in western China. To a large extent, it is Russia's single-minded focus on pushing the United States out of Central Asia—lobbying Kyrgyzstan, for example, to eject U.S. forces from a military base in Bishkek—that has allowed China's influence there to grow relatively unhindered. And whereas the United States can scarcely hope to maintain a permanent presence in Central Asia, China can be counted on to stick around.

Lo is doubtful about the prospects of a major Chinese-Russian energy deal. But in February 2009, after his book had gone to press, the two governments signed a deal under which Rosneft, the largest Russian state-owned oil company, and Transneft, the Russian state-owned oil-pipeline monopoly, would get \$25 billion from the China Development Bank in exchange for supplying China with 300,000 barrels of oil a day from 2011 to 2030—or a total of about 2.2 billion barrels. Factoring in the interest payments the Russian

The Unbalanced Triangle

companies will owe on the loan, the deal means that China will pay under \$20 a barrel—less than half the global price at the time of the deal and less than one-third the market price for future deliveries in 2017.

This Chinese money is slated to underwrite the completion of an oil pipeline that will run from eastern Siberia to the Pacific Ocean, with an offshoot going to Daqing to serve the Chinese market. The proposed pipeline would increase roughly to eight percent Russia's share of China's oil imports, up from four percent now. Russian energy companies, laden with debt, lack the capital to build the pipeline by themselves or, for that matter, to drill for new hydrocarbons. With a projected capacity of 600,000 barrels per day, the pipeline is expected to supply Japan with Russian oil, too—provided enough is available. Still, the \$20-a-barrel price borders on the shocking. Considering the perhaps more advantageous energy deals that have been on the table with U.S. and European multinationals, Rosneft and Transeft's deal with China looks like a giveaway. It appears to be a consequence of the obsession many Russian officials have with denying the United States a strategic foothold in Russia's energy sector at all costs—even if one of those costs is opening themselves up to exploitation by the Chinese.

Energy is not even the most fruitful aspect of China's relationship with Russia. According to U.S. estimates, Russia supplies China with 95 percent of its military hardware, including Kilo-class submarines and Sovremenny-class destroyers. So far, Russian officials have not viewed the buildup of the Chinese navy as a direct threat to Russia; instead, they see it as a potential problem for Japan and the United States. Also, the post-Soviet Russian

military was long unable to afford weapons produced by domestic manufacturers, making arms exports a necessity. Still, whatever benefits Russia gained by keeping its defense industry alive while waiting for better times, the benefits to China have been beyond compare. After the Tiananmen Square crackdown in 1989, many of the world's largest arms merchants—France, the United Kingdom, and the United States—imposed an arms embargo on China. As Russia moved to fill this gap, China began to reverse engineer weapons systems and pressure Russia to sell it not just the finished products but also the underlying manufacturing technology. For reasons that have yet to be explained publicly, Russian arms sales to China have declined in recent years. Nonetheless, China has the money and remains an eager customer for Russia's blueprints.

According to Lo, the terms of Chinese-Russian trade “are becoming more unbalanced every year”—so much so that he compares the role of Russia for China to that of Angola, China's largest trading partner in Africa. Russia will remain important as long as the weapons and fossil fuels keep flowing (and no economically viable alternatives to hydrocarbons emerge). Lo does not say so explicitly, but in an imagined multipolar world, Russia looks like a Chinese subsidiary. China treats Russia with supreme tact, vehemently denying its own superiority—a studious humility that only helps it maintain the upper hand.

WHAT KIND OF PARTNER?

Lo quotes Yuri Fedorov, a Russian political analyst, who laments that Russia is “doomed to be a junior partner to everyone.” In fact, it is China that has accepted

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the role of junior partner to the United States, and the payoff has been impressive. It is a calculated position and part of China's global strategy sometimes known as "peaceful rise," a term first introduced by the Chinese leadership soon after the Tiananmen massacre. One vital element of this strategy is for China to take advantage of its de facto strategic partnership with the United States while sometimes swallowing hard in the face of U.S. dominance. China guards its sovereignty no less than does Russia, but, as Lo writes, China, contrary to Russia, "does not deem it necessary to contest Western [i.e., American] interests and influence wherever it finds them." Nor does China view Russia as a strategic counterweight to the United States—whereas Russia hopes to use China to balance against the United States. Chinese leaders go out of their way to emphasize that China is still a developing country and that the United States will remain the sole global superpower for a long time to come. It is a concession that leaves them ample room to pursue China's interests, and so they see little point in paying the enormous costs of opposing the United States.

The second main element in China's "peaceful rise" strategy is using Russia for all it is worth—weapons, oil, or acquiescence in China's expanding influence in Central Asia. Under Vladimir Putin, Russia became more practical in its relations with China than it had been under Boris Yeltsin, in the 1990s. Moscow has made sure to trade its support for China's intransigent policies toward Taiwan, Tibet, and Xinjiang for Beijing's endorsement of Russia's heavy-handed approach to combating domestic instability in Chechnya and the North Caucasus. But the deal remains uneven. Moscow's closer ties with

Beijing, meanwhile, have not increased its leverage with Washington one iota. By rejecting the role of junior partner to the United States, Russia has, perhaps unintentionally, become China's junior partner—an arrangement, furthermore, that will last only as long as it is convenient for Beijing. Lo concludes, "China's rise as the next global superpower threatens Russia, not with the military or demographic invasion many fear, but with progressive displacement to the periphery of international decision making."

One should not forget China's many vulnerabilities, nor Russia's numerous foreign policy achievements over the last decade. After the abject humiliation of the 1990s, the sovereignty of the Russian state has been restored—no longer can foreign capitals dictate Russian policy or the appointments of government officials. Russia's annual GDP has soared from a low of \$200 billion under Yeltsin to around \$1.6 trillion today (a turnabout in which China's insatiable demand for global commodities and manufactures has played an enormous role). Russia enjoys strong relations with France, Germany, and Italy and cultivates these bilateral ties in Europe in order to blunt the collective power of the EU. Its European partners compete with one another for Moscow's favor. At the same time, Russia has—from its point of view at least—demonstrated anew its influence in the former Soviet republics.

But despite its revival, Russia, in contrast to China, remains unable to figure out how to benefit from the immovable fact of U.S. power and wealth. Under the Obama administration, the United States has stopped—for the time being—approaching Russia as a state to be reformed or disciplined. But a softening in tone cannot make

up for the fact that the U.S.-Russian relationship lacks the kind of deep commercial basis that undergirds U.S.-Chinese ties. Although an interest in both Russia and the United States in renewed arms control negotiations may help restart bilateral relations, such gestures are no substitute for the kind of economic interdependence Washington has with Beijing.

The ultimate stumbling block between Russia and the United States—and what differentiates China from Russia from the United States' perspective—is the clash over influence in the former Soviet republics. Two factors have led to this clash. The first is that Moscow has lost its empire yet will not relinquish its assertion of “privileged interests” in Georgia, Ukraine, and the other former Soviet republics. Russia's influence in the former Soviet territories—which remained strong even during Russia's perceived weakness in the 1990s—has only grown. This reality, moreover, is an outgrowth not of military occupation or of Russia's clumsy bullying but of mutual interests forged through economic ties.

The second factor is that the United States will not cease to view these lands in terms of promoting or defending democracy, even under the Obama administration's more pragmatic foreign policy. Compare, for example, the relatively small role Tibet plays in U.S.-Chinese relations with the disproportionate hold that now-independent countries such as Georgia or Ukraine have on U.S.-Russian relations. For Washington to appear to abandon the nominal democracies living in Russia's shadow for the sake of more constructive relations with Russia is politically impossible. No matter how badly those countries misgovern themselves or provoke Russia, a withdrawal of U.S. support would be an abandonment

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of one of the central tenets of U.S. policy toward the region since the end of the Cold War.

The upshot is that Russia and the United States are left with something of a paradox. Although Washington can refuse to defer to Russia's claim of "privileged interests" in the former Soviet states, it cannot undo the fact that such a Russian sphere of influence does exist, extending to property ownership, business and intelligence ties, television programming, and the Internet. Moscow, meanwhile, cannot hope to both claim its interests in its neighbors and emulate China's approach of accepting the role of junior partner to the United States for practical benefit.

This suggests that "the new geopolitics" Lo promises to illuminate are not so new, after all. As Russia pursues the chimera of a multipolar world, the United States pursues the delusion of nearly limitless NATO expansion. And in the process, both unwittingly conspire to put Russia in China's pocket.

THE TRIANGLE TIPS OVER

Lo's book inspires three broad observations. First, although Russia has been known as the world power that straddles Asia and Europe, today it is China that has emerged as the force to be reckoned with on both continents. Russia's Pacific coast serves not as a gateway to Asia—as San Francisco and Los Angeles do in the United States—but as a natural geographic limit. At the same time, China, as the dominant power in East Asia, denies Russia a significant say in the region.

Russia's failure to become an East Asian power over the past several centuries is amplified by emigration from Russia's Far East, where the population has shrunk

from a peak of around ten million in the Soviet period to around 6.5 million today. Meanwhile, the population of China's three northeastern provinces directly across the Russian border is estimated at 108 million and growing. As Dmitry Rogozin, now Russia's ambassador to NATO, quipped on Russian radio in 2005, the Chinese are crossing the border "in small groups of five million." Actually, as Lo indicates, the number of Chinese residents in Russia—mostly laborers and petty traders—is probably only between 200,000 and 400,000. Yet Rogozin's quote reflects domestic anxieties about Russia's weak footprint in Asia, a problem for which Russia has no discernible strategy. And on Russia's western border, China's relations with Europe are at least good as Russia's. In other words, Russia's bluff of maintaining an influential presence in Asia is becoming an ever more pronounced strategic weakness.

Second, not only has China shifted its strategic alliance from the Soviet Union to the United States; it has learned how to have its cake and eat it, too. China manages to preserve relations with its Cold War patron, Russia, while hitching its growth to the world's current hegemon, the United States. From 1949 until the Sino-Soviet split in the 1960s, China was an eager junior partner to the Soviet Union, slavishly imitating the Stalinist developmental model. In 1972, the courting of Mao Zedong by Richard Nixon and Henry Kissinger opened up a global option for China that Mao's successors would later exploit. Under Deng Xiaoping, who in 1979 became the first Chinese Communist leader to visit the United States, China began to forge its *de facto* strategic alliance with the United States. Then, under Jiang

The Unbalanced Triangle

Zemin, a post-1991 rapprochement with Russia became a major additional instrument for Beijing. It is as if China went to the prom with one partner, Russia, went home with another, the United States, and then married the latter while wooing its jilted original date as a mistress.

Third, although the Soviet Union ultimately capitulated to the United States in the Cold War, Russia today does not feel compelled to similarly bow down to the United States. Such a proud stance may not offer many rewards for Russia, but it does confront the United States with some difficult policy questions. Simply put, if Moscow's fantasy is multipolarity, Washington's own delusion has been the near-limitless expansion of NATO. That game, however, is exhausted. For years, the cogent argument against continued NATO expansion was not that it would anger the Russians—after the Soviet collapse, the Russians were going to emerge angry regardless. Rather, the problem was that the bigger NATO became, the weaker it got. Poland agreed to install Patriot missile interceptors—a U.S. and not a NATO missile defense system—only because the United States provided Poland, a member of NATO, with a security guarantee above and beyond that offered by the NATO charter. What, then, is NATO for? Russia will never join, and for all its historic achievements, NATO is not up to solving the contemporary security dilemmas of Europe, such as those linked to energy, migration, and terrorism.

Russia has recovered from its moment of post-Soviet weakness but nonetheless remains a regional power that acts like a global superpower. China, on the other hand, has been transformed into a global superpower but still mostly acts like a

regional power. Meanwhile, the United States is still busy trying to consolidate its triumph in the Cold War 18 years on. Recently, many people in Russia and the United States have begun to speak of a “new Cold War.” This idea, however, is doubly wrong—wrong because Russia, a regional power, cannot hope to mount a global challenge to the United States, and wrong because the old Cold War tilting never went away, with the battleground merely having been downsized, shifting from the whole globe to Kiev and Tbilisi.

There are domestic advantages for the Russian regime in continuing to talk of a new Cold War. But what does a pre-occupation with the supposed Russian menace do for the United States? And alternatively, what would the United States gain from resetting U.S.-Russian relations? At the moment, the most important U.S. policy questions are domestic, not foreign, and Russia will be of little help in solving them. Russia has no role to play in reforming the U.S. health-care system—whose cost structure is the single greatest threat to U.S. power and prosperity—nor can it help fix the crumbling U.S. retirement system. If the United States were to imitate China and indulge Russia in its fantasy about its own global relevance, it would not realize the same kind of concrete benefits the Chinese get. On the international front, although many in Washington see Moscow as Tehran's main backer—even though China has deeper commercial ties to Iran—Russia does not have the leverage over Iran to forestall the development of that country's nuclear weapons program.

The overall importance of Russia for the United States, then, is widely exaggerated. There is one crucial exception,

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however, an area in which Russia's power has not depreciated: in Europe, Russia remains a dominant force, and its strategic weight in the region is reason alone for the United States to pursue better bilateral relations. During the Crimean War of 1853–56, Lord Palmerston, the British prime minister, fantasized that “the best and most effectual security for the future peace of Europe would be the severance from Russia of some of the frontier territories acquired by her in later times, Georgia, Circassia, the Crimea, Bessarabia, Poland and Finland. . . . She would still remain an enormous power, but far less advantageously posted for aggression on her neighbors.” This flight of imagination has since become reality, and then some. But still, Russia remains a regional force. Indulging the claims that Russia's recent revival is solely attributable to oil—a code word for “luck”—or that Russia's demographic problems will make the country essentially vanish cannot alter the fact that enduring security in Europe cannot be had without Russia's cooperation or in opposition to Russia. An expanded NATO, meanwhile, is not providing the enduring security it once promised. It is only a matter of time before a crisis, perhaps on the territory of a former Soviet republic and now NATO member, exposes NATO's mutual defense pact as wholly inoperative.

There is another reason the United States should care about Russia: because China does. As Lo writes, “China will become steadily (if cautiously) more assertive, initially in East Asia and Central Asia, but eventually across much of Eurasia.” In other words, even under a strategy of a peaceful rise, China will increasingly force the United States to

accommodate Chinese power. China's development of a blue-water navy recalls the rise of the German navy in the years before World War I, a process that unnerved the United Kingdom, then the world's great power. It seems that China is already trying to recalibrate the balance of power in East Asia, as evidenced by its harassment of the *Impeccable*, a U.S. Navy surveillance ship, in the South China Sea in March 2009. In the event of a crisis, China does not want its thoroughly globalized economy to be vulnerable to a blockade by either the Japanese navy or the U.S. Navy, and it likely envisions being able to hinder U.S. access to the Taiwan Strait. Meanwhile, China is counting on the Russian navy's not rising again in East Asia and on continued strained ties between Japan and Russia over the disputed Kuril Islands, a few rocks in the Pacific Ocean.

In the end, there can be no resetting of U.S.-Russian relations without a transcending of NATO and the establishment of a new security architecture in Europe. And without such a genuine reset, China will retain the upper hand, not only in its bilateral relationship with Russia but also in the strategic triangle comprising China, Russia, and the United States. 🌐

Review Essay

Born Again in the U.S.A.

The Enduring Power of American Evangelicalism

Timothy Samuel Shah

God Is Back: How the Global Revival of Faith Is Changing the World. BY JOHN MICKLETHWAIT AND ADRIAN WOOLDRIDGE. Penguin, 2009, 416 pp. \$27.95.

In international politics, religion has been the elephant in the room for most of the modern age. And in recent years, it has only grown larger and louder. Policymakers and political theorists have adopted the mostly unpromising strategies of ignoring it in the hope that rationality and modernity will eventually push it out; using laws, coercion, or public opinion to remove it from the political sphere; or pretending that it is only a matter of culture and treating it accordingly.

The authors of *God Is Back* are an exception. They admit that religion is here to stay and seek to find out what it is

really all about. John Micklethwait, editor in chief of *The Economist*, and Adrian Wooldridge, its Washington bureau chief, work for a publication that has been notably dubious about religion's long-term viability in the face of modernization and economic globalization. *The Economist* boldly published God's obituary in its millennium issue, declaring that "the Almighty recently passed into history." Micklethwait and Wooldridge, for their part, were not so sure about God's demise. To investigate God's place in the world today, the two men traveled thousands of miles to talk to religious leaders and ordinary believers across the world and spent hundreds of hours visiting mosques and temples, attending religious services, sitting in on Bible-study groups, and picking the brains of theologians.

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Micklethwait and Wooldridge entered dangerous territory. They faced the literal dangers of encountering real live religious radicals and investigating religion's impact in all kinds of tough neighborhoods—from inner-city Philadelphia to the northern Nigerian city of Kano. And they faced literary dangers by walking into a field thick with theological crossfire between believers and nonbelievers, epitomized on one extreme by Dinesh D'Souza's *What's So Great About Christianity* and on the other by Christopher Hitchens' atheist manifesto, *God Is Not Great: How Religion Poisons Everything*. The confessionally diverse duo of Micklethwait and Wooldridge—the first is a Catholic and the second an atheist—steers clear of polemics and focuses instead on reading God's vital signs rather than identifying his virtues or vices. What they find is that many of the forces that were supposed to consign the Almighty to the ash heap of history—or to a quiet corner of the living room—have only made him stronger.

Beyond discovering that God still has a pulse, Micklethwait and Wooldridge give a firsthand account of how religious groups all over the world—from family ministries in the United States and megachurches in South Korea to televangelists in Egypt—use modern methods to convert people. The result is more Robert Capa than Max Weber: arresting snapshots of bubbling religiosity rather than elaborate theories about the causes and consequences of the global religious revival. But the snapshots support an argument: that the United States' increasingly competitive religious market has incubated a form of entrepreneurial faith—a religious style that is conservative at its doctrinal core but restlessly innovative in its techniques of

organization and communication. Micklethwait and Wooldridge focus on this U.S. brand of religion partly because it has been the key to reconciling God and modernity. It also attracts their attention—and admiration—because it is contagious, increasingly winning practitioners and followers across the globalized world.

MUNDUS CONTRA DEUM

A happy marriage between God and modernity was never widely expected. In the eighteenth century, some members of modernity's self-appointed vanguard—especially those writing in French—considered traditional faith a skunk at the Enlightenment party and made God persona non grata in their Parisian salons. The revolutionary Jacobins even turned on Robespierre when he pushed his Cult of the Supreme Being further than their Voltairean tastes permitted. These radicals endeavored to displace God, not accommodate him. The nineteenth-century French historian Jules Michelet expressed the hope that the French Republic would “take the place of the God who escapes us.”

God's partisans returned the favor. In 1864, the Vatican pointedly condemned the idea that the pope should “reconcile himself with progress, with liberalism, and with modern civilization.” Even thinkers sympathetic to the church, such as the historians Alexis de Tocqueville and Lord Acton, feared that an unbridgeable chasm was opening up between Christianity and modernity. By 1882, the anticlerical French philosopher Ernest Renan was exulting, “We have driven metaphysical and theological abstractions out of politics.”

Across the world, the mutual hostility between divinity and modernity deepened

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further in the century between 1864, when the pope declared God antimodern, and 1966, when *Time* magazine asked whether he had died. In Europe, the cradle of Christendom, republican and socialist revolutionaries branded God and the church enemies of the people. God was hardly better off under conservative, monarchical, or royalist regimes—such as Bismarck’s Germany, Victorian England, and Franco’s Spain—where the church depended on government largess and kowtowed to those in power.

In the twentieth century, a worldwide march of the Jacobins’ heirs attempted to get rid of God once and for all. From the Bolsheviks in Russia to the Kemalists in Turkey, the monarchists in Iran, the Nazis in Germany, the Maoists in China, and the Nasserists in Egypt, secular regimes seized church-held land, destroyed monasteries, evicted missionaries, criminalized religious movements, banned religious symbols, proscribed religious political parties, and even attempted to exterminate entire religious communities.

Over the last two centuries, most observers of world affairs took these partisans at their word. They assumed that truly modern men and women would never welcome God into their polite and educated company. And they assumed God’s attitude would remain roughly that of Groucho Marx, and he would think twice about joining a club that would have him as a member. Sociologists, historians, anthropologists, and even theologians all concluded that God and modernity would inevitably go their separate ways.

But God did finally find refuge in the modern world, and Micklethwait and Wooldridge make a fresh case that it was thanks to the United States.

AMERICA BLESS GOD

The revolutionaries who founded the American republic respected God without patronizing him. Despite representing a broad spectrum of religious conviction, ranging from the deism of Thomas Jefferson and Benjamin Franklin to the evangelicalism of Patrick Henry and John Jay, the founders welcomed God as an ally and a cornerstone of their ultramodern political revolution. At the same time, they sought to free religion from its historical dependence on state patronage, which they feared would debilitate and corrupt the church and the state alike. Immediately after the American Revolution, Christians squabbled with one another, and some state governments—unlike the federal government—kept churches dependent on direct government financing. (The last of these state “mini-establishments,” in Massachusetts, was not abolished until 1833.)

At first, Christian ministers in the young republic were much like their European counterparts: indolent wards of the state who nonetheless expected perfect devotion from the masses by virtue of their position in the social hierarchy. This traditionalism initially helped keep more than half of the United States’ increasingly freedom-loving inhabitants from joining churches at all.

In time, however, organized religion became part of the fabric of American culture. Micklethwait and Wooldridge draw on the work of such historians of religion as Nathan Hatch, George Marsden, and Mark Noll to narrate God’s rapid adjustment to the New World. In the early nineteenth century, churches became less dependent on state support, and in the absence of state sanctions compelling church attendance, they adapted their

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messages and methods to a society that was increasingly mobile, freethinking, and egalitarian. God rapidly became less European and more American—less clerical, theological, and communal and more entrepreneurial, pragmatic, and individualistic.

In contrast to the influential interpretations of the historians Henry Steele Commager and Arthur Schlesinger, Jr., both of whom viewed the American mind as essentially skeptical and this-worldly, Micklethwait and Wooldridge argue that Christianity became more literalistic and evangelical as it became more American. By 1860, close to 85 percent of the United States' churchgoing population was evangelical, upending Jefferson's famous prediction in 1822 that "there is not a young man now living in the US who will not die an Unitarian." Religion in the United States also reflected a powerful affinity between what the sociologist Peter Berger has argued is the individualistic and voluntaristic core of evangelical Christianity and the voluntaristic impulses of American democracy. As Berger has written, among evangelicals, "one cannot be born a Christian; one must be 'born again' to meet that designation," which makes evangelical Protestantism a "peculiarly modern religion." A variety of evangelical churches and movements—Methodist, Baptist, and others—were thus well suited to a rapidly modernizing United States.

Over the next 150 years, evangelical leaders such as Charles Finney, Dwight Moody, and Billy Graham used their revivalist techniques to popularize evangelicalism among successive generations of Americans: deploying modern communication strategies and building specialized voluntary organizations. They also succeeded in creating a new entrepreneurial style of religious propagation, which hinged on leaders who began

their careers outside of established and respected religious institutions, who saw alienation from religion as an opportunity to be seized rather than a condition to be condemned, who preached a practical and parsimonious message, and who believed that people needed to respond freely and individually to the call for redemption. Their theology has long been well suited to a constantly churning and mobile nation: from a time when static and agrarian communities gave way to an industrialized and urbanized society down to the present day, filled with suburbanites seeking spiritual meaning. The genius of this American-style religion is that it respects individualism while equipping people to survive its excesses.

Micklethwait and Wooldridge are most perceptive and thorough—and most entertaining—when they document the continuing vigor of the United States' contemporary evangelical subculture. They take unexpected detours into evangelical vacation spots, such as Holy Land U.S.A., in Bedford County, Virginia, which features a 250-acre replica of the Holy Land in Jesus' time. Although some secular liberals fear that evangelical leaders are harboring a theocratic agenda out of step with mainstream Americans, *God Is Back* demonstrates that these ministers win large followings precisely because they are attuned to the struggles and aspirations of ordinary people. *The Purpose Driven Life*, a book by Rick Warren, the pastor at the Saddleback megachurch in Southern California, has tapped into consumerist Americans' undeniable anomie and hunger for spiritual direction. Twenty-five million copies have been sold, making it the second-best-selling hardcover book in U.S. history—after the Bible. When Warren delivered the invocation at President Barack Obama's

inauguration, he offered vivid evidence of evangelicalism's continuing influence.

DIVINE DECLINE?

If it is an error to equate God's relationship with modernity to Superman's with kryptonite—a point *God Is Back* drives home—religious triumphalism is also unwarranted. God may be back after a century of attempted deicides, but he still faces stiff resistance. Even in the United States, the most religious nation in the industrialized West, those who choose not to identify with any particular religion—the “unaffiliated” in pollster parlance—constitute the fastest-growing “religious group.” Rather than flocking to more theologically relaxed denominations, an increasing number of Americans are abandoning organized religion altogether. According to the U.S. Religious Landscape Survey, conducted by the Pew Forum on Religion and Public Life in 2007, 16.1 percent of the respondents said they were unaffiliated.

The 2008 American Religious Identification Survey (ARIS) found that 15 percent of the U.S. population had no particular religious preference, almost double the figure for 1990. In his April 2009 article “The End of Christian America,” the *Newsweek* editor Jon Meacham used the ARIS study to argue that the United States is passing into a “post-Christian” period. “This is not to say that the Christian God is dead,” Meacham explained, “but that he is less of a force in American politics and culture than at any other time in recent memory.”

Meacham is onto something. Evangelical Christians in the United States now find themselves in the political wilderness after one of their own—George W. Bush—left the White House with one of the lowest presidential approval ratings in U.S. history.

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Timothy Samuel Shah

Many of the most politically powerful evangelical leaders of the last two generations, such as Jerry Falwell, James Dobson, and D. James Kennedy, have either died or retired, passing their organizations on to younger and less influential successors. Obama, the man almost all evangelical leaders vociferously opposed during the 2008 campaign, was elected president. And the trends they have fought, such as the rising acceptance of same-sex marriage and abortion, are increasingly entrenched in the country's laws and social mores.

When Dobson stepped down as head of the Christian organization Focus on the Family in April, just after Meacham's article appeared, he gave a decidedly downbeat farewell speech about issues such as same-sex marriage, abortion, and pornography. "We are right now in the most discouraging period of that long conflict," Dobson reflected. "Humanly speaking, we can say we have lost all those battles."

In other countries, too, the armies of God seem to be in full-scale retreat. In the last two years, Islamist parties have fared poorly in electoral contests across the Muslim world, including in Bangladesh, Indonesia, Iraq, Kuwait, Lebanon, Malaysia, and Morocco. In Iran, the hard-line clerical establishment succeeded in retaining power only by blatantly rigging an already skewed electoral process and crushing protests. Fundamentalist terrorist groups such as al Qaeda and the Taliban are on the run from Iraq to Pakistan, as they lose battles and sympathizers. In India, the coalition led by the Hindu nationalist Bharatiya Janata Party received a surprisingly decisive drubbing in national elections held in April and May. As Meacham observed about evangelicals in the United States, the problem is not so much that God is losing popularity as

that many of his self-appointed representatives are suffering a palpable decline in social and political authority. Nietzsche may have been right after all: as an unquestioned arbiter of public culture, perhaps God is dead.

But the many attempts on God's life have made him remarkably resilient as an object of private devotion. The same survey that inspired Meacham to pronounce the end of Christian America found that just as many Americans identified themselves as Christian in 2008 as did in 2001 (about 76 percent). Meanwhile, the number of unaffiliated barely grew, remaining around 15 percent. Although the ARIS reported a big decline for Christians and a big jump for the unaffiliated between 1990 and 2001, these changes almost certainly stemmed in part from the increasing willingness of some nonreligious people to identify themselves as such, perhaps induced by a perception that secularism is becoming more socially acceptable. Since 2001, with most secularists already out of the closet, unaffiliated growth has slowed. Micklethwait and Wooldridge note that the link between faith and fertility may also be slowing secular growth: numerous studies, including the World Values Survey, which covers 80 countries, show that secular people go forth and multiply much more modestly than do their religious brethren. Thus, says Ronald Inglehart, director of the World Values Survey, secularization is its own long-term demographic "gravedigger."

A closer look at survey data also reveals that secular Americans remain surprisingly open to God. An analysis by the Pew Forum found that 70 percent of the unaffiliated surveyed believed in God and more than 40 percent said that religion was either somewhat or very important in their lives. Furthermore, a majority of Americans raised in

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religiously unaffiliated households adopt a religion later in life, giving the unaffiliated population one of the lowest retention rates of all religious groups in the country. Americans are not marching in lockstep toward a singular secular future, nor are they becoming a monolithic Christian nation. Instead, the United States is moving toward an ever more dynamic religious pluralism.

GREENER PASTORS

Micklethwait and Wooldridge are right to suggest that one effect of the United States' vigorous religious pluralism is to make religion in the country even more entrepreneurial and competitive. American evangelicalism has spawned a "church growth" industry driven by a class of preachers—some of whom call themselves "pastorpreneurs"—highly skilled in building megachurches that target the religiously disaffected with "seeker-friendly" services and family-friendly facilities, replete with on-site daycare, basketball courts, and fast-food restaurants. *God Is Back* reports that one of the United States' 1,000 megachurches—Willow Creek, near Chicago—is so successful that it has become the subject of a Harvard Business School case study.

The success of such churches is evident in the survey data: according to the ARIS, nearly half of American Christians now self-identify as "evangelical" or "born-again," and the number of Americans belonging to mostly evangelical and Pentecostal "nondenominational" churches—which are quintessentially modern and American in their informality, their emphasis on a personal relationship with God, and their indifference to ancient ecclesiastical and theological traditions—jumped from about 200,000 in 1990 to about eight

million in 2008. In its 2007 study, the Pew Forum found that some 3.6 million Americans raised without an attachment to any organized religion converted to evangelicalism later in their lives.

Although God's armies around the world may have suffered a string of political defeats, they will regroup in due course. Hezbollah in Lebanon and the Hindu nationalist movement in India are down, but they are not out. Political dynamics are cyclical, and religious parties will regroup in India and Lebanon when the political winds begin blowing in their favor once again. Most important, as *God Is Back* suggests, these movements are led by organizations that operate in increasingly competitive political and cultural markets. And these markets will force them to adapt—or they will die.

The Iranian regime's mendacity and brutality after the June presidential election have driven this lesson home, not least in the minds of the Iranian clerics themselves, some of whom have long argued that men of the cloth should endeavor to gain popular credibility by voluntarily relinquishing political power.

God's partisans in Iran and elsewhere would do well to heed Micklethwait and Wooldridge's argument that their political influence will be minimal if they fail to take to heart the deepest lessons of U.S.-style entrepreneurial religion: let God be God by freeing him from both government regulation and government handouts; do not lash him to the mast of a particular government or political party and in so doing make him a hostage to political fortune. God will indeed keep coming back—especially in those places where he has not been turned into a fawning palace courtier or a shackled political prisoner. 🌐

Recent Books on International Relations

Political and Legal

G. JOHN IKENBERRY

Power and Responsibility: Building International Order in an Era of Transnational Threats. BY BRUCE JONES, CARLOS PASCUAL, AND STEPHEN J. STEDMAN. Brookings Institution Press, 2008, 300 pp. \$26.95.

It has become commonplace to describe the coming era as one of “security interdependence,” in which transnational threats render old notions of national security obsolete. In this major new treatise on twenty-first-century global security, Jones, Pascual, and Stedman—all experienced policy thinkers—provide a conceptual framework and comprehensive agenda for U.S. foreign policy in a world of security interdependence. Because the United States cannot secure itself at the “water’s edge,” they argue, it must be actively involved in the world: building partnerships,

strengthening institutions, and forging understandings about power and responsibility. The work advances recent thinking about “the responsibility to protect,” the notion that state sovereignty comes with certain obligations, and about older notions of “cooperative security,” the idea that states need to work together to advance their security goals. What is most innovative is the book’s institutional agenda, which comes out of extensive consultations with officials and experts worldwide. This is one of the best efforts yet to provide a coherent synthesis of the security-interdependence worldview.

A Cultural Theory of International Relations. BY RICHARD NED LEBOW. Cambridge University Press, 2009, 774 pp. \$108.00 (paper, \$39.99).

Over a distinguished career, Lebow has consistently challenged conventional categories of thinking about international relations. In this magisterial new volume,

PHILIP H. GORDON has retired as reviewer of the Western Europe section, and we thank him for his outstanding contributions. We are fortunate to have as his successor ANDREW MORAVCSIK, Professor of Politics and International Affairs and Director of the European Union Program at Princeton University. We welcome him as a regular book reviewer with this issue.

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he lays out his own sweeping theory of society, history, and international order. Whereas realists start their analysis with states operating in anarchy and liberals start with societies in the modernizing world, Lebow starts with individuals, psychology, and human motives. Following ancient Greek thought, he posits that individuals build social order around a few core impulses of the human psyche: spirit, appetite, and reason. Across the ages, political orders have relied on different mixes of these primal impulses to achieve a stable peace. Drawing on philosophy, history, political science, social psychology, and theories of identity, Lebow builds a “paradigm of politics” that seeks to account for variations over time in the way governance has been organized. A rich intellectual feast ensues, as he depicts alternative world orders built around different combinations of spirit, appetite, and reason. Chapters on specific time periods explore how values and practices have evolved over the grand sweep of time, with spirit-based politics having given way to the shifting calculations of appetite, the conflict-prone sentiments of fear, and the restraining impulses of reason. Architectonic and provocative, this book will take its place alongside other major theories of world politics.

The Best Laid Plans: The Origins of American Multilateralism and the Dawn of the Cold War. BY STEWART PATRICK. Rowman & Littlefield, 2008, 412 pp. \$44.95.

In this beautifully written account of the genesis of the post-1945 world order, Patrick traces the celebrated efforts of the Roosevelt and Truman administrations to turn victory in World War II into an open and stable international system. He emphasizes the interplay among ideals,

interests, and power. The United States’ postwar preeminence created an extraordinary opportunity to forge a global system according to its liberal ideals and traditions. But the weakness of Europe and the emerging struggle with the Soviet Union forced compromises that ultimately brought forth a Washington-led hegemonic system that coexisted with the Cold War’s bipolarity. Patrick follows the American architects as they seek to construct a system of collective security, promote the free flow of money and goods, and protect political self-determination. Most interesting is the book’s tracing of the compromises they pursued as the prospects for cooperation with Stalin faded. All along, Patrick makes clear that the United States’ embrace of multilateralism was driven by both ideals and the practical demands of geopolitics and that the Cold War heightened these impulses toward multilateralism. The result is an eloquent reminder that a great deal of what the United States did in fighting the Cold War was done in the West, among allies.

The Liberal Project and Human Rights: The Theory and Practice of a New World Order. BY JOHN CHARVET AND ELISA KACZYNSKA-NAY. Cambridge University Press, 2008, 446 pp. \$81.00 (paper, \$29.99).

The liberal vision of world politics seemed to emerge triumphant in the aftermath of the Cold War, but doubts have since grown about its superiority and universal appeal. This book rises to its defense, providing a comprehensive restatement of liberalism’s intellectual foundations and historical accomplishments. Somewhat awkwardly, the book combines two distinct efforts. One is to make the case for

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liberalism—and “the liberal project”—as the most successful way of organizing the modern world, and the result is a coherent and even inspiring rendering of liberal ideas as they have evolved and spread. The other is to recount the various international human rights treaties and agreements that have been signed in the last half century. This encyclopedic effort shows the impressiveness of the postwar human rights revolution, but it is less successful in illuminating the dilemmas and challenges that confront the liberal internationalist agenda. The authors also reflect thoughtfully on the uneasy embrace of liberalism in non-Western societies. Ultimately, it is liberalism’s commitment to tolerance and to the inherent dignity of humans that can make liberalism universally relevant in a world with few, if any, grand ideological rivals.

Achieving Human Rights. BY RICHARD FALK. Routledge, 2008, 256 pp. \$130.00 (paper, \$29.95).

The global human rights revolution began with the United Nations’ adoption of the Universal Declaration of Human Rights in 1948. Since then, dozens of covenants, treaties, and proclamations have extended its principles, and countless political struggles around the world have flown the flag of universal human rights. Falk has been one of the most articulate champions and chroniclers of this global revolution, and his book offers new dispatches from the field. He is inspired by the social movements, transnational communities, norms of humanity, and globalizing technologies that are pushing and pulling the world toward a post-Westphalian system of human rights. But he is also skeptical of the idea that the time has arrived for such an

epochal transformation. He argues that the United States may reacquire its moral standing as a global hegemon and that the liberal international order may be rebuilt and extended in the decades ahead. He does not, however, see a path forward to a more inclusive and democratic form of global governance. Falk’s contribution is to imagine new and futuristic forms of citizenship and world democracy that someday may push beyond the Westphalian frontier.

Making U.S. Foreign Policy Toward South Asia: Regional Imperatives and the Imperial Presidency. EDITED BY LLOYD I. RUDOLPH AND SUSANNE HOEBER RUDOLPH. Indiana University Press, 2008, 448 pp. \$65.00 (paper, \$24.95).

Rudolph and Rudolph, longtime leading scholars of the United States’ relations with India, explore the ways in which three “imperial” presidents—Lyndon Johnson, Richard Nixon, and George W. Bush—conducted policy toward a fast-changing South Asia. Revisiting arguments made in their 1980 book, *The Regional Imperative*, the Rudolphs are particularly interested in how U.S. foreign policy decision-making incorporates or ignores the expertise of country and regional specialists and military professionals. As the political scientist Richard Neustadt did with his two images of executive power, they argue that presidents have tended to employ one of two approaches to foreign policy: one based on “imperative” coordination (marked by hierarchy and command) or one based on “deliberative” coordination (marked by collegiality and persuasion). The Rudolphs suggest that presidents who engage in deliberative processes will be more open to the local knowledge that specialists

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have to offer. In their view, the Johnson, Nixon, and Bush administrations were remarkable in the extent of their imperative forms of decision-making—and flawed and self-defeating policies thus followed.

Economic, Social, and Environmental

RICHARD N. COOPER

The Russia Balance Sheet. BY ANDERS ÅSLUND AND ANDREW KUCHINS. Peterson Institute for International Economics and the Center for Strategic and International Studies, 2009, 207 pp. \$24.95.

Modeled on an earlier collaboration on China between the Peterson Institute for International Economics and the Center for Strategic and International Studies, this book provides an up-to-date overview of Russia's economic policy and political direction under the country's former president, Vladimir Putin, who is now prime minister. It is a fruitful collaboration between an economist and a political scientist—not always easy—that produces a fine synthesis. The authors argue that during the first decade of this century, the fundamentally poor condition of Russia's economy was concealed by growing oil and gas exports, which by 2007 accounted for over 60 percent of the country's export revenues and half of the government's revenues. This windfall permitted a significant increase in incomes after the decline of the late 1990s, greater military spending, and a more aggressive foreign policy—changes generally popular with the Russian public. Russians accepted

Putin's gradual suppression of liberties and reassertion of the Kremlin's authority in return for increased prosperity and a more nationalist stance in international affairs. The authors observe that how pro-Western Russia's foreign policy is is inversely related to the price of oil, and they suggest that the recent decline in the price of oil may lead to a more accommodative Moscow.

False Economy: A Surprising Economic History of the World. BY ALAN BEATTIE. Riverhead Books, 2009, 336 pp. \$26.95.

This lively book is a quirky, selective history of the world emphasizing economic endowments and incentives. It thrives on paradoxes, such as why Argentina, one of the world's richest and most promising countries in 1900, is now considered a mediocre developing country; why Indonesia under the corrupt Suharto showed much economic progress after 1970, whereas Tanzania under the honest Julius Nyerere showed none; and why Egypt, once the granary of the Roman Empire, now imports half of its staple food. The book stresses the importance of initial conditions and path dependence—history and tradition—while insisting that people are in charge of their subsequent fates through the choices they make, especially with respect to policies, which can either promote or inhibit progress. Vested interests resist change in every society; crises, which reveal failures in existing arrangements, may be necessary to overcome them, but they need to be exploited.

Sustainable Energy—Without the Hot Air.

BY DAVID J. C. MACKAY. UIT

Cambridge, 2009, 384 pp. \$49.95.

Guided by numbers, not adjectives, MacKay, a Cambridge University physicist,

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provides a critical look at the diverse possibilities for introducing renewable energy (including nuclear energy). Merely describing the possibilities for wind or tidal energy as “huge,” for example, is not helpful if the objective is to actually reduce climate change or eliminate the need to import oil and coal. Irritated by the “flood of crazy innumerate codswallop” to which the public is subjected, the author sketches the actual possibilities for harnessing renewable energy with today’s and tomorrow’s technologies. His calculations are for the United Kingdom, but the basic physics applies to all countries. He predicts that the United Kingdom will fall far short of the EU’s objective of supplying 20 percent of all its energy with renewable sources by 2020. That would require massive investments and would use massive amounts of land and coastline (the book specifies how much of each), even with extensive energy-conservation efforts. This is a useful, down-to-earth handbook on what is possible, what is difficult, and what is impossible when it comes to phasing out the use of fossil fuels.

Forced to Be Good: Why Trade Agreements Boost Human Rights. BY EMILIE M. HAFNER-BURTON. Cornell University Press, 2009, 232 pp. \$39.95.

Preferential trade agreements have proliferated in the past two decades. Over time, those negotiated by the United States and the European Union have increasingly incorporated standards that do not relate directly to trade, especially ones involving human rights. This book explores the extent of this development, the reasons for it, and the consequences. Some countries, including democratic India and nondemocratic China, strongly object to such

standards and can prevent their inclusion in multilateral trade agreements to which they are parties. But the United States and Europe can impose them in bilateral agreements with smaller countries that badly want better access to these two large markets. Linking trade preferences to human rights has clearly influenced the laws of many negotiating partners, sometimes even before the agreements have been signed. The extent to which they actually improve the rights of workers (emphasized by the United States) or the rights of citizens (emphasized by Europe) awaits further research and the passage of time.

Military, Scientific, and Technological

LAWRENCE D. FREEDMAN

Vietnam If Kennedy Had Lived: Virtual JFK.

BY JAMES G. BLIGHT, JANET M. LANG, AND DAVID A. WELCH. Rowman & Littlefield, 2009, 456 pp. \$34.95.

For over two decades, Blight, Lang, and Welch have used oral history to illuminate the key decisions taken by the Kennedy and Johnson administrations on Cuba and Vietnam. Former policymakers, kept honest by packages of documents and by the prompts of academic historians, are urged to reminisce in one another’s company. Alas, the passage of time means that fewer practitioners are left to contribute, and so this latest volume is more a contest of historians, supported by a few veterans, exploring the question of whether John F. Kennedy would have eventually been obliged, as his successor was, to send combat troops to Vietnam. Some are

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convinced that he was determined to avoid further entanglement; others say he would have been as reluctant as Lyndon Johnson to withdraw from Vietnam in the face of accusations of weakness and appeasement. The authors give the exchanges a sense of drama and profundity that they do not always deserve. They make a fair case that this “virtual history” is a much more serious exercise than counterfactual history, even though it is still basically speculative. The liveliness of the exchanges and the enthusiasm of the participants do illuminate this critical period in U.S. history. There are still no definitive answers: it is impossible to know how Kennedy would have responded to the evidence that his policies were failing. But he was highly unlikely to have followed the exact path that Johnson did, which not only raised the level of American commitment to the war but did so in a muddled way.

Paying the Human Costs of War: American Public Opinion and Casualties in Military Conflicts. BY CHRISTOPHER GELPI, PETER D. FEAVER, AND JASON REIFLER. Princeton University Press, 2009, 280 pp. \$65.00 (paper, \$26.95).

The loss of popular support for the Vietnam War triggered a debate about whether Americans would ever support military campaigns that resulted in a significant number of casualties. After the Cold War, the question tended to be how high casualties needed to rise before they started to become significant, and the answer appeared to be not very high. Gelpi and Feaver were among those who wondered whether the assumption of a low tolerance for casualties was entirely correct. In this new book, joined by Reifler and informed by the experiences of the wars in

Afghanistan and Iraq (where casualties accumulated well beyond initial expectations), they return to the issue. Although their data do not take them much beyond the 2004 U.S. presidential election, their analysis is convincing. They take apart the simplistic view that support for a war goes down as casualties go up. By and large, the picture is of the American people weighing the issues as well as they can, taking their cues from the political elite and the media. The conclusion is that the basic aversion is to defeat.

The Tradition of Non-Use of Nuclear Weapons. BY T. V. PAUL. Stanford University Press, 2009, 336 pp. \$75.00 (paper, \$29.95).

Nonproliferation Norms: Why States Choose Nuclear Restraint. BY MARIA ROST RUBLEE. University of Georgia Press, 2009, 296 pp. \$64.95 (paper, \$22.95).

These two books are dedicated to the proposition that things that do not happen can be as important as things that do. Rublee is interested in why countries that could have acquired nuclear weapons chose not to, whereas Paul considers why those that chose to acquire them have not used them. Both believe this has something to do with norms, as considerations of reputation and values mix with calculations of self-interest. Paul’s book has a lighter touch, but the ground is also more familiar. It is useful to be reminded of the instances in which the weapons might have been used, especially during the early years of the Cold War, before the tradition of nonuse was established. There might be questions about some of Paul’s interpretations, but his basic analysis is carefully phrased and well judged.

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Along with generations of doctoral candidates in international relations, Rublee has been obliged to go heavy on theory and demonstrate for the umpteenth time that neither the realist nor the liberal approach is adequate on its own. The theorizing does help when she explores the variety of ways that a nonproliferation norm might work. She has also chosen her case studies well, as examples in which a security argument could be made for a nuclear program: she explores Egypt and Japan in considerable detail and provides briefer considerations of Germany, Libya, and Sweden. In the Libyan case, to take one controversial example, she demonstrates that abandoning the nuclear option was not a response to the U.S. invasion of Iraq but part of a considered change of national policy, designed to escape pariah status. The discussion of Japan reveals the constant tension between a security worry and a popular antinuclear mood. All these cases support her contention that social environments need to be examined as carefully as security environments. It has long been claimed that the virtue of the Nuclear Nonproliferation Treaty lies in its establishing an influential norm; Rublee provides a compelling demonstration that this is indeed the case.

Intelligence for an Age of Terror. BY

GREGORY F. TREVERTON. Cambridge University Press, 2009, 320 pp. \$30.00. Treverton gained his first insights into the inner workings of the intelligence community while working, in the mid-1970s, for the U.S. Senate Select Committee on Intelligence, which lifted the lid on some of the CIA's less savory practices. Of course, these things never stay covert, and the recent revelations about the interrogation

techniques and renditions undertaken in the name of the "war on terror" mean that there is now once again pressure on the CIA to clean up its act. The constant struggle to find ways of maintaining the United States' ideals in the face of its security dilemmas and the extraordinary bureaucratic dysfunctions in the intelligence community give the book what Treverton describes as a "wistful tone." This tone, along with a conversational style and anecdotes drawn from years of experience with intelligence issues, raises this account above the many other earnest tracts on these matters. As Treverton discusses how to promote strong leadership that can transcend factional fights, deal with the compartmentalized nature of intelligence collection and analysis, and make sure that relevant information gets to those who need it most, his conviction that something really should be done to sort out the intelligence community competes with a wearisome sense that it probably will not happen.

The United States

WALTER RUSSELL MEAD

Tried by War: Abraham Lincoln as

Commander in Chief. BY JAMES M.

MCPHERSON. Penguin, 2008,

384 pp. \$35.00 (paper, \$17.00).

With U.S. President Barack Obama confronting two foreign wars and the potential for more, this timely book by the noted American Civil War historian McPherson shows how Abraham Lincoln handled the pressures of a wartime presidency. Once Lincoln realized that war would be the major business of his administration, he made a serious study of the art of war

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and, in McPherson's judgment, devised campaign plans that in a number of cases were superior to those of his professional generals. Although Lincoln did not read Clausewitz, he seems to have intuitively grasped Clausewitzian principles: that the destruction of the enemy's army, not the control of a fixed point (such as Richmond), should be the goal, and above all that war is a political act and that a political vision must guide the use of force. McPherson shows how Lincoln's slow move toward something like total war flowed from his political understanding of the changing dynamics of the conflict and also how Lincoln's sensitivity to domestic political currents informed key decisions. A president's role in a war, McPherson argues, is essentially twofold: to manage the political dimension of the war and to monitor the performance of its commanders, promoting those who succeed and removing those who fail. Obama has made no secret of his admiration of Lincoln; this is a book that would not be out of place on a bedside table in the White House.

A Safe Haven: Harry S. Truman and the Founding of Israel. BY RONALD

RADOSH AND ALLIS RADOSH.

HarperCollins, 2009, 428 pp. \$27.99.

This detailed account of Harry Truman's role in the partition of Palestine and the establishment of the state of Israel offers a useful and clear account of a complex chain of events. Although the authors are sympathetic to both the Zionist cause and Truman, they still cite instances of "Jewish terrorism" in Palestine and can be candid about Truman's lack of preparation and sometimes erratic temperament. While documenting the extraordinary pressure that Jewish groups put on the adminis-

tration and Congress, the book portrays the mix of motives that shaped Truman's shifting policy toward the developing crisis. A strong personal sympathy for the Jewish cause, an outrage at the plight of Jewish refugees post-Holocaust, a realization that the public would resist any new mass immigration to the United States from Europe, a belief that the State Department was overstating the dangers of a pro-Jewish policy in the Middle East, and a feeling that the United Kingdom ought to fulfill its earlier commitments under the Balfour Declaration all seem to have gone into Truman's thinking. His political calculations on the issue seem to have been aimed less at producing gains than at avoiding losses. Any sign of wavering in his support for a Jewish state brought threats from both the left and the right. If his policy was an attempt to win Jewish votes, it failed; Truman squeaked through in the 1948 election without the weighty electoral votes of New York and Pennsylvania. Regardless, he remained enormously proud of his support for Israel for the rest of his life; *A Safe Haven* helps readers understand why.

The First Tycoon: The Epic Life of Cornelius Vanderbilt. BY T. J. STILES. Knopf,

2009, 736 pp. \$37.50.

This eminently readable and engaging biography of the richest man in the first hundred years of the United States' independence is a landmark study that significantly enhances one's understanding of U.S. economic history. Cornelius Vanderbilt, the original "robber baron," was a self-made steamboat magnate who mastered the dynamics of the emerging railroad industry, challenged the financier Jay Gould in the New York money markets,

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and built the first true corporate conglomerate in U.S. history. Like the discount airline start-ups that bankrupted legacy carriers, Vanderbilt's steamboat companies attacked established carriers on lucrative routes from New York City to first Albany and then Boston, San Francisco, and Europe; the management techniques Vanderbilt developed in these ventures allowed him to outcompete established rail carriers as well. What makes this book truly remarkable is the author's breathtaking grasp of history; as Stiles comes to grips with contemporary essayists such as Charles Francis Adams, who wrote on Vanderbilt, one realizes that his ability to integrate economic, technological, intellectual, and political history makes him one of the most exciting writers in the field.

Global California: Rising to the Cosmopolitan Challenge. BY ABRAHAM F.

LOWENTHAL. Stanford University Press, 2009, 240 pp. \$60.00 (paper, \$21.95). If the 50 U.S. states were independent, each would have its own foreign policy based on its unique interests and culture. In this stimulating book, Lowenthal looks at California's international interests and asks what Californians can do to advance them. No secessionist, he reiterates his support for the supremacy of the federal role in foreign policy. But he points out that California, with an economy large enough to in theory earn it a place in the G-8, has serious international concerns of its own. Lowenthal identifies a range of specific interests that Californians share and proposes methods of addressing them within the current constitutional structure. This is a useful and important exercise, one that researchers in every state should

conduct. Yet as Lowenthal outlines the diversity of California's interests and the weakness of its governance structures, the reader comes to feel that the incoherence of California's approach to its international interests is less a unique problem than an extension of the state's political crisis, which affects its domestic agenda as well.

American Idol After Iraq: Competing for Hearts and Minds in the Global Media Age. BY NATHAN GARDELS AND MIKE MEDAVOY. Wiley, 2009, 184 pp. \$74.95 (paper, \$24.95).

Gardels and Medavoy, two of California's most creative public intellectuals, bring a West Coast perspective to the role of culture in foreign policy. As they trenchantly demonstrate, the shifts in U.S. popular culture since the 1960s have had a dramatic impact on global perceptions of the United States. Today, the global media marketplace is changing again; U.S. cultural products compete with Brazilian and Mexican soap operas, Japanese animation, and Chinese and Bollywood films. In much of the world, MTV offers more local than U.S. content, and companies such as Disney are increasingly producing content for non-U.S. markets and sensibilities. Paradoxically, Americans are often less aware of global cultural trends than people in other countries are; saturated in their own media, they see fewer foreign films and fewer foreign television programs. Gardels and Medavoy offer interesting observations on these and other trends. Their most intriguing prescription is for the creation of an organization modeled on the Council on Foreign Relations that would focus on the role of culture in international affairs.

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Western Europe

ANDREW MORAVCSIK

The Euro: The Politics of the New Global

Currency. BY DAVID MARSH. Yale

University Press, 2009, 352 pp. \$35.00.

For those who find international monetary policy a snooze, Marsh—a former *Financial Times* correspondent, now an investment banker—is the man to liven it up. The result is the most readable overview available of European monetary cooperation, from Bretton Woods to today’s European Central Bank. Yet Marsh’s tendency to focus on individuals and their stories, even when backed by admirable forays into the archives, sometimes misses the forest for the trees. Too little attention is paid to the deep structural forces and profound economic illusions that drew Europeans together. Marsh revives, for example, the tired view that Germany surrendered the deutsche mark only when, in 1990, French President François Mitterrand threatened to block German reunification. In fact, Marsh’s own evidence suggests that European leaders, including German ones, wanted to stabilize trade, reform domestic labor markets, and ward off the effects of dollar instability. Pity it has not always worked out that way.

The Third Reich at War. BY RICHARD J.

EVANS. Penguin, 2009, 944 pp. \$40.00.

World War II was the defining international conflict of the twentieth century. Evans’ magisterial trilogy, of which this is the final volume, is the best account of the regime that caused it. The book is not simply an informative reference but also a riveting read, drawing piquant

details from mass statistics and individual lives alike. Three themes dominate: first, that Germany’s defeat was likely from the start, given that the Allied coalition was, in industrial and military might, five times as powerful as the Reich; second, that the brutality of German occupation was not only immoral but self-defeating, undermining potential supporters and allies, particularly in the Soviet Union; and third, that Germans backed this futile effort because a minority truly believed in it and the rest were caught up in Hitler’s clever policy of incrementally implicating the population in his own crimes.

History Strikes Back: How States, Nations, and Conflicts Are Shaping the Twenty-first Century. BY HUBERT VÉDRINE.

Brookings Institution Press, 2008, 160 pp. \$22.95.

When a French Socialist calls the United States a “hyperpower,” most Americans assume he is an ideologue—or just jealous. Yet this thoughtful book by the former French foreign minister who coined the phrase and opposed the Iraq war is no rant. It is a sober plea for what Védrine terms “smart realpolitik,” on which he thinks the United States and Europe could agree. National cultures and interests inevitably diverge, so international problems, he argues, are not best solved by imposing democracy. Instead, countries must strike tough-minded deals with foreign governments, whether those governments are likable or not. Védrine believes that stronger multilateral institutions, which many Europeans dream of, often undermine national capacities. And so, he says, naive EU federalists should not push a constitution or Turkish membership; European defense cooperation would be

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more useful. Védérine is not always so sure-footed: his pan-European referendum would be unruly, his solution to the Israeli-Palestinian dispute remains vague, and, like many in France, he overemphasizes military power. Overall, however, his analysis is balanced and lucid.

*Reflections on the Revolution in Europe:
Immigration, Islam, and the West.*

BY CHRISTOPHER CALDWELL.

Doubleday, 2009, 432 pp. \$30.00.

Nothing is as seductive as a half-truth. Caldwell's is that immigrants to Europe cause serious problems because Europeans, overcome with leftist good intentions, have coddled them with generous welfare and tolerated their non-Christian values. Yes, immigration poses distinct challenges for Europe, but to attribute them to European generosity and tolerance is like saying that crime, drugs, and other social problems in the United States are caused by welfare, affirmative action, and lax cultural mores. Of course, that is what the crowd that reads Caldwell regularly in *The Weekly Standard*, among whom this book will play well, really does believe. In truth, however, the role of Muslims in contemporary Europe is far more ambiguous. When the Parisian *banlieues* erupted in riots, for example, traditional imams tried to quell the violence, but they could not control the non-Arabic-speaking, irreligious young men who wanted nothing more than to be assimilated as secular, employed Frenchmen. As the title of this overwrought book suggests, however, an appreciation of the complex challenges facing European leaders is not Caldwell's objective. For that, look elsewhere.

Re-energising Europe's Security and Defence Policy. BY NICK WITNEY. European Council on Foreign Relations, 2008, 66 pp. Free online.

This slim volume makes the most persuasive case possible for the collective modernization and reform of European defense. Witney, a longtime British diplomat and defense official, points out that Europe, which accounts for 25 percent of the world's military spending, wastes much of that money. Seventy percent of European troops are not capable of operating outside Europe. Their weapons are obsolete, and essential tasks are beyond them. According to Witney, the European Union cannot fix this; its members must do it themselves. Europeans, he proposes, must commit to an arrangement whereby "pioneer groups" of those countries that agree to pool their resources and set sensible priorities take the first step of reform together, leaving the others behind. Yet Witney's prescriptions presume that governments are independent from the military-industrial and parliamentary special interests that impede reform in Europe, as they do elsewhere—a problem about whose solution this report tells little. Still, for those who hope that Europe can be more than the world's leading civilian superpower, there is no better place to start than with this book.

Western Hemisphere

RICHARD FEINBERG

Brazilian Foreign Policy After the Cold War.

BY SEAN W. BURGESS. University Press of Florida, 2009, 248 pp. \$65.00.

Drawing on extensive interviews with Brazilian diplomats, the Canadian scholar

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Burges cogently argues that Brazil is self-consciously pursuing a “consensual hegemony” to establish leadership in South America, partly in order to gain regional support for its international initiatives. This pursuit relies not on coercion or force, he finds, but rather on an inclusive, consultative style of leadership. Burges prefers the more oblique, behind-the-scenes statecraft of professional diplomats and of former Brazilian President Fernando Henrique Cardoso to the explicit leadership claims of Cardoso’s successor, Luiz Inácio Lula da Silva—for Brazil, he argues, has lacked the resources to provide the public goods and pay the financial costs of explicit hegemony. More recently, the Brazilian Development Bank has been promoting the internationalization of Brazilian firms and the Brazilian government has begun to use its \$200 billion in reserves to expand its regional influence. But it is unclear whether these new economic incentives will temper the resistance of Argentina, Chile, Colombia, and Venezuela to Brazilian hegemony in South America—a question somewhat underexplored by Burges.

From Pride to Influence: Towards a New Canadian Foreign Policy. BY MICHAEL HART. University of British Columbia Press, 2008, 448 pp. \$85.00 (paper, \$34.95). Hart, a senior Canadian diplomat and scholar, argues passionately that his fellow citizens should get over their dangerous illusions of difference and self-importance and instead focus on solidifying their security and economic relations with the United States. He works hard at sounding like a heavy-duty realist, fiercely flogging the romantic shibboleths of liberal internationalism that hold sway in Canadian foreign policy circles and academe. And

he claims—without persuasive evidence—that Canada has paid a price for its pride. Nevertheless, Hart’s policy recommendations move very much toward the pragmatic center. For example, he agrees that although the United States is paramount, it makes sense for Canada to deepen its relations with Latin America and Asia, too. Unlike some U.S. realists, Hart believes strongly in international law and international institutions (although only efficient ones) and proposes that Canada and the United States formally institutionalize their many disparate arrangements so as to better nurture the habits of partnership. Liberalism-versus-realism diatribes aside, Hart possesses deep knowledge of both Ottawa and Washington, and there are few, if any, better discussions of the history and current politics of U.S.-Canadian relations.

San Martín: Argentine Soldier, American Hero. BY JOHN LYNCH. Yale

University Press, 2009, 268 pp. \$35.00. The veteran British historian Lynch has written a worthy companion volume to his acclaimed biography of Simón Bolívar. Liberator of Argentina, Chile, and Peru, José de San Martín (1778–1850) lacked the intellect, passion, and guile of Bolívar, who famously dispatched his rival with apparent ease when their ambitions collided over Peru. (What historians would give to have had a third party at these two men’s single, private encounter in Guayaquil!) Nevertheless, Lynch unearths many similarities between the two early Latin American heroes: both began with republican ideals yet abhorred social rebellion and mob anarchy and became obsessed with their desire for strong government; both were driven more by grand

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ideas than by lust for material gain; and both of their glorious military campaigns ended in embittered, painful exiles, having been defeated not by opposing armies but by factional politics. Beautifully crafted, Lynch's history firmly roots the two continental leaders in the urgent and divisive philosophical debates, multilayered social conflicts, and countless political intrigues of their times. The book also contains one particularly timely footnote: as ruler of Peru, San Martín personally outlawed all forms of torture.

A Contemporary Cuba Reader: Reinventing the Revolution. EDITED BY PHILIP BRENNER, MARGUERITE ROSE JIMÉNEZ, JOHN M. KIRK, AND WILLIAM M. LEOGRANDE. Rowman & Littlefield, 2007, 352 pp. \$75.00 (paper, \$34.95).

Since the collapse of the Soviet Union, the aging Cuban leadership has struggled to adapt to a radically changing international environment without loosening its firm grip on power. The 49 contributions to this outstanding anthology trace continuity and change during Cuba's "special period" (1986–2006) in the country's foreign policy, domestic economics and politics, social values, culture, and media. Although some chapters underscore the Cuban Revolution's high moral aspirations and social gains, there is a subtle but detectable undercurrent of pessimism, as the authors show how the Communist authorities have insisted on constraining or even reversing hopeful experiments in more independent forms of civil society and economic entrepreneurship. The current leadership clearly fears "contamination" from wider contacts with the U.S. mainland; more realistically, U.S. and Cuban

foreign policy experts suggest exploring mutual interests on practical matters, such as immigration, counternarcotics strategy, and limited economic exchange—interaction well short of full diplomatic normalization. Post-Fidel, whether Cuba will experience a gradual transition, with the authoritarian regime remaining largely intact, or undergo a systemic transformation remains an open question.

The Illusion of Civil Society: Democratization and Community Mobilization in Low-Income Mexico. BY JON SHEFNER. Penn State University Press, 2008, 240 pp. \$55.00.

Shefner's account of his immersion in a poor Mexican neighborhood on the periphery of Guadalajara provides a vivid filter through which to view the gradual democratization and social frustrations of urbanizing Mexico. A participant-observer sociologist, Shefner documents the tensions between Jesuits and local community organizations and argues that the religious intellectuals' focus on nationwide democratization and partisan politics has been an ill-conceived distraction from the barrio's immediate needs for connected sewers and paved roads. But he overreaches when he attempts to generalize from this one particular case study to assert broader claims, arguing that scholars and activists who have placed much faith in civil society have overestimated the impact of community organizations, masked underlying Marxian conflicts, and skirted the limits of neoliberal capitalism. As an alternative strategy for change, Shefner cursorily posits a "return to specificity"—focusing on class, ethnicity, and gender—as each social cleavage becomes a "locus of resistance to domination."

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Eastern Europe and Former Soviet Republics

ROBERT LEGVOLD

Inside the Stalin Archives: Discovering the New Russia. BY JONATHAN BRENT.

Atlas & Co., 2008, 336 pp. \$26.00.

This book is one of the most remarkable recent undertakings in publishing and certainly the most important for the Soviet period. Brent has overseen Yale University Press' exceedingly ambitious project to expose the hidden details of the Stalin period contained in the Soviet archives. His tales of how he picked his way through the decrepit labyrinth guarding these secrets, his surprising finds, and the deals he cut are the book's great virtues. But in full-flavored fashion, he also shares his experiences living on the hard side of life in Boris Yeltsin's Russia, albeit as something of a naive without the comparative perspective of what came before. Similarly, his deeper insights into the echoes of Stalin's Soviet Union in the Russia he encountered overly mimic the world preoccupying him in the archives. Brent is not merely a good writer; he is an artist, and the book is a pleasure to read.

Russia Since 1980. BY STEVEN ROSEFIELDE AND STEFAN HEDLUND. Cambridge University Press, 2008, 374 pp. \$90.00 (paper, \$25.99).

Among books deeply critical of contemporary Russia, this may be the hardest of the hard—partly because it finds so little inspiration in all of Russian history.

Indeed, the authors' core thesis blames the dogged persistence of "Muscovite Russia"—the tyrannical and militarized state formed in the fifteenth century—for the failings of all who have since led the country, including Mikhail Gorbachev, Boris Yeltsin, and Vladimir Putin. As they put it, Putin's Russia is like its predecessors, "a repressive neoimperial authoritarian martial police state." The more mundane explanation supplied for why Gorbachev's perestroika and Yeltsin's democratic promise came to nothing, however, has to do with those leaders' complicity, witting or not, in ceding the process of liberalization to "profiteers," who turned it to their own selfish ends. All this is argued with an elaborate exploration of economic data. The authors reach the melancholy conclusion that Russia will in the future be as before: "a major player on the global stage, vulnerable to internal rent-seeking subversion, international overreach, and sudden catastrophic collapse."

War and Peace in the Caucasus: Ethnic Conflict and the New Geopolitics. BY VICKEN CHETERIAN. Columbia

University Press, 2009, 288 pp. \$40.00.

Mostly it has been war or its ersatz for the Caucasian states over the 18 years since they gained independence. The reasons are tangled and reach back into a complex history, but, Cheterian argues, they come down to a common cause: the disintegration of the Soviet Union. Nationalism did not destroy the Soviet Union; the collapse of the Soviet Union allowed national grievances and anxieties to flourish. How this worked in three early wars—those in Nagorno-Karabakh, South Ossetia and Abkhazia, and Chechnya—he probes in intricate detail, a good deal of which he knows first-

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hand from his days as a newspaper reporter in the region. He insists that although history played its role, the violence had its own causes. Russia may have been an abettor, but it was neither the source nor the essence of the problem. One cannot understand the current unresolved turmoil in the Caucasus, including last fall's war in Georgia, without having read this book.

Zhivago's Children: The Last Russian Intelligentsia. BY VLADISLAV ZUBOK. Harvard University Press, 2009, 464 pp. \$35.00.

The Soviet Union, even in its dreariest periods, percolated with a restless intelligentsia—many of whose members were disillusioned and divorced from the system, still more of whom were fired by a recrudescing idealism. They came in waves, and Zubok uses the author Boris Pasternak as the symbol of an earlier generation inspired by nineteenth-century cultural icons who then energized a generation of writers, artists, and scientists in the Khrushchev era—that is, until Nikita Khrushchev and the wardens of ideology clamped down in 1963. Zubok, who grew up in the Soviet Union a child of “Zhivago's children,” weaves a rich tapestry that portrays the surges and ebbs in passions, the divisions and betrayals, the quasi alliances with enlightened apparatchiks, and, ultimately, the milieu's fragmentation and atrophy after 1968. The result is a pulsing, full-bodied history of people and trends that were only glimpsed in detached pieces at the time.

The Odd Man Karakozov: Imperial Russia, Modernity, and the Birth of Terrorism. BY CLAUDIA VERHOEVEN. Cornell University Press, 2009, 248 pp. \$39.95. It is often argued that terrorism in its

modern form originated in tsarist Russia in the 1870s with the birth of the revolutionary organization known as the People's Will. Verhoeven argues that the real forerunner was the psychologically unbalanced, self-imagined revolutionary Dmitry Karakozov, who in 1866 committed the until-then-unthinkable public act of attempting to shoot the tsar. (He missed.) His arrest, trial, and execution and the frenzied efforts of the regime to prove a vast revolutionary conspiracy, she contends, rippled through society, affecting everything from who Fyodor Dostoyevsky's protagonist Raskolnikov became to the symbolism invested in the most mundane aspects of Karakozov's being. To make the case, Verhoeven engages in sweeping meta-historical analysis that stretches the reader's imagination almost as much as her own. This allows her to extract a great deal from a case whose essential questions remain unanswered almost a century and a half later.

Stalin's Police: Public Order and Mass Repression in the USSR, 1926–1941. BY PAUL HAGENLOH. Johns Hopkins University Press, 2009, 480 pp. \$45.00.

The near torrent of works attempting to reconstruct and rectify the historical record of the Stalin era continues, and this one is a worthy example. In July 1937, Stalin ordered the mass purging of “kulaks, criminals, and other anti-Soviet elements.” These were not the party officials, diplomats, and military officers already consumed earlier in the purges but ordinary criminals, peasants guilty only of being better off, and members of “suspect” ethnic groups. They died by quota, and before the operations were called off, more than 1.15 million had been arrested and 683,000 shot. This phase of

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the purges has long been treated as either the spillover from Stalin's political rampage or the snowball effect of ever-widening denunciations. Not so, maintains Hagenloh. It was a separate process whose origins trace back to early Bolshevik concepts of civil policing against "crime and social disorder." Society, the new idealists believed, could be protected by identifying, tracking, and removing potentially harmful individuals. Once the political police gained ascendance over the civilian *militsiya* in the 1930s, the idealism evaporated and crude repression set in. The targets became cohorts, not individuals, and the methods brutal and arbitrary. Hagenloh, in a massive marshaling of archival material, shows how the process escalated over the decade, until the final hell of 1937–38, with lingering effects long after.

Middle East

L. CARL BROWN

Guardians of the Revolution: Iran and the World in the Age of the Ayatollahs. BY RAY TAKEYH. Oxford University Press, 2009, 328 pp. \$27.95.

The Islamic Republic of Iran, born in revolution, is now 30 years old. It has already bested the survival record of the state that arose from the French Revolution and would appear to be following on the regional level the trajectory of the state that arose from the Russian Revolution, which by 1947 had become a Stalinist autocracy of global reach. An excellent way to take the measure of revolutionary Iran today is to read this up-to-date, well-researched, and perceptive history of its foreign policy since 1979. In Takeyh's

periodization, the revolutionary 1980s of Ayatollah Ruhollah Khomeini's leadership and the long, brutal Iran-Iraq War were followed by the pragmatism and opportunism of President Ali Akbar Hashemi Rafsanjani's tenure. Thereafter came the two presidential terms of the reformist Muhammad Khatami and then Mahmoud Ahmadinejad's flamboyant presidency. Looming ever larger in the post-Khomeini period was Khomeini's successor as supreme leader, Ayatollah Ali Khamenei. Told largely in terms of these leaders, the story also illuminates Iran's institutional tilt toward revolutionary purism, juxtaposed with state-centered foreign policy pragmatism (Islamism in one country?). Takeyh, who has now joined the Obama administration to work on Iran policy, lets his appraisal of the tortured relations between Iran and the United States take center stage without, however, neglecting Iran's multifaceted regional diplomacy. A short conclusion advises how the United States might best cope with this revolutionary regime, seemingly set to endure well past its first 30 years.

Engaging the Muslim World. BY JUAN COLE. Palgrave Macmillan, 2009, 288 pp. \$26.95.

The United States and the West distrust and fear Islam. Muslims distrust and fear the United States and the West. From yesterday's pan-Islam to today's Taliban, and from yesterday's Western colonialism to today's Western occupation of Afghanistan and Iraq, the "clash of civilizations" motif does not lack historical and cultural moorings. Such us-versus-them abstractions, however, miss a more nuanced reality. It is this nuanced reality that Cole captures with a readable mix of sound history, quantitative

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data (including poll findings), and challenges to received wisdom. Separate chapters treat the geopolitics of oil; Wahhabism and Saudi Arabia; the similarities and differences between Afghanistan and Pakistan; Iran, with due reference given to its regional ambitions; Egypt; and Iraq. The book offers a critique of U.S. policy (unremittingly severe on the Bush-Cheney years but also scoring Hillary Clinton and Barack Obama as presidential candidates for their aggressive campaign statements on Afghanistan and Pakistan). A concluding chapter suggests moderate and manageable policies the United States should enact to transcend its “Islam anxiety.”

Myths, Illusions, and Peace: Finding a New Direction for America in the Middle East. BY DENNIS ROSS AND DAVID MAKOVSKY. Viking, 2009, 368 pp. \$27.95.

Three “myths” and a tripartite approach to transcending them frame this book. The “core mythology” is that all Middle Eastern issues are linked to the Israeli-Palestinian conflict. The second myth concerns “larger themes of engagement versus nonengagement and regime change versus the change of regime behavior.” And the third myth relates to the question of democracy promotion. For each of the three, Ross (now serving in the Obama administration) and Makovsky present a Goldilocks solution in which the neo-conservative’s approach is too hot, the realist school’s is too cold, and theirs is just right. Even while dissociating the Israeli-Palestinian conflict from other problems, the authors demonstrate linkages galore and stress the importance of resolving it. Surely, the old adage that in the Middle East everything is linked to everything else offers a better road map

than denying any linkage between Israel and other issues. In addressing their second myth, the authors deal mainly with Iran and what are seen as its satellites, Hezbollah and Hamas, with Israel again very much in the picture. With the final section on democracy promotion including a separate chapter lauding U.S.-Israeli ties, the thrust of this book seems to offer yet another triad: the United States has only one true ally in the Middle East, Israel; its Arab friends are, alas, generally despotic and feckless; and its enemies are legion—Iran, Hamas, Hezbollah, and al Qaeda.

Kill Khalid: The Failed Mossad Assassination of Khalid Mishal and the Rise of Hamas. BY PAUL MCGEOUGH. New Press, 2008, 512 pp. \$26.95.

In September 1997, Israeli intelligence operatives disguised as Canadian tourists botched an attempted assassination of the Hamas leader Khalid Mishal on the streets of Amman, Jordan. Starting with this incident and its fallout, McGeough tells the story of Israeli-Palestinian relations since the 1980s, organized around Mishal and the radical Islamist Hamas that he now leads. Woven into this gem of leave-no-stone-unturned reporting is an account of the Israeli policies of harsh reprisals and targeted assassinations; the poor performance of the Palestine Liberation Organization; the United States’ on-again, off-again efforts to bring about an Israeli-Palestinian peace; and the Jordanian government’s complex relations with Hamas, other Palestinian groups, Israel, and the United States. A journalist colleague has likened *Kill Khalid* to a John le Carré novel, and why not? With their coverage of intelligence agencies, suicide bombings, targeted assassinations,

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the smuggling of arms and funds, and the atrocities committed by one side or the other that derail the dim chances for peace, McGeough's facts, like le Carré's fiction, tell a gripping story while showing the moral ambiguity of all parties concerned.

The Media Relations Department of Hizbollah Wishes You a Happy Birthday: Unexpected Encounters in the Changing Middle East. BY NEIL MACFARQUHAR.

PublicAffairs, 2009, 400 pp. \$26.95.

Having covered the Middle East for *The New York Times* from 2001 to 2005, having earlier worked in the Middle East with the Associated Press, and having earlier still grown up in Libya (where his father worked for Esso), MacFarquhar ranks among the more seasoned of U.S. journalists reporting on the Middle East. In what amounts to a personal bildungsroman, he traces his encounters with the Arab world from Morocco to the Persian Gulf. The first part of the book ranges discursively over such diverse subjects as Libya's Muammar al-Qaddafi, Hezbollah, al Jazeera, satellite television, jihad, fatwas, and the Lebanese singer Fairuz. The latter part evaluates the dismal record of intelligence-controlled autocracies in Bahrain, Egypt (whose relations with the Muslim Brotherhood he addresses), Jordan (which he ranks as "the best of the worst"), Morocco, Saudi Arabia, and Syria. Drawing on information gleaned from his personal contacts with officials in those regimes and even more from his contacts with would-be reformers, MacFarquhar also examines the dubious record of U.S. democracy promotion in the Middle East.

Asia and Pacific

ANDREW J. NATHAN

Prisoner of the State: The Secret Journal of Premier Zhao Ziyang. EDITED BY ADI IGNATIUS. TRANSLATED AND EDITED BY BAO PU AND RENEE CHIANG. Simon & Schuster, 2009, 336 pp. \$26.00.

After refusing to authorize the crackdown on student hunger strikers in Tiananmen Square in 1989, Zhao Ziyang, then general secretary of the Chinese Communist Party, was placed under house arrest. He remained there until his death in 2005. Around 2000, he found a way to make secret tape recordings, in which he refuted his rivals' charges against him. His fair-minded account of the events during the crisis tracks with what is known from *The Tiananmen Papers* (which I co-edited). Most revealing here is Zhao's measured, substantive account of his work as China's premier from 1980 to 1987, when he was responsible for implementing Deng Xiaoping's economic reforms. Zhao shows that Deng was an impulsive, sometimes contradictory decision-maker, whose political maneuvering could not prevent the widening split over the consequences of economic reform, a disagreement that broke into the open in 1989. Only during house arrest, says Zhao, did he come to believe that parliamentary democracy was the best form of government for China—one under which, however, he thought the leading position of the Chinese Communist Party could be maintained "for a very long time."

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The Peninsula Question: A Chronicle of the Second Korean Nuclear Crisis. BY YOICHI FUNABASHI. Brookings Institution Press, 2007, 592 pp. \$36.95.

Despite the *plus ça change* quality of the politics of the North Korean crisis, this fly-on-the-wall account of the negotiations that took place from 2002 to 2006 remains as relevant as it is exhaustive. What was said, what was thought, what was eaten and drunk, even the furniture in the rooms—all is recounted in vivid detail, from the moment of Japanese Prime Minister Junichiro Koizumi's first visit to Pyongyang in 2002, through the U.S. diplomat James Kelly's meeting with a North Korean negotiator who seemed to acknowledge that Pyongyang possessed a program to produce highly enriched uranium, to the laborious creation of the six-party talks, and then to the North Korean nuclear test in 2006 that spelled the failure of their first phase. The narrative is scrupulously sourced to interviews with participants on all sides, except the North Korean one. The book offers a rare primer on how diplomacy is conducted—missteps and all—and insight into the complex motives that drive the actors. It also reveals some larger themes, including North Korea's skill at dividing its enemies, the depth of Beijing's dissatisfaction with Pyongyang, the ineffectiveness of Washington's tactics, and the unfortunate likelihood that North Korea will never give up its nuclear arms.

China's Communist Party: Atrophy and Adaptation. BY DAVID SHAMBAUGH. Woodrow Wilson Center Press and the University of California Press, 2008, 256 pp. \$50.00 (paper, \$21.95). During the 1990s, Chinese officials and

scholars conducted an extensive post-mortem on both Tiananmen and the fall of communism in Eastern Europe and the Soviet Union. Shambaugh traces the discussion through Chinese Communist Party journals and policy documents, many of them “internal” (classified). Lessons learned included the need to strengthen the party's internal cohesion, improve its public communications, broaden the regime's social base, and maintain economic growth. The analysts saw subversion by Western governments and nongovernmental organizations as a major challenge but argued that the Soviets' confrontation with the United States caused an overextension of Soviet power and so conflict should be avoided. Shambaugh shows how the Chinese Communist Party applied these lessons and thus improved its ability to control the rate of change in China and stay in power. Its moves toward internal democracy, he argues, are intended to avoid the fate of the Soviet Communist Party.

Strait Talk: United States–Taiwan Relations and the Crisis With China. BY NANCY BERNKOPF TUCKER. Harvard University Press, 2009, 404 pp. \$35.00.

Although Washington's Taiwan policy has been outwardly clear and consistent since 1972—defined by the so-called communiqué framework and the Taiwan Relations Act—Tucker shows that the actual negotiation record from Richard Nixon to George W. Bush was rife with confusion and mistrust. She focuses on the less-studied Washington-Taipei leg of the Beijing-Washington-Taipei triangle, tracing the interaction of policies and personalities with a level of detail made possible by extensive interviews and archival research and with a clarity of

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judgment made possible by a long familiarity with most of the protagonists. Tucker acknowledges that U.S. grand strategy during this time enjoyed some successes: China became a counterweight to the Soviet Union, and Taiwan survived. But she argues that the United States repeatedly yielded more to China than it had to, and the shoddy way it treated Taiwan created a legacy of mistrust not only in Taipei but also among allies throughout the region.

Currency and Contest in East Asia: The Great Power Politics of Financial Regionalism.

BY WILLIAM W. GRIMES. Cornell

University Press, 2008, 264 pp. \$39.95.

Grimes' book is well timed to help one understand the political significance of the renminbi's nascent challenge to the dollar. It describes a series of regional arrangements that China, Japan, South Korea, and the ten countries of the Association of Southeast Asian Nations negotiated after the 1997–98 Asian financial crisis to improve liquidity and reduce financial volatility. These efforts were aimed at lessening the countries' reliance on the United States and the International Monetary Fund, and they laid the groundwork for the negotiations now taking place to increase the use of the renminbi beyond China's borders. Grimes makes clear how changes in international financial arrangements have challenged the privilege enjoyed by U.S. households and the U.S. government to run deficits at no immediate cost to themselves. His analysis suggests that even though the renminbi is unlikely to replace the dollar as an international currency, changes in how the two currencies circulate internationally will affect the distribution of economic

benefits and political power at the expense of both Washington and Tokyo.

The Generalissimo: Chiang Kai-shek and the Struggle for Modern China. BY JAY

TAYLOR. Harvard University Press,

2009, 736 pp. \$35.00.

Admirers of Taylor's long, engaging biography of the last authoritarian president of Taiwan, Chiang Ching-kuo, will welcome this thoughtful account of the life of Chiang's father, who governed China from 1927 until 1949 and then ruled Taiwan until his death in 1975. Chiang Kai-shek was the chief shaper of the Republic of China on the mainland, a major Allied leader in World War II, Mao Zedong's principal antagonist in the Chinese Civil War, and the primary architect of what became "the Taiwan miracle." For decades, he was the dominant figure in Americans' imagination of the Far East. Based on a vast Chinese-language literature—including Chiang's diaries—scores of interviews, and U.S. diplomatic materials, Taylor's book reevaluates Chiang as an honorable and talented, although flawed, figure who faced insurmountable odds with courage and composure. If Taylor does not quite crack the shell of this reserved, inhibited man, neither did his intimates. This revisionist account is bound to reshape the historical debate over the failure of democracy and the rise of communism in twentieth-century China.

Japan's Holy War: The Ideology of Radical Shinto Ultrationalism. BY WALTER A.

SKYA. Duke University Press, 2009,

400 pp. \$94.95 (paper, \$25.95).

Skya argues, controversially, that the wave of political assassinations and ideological crackdowns that led to Japanese militarism

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were not just about power struggles and nationalism; instead, they grew out of a fundamentalist Shinto movement promoted by certain writers whose influence has been largely overlooked. Shinto fundamentalists believed that the emperor's rule was sacred, absolute, and direct; that the divine oneness of the Japanese nation was an attribute not shared by any other people (such as the neighboring Chinese, whom they saw as a mere congeries of individuals and groups occupying a geographic territory of no sacred significance); and that the emperor's rule should be worldwide even though no other ethnic group could stand on an equal cosmic plane with the Japanese. Skya finds numerous parallels with contemporary Islamic fundamentalism and terrorism. The study may help illuminate some otherwise indecipherable currents of thinking that exist in Japan even today.

How East Asians View Democracy.

EDITED BY YUN-HAN CHU, LARRY DIAMOND, ANDREW J. NATHAN, AND DOH CHULL SHIN. Columbia University Press, 2008, 328 pp. \$50.00 (paper, \$26.50).

Students of democracy have always been dogged by the question, Does culture influence people's views of democracy? This puzzle is particularly intriguing for understanding the development of democracy in East Asia, a region that has delivered economic miracles but produced a mixed record on democratization. *How East Asians View Democracy*, a collaboration of leading American and East Asian scholars of democracy and public opinion, is a pioneering effort that relies on standardized survey methods to measure East Asians' support for democracy. This rigor-

ously designed study, which will surely become a classic in the field, offers both good news and bad for democracy in East Asia. Contrary to those who believe that East Asians are uncommitted to democracy, the surveys show that they express relatively strong support for democratic principles. East Asians reject authoritarian values and expect their countries to become more democratic in the future. To be sure, the level of commitment to democratic values varies across the eight countries and regions surveyed: it is highest in Japan, South Korea, Taiwan, and Thailand and relatively weak in Hong Kong. The bad news is that East Asians have, on average, little commitment to the rule of law. Respondents in Hong Kong, Japan, and South Korea reported a slightly above-average commitment to the rule of law, whereas those in China and Thailand scored well below average. Perhaps the cultural relativists are right—up to a point—after all.

MINXIN PEI

Africa

NICOLAS VAN DE WALLE

Africa: Altered States, Ordinary Miracles. BY RICHARD DOWDEN. PublicAffairs, 2009, 592 pp. \$29.95.

A “whither Africa?” book seems to be de rigueur for a print journalist who has spent any time reporting from the continent. The genre demands a combination of evocative anecdotes, pithy portraits of African politicians, and as many excessively broad generalizations about the region as references to its diversity. Despite the limitations of the genre, Dowden, a longtime British correspondent on the continent, has

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written a humane and thoughtful book, with much sensible analysis. It alternates chapters of broad reflections on Africa with more specific ones focusing on individual countries, usually in the throes of civil war or collapse. The best chapters are those in which Dowden writes from personal experience, where he excels at describing the people and the action around him. Chapters on the civil wars in Angola and Somalia are particularly striking, as is Dowden's harrowing account of the genocide in Rwanda. One unifying theme is the continent's resilience and optimism despite its manifest failures. Of course, Dowden's beat as a journalist has focused on the parts of Africa that have failed in some way, and they tend to be overrepresented in a book that barely mentions peaceful, democratic countries, such as Botswana or Cape Verde. Only in the last chapter does Dowden note that the last decade has actually been reasonably good for the region, with the end of several long-standing conflicts and a period of sustained economic growth.

Saviors and Survivors: Darfur, Politics, and the War on Terror. BY MAHMOOD MAMDANI. Pantheon, 2009, 416 pp. \$26.95.

Darfur and the Crime of Genocide. BY JOHN HAGAN AND WENONA RYMOND-RICHMOND. Cambridge University Press, 2008, 296 pp. \$85.00 (paper, \$25.99).

As Darfur continues to generate new books, it is easy to forget that debates about the nature of the violence in that province of western Sudan and the appropriate international response go back at least to 2003. These two books offer radically different critiques of the Western response to the violence since then. The middle four

chapters of Mamdani's book provide an account of Darfur's troubled history and place the origins of the present conflict in British colonial administrative policies that served to harden ethnic identities and cleavages. Relying mostly on secondary sources, these chapters break little new ground but provide a highly readable empirical introduction to a complex history. The book's first couple of chapters and its conclusion, on the other hand, offer a highly polemic critique of the international media's coverage of the conflict and of calls by nongovernmental organizations (NGOs), mostly U.S. ones, for intervention. Mamdani starts by asking, not unreasonably, why international public opinion has been mobilized more effectively by events in Darfur than by the considerably more murderous conflict in the Democratic Republic of the Congo. He asserts that the main reason is that the media's portrayal of the violence in Darfur as being perpetrated by Arabs on Africans has resonated with Americans, given the Bush administration's "war on terror" and the war in Iraq. This popular mobilization has been particularly useful to the U.S. government, the book argues, as it wants to control the substantial petroleum reserves recently discovered in Sudan. He reserves his most provocative prose for an NGO most Americans are only vaguely aware of, the Save Darfur Coalition, which he accuses of facilitating the West's recolonization of Africa. Given the often harsh rhetoric he directs at different proposals to end the violence, the book is surprisingly thin on policy prescriptions, alluding only to the rather obvious need for democratic political reform in Sudan.

For Hagan and Rymond-Richmond, on the other hand, the available evidence from the field amounts to a compelling

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criminal case for genocide, and they support a considerably more forceful prosecution of the authorities in Khartoum through international legal channels than most. Emphasizing legal issues, they advocate a criminological approach to such a prosecution, and their book constitutes a lawyer's brief arguing that in fact genocide has been taking place, providing chilling excerpts from interviews of victims. The book focuses on the available evidence of the actual acts of violence and the volition behind them and is less interested in the sociological dynamics that might help contextualize the violence.

Smart Aid for African Development.

EDITED BY RICHARD JOSEPH AND ALEXANDRA GILLIES. Lynne Rienner, 2008, 306 pp. \$59.95 (paper, \$24.50).

The Politics of Aid: African Strategies for Dealing With Donors. EDITED BY

LINDSAY WHITFIELD. Oxford

University Press, 2009, 352 pp. \$60.00.

A substantial rethinking of foreign aid has taken place since the mid-1990s, and Africa has been a site for experimentation, not least because the region receives the largest amount of aid relative to the size of its economy and population. In part because of a growing sense that aid has created various forms of dependency and has not been particularly effective in promoting economic development, the past decade has witnessed a shift toward new approaches designed to promote local ownership and lessen micromanagement by donors.

What has been the impact of these reforms? Both of these books eschew the broad generalizations and provocative anecdotes that mar most books about aid and instead describe the great variance in outcomes across the continent. Joseph

and Gillies provide a consistently excellent collection of essays on such topics as budget support, debt relief, aid in postconflict situations, and aid that promotes good governance and democracy. The theme linking the essays is the difficulty of promoting "smart aid," defined as more effective aid. Many of the old problems persist. The contributors, a mixture of academics and aid practitioners, understand that the usual focus in the press and in diplomatic worlds on the level of aid has long been misguided—African development requires better aid rather than simply more aid. Another theme that emerges is the need for domestic political reform within Africa for aid to be more effective. The contributors clearly suggest that Africa's recent democratization efforts, although not a panacea, have had a salutary effect and need to be deepened.

The collection of case studies edited by Whitfield focuses on the evolving relationship between donors and recipient governments. The Africa the studies describe has seen the contentious policy debates of the 1980s replaced by a more consensual environment, but one in which donor preferences continue to dominate. The focus of the eight case studies ranges from the more assertive governments of Rwanda and Ethiopia to Mali and Zambia, where it is hard to discern any government policy preference beyond the maximization of aid. Africa, the book suggests, benefited from its fastest rate of postindependence economic growth this last decade thanks to policy reforms, increased investment, and rising amounts of aid and debt relief. One wonders about the impact of the global recession on the aid relationship in the coming years, particularly if fiscal pressures drag aid levels down. 🌐

Letters to the Editor

C. Fred Bergsten on U.S.-Chinese cooperation, Andrew Bacevich on the Pentagon's power, Ayako Doi on an unapologetic Japan, and others

TWO'S COMPANY

To the Editor:

Like most critics of the idea of a G-2 made up of the United States and China, an idea that I initiated in my book *The United States and the World Economy*, published in 2005, and was publicized most widely in these pages ("A Partnership of Equals," July/August 2008), Elizabeth Economy and Adam Segal ("The G-2 Mirage," May/June 2009) misunderstand the basic concept.

The proposed G-2 was never intended to supplant any of the existing international economic steering committees, of which the G-20 has now attained preeminence, let alone the long-standing multilateral organizations, such as the International Monetary Fund and the World Trade Organization. To the contrary, its chief purpose is to supplement the existing institutions and make them work better by promoting prior agreement between the two countries whose cooperation has become a *sine qua non* for making progress on virtually any international economic issue. It would simply be a caucus of the two rather than any attempt to create a new governing entity, let alone a "dominant condominium," as mischaracterized by some.

The United States and China are the world's two most important economies.

The United States leads the high-income economies, and China leads the emerging-market economies. Each of these groups now accounts for half of global output. The United States and China are the two largest trading countries and the two largest polluters.

There will be no sustained recovery from the current global economic crisis unless the United States and China lead it. There will be no renewed momentum toward progress on global trade, through the Doha Round or otherwise, unless they endorse it. There will be no international compact on global warming unless they embrace it. The United States is the world's largest deficit/debtor country, and China is the world's largest surplus/creditor country—and there will be no resolution of the global imbalances that helped bring on the current crisis, nor lasting reform of the international financial architecture, without their concurrence.

Hence, an effective G-2 is imperative if the world economy is to move forward both cyclically and structurally. Of course, it must be kept informal and indeed unremarked on by the two countries themselves. Of course, the European countries, Japan, and some other countries must participate in the multilateral agreements that are required on virtually all issues.

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Of course, the linkages between the G-2 and other institutions must be handled with diplomatic skill. But the substance of the issues that these institutions address will not be advanced unless the United States and China work it out together. Chinese Premier Wen Jiabao, in fact, recently assured the Europeans that the United States and China had no intention of trying to manage the world on their own and that instead the development of close U.S.-Chinese relations would benefit other countries.

Economy and Segal would move in precisely the opposite direction by suggesting that the United States “sit down with Japan, the EU, and other key allies to begin coordinating their policies toward China.” This would be viewed by the Chinese as an effort to surround and even isolate them. It would be hugely counterproductive and would surely fail, not least because none of those U.S. allies would be willing to play (and correctly so).

I am delighted that such foreign policy and security experts as Zbigniew Brzezinski and Niall Ferguson have recently advocated that the G-2 concept be expanded well beyond the economic domain for which I originally proposed it. The Hu Jintao and Obama governments also seem to be moving in this direction, building on former Deputy Secretary of State Robert Zoellick’s Senior Dialogue and former Secretary of the Treasury Henry Paulson’s Strategic Economic Dialogue. Economy and Segal in fact conclude by proposing “one overarching negotiation that sits above or outside the purview of the U.S. government’s traditional cabinet-level agencies” and by arguing that “the National Security Council and the vice president’s office would ideally play a central role in this effort,” which is

pretty close to the annual summits that I have recommended to both establish the G-2 and make sure that it works effectively.

C. FRED BERGSTEN

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International Economics*

THE LIMITS OF POWER PROJECTION

To the Editor:

Andrew Krepinevich (“The Pentagon’s Wasting Assets,” July/August 2009) writes that “the military foundations of the United States’ global dominance are eroding,” compromising the nation’s “unmatched ability to project power worldwide.” He would have us believe that unless reversed, this trend will produce dire consequences.

The problem with Krepinevich’s argument lies in its assumptions that “global dominance” is possible and that global power projection by the United States offers the most effective way of ensuring international peace and stability. Recent events call both assumptions into question.

Krepinevich claims that U.S. dominance, expressed through the projection of hard power, has produced a “long record of military successes.” Yet this contention is difficult to sustain given episodes such as those experienced by the U.S. military in Somalia, Afghanistan, and Iraq (both in 1991 and since 2003)—not to mention the devastation of 9/11. It would be more accurate to say that force—even when wielded by the seemingly strong against the nominally weak—continues to be an exceedingly uncertain instrument. The United States’ penchant for projecting power has created as many problems as it has solved. Genuinely decisive outcomes remain rare, costs often far exceed expectations, and unintended and unwelcome consequences are legion.

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A decade ago, some argued that the key to achieving permanent dominance could be found in “transformation,” a radical reconfiguration of the U.S. military meant to exploit the potential of advanced information technology. Krepinevich writes, disapprovingly, that this proposed new American way of war “faced stiff resistance” from dissidents within the military and that “the price for such willful ignorance can be steep.” Actually, it was the price of taking the bogus promises of transformation seriously that proved steep, as the debacle in Iraq amply demonstrated. These days, with transformation retaining about as much credibility as “unregulated markets,” the skeptics have come off looking a lot better than the proponents.

In fact, the pursuit of military dominance is an illusion, the principal effect of which is to distort strategic judgment by persuading policymakers that they have at hand the means to make short work of history’s complexities. Krepinevich argues that there is “a compelling need to develop new ways of creating military advantage.” As much as I respect his general acumen, however, on this point he is fundamentally wrong. The real need is to wean the United States from its infatuation with military power and come to a more modest appreciation of what force can and cannot do.

ANDREW J. BACEVICH

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IT’S NEVER TOO LATE TO SAY YOU’RE SORRY

To the Editor:

Jennifer Lind (“The Perils of Apology,” May/June 2009) argues that Japan should avoid making formal apologies for the

atrocities it committed before and during World War II, because doing so would cause a nationalist backlash that would be counterproductive to reconciliation between Japan and its former enemies. But Lind’s solution would not only be deeply disappointing to the victims of imperial Japan; it would also make it impossible for Japan to garner the respect it deserves for its peaceful rise as an economic, technological, and cultural power since 1945.

The Japanese have yet to confront their ugly history and reach a widely shared understanding of it that is acceptable to their former foes. Japanese politicians repeatedly make outrageous comments defending Japan’s colonial rule of Korea and its invasion of China, nationalist comic books glorify Japan’s past militaristic adventures, and TV commentators passionately deny the government’s role in recruiting thousands of Asian women and girls as sex slaves for Japanese soldiers.

To say that Japan should not apologize to the victims of its wartime atrocities to avoid a domestic nationalist backlash is akin to arguing that the police should not crack down on domestic violence because doing so might anger the abusers. A national debate, education, and sincere apologies are necessary not only to show Japan’s moral decency to the world but also to help the Japanese come to terms with what their country did in the past. Only that will prevent a nationalist backlash from gaining mainstream acceptance.

Because Japan did not conduct a national debate over what went wrong when the memories were still fresh, it is much harder to talk about the collective guilt of the nation today, when most Japanese feel that they have nothing to do with what happened before 1945. Yet they suffer from

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the lack of such a debate and the absence of genuine contrition, because without these, their country will never be able to earn the trust of its neighbors and the respect of the world. Lind suggests a calculated move to deliver just enough contrition to satisfy the victims without provoking nationalist ire at home, but such a strategy would only further undermine Japan's position. People—and countries—know sincerity when they see it.

Japan owes a formal and sincere statement of contrition to those individuals who were subjected to unspeakable pain and humiliation at the hands of Japanese colonial officials and members of the imperial Japanese military. Most of them have passed away, often after a lifetime of suffering, but some, including the surviving former “comfort women” and the survivors of the Bataan Death March, are still waiting to hear the simple word “sorry,” delivered to them by the collective and unequivocal voice of the Japanese people.

AYAKO DOI

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PROTO-STATE-CAPITALISM

To the Editor:

Ian Bremmer's observation that the world is currently experiencing a new wave of state capitalism (“State Capitalism Comes of Age,” May/June 2009) is significant and timely. But the notion that state capitalism only began to take shape

in 1973 as a result of OPEC's decision to cut oil production is an odd reading of history. Just within the oil sector, Mexico's nationalization of its oil industry in 1938 and Iran's nationalization in 1951 would appear to be important antecedents. One might also point to the economic role of the Japanese state during the Meiji Restoration as an early model for several of today's state capitalist systems.

JONATHAN BROOKFIELD

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FOR THE RECORD

In “Diplomacy, Inc.” (May/June 2009), the Indian American Republican Council is identified as being unofficially represented by Shekhar Tiwari and as having 36 chapters. According to the council, Tiwari does not represent the group and it has 14 independent state affiliates.

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