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# Making Policy in the Shadow of the Future

Gregory F. Treverton



INVESTMENT IN PEOPLE AND IDEAS

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## Preface

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This paper grew out of a critique that the National Intelligence Council (NIC) asked RAND to conduct of a draft of the report *Global Trends 2025: A Transformed World*, in which the NIC projects how key global trends might develop over the next 15 years. At that session, the suggestion arose of taking the NIC's portrayal of the world in 2025 as a baseline, then asking the questions that the NIC, as an intelligence organization, not a policy body, could not: What are the implications for U.S. policy, both longer-term and more immediate? This paper focuses on those issues for which paying attention to the longer term would suggest policies, *now*, different from those that would be convenient absent a determined eye on 2025.

This paper results from the RAND Corporation's Investment in People and Ideas program. Support for this program is provided, in part, by donors and by the independent research and development provisions of RAND's contracts for the operation of its U.S. Department of Defense federally funded research and development centers. Questions or comments would be welcome, and can be addressed to the author, at [Greg\\_Treverton@rand.org](mailto:Greg_Treverton@rand.org), or by phone, 310-393-0411, extension 7122.



# Contents

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<b>Preface</b> .....	iii
<b>Figure and Tables</b> .....	vii
<b>Summary</b> .....	ix
<b>Acknowledgments</b> .....	xv
<b>SECTION 1</b>	
<b>Introduction</b> .....	1
<b>SECTION 2</b>	
<b>Shaping U.S. Policy for 2025</b> .....	3
Multipolar World, Increased Role of Transnational Actors .....	4
Transfer of Wealth from West to East .....	5
The United States as the Most Powerful Absolutely, Just Less So Relatively .....	7
Unprecedented Economic Growth, More People, and More Pressure on Resources .....	7
Destabilizing Youth Bulges Diminish, but Pakistan, Afghanistan, and Others Still Problematic .....	8
Increased Potential for Conflict, Given Middle East Turbulence and Proliferating Weaponry .....	9
Fewer but Perhaps More-Lethal Terrorists .....	9
Excursion: The Global Economic Crisis .....	9
Global Crisis, Global Consequences .....	10
Hyping the Debt .....	11
National Regulation and International Cooperation .....	12
Key Uncertainties .....	13
<b>SECTION 3</b>	
<b>Where Might Longer-Term Thinking Change Short-Run Policy?</b> .....	17
Right for 2025 and Right for Now .....	17
Reshaping Approaches to Energy and Climate Change .....	19
The Context of the “Threat” .....	19
Building Capacity for Adapting .....	20
An Agenda for Now .....	21
Fiscal Discipline After the Immediate Economic Crisis Is Passed .....	22
The Effect of Revolutions in Military Affairs .....	24
The Emerging Post-Iraq War Debate .....	24
The Diffusion of Nuclear Weapons .....	25
The Diffusion of Precision-Guided Munitions .....	26
War Through Cyberspace .....	27

Visions of the Nuclear Future .....	27
Reshaping International Law and Institutions .....	29
Refashioning Domestic Institutions .....	32
Whither Mexico?.....	33
Extending Long-Term Thinking .....	35

## Figure and Tables

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### Figure

- 2.1. U.S. Debt Held by Foreign Governments ..... 12

### Tables

- 2.1. *Global Trends 2025* Relative Certainties and Likely Impact..... 3  
2.2. *Global Trends 2025* Key Uncertainties and Potential Consequences..... 13



## Summary

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*Global Trends 2025: A Transformed World*, produced by the U.S. National Intelligence Council (NIC), is a nice projection of current trends, such as the enormous growth of wealth in China and Asia.<sup>1</sup> It also demonstrates the perils of projection—for example, by predicting continued rapid growth in the global economy, which was reasonable enough from the perspective of mid-2008.

### **Making Policy in the Shadow of the Future**

This analysis takes the NIC document as a starting point and does what the NIC could not do: draw implications for U.S. policy. It focuses on issues for which attention to 2025 suggests policies different from those that would be pursued absent that long-range thinking. The shadow of the future falls across current policymaking in several other ways.

Some policies that are appropriate for 2025 also are also the right ones now. For instance, the NIC's vision of a multipolar world in 2025, in which transnational actors are much more important, implies a style of leadership in which the United States would visibly consider other major states' interests in framing its own approach. Yet that also seems the right style of leadership now, especially in dealing with the global economic crisis. So, too, the NIC vision of China in 2025—continued growth and, with it, an increased stake in the international order—seems to call for U.S. policies, both now and in the future, that will accommodate Chinese power, trying to steer it toward constructive engagements with both the United States and international institutions.

In other cases, the current agenda is driven by very current problems, which policy aims to try to reconfigure. For them, the required long-term thinking may be as much backward as forward, drawing on historical perspective to set reasonable long-term aspirations. For instance, in neither Afghanistan nor Pakistan are the options attractive. Both are on the wrong side of the NIC's trends, standing, for instance, outside the general trend—driven by growth and declining fertility—of reduced “youth bulges” of unemployed young men that afflict poor countries.

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<sup>1</sup> National Intelligence Council, *Global Trends 2025: A Transformed World*, Washington, D.C., November 2008. As of April 6, 2010: [http://www.dni.gov/nic/NIC\\_2025\\_project.html](http://www.dni.gov/nic/NIC_2025_project.html)

## Visions of 2025 Change Policies for Now

### Reshaping Approaches to Energy and Climate Change

Of the issues where long-term thinking might drive the need to act *differently now*, climate change and energy is the plainest, for absent a vision of the future, current policy might do very little. Dramatic reductions in greenhouse gas emissions will not stop global warming; too much already has accumulated. And the economic crisis has made it all the harder to reach agreement on an international regulatory regime with certain high costs in raising the price of fossil fuels and distant, ill-defined benefits: Witness the refusal of the U.S. Congress to sign on to the Kyoto Protocol in December 1997.

That means that the United States will need to focus as much on adapting as on reducing emissions—a significant departure from current policy. The critical implications are the second-order social and political reactions to the manifestations of climate change—for instance, mass migrations away from vulnerable coastal areas to regions perhaps ill-equipped to take them. Dealing with those will require vastly expanded international cooperation for relief in the short run and, beyond the short run, a reorientation of policy to promote adaptation and spur technological changes, along with new means and international organizations to monitor and enforce compliance and a focal point within the U.S. government to coordinate diplomatic activity with domestic policy. All these need to start now.

### Fiscal Discipline After the Immediate Economic Crisis Is Passed

The longer-term questions about the economic crisis are whether the United States, given its economic flexibility, will emerge sooner and better than other countries from the economic crisis that intervened. How much will “free market” ideals be tarnished, thus leaving governments more deeply involved in their economies, in the financial sector and beyond? And what new international processes and institutions will be created?

Long-term interests do not require different policies now. Rather, the risk is that crisis policy will *not* turn around when the time comes for doing so. The immediate agenda was dominated by massive bailout and stimulus operations, ones conceived as “domestic” policy, producing U.S. budget deficits on a scale without precedent, at least in nominal terms. Yet, once the immediate crisis is passed, the nation’s need to end its long consumption boom and raise aggregate savings—household, corporate, and government—by about 4–6 percent of gross domestic product (GDP), and do so without protracted recession and deflation, will test the resilience of the U.S. economy.

Yet, the still harder challenge will be political. For Congress, especially, spending is visible, while taxation is painful and fiscal discipline invisible. Combine the atomized, running-for-office-all-the-time structure of Congress with institutions for budget reconciliation that have turned out to be weak, and the result is a built-in bias toward spending. So the challenge, once the immediate crisis is past, will be to build, first, an argument for fiscal discipline rooted in national security and, second, ways to take and enforce the required—and painful—choices. Achieving fiscal discipline requires beginning to think now about new revenue sources, such as a value-added tax, and special procedures, such as fast-track authority for approving trade agreements or the procedures for military base closing and realignment, that amount to some tying of the hands of the executive or Congress, or both, once some blue-ribbon panel has reached recommendations.

### The Effect of Revolutions in Military Affairs

*Global Trends* identified the proliferation of both nuclear and precision-guided weapons as a potential source of geostrategic discontinuity, but the NIC did not pursue the question. The military is notable because it does think long-term: Weapons imagined today won't be fielded for a decade and, once deployed, may be in service for several generations. Surely, the war phase in Iraq was a stunning success of networking sensors and firepower. While the post-2003 counterinsurgency (COIN) operations were much more wrenching, even there technology—for instance to enable *Predator* strikes on al Qaeda leaders—gave the United States an advantage.

Yet potential foes like Hizbollah will be far better equipped than insurgents in Iraq or Afghanistan to attack armored and air forces. Like it or not, the threat from precision-guided munitions (PGMs) will mean that the United States simply won't be able to move and concentrate forces the way it did in Iraq. Nor, given PGMs and fear of vertical escalation, will the United States be able to mount expeditionary forces with impunity in, say, areas near China.

The issue is whether the current debate between the counterinsurgency advocates (*COINtistas*, in Pentagon slang) and the more traditional “Big” Army, Navy, and Air Force is the right one. In the current debate, a focus on COIN and state-building means larger but less technologically intensive forces, while the other side argues that the United States should shun such engagements and instead concentrate on sustaining the capability to deter and defeat major military rivals. This argument features the high-technology, combat vehicle-intensive forms of combined arms warfare that characterize the “Big” Army, Navy, and Air Force.

Yet, the economic crisis and accompanying strain on defense spending should push the country toward a more multifunctional military that is optimized neither for conventional nor COIN operations but is able to “swing” between these missions. The proliferation of PGMs will make COIN requirements similar to those of conventional systems (armor protection and jamming, for instance) and will support such a “swing force.”

### Visions of the Nuclear Future

The NIC's vision of terrorism has it on the wane, given demographics, plus economic growth and political pluralism, yet more lethal as the spread of technology makes the most lethal instruments within reach. In these circumstances, the most actionable immediate policies are accelerating global efforts to “lock up” nuclear materials and dealing case-by-case with would-be proliferators. Yet the long-term issue is nuclear abolition. A world without nuclear weapons would be in America's interest, not least because it would relax some of the constraints on the United States threatening or using the conventional weapons in which it reigns supreme.

Yet abolition would discomfort nonnuclear allies, many of which, like Japan, feel secure precisely because the United States *has* nuclear weapons, and so extends nuclear deterrence to allies. Moreover, nuclear *knowledge* cannot be made to disappear, so a world of zero nuclear weapons, even if tightly verified, would in reality be a world in which some states might secretly retain a few weapons and in which a number of powers were a matter of weeks or months away from producing them. Abolition is powerful symbolism, but, in the end, decisions by states to go nuclear are driven by their security calculations, not by symbolism.

So, the convenient near-term course will be to pursue feasible steps that are in the U.S. interest in any case while giving lip service to abolition. That has been the approach of the Obama administration. It might include commitments to ratify the Comprehensive Test Ban treaty, ideally in tandem with China, to negotiate cuts in U.S. and Russian weapons to around 1,000—the administration agreed with Russia on reductions in April 2010— increase delays

in launch times, better safeguard weapons, and so on. However, the question remains: Should abolition be a real goal, one both pushed and prepared for in the immediate future? If so, that would entail serious conversations with allies about how to sustain their security, along with serious analysis of the implications of zero.

### **Reshaping International Law and Institutions**

International institutions and processes, reflecting the configuration of state power more than 60 years ago, are ill-suited to virtually all the attributes of future. Both rising powers and transnational forces are badly underrepresented. Yet, necessity can be the parent of longer-term innovation, and the economic crisis will impel creativity in devising multilateral arrangements and openness by the United States to ideas even from abroad: Witness the Group of 20 or the evolutions in the U.S. approach to dealing with “toxic” financial assets.

So, should the United States forsake incrementalism in favor of bold steps now? Should it embrace the changes in international law that have made people more important and sovereignty less so? Should it embrace the International Criminal Court, not shun it, along with the “responsibility to protect”? Should it seek the outright replacement of the G-7/8 with a somewhat larger group that reflects shifting power and rising powers? Should it also get off the sidelines about UN reform, and push for change in the Security Council’s anachronistic membership? If not a “league of democracies,” should the United States seek a more formal group of democracies—a D-7 or D-8—to clearly advance its democratic values, cooperatively, not at the barrel of a gun? And what role should it seek for NATO?

### **Refashioning Domestic Institutions**

Washington is, in Ernest May’s elegant phrase, more a military headquarters than a national capital.<sup>2</sup> The Pentagon, the CIA, and the National Security Council, creatures of wars hot and cold, are odd choices for addressing trade and economic policy, state failure, migration, disease, climate change—or terrorism. More recent innovations, such as the creation of the Department of Homeland Security or the reorganization of U.S. intelligence, have altered that portrait only somewhat.

To be sure, reorganization is perilous: Unintended side effects often swamp effects, and transitions are long and costly. Yet, resort to incremental change only means the dysfunction will continue longer. So, why not begin now the process of radical change—rethinking military force and diplomacy and the links between them, along with the interactions between the “public” and the “private” spheres, especially in homeland security, where so much “public” interest is in private hands. Ironically, the economic crisis may reshape public-private relations in unanticipated ways if, for instance, the Treasury and the Federal Reserve end up “owning” much of what had been the private banking system.

In the end, serious restructuring would need to include Congress, however unimaginable that now seems. Consolidating oversight arrangements would be just a start. As suggested earlier, the nation’s security requires incentives for Congress that make for fiscal discipline, not profligacy. In that sense, the agenda is very far-reaching indeed—which is another argument for beginning to work on it sooner rather than later.

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<sup>2</sup> Ernest R. May, “The U.S. Government, a Legacy of the Cold War,” *Diplomatic History*, Vol. 16, No. 2, spring 1992, p. 270.

### Whither Mexico?

About Mexico, *Global Trends 2025* says fairly little, and what it says is pretty sanguine about Mexico's future. Mexico is America's neighbor and largest source of immigrants, second-largest trading partner, and third-largest source of oil. The long-term policy question is whether continuing existing policies—which focus on the wall and border control, plus quasi-military assistance through the Mérida initiative, much of it technology—is enough in light of dramatically increasing violence, including across the border.

The outlines of an alternative long-term policy are not yet in sight, but the starting point is recognizing that the problems cannot be fenced out. Perversely, for instance, tighter control of the borders only discourages back and forth flow, encouraging migrants to stay longer. Given policing organized by geography, the border becomes a seam in U.S. defenses, a sanctuary for criminals as much as a protection against crime. The Bush administration's approach to Mexican migration was a casualty of September 11th, but it did suggest the possibility of a middle ground, combining temporary work programs with some path to legalizing the status of the undocumented.

Not only is the problem here, it is also *us*—that is, the United States itself is the engine of the trade in drugs and increasingly lethal arms in the hands of the traffickers—a fact that Secretary Clinton acknowledged. Seriously addressing the U.S. demand for drugs is easy to say but very hard to do, as administration after administration discovers. However, it should be possible to do something much more concrete about the enormous flow of weapons across the border into Mexico.

### Extending Long-Term Thinking

Longer-term thinking might be extended to other issues. One category is issues for which current policies seem the right ones in light of long-term thinking but perhaps should be reinforced—for instance dealing with nuclear and bioterror. For another set, short-term imperatives and long-term goals simply seem in conflict, which no amount of reframing can overcome. For instance, the combination of securing energy and fighting terror continues to associate the United States with countries that are undemocratic or unsavory or both—ranging from Egypt to Saudi Arabia to Pakistan, with plenty of others in between. The answer to “Should the United States break away from the autocratic and corrupt?” has been, and continues to be, “Yes, but not yet.”



## Acknowledgments

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The pleasure, both personal and intellectual, of this project was the process. From the critique of the NIC draft, through brainstorming about policy implications, through drafting and review, this was an opportunity to draw on RAND's breadth, as well as its depth. That means that while the responsibility for the piece rests with me, I owe debts to a number of my colleagues. Ambassador Robert Blackwill, an old friend and colleague whom we lured to RAND, had the bright idea for the project and was a sparring partner throughout. Robert Lempert helped me organize the first brainstorming and was also a sparring partner, particularly on climate issues. Jeremy Ghez was much more than a research assistant; he too was partner throughout the entire venture. Harun Dogo provided detailed comments on a late draft.

My debts to colleagues who contributed analyses on particular issues is acknowledged in the text, but thanks should be echoed here, even if by now they may scarcely recognize their parentage of the sections in question—to Charles Wolf for the implications of the global economic crisis; to Melinda Moore for the security dimensions of health; to Debra Knopman for climate change and energy; and to Peter Wilson for the American way of war. Finally, I owe my reviewers—Joseph Nye, from Harvard, and David Gompert, formerly of RAND and now principal Deputy Director of National Intelligence—gratitude for supportive but demanding reviews. Richard Neu added his own review, and worked with me to design a plan for redrafting. I hope these good people will know they made the paper better. I know they will also know that any remaining shortcomings are mine.



## Introduction

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As the old saw has it, “If you don’t know where you’re going, any path will take you there.” James Dewar, a wise RAND long-term planner, adapted this saying into an insightful maxim for policy planning: “If long-term planning doesn’t affect what you do today, it’s only entertainment.” In that spirit, this paper takes the futures explored in the National Intelligence Council’s (NIC’s) 2008 report *Global Trends 2025: A Transformed World* as a baseline, then explores the implications of its major trends for U.S. policy, both longer-term and more immediate. As an intelligence organization, the NIC could only go as far as describing the impacts of those futures on the United States. It could not take the policy step and ask, prescriptively, what *should* those futures and their impacts imply for the broad outlines of U.S. policy, including in the next few years?

This paper takes on that latter task. “U.S. policy” is construed broadly, as it must be in thinking toward 2025. To be sure, the focus is on *foreign* policy, but with the recognition that to regard foreign and domestic as separate realms always was artificial and surely is nonsense now. Indeed, one of the central themes of the paper is that choices that still are treated mostly as domestic matters—for instance, choices about national economic policies—need to be set in a larger international security context.

And while the focus of this paper is on policy, not organization or process, the three cannot easily be separated—divorcing them is the frequent failing of articles in foreign affairs journals, whose prescriptions seem designed for nineteenth century parliamentary systems as we now remember them, when policy with a capital “P” got made once for all. Especially looking out to 2025, U.S. policy will be a series of arguments and episodic choices, punctuated by partial resolutions that nudge U.S. action slightly in one direction or another. In that sense, policy *is* process, and organization matters because it confers advantage or disadvantage on various participants and their perspectives in the process.

Section 2 of this paper discusses the NIC’s broad outlines of the world to 2025. It draws implications for longer-run U.S. policy, working through the broad trends one by one. However, prediction is a parlous endeavor—especially prediction about the future, as Yogi Berra is said to have emphasized. The NIC report does an admirable job of summing up the effects of projections, yet, like other projections, it founders on the limits of continuity. In mid-2008, the NIC’s projection of continuing rapid global economic growth seemed reasonable enough; the deep global crisis that became all too apparent later that year was almost unthinkable. Therefore, after laying out the implications of the NIC’s broad trends, Section 2 turns to that very important excursion, the policy implications of the global economic crisis. The section concludes with categories of uncertainties and wild cards, and how policy might conceive of hedging against them.

The final section lays out a current agenda but in a Dewar-esque way—by asking: For which important issues does a long-term perspective lead to *different* immediate choices than would result absent such a perspective? Climate change and energy security are obvious examples, for the convenient choice now would be to do little or nothing—it is only paying attention to where the United States would like it and the world to be decades hence that calls for different policies. For most other issues, the case for adjusting now to account for the longer term is not so clear, and for several of them, if the convenient line of current policy doesn't seem to match long-term thinking, it's not clear how current policy should be changed to account for long-term interests.

## Shaping U.S. Policy for 2025

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The NIC identified broad trends toward 2025, which it labeled “relative certainties,” and these are laid out in Table 2.1, which is adapted from the NIC report. As trends, they are relatively familiar; they have been with us for some time. It cannot be specified when the trends will eventuate into a world that is different from the one we have known. Is it already here? Or will it take another 15 years? In any case, the Dewar maxim’s prescription for planning is a fact of life: Planned for or not, the future and expectations about it cast a shadow over the present.

**Table 2.1**  
**Global Trends 2025 Relative Certainties and Likely Impact**

Relative Certainties	Likely Impact
A global multipolar system is emerging with the rise of new players, especially China, India, and Russia. The relative power of nonstate actors—businesses, tribes, religious organizations, and even criminal networks—also will increase.	The new players will bring new stakes and rules of the game. Rather than emulating Western models of political and economic development, more countries may be attracted to Russia and China’s alternative development models. By 2025 there will no longer be a single “international community” composed of nation-states.
The unprecedented transfer of wealth and economic power roughly from West to East now under way will continue.	As some countries become more invested in their economic well-being, incentives toward geopolitical stability will increase.
The United States will remain the single most powerful country despite narrowing gaps with others.	Shrinking economic and military capabilities may force the United States into a new set of trade-offs between foreign policy objectives and the higher domestic costs of supporting such objectives.
Unprecedented economic growth, coupled with 1.2 billion more people by 2025, will put pressure on resources—energy, food, and water. Climate change will exacerbate resource scarcities, particularly water.	Heightened tensions between states competing for limited resources, particularly energy and water, might lead to interstate conflicts. The pace of technological innovation will be key to outcomes during this period.
The number of countries with youthful populations in the “arc of instability” will decrease, but the populations of several parlous youth-bulge states are projected to remain on rapid growth trajectories.	Unless employment conditions change dramatically in parlous youth-bulge states, such as Sub-Saharan Africa, Pakistan, Afghanistan, and Yemen, these countries will remain ripe for continued instability and state failure.
The potential for conflict will increase, owing to political turbulence in parts of the greater Middle East and the spread of lethal capabilities.	The United States is likely to be looked to as a much-needed regional balancer in the Middle East and Asia.
Terrorism is unlikely to disappear by 2025, but its appeal could lessen with growing emphasis on economic goals and greater political pluralism. For those terrorist groups that are active in 2025, the diffusion of technologies will place some of the most dangerous capabilities within their reach.	Terrorists seeking to create mass casualties will be increasingly in a position to obtain radiological or chemical weapons or acquire and employ biological agents or, less likely, a nuclear device. WMD terrorism would convulse the entire international system and threaten globalization as nations put up barriers to protect against the spread of terrorism.

SOURCE: Adapted from National Intelligence Council, *Global Trends 2025: A Transformed World*, Washington, D.C., November 2008.

In the words of *Global Trends 2025*, “By 2025, there seems even less doubt than when we wrote *Mapping the Global Future* (December 2004) that the international system—as constructed following the Second World War—will be completely transformed.” Yet every reader will have at least some quibbles with the NIC’s relative certainties and especially with its likely impacts. For both trends and impacts, it is all relative: Has China, for instance, changed more in the last generation than it will in the next? Will the change to come matter more to the rest of the world than the change that already has occurred? I’d answer “yes” to both questions, but the answers plainly are matters of judgment.<sup>1</sup>

So let’s start by accepting the NIC table as a plausible view of the world toward 2025, and discuss each of those broad trends to 2025 separately for what it would imply for the broad outlines of U.S. policy in the long run.

### Multipolar World, Increased Role of Transnational Actors

This relative certainty implies a very different style of leadership, one in which the United States behaves neither like a hegemon nor an ordinary state. Consultations with other major powers would be real, and the United States would make clear that it was considering other major states’ interests in framing its own policy approach. It would make clear that, although it no longer was *the* global provider of international public goods, it was still committed to that task—from security to finance and trade, but in cooperation with other major powers. It would, in effect, use its “soft power” to persuade, power that would derive from its position as the indispensable—though no longer the sufficient—power.<sup>2</sup>

No one has articulated the style of leadership better than Josef Joffe, a close European observer of the United States:

“Take care of others in order to take care of yourself” is the proper course for the “indispensable nation” that wants to do better than Bismarck. To lead is to heed—that is not a counsel of wimpishness, but of wisdom. It may be harder for American leaders to accept such discipline after September 11, but not to do so risks the twin perils of overstretch and counter-containment.<sup>3</sup>

Rather than pushing narrowly defined interests, the United States would need to “create a structure of rules, practices, and values by which the world will be bound”<sup>4</sup> and promote

<sup>1</sup> Net judgments are hard and disagreements frequent because the global system is changing in at least three ways at once. Power is leveling across states, though unevenly across the military and economic domains, while global interdependence is continuing, even growing; and, perhaps as a result of these two trends, “power and influence are less and less linked” (Richard N. Haass, the “Age of Nonpolarity: What Will Follow U.S. Domination,” *Foreign Affairs*, Vol. 87, No. 3, May/June 2008, p. 47). The “optimists,” such as the NIC, emphasize interdependence, while the “pessimists” emphasize multipolarity, imagining back to the future as nations return to narrowly nationalistic approaches. See, for instance, Christopher Layne and Benjamin Schwarz, “Twilight of the Pax Americana,” *Los Angeles Times*, September 29, 2009. Catchy labels for the combination of trends probably obscure more than they clarify: Witness “nonpolarity,” or “interpolarity,” the latter of which captures the combination of interdependence and multipolarity but at the price of grammatical sense. See Giovanni Grevi, *The Interpolar World: A New Scenario*, Occasional Paper 79, Paris: European Institute for Security Studies, June 2009.

<sup>2</sup> See Joseph S. Nye, Jr., “Recovering American Leadership,” *Survival*, Vol. 50, No. 1, February 2008.

<sup>3</sup> Josef Joffe, “Defying History and Theory: The United States as Last Remaining Superpower,” in G. John Ikenberry, ed., *America Unrivaled: The Future of the Balance of Power*, Ithaca, N.Y.: Cornell University Press, 2002, p. 180.

<sup>4</sup> Fareed Zakaria, *The Post-American World*, New York: W.W. Norton, 2008, p. 238.

“points of constancy,” “predictability,” and a sense of “shared commitment.”<sup>5</sup> In practice, such a structure, which would promote greater consultation and policy harmonization, could result from a rapprochement with other democracies—within a “league of democracies” or through a process of “liberal order building”—or from the creation of a grand coalition with other global or regional powers.<sup>6</sup>

Dealing with transnational “bad” actors would require the same kind of leadership, recognizing that the fight against terrorism, for instance, is inherently multilateral.<sup>7</sup> The United States would forgo Iraq-type unilateralism, looking first to partners and international institutions.<sup>8</sup> Dealing with “good” (or neutral) transnational actors would require a near-revolution in statecraft, one that recognized the importance of coalition-building across public and private sectors. From climate change to containing dangerous materials, the United States would reach out actively and engage with nonstate actors, not shun or seek to marginalize them.<sup>9</sup>

The 1997 treaty banning landmines (the Ottawa Treaty) is illustrative both of the new diplomacy and of the risks to the United States of remaining aloof. The International Campaign to Ban Landmines began as a nongovernmental organization (NGO); reached out to celebrities, such as Britain’s Princess Diana; then was embraced by governments, with Canada in the lead.<sup>10</sup> The United States, citing the possible need for mines to defend South Korea, opted out, and thus lost an opportunity to shape the treaty more to its liking.

## Transfer of Wealth from West to East

This is mislabeled by the NIC as a “transfer of wealth”; rather it is a transfer of power driven by a growth of wealth in Asia. However labeled, it carries two policy implications, one long-

<sup>5</sup> Zbigniew Brzezinski and Brent Scowcroft, *America and the World: Conversations on the Future of American Foreign Policy*, New York: Basic Books, 2008, p. 32

<sup>6</sup> On the issue of the “league of democracies,” see Robert Kagan, *The Return of History and the End of Dreams*, New York: Alfred A. Knopf, 2008. On “liberal order building,” see G. John Ikenberry, “Liberal Order Building” in Melvyn P. Leffler and Jeffrey W. Legro, eds., *To Lead the World: American Strategy after the Bush Doctrine*, New York: Oxford University Press, 2008. The definition of a “global power” or a “regional power” tends to vary. Kurth’s “grand coalition” includes the United States, Russia, China, and India. Parag Khanna’s G-3, which aims at promoting “imperial coordination,” includes what he sees as the three current empires: the United States, Europe, and China. A Center for Strategic and International Studies report on the future of the North American continent by 2025 relies on the assumption that the United States’ most immediate allies are its neighbors, Canada and Mexico. See Parag Khanna, *The Second World: Empires and Influence in the New Global Order*, New York: Random House, 2008; James Kurth, “Boss of Bosses,” in Melvyn P. Leffler and Jeffrey W. Legro, eds., *To Lead the World: American Strategy after the Bush Doctrine*, New York: Oxford University Press, 2008; Armand B. Peschard-Sverdrup, ed., *The Future of North America 2025: Outlook and Recommendations*, Washington, D.C.: Center for Strategic and International Studies, 2008.

<sup>7</sup> See, for instance, Anne-Marie Slaughter and others, *Strategic Leadership: Framework for a 21st Century National Security Strategy*, Phoenix Initiative Report, Center for a New American Security, July 2008 (as of April 6, 2010: [http://www.brookings.edu/-/media/Files/rc/reports/2008/07\\_national\\_security\\_brainard/07\\_national\\_security\\_brainard.pdf](http://www.brookings.edu/-/media/Files/rc/reports/2008/07_national_security_brainard/07_national_security_brainard.pdf)) and Stephen Van Evera, “A Farewell to Geopolitics,” in Melvyn P. Leffler and Jeffrey W. Legro, eds., *To Lead the World: American Strategy After the Bush Doctrine*, New York: Oxford University Press, 2008.

<sup>8</sup> It is fair to observe, though somewhat beside the point, that some 35 nations eventually contributed either troops or logistical support to the invasion of Iraq.

<sup>9</sup> See, for instance, Charles S. Maier, “Beyond Statecraft,” in Melvyn P. Leffler and Jeffrey W. Legro, eds., *To Lead the World: American Strategy After the Bush Doctrine*, New York: Oxford University Press, 2008.

<sup>10</sup> For details and the treaty, which had been signed by 156 parties by 2007—not including the United States, China, Russia, and India—see <http://www.icbl.org/treaty>.

run and positive, the other of less certain duration and mixed. The rise of China, then India, then perhaps Brazil, is producing the multilateral system described above, one in which more states have more vested interests in the stability of the international system, hence enlarging the range of possible partners for U.S. action. America, in turn, will be able to strategically share leadership with other nations and lessen its burden,<sup>11</sup> or shape more efficient coalitions—by first approaching democracies with common values and then “selectively engaging” countries with a true stake on a given issue.<sup>12</sup> But those new partners will also demand a real voice,<sup>13</sup> and they will occasionally act on their perceived interest in ways that annoy the United States, so patience in following long-run interests through short-term perturbations will be required.<sup>14</sup>

The less positive implication is resource transfers to the oil-rich if oil prices remain—or return to being—high, along with possible increased competition for natural resources.<sup>15</sup> This trend could also divert capital from away from the United States and to the rapidly developing countries.<sup>16</sup> In the long run, however, the rise of the oil-rich may be less of a policy challenge than it now seems given the long history of the “resource curse”—even if the global recession does not turn out to be deep and enduring. For instance, Russia’s fragility was on view after late 2008: What looked like a booming economy was mostly oil, with hydrocarbons accounting for upward of half the government budget.

Russia’s future out to 2025 is not promising, given declining population and an oil-dependent economy as the world begins to turn away from fossil fuels. Yet, here as elsewhere, the path to 2025 will have twists and turns, for, once global economic growth resumes, oil prices will rise again precisely because of all the investments in alternative energy that didn’t happen during the crisis. Russia will have another period of exercising its petro-riches. The

<sup>11</sup> Anne-Marie Slaughter and others, *Strategic Leadership: Framework for a 21st Century National Security Strategy*, Phoenix Initiative Report, Center for a New American Security, July 2008. As of April 6, 2010: [http://www.brookings.edu/-/media/Files/rc/reports/2008/07\\_national\\_security\\_brainard/07\\_national\\_security\\_brainard.pdf](http://www.brookings.edu/-/media/Files/rc/reports/2008/07_national_security_brainard/07_national_security_brainard.pdf)

<sup>12</sup> Zbigniew Brzezinski and Brent Scowcroft, *America and the World: Conversations on the Future of American Foreign Policy*, New York: Basic Books, 2008, p. 232.

<sup>13</sup> What are referred to as the “BRICs”—Brazil, Russia, India, and China—will need to be fully integrated in an international system that will reflect a re-allocation of political power. For a documentation of the economic rise of the BRIC, see PriceWaterHouseCoopers, *The World in 2050: Beyond the BRICs*, March 2008 (as of April 6, 2010: [http://www.pwc.com/en\\_GX/gx/world-2050/pdf/world\\_2050\\_brics.pdf](http://www.pwc.com/en_GX/gx/world-2050/pdf/world_2050_brics.pdf)); and Dominic Wilson and Roopa Purushothaman, “Dreaming with BRICs: The Path to 2050,” Goldman Sachs Global Economics Paper No. 99, October 1, 2003. For an argument about the re-allocation of political power, see Zbigniew Brzezinski and Brent Scowcroft, *America and the World: Conversations on the Future of American Foreign Policy*, New York: Basic Books, 2008. In fact, the so-called BRICs are different enough in their economic situations and political attitudes that lumping them together makes little sense. The NIC wisely avoids using the category and so does this paper.

<sup>14</sup> Khanna sees what he calls “Second World Countries,” such as Russia, India, and Japan, playing the role of “balancers” by aligning with the United States, Europe, or China and thus decisively favoring one power over another. Kagan observes that U.S. rivals, most notably Russia and China, are increasingly seeking to shape international issues through their own interest, by, for instance, putting the question of sovereignty at the center of international debates. See Parag Khanna, *The Second World: Empires and Influence in the New Global Order*, New York: Random House, 2008; Robert Kagan, *The Return of History and the End of Dreams*, New York: Alfred A. Knopf, 2008.

<sup>15</sup> Regarding competition for natural resources, see Marine Corps, Strategic Vision Group, “SVG Strategic Trends and Implications,” Information Paper, February 12, 2008. As of April 6, 2010: <http://www.quantico.usmc.mil/activities/?Section=SVG>

<sup>16</sup> Dominic Wilson and Roopa Purushothaman, “Dreaming With BRICs: The Path to 2050,” Goldman Sachs Global Economics Paper No. 99, October 1, 2003.

long-run policy challenge for the United States and others thus becomes helping Russia gracefully decline despite its predictable bouts of obstreperous behavior.

### **The United States as the Most Powerful Absolutely, Just Less So Relatively**

There is a long debate and a longer literature on absolute versus relative power and position. As the famed political scientist Hans Morgenthau wrote nearly a half century ago, “The concept of political power poses one of the most difficult and controversial problems of political science.”<sup>17</sup> This trend suggests that the United States will be less able to influence other countries, but the previous trend suggests that it may have less need to do so, as emerging economies acquire greater stakes in the stability of the international system.

The trend also directs attention to both the *capacity* and the *proclivity* of the American people to engage creatively in the world.<sup>18</sup> It is telling that the last time the United States was creative in international institution-building was when it was by far the biggest kid on the block, after World War II; two decades later, it began to see the institutions as being less effective in advancing narrower U.S. interests. Americans often assume that the United States can adapt, perhaps faster than other nations—that it is nimble. But is that so? The economic crisis will provide a test case, for the country is now mired in two wars and upward of \$1 trillion of potential new debt. The excursion later in this section on the implications of the global economic crisis takes up that issue in more detail.

### **Unprecedented Economic Growth, More People, and More Pressure on Resources**

Here, the main new policy implication of the NIC’s projection is meeting the long-run challenge of resources and climate change. That is surely necessary in the long run, even if the economic crisis of the more immediate future lessens the pressure on resources and seems to undercut more ambitious actions on climate change—issues taken up in more detail in Section 3. U.S. policy had been disengaged on climate change. The underlying assumption was that nothing could happen without the United States. Yet virtually all the projections suggest the wisdom of the Dewar maxim: Whether the United States is involved or not, today’s decisions (or nondecisions) crucially affect the medium and long-run situations of the United States and the rest of the world.<sup>19</sup>

<sup>17</sup> Hans J. Morgenthau, *Politics Among Nations: The Struggle for Power and Peace*, Third Edition, New York: Alfred A. Knopf, 1963, p. 27.

<sup>18</sup> Anne-Marie Slaughter and others, *Strategic Leadership: Framework for a 21st Century National Security Strategy*, Phoenix Initiative Report, Center for a New American Security, July 2008. As of April 6, 2010: [http://www.brookings.edu/-/media/Files/rc/reports/2008/07\\_national\\_security\\_brainard/07\\_national\\_security\\_brainard.pdf](http://www.brookings.edu/-/media/Files/rc/reports/2008/07_national_security_brainard/07_national_security_brainard.pdf)

<sup>19</sup> Shell International, *Shell Energy Scenarios to 2050*, The Hague, Netherlands, July 2008 (as of April 6, 2010: [http://www.shell.com/home/content/aboutshell/our\\_strategy/shell\\_global\\_scenarios/shell\\_energy\\_scenarios\\_2050/shell\\_energy\\_scenarios\\_02042008.html](http://www.shell.com/home/content/aboutshell/our_strategy/shell_global_scenarios/shell_energy_scenarios_2050/shell_energy_scenarios_02042008.html)); Irving Mintzer, J. Amber Leonard, and Peter Schwartz, *U.S. Energy Scenarios for the 21st Century*, Prepared for the Pew Center on Global Climate Change, July 2003 (as of April 6, 2010: <http://www.pewclimate.org/docUploads/EnergyScenarios.pdf>).

Climate change is real, even if its dimensions are not yet fully calibrated and if current extreme weather events cannot definitively be attributed to it. The most plausible scientific explanation is human: The build-up in the atmosphere of “greenhouse” gases, such as carbon dioxide and methane, that result from the combustion of fossil fuels, deforestation, and other human activities.<sup>20</sup> The preponderance of evidence suggests that greenhouse gas warming is now contributing to changes in precipitation, rising sea levels, melting ice sheets, and disrupted ecosystems. Moreover, unlike familiar air pollutants, such as nitrogen oxides and sulfur dioxide, carbon dioxide remains in the atmosphere for decades, even centuries, and spreads around the globe.

For this issue as for others, there could be “trade-ons”—mutually reinforcing beneficial effects—as well as the more familiar trade-offs. For instance, reducing greenhouse gas emissions might also reduce U.S. dependence on imported oil if—a big “if”—the technology to store carbon dioxide underground on a large scale can be proven. Some of the alternative energy from oil sands and liquefied natural gas may be imported (and won’t reduce greenhouse gas emissions), but most liquids produced from coal, biomass, and shale will be produced domestically.<sup>21</sup> On the electricity side, only 2 percent of electricity in the United States is currently generated from oil. Most derives from coal or natural gas. Alternative energy sources that produce no greenhouse gases include nuclear power (21 percent of U.S. production at present); hydropower (7 percent); and solar, wind, and others (2 percent).<sup>22</sup>

After remaining aloof, becoming involved in climate change policy would require dramatic changes on the part of the United States at home, plus new thoughts about international institutions. The implications of this change are spelled out in Section 3 of this paper.

### **Destabilizing Youth Bulges Diminish, but Pakistan, Afghanistan, and Others Still Problematic**

The diminishing youth bulges owe mostly to globalization and growth, not to specific U.S. policies. Iran, for instance, has seen its fertility rate drop precipitously, from over 5 to 1.7 in a generation. Again, this trend is a relative one, and so youth bulges, with their accompanying pressures on stability, won’t vanish everywhere. They will remain in some critical places—the West Bank/Gaza, Iraq, Yemen, Saudi Arabia, and adjacent Afghanistan and Pakistan. As a result, for this reason and others, Pakistan will be a severe policy problem for the long term, as well as the short.

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<sup>20</sup> Water vapor contributes the most to the greenhouse effect, but human activities have little effect on its concentration in the atmosphere. It is the rising concentration of other gases that is driving the observed increase in global surface temperatures.

<sup>21</sup> James Bartis, Frank Camm, and David S. Ortiz, *Producing Liquid Fuels from Coal: Prospects and Policy Issues*, Santa Monica, Calif.: RAND Corporation, MG-754-AF/NETL, 2008. As of April 6, 2010: <http://www.rand.org/pubs/monographs/MG754/>

<sup>22</sup> Michael A. Toman, James Griffin, and Robert Lempert, *Impacts on U.S. Energy Expenditures and Greenhouse-Gas Emissions of Increasing Renewable-Energy Use*, Santa Monica, Calif.: RAND Corporation, TR-384-1-EFC, 2008. As of April 6, 2010: [http://www.rand.org/pubs/technical\\_reports/TR384-1/](http://www.rand.org/pubs/technical_reports/TR384-1/)

## Increased Potential for Conflict, Given Middle East Turbulence and Proliferating Weaponry

U.S. military policy has rested on the assumption that technology gives America an advantage. That advantage is waning. Other states have fewer vested stakes in legacy military systems, such as fighter aircraft, and so can leapfrog the United States, while nonstate actors have been impressive in finding ways around the hard core of U.S. military power: Witness the devastating initial effects of misnamed “improvised explosive devices,” or IEDs, in Iraq. A world of more than a dozen medium-size nuclear powers by 2025 might not threaten the U.S. homeland much more than now, but it could sharply constrain U.S. military actions abroad. China, for instance, may acquire a kind of veto over major U.S. military movements in its region.<sup>23</sup> Finally, “hybrid wars” or “multimodal conflicts” will increasingly blur the traditional boundary between traditional and nonconventional warfare and require that the United States be more adaptive and flexible in the theaters it intervenes.<sup>24</sup> Those looming effects on the American way of war are discussed in more detail in Section 3.

## Fewer but Perhaps More-Lethal Terrorists

This trend—driven by economics, demographics, and political pluralism in some but not all the Islamic world—suggests that the policy problem will be dealing with a terrorist threat that is perhaps smaller in size but greater in lethality. To the extent that the U.S. threat from Islamic extremists “domesticates” in the way Britain’s has, the military will become less relevant, and law enforcement techniques for dealing with gangs and organized crime more so. Even military operations against foreign sanctuaries can have a very high cost, as strikes in Pakistan and Afghanistan have demonstrated. The premium will be on intelligence and law enforcement cooperation with a wide range of states and nonstate actors; this will be all the more so with regard to lethal weapons, from trying to contain nuclear materials to detecting pandemics.

## Excursion: The Global Economic Crisis<sup>25</sup>

No economic crisis can ever be said to be well-timed, but the one that began in 2008 is especially ill-timed for the United States, which needed to recover from a long consumption binge, fueled by the accumulation of huge quantities of private as well as public debt, and instead to increase savings. By contrast, the timing is less bad for China, which needed to move in the

<sup>23</sup> For Fareed Zakaria, this veto need not even be military if China emerges as an “asymmetrical superpower,” with the ability to influence the terms of future face-offs by influencing other powers and outmaneuvering U.S. diplomatic efforts and by outpacing the United States through patient economic development. China can emerge as a rival power, but, unlike in the Cold War, the challenger will have “a vibrant market society, with the world’s largest population” and will not be “showcasing a hopeless model of state socialism or squandering its power in pointless military interventions.” See his *The Post-American World*, New York: W.W. Norton, 2008, pp. 123–128.

<sup>24</sup> Marine Corps, Strategic Vision Group, “SVG Strategic Trends and Implications,” Information Paper, February 12, 2008. As of April 6, 2010:  
<http://www.quantico.usmc.mil/activities/?Section=SVG>

<sup>25</sup> This section draws on material originally produced by Charles Wolf, Jr.

opposite direction, saving less and consuming more—China’s consumption took only 35 percent of its gross domestic product (GDP) in 2008 (down from 45 percent in 1995), probably the lowest in the world, while its investment share (43 percent in 2008) is the highest in Asia. Thus, beyond the immediate prospect of spending and bailing out, the longer-term issue is how the United States emerges from the crisis and how that affects the role it can play in the world. The tension between the stimulus policies needed in the short term and the saving policies required in the long term is explored in more detail in Section 3.

### Global Crisis, Global Consequences

The economic crisis emanated from the United States but is manifestly global in its reach. Only a fool would place a bet on which countries will weather the crisis best and emerge from it first. Bets first favored China and Japan, with their large holdings of liquid dollar and non-dollar reserves (\$2 trillion and \$1 trillion, respectively), and other factors also seemed to offer them protection: low exposure to U.S. subprime loans and securities, low dependence on commodity exports, high share trade within the region, improved banking systems, and good ability to implement stimulus programs. Yet those assumptions seemed to crumble as, for instance, economic growth in China dropped from a peak of nearly 14 percent in the second quarter of 2007 to 6.8 percent in the fourth quarter of 2008.<sup>26</sup> India’s growth sank from over 10 percent at the end of 2006 to less than 5.5 percent in the final quarter of 2008.

More recently, the “news” has been financial stabilization in the United States and other developed countries, along with what the *Economist* called “Asia’s Astonishing Rebound.”<sup>27</sup> The language of “decoupling” revived, along with an emphasis on Asia’s superior economic “fundamentals.” It would be ironic if, having set the crisis in motion, it was the United States that were the first to emerge from it. The crisis will be a test of the vaunted resilience of the American economy, reflected, for example, in its more flexible labor markets and a greater ease of market entry and of starting new businesses.<sup>28</sup> These sources of resilience will be further enhanced if and as U.S. credit markets begin to thaw, making short- and medium-term credit accessible for working capital purposes.

The need to restructure the U.S. economy underlay but was not the immediate cause of the financial crisis. The United States needs to increase aggregate savings—household, corporate, and government—by about 4–6 percent of GDP. In the process, the perennial U.S. current account deficits would diminish equivalently. Accomplishing this U.S. restructuring without a serious and protracted recession and deflation will be no mean feat, either in economic or, especially, in political terms. Here, too, bets about which country faces the harder adjustment challenge may have changed. In early 2009, the U.S. challenge looked perhaps easier than that of other major economies, including China, but that is not so clear now, given the massive U.S. debt and servicing obligations plus increased spending that may result from health care reform.

<sup>26</sup> Morris Goldstein and Daniel Xie, “The Impact of the Financial Crisis on Emerging Asia,” Washington, D.C.: Peterson Institute for International Economics, WP09-11, October 2009, p. 3. As of April 6, 2010: <http://www.piie.com/publications/wp/wp09-11.pdf>

<sup>27</sup> See “On the Rebound” *Economist*, August 15, 2009.

<sup>28</sup> The United States continued to rank first in the World Economic Forum’s *The Global Competitive Report 2008–2009* (as of April 6, 2010: <http://www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.htm>). China was improving but still ranked number 30.

## Hyping the Debt

That said, some of the commentary about mushrooming U.S. debt and a plunging dollar has been overheated. For instance, in March 2009, Chinese Premier Wen Jiabao publicly expressed worry about the U.S. debt, and called on the United States to “maintain its credibility, honor its commitments and guarantee the safety of Chinese assets.”<sup>29</sup> This comment triggered an intense debate in the media and in policy circles as to whether the cost of American borrowing (the interest rate) would go up and whether the U.S. dollar would be replaced as the international currency by the euro; the International Monetary Fund’s synthetic blend of currencies, known as SDRs (Special Drawing Rights); or even the Chinese renminbi. Indeed, in June 2009, the Chinese Central Bank called for the creation of a new reserve currency.<sup>30</sup>

As of June 2009, 29 percent of the total U.S. federal government debt of \$11 trillion was held by foreign governments, with China and Japan as the largest holders, as Figure 2.1 illustrates.

The fact that U.S. debt is denominated in dollars limits U.S. vulnerability, because a fall in the dollar wouldn’t increase the burden of the debt. It also means that holders of the debt, including foreign holders, have an incentive to avoid actions that would further depress the value of the dollar.<sup>31</sup> The real risk is that a falling dollar would coincide with a major sell-off of Treasury securities, which would then reverberate through other markets. The risk remains, but so far none of the dire consequences is visible. U.S. debt is still rated “triple A,” or almost zero credit risk. The Treasury long-term composite rate was 4.09 percent in August 2009, compared with 4.98 percent in 2006.<sup>32</sup> Nor do short-term rates reflect panic on the part of debt holders. The U.S. dollar remains the international reserve currency.

The reasons for the absence of crisis are several. Simply put, since the crisis has been global, there aren’t really better alternatives to U.S. treasury bills. As for competing reserve currencies, SDRs constitute less than 5 percent of world reserves and do not pose a serious challenge in their present form. Neither does the Chinese renminbi yet have the clout to replace the dollar. Indeed, Beijing has effectively pegged its currency to the dollar in order to keep its exports to the United States attractive. The United States and China now are so dependent economically that they approach what was called “mutual assured destruction” in the Cold War U.S.-Soviet nuclear realm: Each could badly hurt the other, but only at unacceptable price to itself. In this case, for Beijing to sell down its Treasury holdings would be to risk triggering the very dollar collapse it purports to dread.

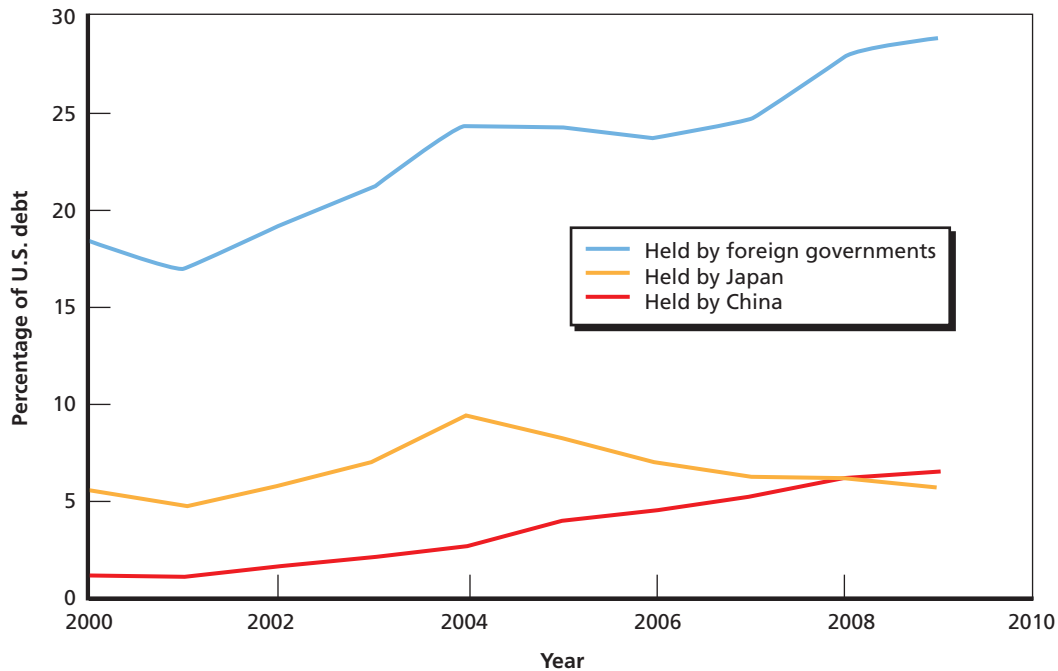
<sup>29</sup> See, for instance, “Wen’s Dollar Warning,” *Wall Street Journal* online, March 17, 2009. As of April 6, 2010: <http://online.wsj.com/article/SB123723634481646577.html>

<sup>30</sup> See, for instance, “Beijing Formalizes Call for New Currency,” *Wall Street Journal* online, June 29, 2009. As of April 6, 2010: <http://online.wsj.com/article/SB124616719675965215.html>

<sup>31</sup> These paragraphs draw on material provided by RAND colleague Krishna Kumar. See also Brad W. Setser, *If the Dollar Plummets*, Contingency Planning Memorandum No. 1, New York: Council on Foreign Relations, April 2009.

<sup>32</sup> Department of the Treasury, “Daily Treasury Long-Term Rates,” web page (<http://www.ustreas.gov/offices/domestic-finance/debt-management/interest-rate/ltcompositeindex.shtml>), accessed August 27, 2009. The long-term composite rate is “the unweighted average of bid yields on all outstanding fixed-coupon bonds neither due nor callable in less than 10 years.”

**Figure 2.1**  
**U.S. Debt Held by Foreign Governments**



RAND OP298-2.1

### National Regulation and International Cooperation

In the medium run, governments will intervene more directly in economic matters, and so the long-term question is whether this greater public ownership and regulation will become permanent, and, if so, how multilateral the regulatory regime will be, or needs to be. As French President Nicolas Sarkozy put it early in the crisis: “Le laissez-fair, c’est fini.”<sup>33</sup> The U.S. government effectively nationalized the two largest holders and guarantors of residential mortgages, Fannie Mae and Freddie Mac, removing prior management, appointing new conservators, eliminating dividends for existing shareholders, and formally guaranteeing the organizations’ liabilities. In addition to bailing out the Big Three automobile makers, it injected capital into more than a score of financial institutions, acquiring equity in the companies in the process. In proportion to the size of the economy, the interventions of the British government have been even larger.

The crisis will not only permit but require some international institution-building. Cooperation with allies (in NATO, Japan, Korea) as well as other partners (especially including China) may provide a way of partly hedging the uncertainties. The United States has always looked for international cooperation during postwar economic crises, but burden-sharing with these countries, along with more equitably shared decisionmaking, should appeal still more to the United States than in the past as a means of hedging against the economic uncertainties and the risk of divisive—and counterproductive—nationalist policies.

No nation, not even the United States, can protect itself by acting unilaterally. Thus, necessity can be the parent of longer-term innovation. Economics will impel creativity in devis-

<sup>33</sup> Quoted in Roger C. Altman, “The Great Crash, 2008: A Geopolitical Setback for the West,” *Foreign Affairs*, Vol. 88, No. 1, January/February 2009, p. 11.

ing multilateral arrangements and openness by the United States to the ideas of others. For instance, after trying one approach to injecting liquidity into the economy, the United States moved to another, one on which Britain had earlier decided (and which Sweden had followed in its crisis in 1992)—buying direct equity in financial institutions instead of bad debts. The Washington conference of the “Group of 20” in November 2008 was a harbinger of the future: The United States resisted the inclination to handle the crises in the old way—with only Europe, Japan, and the IMF—and instead the newly rising powers were fully represented. Yet the meeting was in Washington and chaired by the American president.

## Key Uncertainties

The NIC’s list of uncertainties is laid out in Table 2.2.

**Table 2.2**  
**Global Trends 2025 Key Uncertainties and Potential Consequences**

Key Uncertainties	Potential Consequences
Whether an energy transition away from fossil fuels is completed during the 2025 time frame.	If oil and gas prices remain high, cash-flush exporters, such as Russia and Iran, will substantially augment their levels of national power. A plunge in prices could trigger a long-term decline for producers as global and regional players.
Whether mercantilism stages a comeback and global markets recede.	Descending into a world of resource nationalism increases the risk of great power confrontations. A world of continuing prosperity would enhance prospects for greater burden-sharing and multilateralism.
Whether advances toward democracy occur in China and Russia.	Political pluralism seems less likely in Russia in the absence of economic diversification. Growing middle classes increases the chances of political liberalization.
Whether regional fears about a nuclear-armed Iran trigger an arms race and greater militarization.	Episodes of low-intensity conflict and terrorism taking place under a nuclear umbrella could lead to an unintended escalation and broader conflict. Short warning time may put more emphasis on preemption rather than defense.
Whether the greater Middle East becomes more stable, especially whether Iraq stabilizes and whether the Arab-Israeli conflict is resolved peacefully.	In the short term, turbulence is likely to increase under most scenarios. Revival of economic growth, a prosperous Iraq, and resolution of the Israeli-Palestinian dispute could engender regional stability, whereas the absence could compound difficulties in dealing with such new factors as a strengthening Iran, rising food prices, and a global transition away from oil and gas.
Whether Europe and Japan overcome economic and social challenges linked with aging.	Successful integration of Muslim minorities in Europe could do double duty in expanding the productive workforce and averting social crisis. Lack of efforts by Europe and Japan to mitigate demographic challenges could lead to long-term declines.
Whether multilateral institutions adapt to the transformed geopolitical landscape and revive.	Emerging powers show ambivalence toward global institutions such as the UN and IMF, but this could change as they become bigger stakeholders in the international system. Asian integration could lead to more powerful regional institutions. NATO faces a stiff challenge in meeting growing out-of-area responsibilities with declining European military capabilities.

SOURCE: Adapted from National Intelligence Council, *Global Trends 2025: A Transformed World*, Washington, D.C., November 2008.

The items in NIC's table are rightly called "uncertainties," not wild cards. None of them is a surprise. Rather, they are all questions about whether trends identified in the analysis will come to fruition or not. And the list could easily be extended to other uncertainties that are embedded in the NIC analysis, for instance:

- loss of U.S. international leverage and influence?
- staying power of Western Enlightenment values?
- staying power of radical Islam and Muslim terrorism?
- conflict over resources?
- degree of climate change?

The NIC's first uncertainty, the transition from fossil fuels, will not be accomplished during the 2025 time frame. Indeed, whether it happens at all depends on policy—taxes and mandates to sustain price levels. If prices are kept high for an extended period, the transition will take care of itself. However, if the previous pattern of price spikes followed by declines is allowed to repeat, the United States runs the risk of getting stuck in a quasi-Malthusian trap of energy: The shocks do enough damage to the economy to shrink demand, which then brings prices down; since the short-term elasticities are not high enough, the market never transitions to non-oil-based sources of energy because they are not competitive in the low-price periods. So, taxes and mandates (such as "cap and trade") that keep the price of hydrocarbons high may be the only way to ensure the transition, but it is very hard to imagine such measures being enacted in the U.S. democracy.

If a world of high-cost hydrocarbons could be achieved, that would produce a step change by calling forth the whole range of alternatives to petroleum, both non-oil hydrocarbons and others, ranging from nuclear to renewables. In that case, the "winners" would change to include, for instance, oil-shale rich Alberta and Wyoming. High costs would also break the Malthusian assumptions about the link between resource consumption and economic growth, a trend already underway in the richer countries, where energy use and increasing GDP have been decoupled since the 1980s. There may be even more possibilities for the developing countries, where leapfrogging in technologies and practices is possible.

By the same token, whether a nuclear Iran would touch off a nasty arms race in the Middle East is an uncertainty. No one knows for sure, though a positive answer is a deep concern in Washington. Since the uncertainties are trends, they will not be settled quickly. There will be signposts along the way, signposts that themselves may be part of the answer—for instance, reports of secret discussions of nuclear weapons in Cairo or Riyadh. Over time, intelligence can, in a Bayesian way, sharpen its probability assessments of various uncertain outcomes as it sees those signposts.

Wild cards, by contrast, might surprise. They come in two forms. One might be thought of as "breaking continuities"—that is, trends that simply cannot continue. When the continuity breaks, that itself comes as no surprise, but the outcome might. An obvious breaking continuity is Pakistan, where it seems that current trends simply cannot continue. Yet exactly what might break, when, or how is devilishly uncertain, with the possibilities ranging from a military coup to loose nuclear weapons, perhaps in the hands of radical Islamic terrorists.

So, too, continuity in China's "Leninist capitalism" also seems impossible. It just seems implausible that one-party control can be sustained as the economy mushrooms along with contacts across the globe by an increasingly cosmopolitan Chinese middle-class. However, the

same might have been said ten years ago—a reminder that predicting the timing of breaking continuities is parlous, reminiscent of the line about the intelligence analyst who predicted 15 of the last three coups. In any event, many of the breakings in the Chinese case seem more benign from the perspective of U.S. interests than in the Pakistan case—internal turmoil, for instance, leading to a pluralist opening (or vice versa), then to reduced economic growth.<sup>34</sup> It is possible to conjure nastier breakings, to be sure—for instance, a Communist Party in trouble exploiting nationalist feelings to hold on to power, perhaps to the point of dangerous adventures with regard to Taiwan.

The other type of wild card is more pure surprises. The collapse of the Soviet Union is in that category. To be sure, such a collapse was not only imagined by policymakers, it had been the goal of policy for four decades. But a collapse had ceased to be plausible for successive generations of policymakers, who said, “not in my lifetime.” Undoing the Soviet Union took the arrival on the scene of Mikhail Gorbachev, a man with a clear vision of the Soviet Union’s shortcomings but a very flawed vision of what to do about them. Imagine how policy officials in the late 1980s would have reacted to an intelligence analyst who reasoned from the Soviet Union’s underlying weaknesses to a revolution from the top to a collapse of the Union!

Brainstorming about real wild cards is easy enough, but preparing for them is not. Most imaginings will, in the nature of human events, turn out to be wrong, with the unimagined occurring instead. And the number of contingencies against which policy can hedge or insure is limited. The breaking continuities, though, are another matter. The challenge is, first, to identify ones that are both important and probable enough to merit detailed preparation now and, second, to try to build policy and process that will be adaptable in dealing with inevitable nasty surprises—or even unexpected good fortune.

For instance, Pakistan is so rife with uncertainty that it would be foolish not to consider—and prepare now for—a wide range of possible outcomes. By the same token, the value of the dollar is already “broke” in that it is likely to be volatile in any case, so it is imperative, at a minimum, to think now about how to hedge so that the volatility doesn’t wreak havoc with American military deployments or other activities abroad.

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<sup>34</sup> For an interesting example of “breaking continuities” analysis, see Charles Wolf and others, *Fault Lines in China’s Economic Terrain*, Santa Monica, Calif.: RAND Corporation, MR-1686-NA/SRF, 2003 (as of April 6, 2010: [http://www.rand.org/pubs/monograph\\_reports/MR1686/](http://www.rand.org/pubs/monograph_reports/MR1686/)). They asked what major “fault lines” or “adversities”—or breaking continuities—might seriously affect China’s ability to sustain rapid economic growth.



## Where Might Longer-Term Thinking Change Short-Run Policy?

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Based on the longer-term trends toward 2025 and the broad lines of long-term American policy they suggest, this section turns to the agenda for the next five years. What, in the Dewar maxim, should the United States do *now* to maximize longer-term opportunities and avoid longer-term dangers? This discussion of the current agenda concentrates on issues where attention to the longer term would call for policies *now* that would be *different* from those pursued absent that longer-term perspective. Some policies in the U.S. interest looking to 2025 would be different from policies that are convenient today.

### Right for 2025 and Right for Now

In many cases, the policies that seem appropriate for 2025 also seem to be the right ones for the immediate agenda. For instance, the NIC's vision of a 2025 world that is multipolar, with transnational actors becoming increasingly important, implies a very different style of leadership, one in which the United States behaves neither like a hegemon nor an ordinary state. Consultations with other major powers would be real, and the United States would make clear that it was considering other major states' interests in framing its own policy approach. Yet that also seems to be the right style of leadership now, especially in dealing with the global economic crisis.

So, too, the NIC vision of China in 2025—continued growth and with it, an increased stake in the international order—seems to call for U.S. policies now that would not be very different from those appropriate for 2025. With regard to China, the Obama administration's inheritance is a good one. The Bush administration moved, over time and under pressure of the fight against terror, from preoccupation with a “near-peer” military competitor to defining its task as making sure that U.S. actions didn't turn China into an enemy. Policy, both now and later, would accommodate Chinese power, trying to steer it toward constructive engagements with both the United States and international institutions. Thus, managing mutual dependence to mutual economic benefit is also a way to avoid turning China into a security threat.<sup>1</sup>

Responding to growing Chinese military power, including weaponry that constrains U.S. operations in the Western Pacific, will challenge administrations to respond without overreacting in ways that would create a self-fulfilling prophecy of military rivalry. The patience of the established power is the watchword in responding to specific Chinese policies that cut across

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<sup>1</sup> Barry Eichengreen and Douglas A. Irwin, “A Shackled Hegemon,” in Melvyn P. Leffler and Jeffrey W. Legro, eds., *To Lead the World: American Strategy After the Bush Doctrine*, New York: Oxford University Press, 2008.

U.S. approaches—from resource diplomacy, in Africa and elsewhere (which has “locked up” only a small amount of oil), to approaches to rogue states, to intellectual property rights, to greenhouse gas emissions. Differences over the last were on full display at the Copenhagen conference on climate change in December 2009.

So, too, building the kind of world in which the United States would like to live in 2025 seems to call for similar policies both now and later. Such policies should recognize that America’s power to dictate, if ever it could, is waning. In the short run, the best advice is the doctor’s: Do no harm. For instance, don’t act in ways that appear to validate the premises of the nascent anti-U.S. illiberal rejectionist coalition.<sup>2</sup> If oil prices are lower, the would-be coalition partners will have less scope for mischief in any case. That implies, for instance, not making more of Venezuela’s mischief-making by overreacting to it.

It also might imply a seriousness about engaging Russia on its own terms that was not apparent either in the Bush administration’s second-term actions or the 2008 presidential campaign; in both cases it seemed that America’s Russia policy was derivative of its Georgia policy, not vice versa. To be sure, Russia’s long-term prospects are pretty bleak, given demographics and the eventual end to oil’s dominance. So the task becomes helping Russia adjust decently to decline, and the Obama administration’s effort to “reset” relations with Russia by listening more than lecturing was probably a wise approach. So was the decision, in September 2009, to abandon the missile defense system planned for Eastern Europe—and sharply opposed by Moscow—in favor of a ship-based missile defense system.

Beyond that, the United States has learned a hard lesson about trying to promote pluralism, let alone democracy, by force. On that score, too, the watchwords are do no harm and be patient—the latter not generally an American trait but one perhaps now reinforced by Iraq and the economic crisis. If promoting liberalism is a slow, patient endeavor, a starting point can be to build partnerships with private organizations in civil society, not seeking to co-opt them but recognizing them as increasingly important transnational actors. And, finally, Americans have long understood what parents know all too well: Words pale by comparison to the power of example. So the best thing the new administration could do would be to bespeak America’s decency and liberalism across a range of issues, from torture and internal surveillance, to immigration and beyond. Closing Guantanamo was a good first start, though, as usual in life, it wasn’t as easy as it looked.

In other cases, the current agenda is driven by very current problems, which policy aims to try to reconfigure. For them, the required long-term thinking may be as much backward as forward, drawing on historical perspective to set reasonable long-term aspirations. For instance, in neither Afghanistan nor Pakistan are the options attractive in light of either past or future perspectives. In Afghanistan as elsewhere, it is easy to be misled by our own language: The country is a collection of tribes, clans, and subtribes, not really a country. Nor has it ever had a government that exerted its will across the entire territory. As a result, the administration was right to be cautious before it simply exported the idea of a “surge.” What the United States requires from Afghanistan is that it not serve as the base for exporting terrorism. It does not require excluding the Taliban from power, only separating the bulk of the group from its extremists and from al Qaeda, and the administration’s intention to talk with the Taliban was

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<sup>2</sup> See Jeremy Ghez, Theodore W. Karasik, and Brian Nichiporuk, “A New Anti-American Coalition,” *RAND Review*, Vol. 32, No. 2, summer 2008, p. 22.

a step in the right direction. What the United States requires from a “national” government is also modest, recognizing that none in the past has had a writ that ran much beyond Kabul.

In Pakistan, any government—and perhaps especially a civilian one—is likely to feel weak enough with respect to its Islamic opponents that it combines attacking them with tolerating (or even negotiating with) them. Probably the best the United States can do is what it has done: pressure combined with subsidies to the Pakistan government. In both countries, the “do no harm maxim” is also apt—avoiding major cross-border incursions that embarrass Pakistan or missile strikes that kill lots of civilians and so anger Afghans.

Turning to issues where long-term thinking might drive the need to act differently *now*, let’s begin with the plainest: climate change and energy.

### Reshaping Approaches to Energy and Climate Change<sup>3</sup>

If climate change is generally accepted as the most pressing global environmental challenge of our time, possible U.S. responses run along four lines—not mutually exclusive—roughly in increasing order of political feasibility:

- coordinated, rapid effort to drive a shift away from carbon-based fuels—an “Apollo program” for renewable energy
- “market-based” approaches—cap and trade, gasoline taxes, oil price floors, and the like
- efforts to mitigate the effects of global warming, both in humanitarian operations and reconstruction
- international coordination on all of the above.

Climate change has become a matter of national security, most visibly because fragile states will be the ones most at risk from its effects.<sup>4</sup> A 2007 report from the Center for Naval Analyses by retired military officers, for instance, called climate change a “threat multiplier,” linking it to mass migrations, instability, and terrorism.<sup>5</sup>

#### The Context of the “Threat”

Why the national security arguments for action?<sup>6</sup> Without attention to the longer term, the first two lines of policy approach wouldn’t be on the agenda. As it is, the economic crisis probably has knocked the first out of contention while making the second still more contentious politically. Yet the third will be imperative in any case. Because there is so much inertia in the system, a good deal of climate change will occur even if greenhouse gas emission were cut dra-

<sup>3</sup> This section draws on work originally done by Debra Knopman.

<sup>4</sup> For a provocative analysis of the political and social impacts, see Nils Gilman, Peter Schwartz, and Doug Randall, *Impacts of Climate Change: A System Vulnerability Approach to Consider the Potential Impacts to 2050 of a Mid-Upper Greenhouse Gas Emissions Scenario*, San Francisco: Global Business Network, January 2007. As of April 6, 2010: [http://www.gbn.com/articles/pdfs/GBN\\_Impacts%20of%20Climate%20Change\\_whitepaper.pdf](http://www.gbn.com/articles/pdfs/GBN_Impacts%20of%20Climate%20Change_whitepaper.pdf)

<sup>5</sup> Center for Naval Analyses, *National Security and the Threat of Climate Change*, Washington, D.C., 2008. As of April 6, 2010: <http://securityandclimate.cna.org/report>. The Council on Foreign Relations made similar observations, along with an extensive set of recommendations to mitigate the threat. Council on Foreign Relations, *Climate Change and National Security: An Agenda for Action*, New York, 2008. As of April 6, 2010: <http://www.cfr.org/publication/14862>.

<sup>6</sup> See Paul Herman and Gregory F. Treverton, “The Meaning of Climate Change for Security,” *Survival*, Vol. 51, No. 2, April–May 2009, pp. 137–148.

matically. For example, the sea level is rising more rapidly than predicted even a few years ago, while 44 percent of the world's population lives in coastal zones, and the trend is toward even more population growth in those regions.

The most vulnerable among the developing nations will bear the brunt of these effects. For instance, nine of the 38 countries in the world with more than one-tenth of their populations living less than a meter above sea level are in the Caribbean. In short, fragile regions—those already on the edge of disaster—are the principal source of major security concerns.<sup>7</sup> Moreover, for countries both rich and poor, the costs of acting—effectively raising the price of fossil fuels to make cleaner alternatives commercially viable—will appear to be worse than the consequences of not acting, and the economic crisis will make for still more delay in serious emissions reduction efforts, hence still more need for adapting.

Indeed, the U.S. Congress refused to sign on to the Kyoto Protocol in December 1997 because of economic fear of losing any further competitive advantage to the rapidly emerging economies of China and India. The Kyoto Protocol set binding targets and timetables for industrialized nations to reduce their greenhouse gas emissions, leaving for another day the inclusion of developing nations in the international regulatory regime. There was not—and there probably still is not—a consensus in the U.S. Congress or country to commit to an incomplete international regulatory regime with certain high costs and distant, ill-defined benefits.

### **Building Capacity for Adapting**

Yet there is no escape from a truly international response. Just as oil is a global market, climate change is a global phenomenon: One ton of carbon dioxide emitted in Chicago has the same effect on global climate change as one ton emitted in Beijing. To be sure, there is no gainsaying the challenges associated with a new comprehensive international treaty leading to major reductions in emissions of greenhouse gases over the coming decades—as the scaling-back of the ambitions for the Copenhagen meeting in late 2009 underscored.

From a security perspective, the United States will need to focus as much on adapting as on reducing emissions—a significant departure from current policy and an additional dimension to President Obama's declaration of intent to assert U.S. leadership on climate change: "My presidency will mark a new chapter in America's leadership on climate change that will strengthen our security and create millions of new jobs in the process."<sup>8</sup>

Adapting can take many forms, some requiring changes in regulations and operating plans for, say, water systems, and others requiring decade-long, multibillion dollar alterations in major infrastructure.<sup>9</sup> This century already has witnessed unprecedented death and destruc-

<sup>7</sup> Interestingly, climate impacts may be all but imperceptible for states already beset with acute ongoing problems, such as Afghanistan, North Korea, and Zimbabwe. And they may be surprisingly tolerable for long-arid states, such as Saudi Arabia, whose entire histories are ones of adjusting to inhospitable climates.

<sup>8</sup> The quote appears in a video available at [Change.gov](http://change.gov), "President-Elect Obama Promises 'New Chapter' on Climate Change," November 18, 2008. As of April 6, 2010: [http://change.gov/newsroom/entry/president\\_elect\\_obama\\_promises\\_new\\_chapter\\_on\\_climate\\_change/](http://change.gov/newsroom/entry/president_elect_obama_promises_new_chapter_on_climate_change/)

<sup>9</sup> On a relatively small scale, RAND pioneered a method of approaching adaptation decisions related to long-term water planning within the Inland Empire Utility Agency, which currently serves over 1 million customers in southern California. See RAND Infrastructure, Safety, and Environment, "Identifying and Reducing Climate-Change Vulnerabilities in Water-Management Plans," Santa Monica, Calif.: RAND Corporation, RB-9315-NSF, 2008. As of April 6, 2010: [http://www.rand.org/pubs/research\\_briefs/RB9315/](http://www.rand.org/pubs/research_briefs/RB9315/)

tion from tsunamis, hurricanes, floods, and earthquakes around the world—a graphic illustration that disasters respect no distinction between “domestic” and “foreign,” even if most were unconnected to climate change. Despite the recurrence, international and U.S. relief organizations appear to be surprised by each new event. Government relief budgets are chronically stretched.<sup>10</sup> Rapid relief can reduce the immediate hardship in regions affected by disaster and avert the destabilizing effects of food and water shortages, the breakdown of law and order, and the dramatic cessation of economic activity.<sup>11</sup>

As a complement to building more capacity to respond to natural disasters, the United States should shape its foreign economic assistance programs to include assistance in moving toward low-carbon energy systems, training and resources to improve coordination of efforts with the private sector and NGOs, and deployment of new technologies. This is a singular example of how soft power can be projected in a strategic way, leaving the military role largely to one of logistics and transport. Without aggressive adaptation, climate impacts could lead to mass migrations away from vulnerable coastal areas to other regions ill-equipped to deal with the influx of immigrants, many of whom will be poor and elderly. In these scenarios, restrictive border policies in already unstable regions of the world could raise very serious security challenges for the United States and other richer nations.

### **An Agenda for Now**

The economic crisis could be an opportunity, and national security would be an explicit consideration—for instance, in taxing gasoline to put a floor under prices while offsetting the income effects through rebates or tax measures, thus sending a long-term signal to energy innovators and spurring alternative sources. The stimulus package signed by the President in February 2009 included infrastructure spending particularly targeted at the energy sector. Increasing oil stockpiles when prices are low would also make sense.

There is no alternative to some combination of regulation, subsidies, and taxes to increase the costs of carbon-based fuels such as coal, oil, and natural gas. The administration should continue to move toward embracing a carbon control regime as a first step toward dealing with climate change as well as restoring some international credibility on the issue, but the European experience is cautionary in driving home that the details matter. A straightforward tax on carbon-based fuels and greenhouse gas emissions would be simple, hard to corrupt, and relatively easy to administer. In contrast, the argument for cap and trade—which, under an overall cap, would permit low emitters to sell permits to those who find it harder or slower to adopt clean technologies—while harder to implement and monitor, has the advantage of providing carrots for low emitters, not just sticks for high ones.<sup>12</sup> The trade-off between energy security and climate change is sharpest for coal, given that large-scale carbon capture and storage is at least a decade away. As an example of how not to intervene, under current circumstances, U.S. policy subsidizing ethanol production is highly questionable as both energy and food policy.

<sup>10</sup> Maxx Dillely and others, *Natural Disaster Hotspots: A Global Risk Analysis*, Washington, D.C.: World Bank, 2005.

<sup>11</sup> For a summary of lessons learned from major floods over the last 60 years, see James P. Kahan and others, *From Flood Control to Integrated Water Resource Management: Lessons for the Gulf Coast from Flooding in Other Places in the Last Sixty Years*, Santa Monica, Calif.: RAND Corporation, OP-164-RC, 2006. As of April 6, 2010: [http://www.rand.org/pubs/occasional\\_papers/OP164/](http://www.rand.org/pubs/occasional_papers/OP164/)

<sup>12</sup> See Joel Kurtzman, “The Low-Carbon Diet: How the Market Can Curb Climate Change,” *Foreign Affairs*, Vol. 88, No. 5, September/October 2009, pp. 114–122.

There is also an opportunity to set the record straight: Energy “independence” is pure fiction for the foreseeable future. Oil is a global commodity, and oil imports will continue to play a dominant role in the U.S. energy mix as long as the internal combustion engine dominates the vehicle market. Nearly 30 percent of U.S. greenhouse gas emissions come from the transportation sector, which is almost entirely dependent on oil and will be for at least the next two decades.<sup>13</sup>

The United States should press, now, to upgrade international relief organizations and operations. To meet the possibility of more frequent and higher intensity climate events, the United States and other richer nations need to organize, plan, and set aside relief funds for natural disasters that surely will happen (although we may not know when and where). International relief organizations and operations need to be modernized and networked to be more effective and efficient. With the U.S. military already stretched thin, its vital role in providing supplies and logistics needs to be maintained and enhanced.

The appointment of former EPA administrator Carole Browner to be White House climate czar was a good first step in coordinating the government’s effort, though her charter remained uncertain. No agency or office in the federal government has a handle on the nature or magnitude of adaptation required to avert major economic losses and social disruption. This office should coordinate across the foreign-domestic divide, overseeing international diplomacy as well as domestic policy. So, too, since much of the adapting will be done by the private sector, both here and abroad, it should coordinate federal responses across the public-private divide, again both at home and working with international counterparts.

### **Fiscal Discipline After the Immediate Economic Crisis Is Passed**

This is not an issue where long-term interests require different immediate policies than are being pursued. Rather, the risk is that current policy will *not* turn around when the time comes for doing so. The agenda for the next several years will continue to be dominated by trying to avoid having the recession turn into an enduring depression. Much of that effort has been conceived as “domestic” policy, including major stimulus packages dominated by large investments in infrastructure and tax policies also tailored to provide the maximum multiplier effect. The result will be U.S. budget deficits on a scale without precedent, at least in nominal terms.<sup>14</sup> Those deficits, and the need to finance them, will be vivid testimony to the fact that, even on core economic policy, domestic and foreign cannot be separated.

Once the immediate crisis is passed, the nation’s need to end its long consumption boom and see aggregate savings—household, corporate, and government—grow by about 4–6 percent of GDP will be a hard enough restructuring to accomplish without a serious and protracted recession and deflation. From a position of near balance in the early 1990s, the U.S. external current account deficit widened to reach around \$800 billion, or around 6 percent of GDP in 2008, and the household savings rate was near zero during 2005–2006. Household savings will increase in response to the housing and equity market busts—that was already evident in 2009, though from a very low base. Yet private savings risk being offset by government

<sup>13</sup> U.S. Energy Information Administration, *Emissions of Greenhouse Gas Emissions in the United States 2007*, 2008, p. 19.

<sup>14</sup> Actually, the measure that probably matters most, debt in relation to gross domestic product, peaked in 1950 at 94 percent, and was 66 percent at the end of 2007.

deficit spending. The Congressional Budget Office now estimates that the U.S. budget deficit will widen to around 12 percent of GDP in 2009, and it will remain at around \$1 trillion a year for the next decade.

Increasing the nation's saving will test the resilience of the U.S. economy and, more so, the country's politics. There really are only three ways to make the adjustment: (a) cut spending, (b) raise taxes, or (c) devalue the dollar. The third is unpredictable both because the dollar's continuing role as the world's main reserve currency makes its value hostage to the actions of other nations and, perhaps more important, because the need to attract funds to service the U.S. debt will almost surely require higher interest rates, which exert upward pressure on the dollar's value. That said, a fall in the dollar, along with moves to embrace, rather than resist, the euro and eventually the remimbi as additional reserve currencies makes sense as part of the package.<sup>15</sup>

Private savings already has increased, and past experience has shown it is very difficult to promote with government policies, so the focus has to be the public budget. So there is no escaping increased taxes on consumption, along with spending cuts, especially by containing health care costs and reforming Social Security. Yet Robert Lempert's description of the obstacles to creative long-term decisionmaking by Congress on climate change is apt for fiscal discipline as well:

The flood of near-term crises demands much of Congress' attention. Congress' committee structure can make it hard to see the big picture and thus implement coherent, system-wide action. The constant pressure of the next election, combined with legislators' strong desire to return to office, make it hard for Congress to impose direct costs on special interests, even if such costs produce more significant but diffuse benefits for all. Congress also has a domestic jurisdiction, but U.S. reductions will mean little if other nations do not participate.<sup>16</sup>

In particular, spending is visible, while taxation is painful and fiscal discipline invisible. Combine the atomized, running-for-office-all-the-time structure of Congress with institutions for budget reconciliation that have turned out to be weak, and the result is a built-in bias toward spending. So the challenge, once the immediate crisis is past, will be to build, first, an argument for fiscal discipline rooted in national security and, second, ways to take and enforce the required—and painful—choices.

That suggests beginning to build the basis for that policy change *now*. That means, for instance, presidential speeches to educate and to outline future commitments. It also means reaching out to advocacy NGOs, which can be part of coalitions supporting painful adjustments. It requires thinking about new revenue sources: Witness growing interest in a U.S. value-added tax. And it almost surely requires beginning to think now about special procedures, such as fast-track authority for approving trade agreements or the procedures for military base closing and realignment, that amount to some tying of the hands of the executive or

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<sup>15</sup> See C. Fred Bergsten, "The Dollar and the Deficits: How Washington Can Prevent the Next Crisis," *Foreign Affairs*, Vol. 88, No. 6, November/December 2009, pp. 20–38.

<sup>16</sup> Robert Lempert, *Creating Constituencies for Long-Term, Radical Change*, Wagner Graduate School of Public Service, Research Brief Number 2, May 2007, p. 4.

Congress, or both, once some blue-ribbon panel has reached recommendations.<sup>17</sup> Those special procedures are hardly a substitute for the more far-reaching reforms in the way government does its work that are discussed later in this section. But they are almost sure to be necessary while the still broader agenda is considered.

Finally, the challenge drives home that considerations of national security need to be injected into the domestic and international debate not just over the current economic crisis, but also over major economic issues more generally. Those issues typically are dealt with as almost entirely “domestic” matters, and U.S. politics—for instance, the make-up of Congress—systematically skews policy in these areas. There is a built-in bias toward spending, and thus to deficits. A starting point, now, should be to broaden the argument to national security (recall that the Secretary of the Treasury was to be a member of the National Security Council but hardly ever has played much of a role). The point is that restructuring the U.S. economy is not just about the long-term well-being of American citizens. It is also about the United States being able to play the kind of role in the world that will keep it safe.

### **The Effect of Revolutions in Military Affairs<sup>18</sup>**

Longer-term issues are suggested by *Global Trends 2025* but not pursued by it. The military stands out in government because it does think long-term: Weapons imagined today won't be fielded for over a decade and, once deployed, may be in service for several generations. Again, the question is whether policymaking as usual is the right approach, given a vision of the longer term. *Global Trends* identified the proliferation of both nuclear weapons and precision-guided munitions (PGMs) as a potential source of strategic discontinuity. Yet, its analysis tends to presume that the United States' means of projecting and sustaining military power will remain relatively unchallenged.

Surely, the war phase in Iraq was a stunning success of networking sensors and firepower. It represented the latest phase in U.S. strategy that has almost always focused on substituting capital for labor in the military arena, whether in conventional or irregular warfare. The post-2003 counterinsurgency (COIN) operations have been, to put it mildly, much more difficult, but even there technology—for instance to enable *Predator* strikes on al Qaeda leaders—has given the United States an advantage. However Iraq and Afghanistan turn out, the United States will emerge with the most experienced, most advanced, and best-equipped force in the world.

### **The Emerging Post-Iraq War Debate**

In the short run, even if the recession is short, the United States is likely to suffer the effects of both ballooning budget deficits and of Iraq—both probably making Americans wary of any engagement that looks expensive or enduring. While historically, perceived threats predict the defense budget better than economics, still the budget has risen and fallen every 18–20 years,

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<sup>17</sup> Bergsten, cited above, calls for a “fiscal future commission” modeled on the Defense Base Closure and Realignment Commission, p. 37.

<sup>18</sup> This section is based on material originally written by Peter Wilson.

and so downward pressure on the defense budget is predictable.<sup>19</sup> Defense accounts for more than half of all the federal government's discretionary spending—that is, spending that is not mandatory for such entitlements as Social Security—and so competes with everything else in troubled economic times, from education to infrastructure.

In the context of economic pressure, there will be an immediate debate about what kind of military the United States should have, one that Secretary of Defense Robert Gates prompted.<sup>20</sup> The debate tended to pit the *COINtistas*—advocates of counterinsurgency capability—against the traditionalists. The first hold that future “irregular warfare” operations will be very labor-intensive because technology will not be able to easily substitute capital for labor. The second argue that the United States should shun such engagements and instead concentrate on sustaining the capability to deter and defeat major military rivals.<sup>21</sup> This argument features the high-technology combat vehicle-intensive forms of combined arms warfare that characterize the “Big” Army, Navy, and Air Force.

Logically, the economic crisis and accompanying strain on defense spending should push the country toward a more multifunctional military that is optimized neither for conventional nor COIN operations but is able to “swing” between these missions.<sup>22</sup> While the foes in Iraq have been relatively unsophisticated technically, the proliferation of PGMs to both conventional and nonconventional opponents (“hybrid warfare”) will make a number of COIN requirements become similar to those of conventional systems (armor protection and jamming, for instance) and will support such a “swing force.” Yet, is the current debate the right one, or should developments afoot toward 2025 call for serious consideration of different policies *now*?

### The Diffusion of Nuclear Weapons

The first set of developments is nuclear, at the high end of the lethality spectrum. For nation-states, the next tipping point for sustaining the Nuclear Non-Proliferation Treaty (NPT) regime is whether the Iranian nuclear weapon program can be kept in remission through a “grand bargain” between Iran and the United States—an issue at the top of the Obama administration's agenda. If a deal that includes putting the Iranian fissile material production infrastructure under tight International Atomic Energy Agency inspection does not materialize, then it is plausible to assume that Iran will have a “virtual” if not an outright operational nuclear arsenal by no later than the middle of the next decade. On the assumption that neither the United States nor Israel conducts military operations to delay this program, the region will have to face the prospect of a “Persian/Shi'a bomb.”

<sup>19</sup> See Bruce Held and James T. Quinlivan, “Reality Check for Defense Spending,” *RAND Review*, Vol. 32, No. 2, summer 2008.

<sup>20</sup> See his “A Balanced Strategy: Reprogramming the Pentagon for a New Age,” *Foreign Affairs*, Vol. 88, No. 1, January/February 2009.

<sup>21</sup> See, for instance, Stephen Van Evera, “A Farewell to Geopolitics,” in Melvyn P. Leffler and Jeffrey W. Legro, eds., *To Lead the World: American Strategy After the Bush Doctrine*, New York: Oxford University Press, 2008; James Kurth, “Boss of Bosses,” in Melvyn P. Leffler and Jeffrey W. Legro, eds., *To Lead the World: American Strategy After the Bush Doctrine*, New York: Oxford University Press, 2008.

<sup>22</sup> The crisis, though, will have some unanticipated effects. For instance, those hardest hit by the downturn will be 18–24-year-olds, the prime targets of military recruiting. As a result, concerns over the difficulty and cost of sustaining the size of the U.S. military, let alone increasing it, will diminish. The Army exceeded its recruiting goals in the last three months of 2008 for the first time in five years.

That would raise the concern that several Sunni-dominated states, such as Saudi Arabia, Egypt, and Turkey, will find this new status quo intolerable. Given the close political military ties between Saudi Arabia and Pakistan, the former might acquire both an operational arsenal and delivery systems from the latter. Egypt and Turkey may well attempt to follow Iran by first building up a civilian nuclear power infrastructure and then using that mobilization base to move on to a nuclear weapon program. The North Korean issue is perhaps less threatening to global NPT norms, but a final resolution of North Korea's nuclear status through the demise of the regime would be a very hard landing for the region.

Further nuclear proliferation in the greater Middle East would impel the United States to radically reconsider how prepared it is to conduct large-scale regional military operations under the "nuclear shadow." At present, the "American way of war" includes dependence on

- air supremacy
- ISR (intelligence, surveillance, reconnaissance) supremacy
- a relatively small number of large bases, ports, and airfields to conduct logistically intensive combined arms operations
- National Security Space architecture that operates with high efficiency
- a global communications and command network that also operates with high efficiency
- technological superiority, with highly trained personnel to compensate for the lack of large, personnel-intensive forces that can accept high casualty rates.

A nuclear-armed regional opponent will put these assumed advantages of U.S. power projection capability at significant risk. Trying to reorient the U.S. expeditionary warfare capability to actually fight a nuclear-armed regional state would be a daunting task, or even an impossible one. U.S. freedom to maneuver in future Eurasian military contingencies will be constrained for fear of vertical escalation. Yet, putting the challenge that way underscores just how advanced the United States really is, for the task foreseen is conducting offensive, expeditionary operations in someone's backyard, hardly a vision of the United States on the defensive.

### **The Diffusion of Precision-Guided Munitions**

This change in the nuclear environment will be accompanied by the diffusion of PGMs. The U.S. military has faced PGM threats in the form of surface-to-air missiles, yet in neither Iraq nor Afghanistan did it confront the widespread use of modern anti-tank guided munitions (ATGMs), man-portable air defense systems (MANPADS), or even long-range mortars. Israel's war with Hizbollah in the summer of 2006 is a warning that future insurgents may be far better equipped than those in Iraq or Afghanistan to attack armored and air forces. If they acquire precision-guided rockets and mortars from a wide variety of sources, this will imply, at a minimum, that future COIN operations could involve far more casualties than recent U.S. experience. It would mean that the United States could no longer deploy forces in concentrations, or house them in large bases in the war zone.

Diffusion of precision-guided ballistic and cruise missiles with tactical and operational ranges would compound the threat. China and Russia have and will continue to deploy a wide spectrum of these advanced weapons. One of the great advantages of PGMs is that they can be deployed without the need to develop a cadre of highly skilled pilots, thus leapfrogging a central requirement of modern air forces. By the next decade, China will have deployed not only the PGMs but also the extended range sensors and communications—including space-

based—to give it the capability to make the Western Pacific inhospitable for U.S. ships and bases. Iran will be able to do the same for the Persian Gulf, even though it will lack the sophisticated sensors and communications. Globally, the U.S. military will operate more and more in a virtual goldfish bowl.

### War Through Cyberspace

Dependence upon a high-bandwidth global communication system is another key characteristic of the American way of war. Already, the Pentagon has suffered “peacetime” cyberspace attacks from parties known and unknown. Future threats are highly uncertain in scope and magnitude, and will comprise a mixture of kinetic energy, electromagnetic, and cyber weapons. Many will mimic chemical warfare, in that their effectiveness will depend on the defense, response, and recovery capacity put in place by the U.S. government and the critical private national infrastructures. They will be wary of “reaching out and touching” the United States, even if their impact is very temporary. One of the major questions for the Intelligence Community is whether it will be drawn into providing major targeting support for future offensive operations in cyberspace by other elements of the U.S. government.

The central question running through these varied challenges remains: What types of conflicts should the United States prepare for, given both the world to 2025 and the likelihood of strong downward pressures on the budgets of the national security establishment? A “swing force” sounds like a logical compromise, and it is true that technology means that some COIN threats are becoming akin to more conventional ones. The choices depend as much on strategy and organization as on technology. A focus on COIN and state-building, for instance, is a call for the maintenance of a larger but less technologically intensive ground force. But it would also give pride of place to special forces and perhaps require new military organizations. It surely would require a new intensity of interagency cooperation, and perhaps new “civilian” organizations.

### Visions of the Nuclear Future

This is an issue where near-term convenience may be correct but might not be if the long-term vision seemed to require getting serious about nuclear abolition.<sup>23</sup> Before confronting that choice, one piece of low-hanging fruit the Obama administration ought to pick would be banning use of the phrase “weapons of mass destruction.” The weapons—nuclear, radiological, chemical, and biological—are different in virtually every way, including their lethality. To lump them together is to invite policy confusion.

Looking out to 2025, the most likely nuclear, or “dirty bomb,” attack on the United States would be perpetrated by terrorist groups. As RAND colleague Brian Jenkins stresses, executing such an attack isn’t as easy as it looks.<sup>24</sup> A terrorist group would almost surely have

<sup>23</sup> For the “gang of four’s” argument for abolition, see George Shultz, William Perry, Henry Kissinger, and Sam Nunn, “A World Free of Nuclear Weapons,” *Wall Street Journal*, January 4, 2007; and, by same authors, “Toward a Nuclear-Free World,” *Wall Street Journal*, January 15, 2008. For the counter-argument, see Harold Brown and John Deutch, “The Nuclear Disarmament Fantasy,” *Wall Street Journal*, November 19, 2007; and Elbridge Colby, “Nuclear Abolition: A Dangerous Illusion,” *Orbis* (Foreign Policy Research Center), Vol. 52, No. 3, summer 2008, pp. 424–433.

<sup>24</sup> Brian Michael Jenkins, *Will Terrorists Go Nuclear?* New York: Prometheus, 2008.

to steal, buy, or be given a bomb by a state in possession of them. Until recently, the focus of a nuclear weapon diversion scenario was the Soviet Union, then Russia; now it is Pakistan following a period of severe internal instability or outright civil war. This threat—very high-consequence even if low-probability—becomes a powerful additional reason to both lock up existing nuclear materials and pursue constraints on new and possible proliferators. Jenkins also observes that nuclear *terror* is here even if nuclear *terrorism* is not. We have done the terrorists' work for them by terrorizing ourselves. The new administration has a chance to talk frankly about the threats, not hype them.

The most actionable immediate policy is accelerating global efforts to “lock up” nuclear materials.<sup>25</sup> Beyond that, there is no alternative to a patient case-by-case approach, continuing the six-party talks with North Korea and taking North Korea's concerns seriously. Most experts would not bet that, in the end, North Korea will relinquish all its nuclear weapons, but there is the possibility of sharply constraining it and putting it in the position of denying that it has weapons, thus diminishing contagion effects in the region and beyond.

Iran is a harder case. One silver lining of the economic crisis is that financial sanctions will have more bite in the context of lower oil prices—the opposite is probably true for restrictions on imports of sophisticated oil and gas exploitation technology—but probably at the price of increasing popular support for the regime (the Milosevic effect). The North Korea case suggests that, as the United States deepens its dialogue with Iran, it might consider carrots as well as sticks—however distasteful that seems initially. It may be that, after three decades of hostility, U.S. politics simply will not support offering anything that would be of interest to Iran, but there is no way to know without trying.

These are issues for which current policy seeks to produce continuity looking toward 2025—for example, no Iranian bomb touching off major proliferation in the Middle East, no nuclear attack in the United States. The issue for which long-term thinking could produce a different short-run policy is nuclear abolition. There is little question that a world without nuclear weapons would be in America's interest. It would be a world safe for the conventional weapons in which the United States reigns supreme. Yet it would also be a world safer for all those who might be targets of nuclear missiles or terror. In particular, proponents of abolition emphasize that the world is at a very dangerous pass, with North Korea perhaps already a nuclear weapon state and Iran poised to become one, the latter eventuality threatening a very dangerous proliferation in the greater Middle East. The NPT envisioned the end of all nuclear weapons. It provides (a) that states that did not possess nuclear weapons as of 1967 agree not to

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<sup>25</sup> For a very ambitious suggestion to create an accounting system for all nuclear material, everywhere for any purpose, see Ivo Daalder and Jan Lodal, “Nuclear Policy for the Next U.S. Administration,” *Foreign Affairs*, Vol. 87, No. 6, November/December 2008. See also Stephen Van Evera, “A Farewell to Geopolitics,” in Melvyn P. Leffler and Jeffrey W. Legro, eds., *To Lead the World: American Strategy After the Bush Doctrine*, New York: Oxford University Press, 2008; Niall Ferguson, “The Problem of Conjecture,” in Melvyn P. Leffler and Jeffrey W. Legro, eds., *To Lead the World: American Strategy After the Bush Doctrine*, New York: Oxford University Press, 2008; James Kurth, “Boss of Bosses,” in Melvyn P. Leffler and Jeffrey W. Legro, eds., *To Lead the World: American Strategy After the Bush Doctrine*, New York: Oxford University Press, 2008; Anne-Marie Slaughter and others, *Strategic Leadership: Framework for a 21st Century National Security Strategy*, Phoenix Initiative Report, Center for a New American Security, July 2008. As of April 6, 2010: [http://www.brookings.edu/-/media/Files/rc/reports/2008/07\\_national\\_security\\_brainard/07\\_national\\_security\\_brainard.pdf](http://www.brookings.edu/-/media/Files/rc/reports/2008/07_national_security_brainard/07_national_security_brainard.pdf).

obtain them and (b) that states that do possess them agree to negotiate in good faith to divest themselves of these weapons over time.<sup>26</sup>

Yet there are powerful arguments against abolition. The most obvious for the United States are the circumstances of nonnuclear allies, many of which, like Japan, can regard themselves as secure precisely because the United States *has* nuclear weapons, and so extends nuclear deterrence to allies.<sup>27</sup> These allies are understandably deeply ambivalent about abolition: As nonnuclear states, it is hard for them to oppose abolition; yet as insecure states, the U.S. extended deterrent is welcome insurance.<sup>28</sup>

Moreover, nuclear *knowledge* cannot be made to disappear, so a world of zero nuclear weapons, even if tightly verified, would in reality be a world in which some states might secretly retain a few weapons and in which a number of powers were a matter of weeks or months away from producing them. To opponents of zero, abolition is powerful symbolism, but, in the end, decisions by states to go nuclear are driven by their security calculations, not by symbolism. What is true of abolition is also true of the Comprehensive Nuclear Test Ban Treaty (CTBT): U.S. nuclear weapons are an excuse for other powers to go nuclear, not a reason.

So, the convenient near-term course will be to pursue feasible steps that are in the U.S. interest in any case. That might include commitments to ratify the CTBT, ideally in tandem with China; to negotiate cuts in U.S. and Russian weapons to around 1,000, as the administration agreed with Russia in April 2010; to increase delays in launch times; to better safeguard weapons; and so on. It will be tempting to take these steps while giving lip service to abolition, which seems the track on which the Obama administration has embarked. However, the question remains: Should abolition be a real goal, one both pushed and prepared for in the immediate future? If so, that would entail serious conversations with allies about how to sustain their security, along with serious analysis of the implications of zero. For instance, it is arguable that, for a single would-be proliferator, such as North Korea, agreeing to inspections and forswearing nuclear weapons might not be such a bad outcome, even if the country cheated and retained a few secret ones. But would that logic hold more widely in a world ostensibly of zero?

## Reshaping International Law and Institutions

Over the last generation, international law has been moving in an “American” direction, but Americans have not always welcomed the manifestations of that fact. The issue for immediate policy is: Should the United States embrace that change, rather than remain reserved or opposed to it? Traditional international law dealt with states and sovereigns, but it has moved in an “American” direction in that it now is concerned with individuals. Established by treaty in 2002, the International Criminal Court (ICC), for instance, prosecutes individuals

<sup>26</sup> The language, in the treaty’s Article 6, is relatively vague: “Each of the parties to the treaty undertakes to pursue negotiations in good faith on effective measures relating to cessation of the nuclear arms race at an early date and to nuclear disarmament, and on a treaty on general and complete disarmament under strict and effective international control.”

<sup>27</sup> This tension in nonproliferation policy between the symbolism of zero and the importance of extending nuclear deterrence to nonnuclear allies is aptly discussed in Congressional Commission on Strategic Posture of the United States, *Interim Report*, December 15, 2008. As of April 6, 2010: [http://www.usip.org/files/file/strategic\\_posture\\_commission\\_interim\\_report.pdf](http://www.usip.org/files/file/strategic_posture_commission_interim_report.pdf).

<sup>28</sup> For a nice example of this ambivalence, see Yukio Satoh, “Reinforcing American Extended Deterrence for Japan: An Essential Step for Nuclear Disarmament,” *AJISS-Commentary*, Vol. 57, February 3, 2009.

for genocide, crimes against humanity, and war crimes. The United States signed but has not ratified the ICC treaty. The Bush administration's general argument against the treaty was the traditional language of sovereignty and national independence; its specific concern was that the court's discretion was both broad and vague, opening the risk of politically motivated trials of U.S. leaders or soldiers.

The move from a "right to intervene" to a "responsibility to protect" is a still more striking example of the change in international law. The humanitarian crises of the 1990s, especially the death of 1 million Rwandans, gave birth to a lively debate over when and with what authorization nations might breach national sovereignty to protect people from their governments or from internal violence.<sup>29</sup> The debate was driven by the fact that traditional sovereignty sought to protect states from the predations of other states, but now virtually all international violence occurs within states, not between them.

The idea of a right to intervene was striking enough, but the concept of a responsibility to protect is more striking still. Instead of right, it substitutes responsibility; instead of focusing on states, it addresses the human victims.<sup>30</sup> The first responsibility to protect falls on the state itself, then on its neighbors, and then on the international community at large. The responsibility is "one of conduct and not one of result."<sup>31</sup> The standard is "do your best," or due diligence, a familiar notion in domestic civil rights law.

The United States tarnished the "right to intervene" by reaching so far in Iraq, and its actions under that banner will continue to be suspected of covering narrower, national purposes. Yet, the policy issue remains: Should the United States embrace the responsibility to protect as part of building the world it seeks for 2025? "Shared" and "responsibility" both reflect directions the NIC thinks the world is moving. Shouldn't U.S. policy abet that move, by ratifying the ICC and embracing the idea of a shared responsibility to protect?

For their part, international institutions and processes, reflecting the configuration of state power more than 60 years ago, are ill-suited to virtually all the attributes of the future. The United States is less dominant now than it was then, and the ten largest companies in the world each has an annual turnover larger than the gross national product of 150 of the 185 members of the United Nations, including countries such as Portugal, Israel, and Malaysia.<sup>32</sup> More subjectively, at least 50 NGOs have more moral legitimacy than many governments of UN member nations.

Yet the question remains: What to do? And, especially, what to do now? Too often, calls for reshaping international institutions seem to be for their own sake, lacking the "What for?" rationale. To be fair, if the UN Security Council is to represent the world's premier powers, Japan and others rightly ask "Why not us?" never mind "What for?" Given the agenda facing the globe, any immediate reshaping of international institutions should be driven by need, and

<sup>29</sup> For a characteristically careful parsing of the argument, see Adam Roberts, "The So-Called Right of Humanitarian Intervention," *Trinity Papers*, No. 13, 2000. As of April 6, 2010: [http://www.trinity.unimelb.edu.au/publications/trinity\\_papers/TrinityPaper13.pdf](http://www.trinity.unimelb.edu.au/publications/trinity_papers/TrinityPaper13.pdf)

<sup>30</sup> See Louise Arbour, "The Responsibility to Protect as a Duty of Care in International Law and Practice," *Review of International Studies*, Vol. 34, 2008, pp. 445–458.

<sup>31</sup> International Court of Justice, *Case Concerning the Application of the Convention on the Prevention and Punishment of the Crime of Genocide (Bosnia and Herzegovina v. Serbia and Montenegro)*, General List, No. 91, February 26, 2007, para. 430. As of April 6, 2010: <http://www.icj-cij.org/docket/files/91/13685.pdf>

<sup>32</sup> I am grateful to Nicholas Butler for this statistic.

both the economic crisis and climate change/energy will provide plenty of need. It is plain that an increasing number of both states and nonstates will have a claim to serious participation, yet the challenge is to shape institutions that are too big and too inclusive, as the United Nations is for many purposes. The usual way to think about the institutional challenge is incremental, as steady brick-laying, building cooperation piece by piece, usually functionally in dealing with issues at hand and with those actors that have something to contribute, not conjuring grand architectural designs.

Given need, there is a wide range of possibilities between temporary “coalitions of the willing” and formal organizations. The passing of the G-8 into ritual speaks to the dangers of formality. If purposes drive groupings, most will be functional, and perhaps regional as well. In all cases, it will be necessary to reach beyond governments, to private companies and NGOs. Already, a group of private companies, producers of gene-altering equipment, has taken it on itself to scrutinize its would-be customers.

Thus, necessity can be the parent of longer-term innovation. Economics will impel creativity in devising multilateral arrangements and openness by the United States to ideas even from abroad: Witness the Group of 20 meeting in November 2008 or the U.S. approach to “toxic” loans. So, should the United States forsake incrementalism in favor of bold steps now? Should it seek the outright replacement of the G-7/8 with a somewhat larger group that reflects shifting power and rising powers? The G-20 seems to be becoming an institution almost by default.

Should the United States also get off the sidelines about UN reform, and push for change in the Security Council’s anachronistic membership? While some UN agencies do good work, the gridlock in New York is almost as bad as in Washington. As a result, the G-20 is supplanting it. Making its membership less anachronistic might not break the gridlock but would make it harder for parties that feel slighted by current arrangements to shirk responsibility. If not a “league of democracies,” should the United States seek a more formal group of democracies—a D-7 or -8—to clearly advance its democratic values, cooperatively, not at the barrel of a gun?

And what about NATO? At present, it serves three functions, more by existing than by doing much of anything. It is still reassurance to the nations in Europe’s center and east that were freed from the Soviet Union, and it is, along with the EU, incentive for nonmembers to its east to shape themselves as fit to join Europe’s community of peace. It is infrastructure for coalitions of the willing; only in Afghanistan is there now a “NATO” operation. Zbigniew Brzezinski concludes his review of possible future missions for NATO by concluding that it is unlikely to include Russia. Nor can it simply go global, even as a more limited global alliance of democracies: How would it decide which states to include and which to exclude? Almost by process of elimination, he imagines NATO’s future as the center of a web of now-weak security cooperation organizations, such as the Shanghai Cooperation Organization or Russia’s Collective Security Treaty Organization.<sup>33</sup>

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<sup>33</sup> See Zbigniew Brzezinski, “An Agenda for NATO: Toward a Global Security Web,” *Foreign Affairs*, Vol. 88, No. 5, September/October 2009, pp. 2–20. For a detailed assessment of possible NATO roles, see Christopher S. Chivvis, *Recasting NATO’s Strategic Concept: Possible Directions for the United States*, Santa Monica, Calif.: RAND Corporation, OP-280-AF, 2009. As of April 6, 2010: [http://www.rand.org/pubs/occasional\\_papers/OP280/](http://www.rand.org/pubs/occasional_papers/OP280/)

## Refashioning Domestic Institutions

No one has put the mismatch between the future's purposes and the structure of the U.S. government better than Ernest May: America emerged from the 20th century's long war against fearsome territorial states with a capital, Washington, that would seem, "to those sage, naive Orientals favored by the philosophes: 'Yes, a city. But, at heart, a military headquarters, like the Rome of the Fabians or the Berlin of the Hohenzollerns.'"<sup>34</sup> The Pentagon, the CIA, and the National Security Council were creatures of the hot and cold wars, tinkered with but not fundamentally changed since. They are odd creatures for addressing trade and economic policy, population issues, migration, disease, climate change—or terrorism. More recent organizational innovations, the creation of the Department of Homeland Security or the reorganization of U.S. intelligence, have only altered that portrait somewhat.

For a number of familiar reasons, reorganizing the government is a parlous enterprise. Indeed, watching a carousel of reorganization in intelligence led me to a maxim: Any organization is better than any reorganization. Reorganizations disrupt the informal networks that grow up around any formal organization. Moreover, the history of organizational design in the public sector is cautionary in that it results from a political process of competition among interests and interest groups. In the words of one of the classic works: "American public bureaucracy is not designed to be effective. The bureaucracy arises out of politics, and its design reflects the interests, strategies, and compromises of those who exercise political power."<sup>35</sup> The devil is in the details of mandate, organization, and process, and those, too, are the products of political processes, with results perhaps reflecting the intentions of no participant.

Yet, for all the cautions, resort to incremental change only means the dysfunction will continue longer. That is the argument for beginning the process of radical change now. Is it time to rewrite the National Security Act of 1947? For that, there is no better starting point than the report of the blue-ribbon panel chaired by former senators Gary Hart and Warren Rudman, which completed its work almost a year *before* September 11th.<sup>36</sup> For instance, taking seriously the revolution in military affairs, by whatever label, means not only dramatically reshaping forces, it probably also entails consolidating several existing services, or sharply revamping roles and missions. The Pentagon would be much more explicitly involved in homeland security, especially but not only through the Guard and reserves. And a new service or department might be created, principally out of Pentagon elements but also incorporating parts of the Department of State, aid agencies, and intelligence, for the range of politico-military operations ranging from prevention to peacekeeping, policing, and nation-building.<sup>37</sup>

<sup>34</sup> Ernest R. May, "The U.S. Government, a Legacy of the Cold War," *Diplomatic History*, Vol. 16, No. 2, spring 1992, p. 270.

<sup>35</sup> Terry Moe, "The Politics of Bureaucratic Structure," in John E. Chubb and Paul E. Peterson, eds., *Can the Government Govern?* Washington, D.C.: The Brookings Institution, 1989, p. 267.

<sup>36</sup> *Road Map for National Security: Imperative for Change*, The Phase III Report of the U.S. Commission on National Security/21st Century, February 15, 2001. As of April 6, 2010: <http://www.fas.org/man/docs/nwc/phaseiii.pdf>

<sup>37</sup> Retired General Anthony Zinni made a proposal along those lines, suggesting that civil affairs functions within various military units be drawn out in "their own command" at the Pentagon, with elements of the Department of State and the U.S. Agency for International Development collocated with this Civil Affairs Command. See a video of a September 2009 interview with Zinni at (as of April 6, 2010): [http://www.youtube.com/watch?v=0kYrFMKtaHI&feature=player\\_embedded](http://www.youtube.com/watch?v=0kYrFMKtaHI&feature=player_embedded)

So, too, traditional diplomatic institutions, such as ambassadors and embassies, no longer make much sense as platforms for either diplomacy or espionage. Instant communications and easier travel let national capitals talk directly, and trolling for spies can no longer be done on the embassy cocktail circuit. While something akin to the fortresses we now call “embassies” probably are required, their duties would be mostly consular.

The challenges of the world before us also require dramatic changes in interactions between the “public” and the “private” spheres of national life. That imperative is most inescapable, perhaps, in homeland security, where not only are there four times as many private security guards as public police, but where the fact that most “public” infrastructure is in private hands means that any arrangements for safeguarding those institutions must centrally involve private citizens. Ironically, the economic crisis may reshape public-private relations in ways not anticipated if, for instance, the Treasury and the Federal Reserve end up “owning” much of what had been the private banking system. That would be back to the future, because in 1935 or even 1940 it was not so obvious that Washington would turn out to be that military headquarters. At the beginning of the 1930s, the entire government budget was under \$5 billion, and, money aside, the Departments of Agriculture and Commerce would have been thought as weighty as those of State and War, and the Treasury Department, on its side of the White House, was literally as weighty as State, War, and Navy, all three then housed in what is now the Old Executive Office Building.

In the end, serious restructuring would need to include Congress, however unimaginable that now seems. Consolidating oversight arrangements to match the executive—and the world—would be just a start. As suggested earlier, the nation’s security requires different incentives for Congress—ones that will make for fiscal discipline, not profligacy. In that sense, the agenda is very far-reaching indeed—which is another argument for beginning to work on it sooner rather than later.

## Whither Mexico?

About Mexico, *Global Trends 2025* says fairly little, and what it says is pretty sanguine about Mexico’s future. It notes that Mexico’s oil production has flattened and will decline, but it argues that the “early decliners” will be better positioned to diversify their economies than those that stay hooked on oil longer. The importance of Mexico to the United States hardly has to be underscored. It is America’s second-largest trading partner, third-largest source of oil, and largest source of immigrants. Thus, the policy question is whether continuing existing policies—which focus on the wall and border control, plus quasi-military assistance, much of it technology—is enough.

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The State Department responded that it had already accomplished much of what Zinni had in mind though the creation of its Coordinator for Reconstruction and Stabilization (S/CRS), tasked not only with detailed collaboration with the Pentagon but also a “whole of government” approach to post-conflict stabilization. It has mandate and money for a Civilian Response Corps, now 250 officials and to be 4000 eventually, including reserves. The corps is designed as a civilian expeditionary force primarily for deploying to conflict zones, to accomplish tasks more suited to civilian experts than to the armed forces. It includes all the elements Zinni underscored—serious planning, comprehensive training, specific plans of engagement, regular assessment, and yearly practices (that is, exercises). See “Department of State Responds to General Anthony Zinni’s ‘Smart Power’ Proposal,” *thewashingtonnote.com*, September 25, 2009. As of April 6, 2010: [http://www.thewashingtonnote.com/archives/2009/09/departments\\_of\\_sl/](http://www.thewashingtonnote.com/archives/2009/09/departments_of_sl/)

Mexico is not a failed state in the sense of Somalia, but it has failed in two critical senses—legitimate authorities long ago lost both their monopoly over the use of force and their fiscal effectiveness, that is, their capacity to tax citizens enough so the state can function. More recently, the security situation in Northern Mexico deteriorated so precipitously that the government of President Felipe Calderón sent more than 25,000 soldiers and federal police to fight the drug cartels and bring order to areas that are infested by the cartels.<sup>38</sup> Yet over a two-year period with the troops deployed, more than 5,000 people died from drug violence, including more than 400 police officers and government officials. The violence has increased even in places, such as Tijuana, where the government seemed to be “winning.”

On the tax front, the gridlock leading to inability to tax will only grow worse as oil revenues decline.<sup>39</sup> Petróleos Mexicanos (PEMEX) supplies 40 percent of the government budget, yet in trying to modernize to keep national oil production from falling, it is trapped. On one hand, the government siphons off 90 percent of the company’s earnings, yet, on the other, inviting international oil companies to accomplish the modernization is regarded as a betrayal of the revolution.<sup>40</sup>

In embracing the North American Free Trade Agreement (NAFTA), all three countries, but especially Mexico, made bets of historic proportion. Mexico decided that, since it was condemned to be, in the Mexican saying, so far from God but so close to the United States, it would seek the benefits of real partnership, not hold onto a reserved autonomy. The United States decided, less explicitly and perhaps less consciously, that more direct engagement with Mexico would be both an economic boon and, in the long run, the best way to manage the pressures for Mexican migration northward. Yet those bets were long-term, and they weren’t really accompanied by any real vision of what that long-term would be—security zone, loose federation, or what.

Increasing violence—and especially violence that spilled across the border—would produce waves of implications for the United States. The first would be migrants. As violence increased, and become more indiscriminant, pressures to migrate would also increase. The second wave, more serious still, would concern the border and trade. In 2007, Mexico exported about \$210 billion worth of goods to the United States and imported about \$136 billion from the United States. If the drug trade is \$40 billion dollars, it represents about 25 percent of all exports to the United States.<sup>41</sup>

Arms smuggling is the mirror image of drug trafficking, for while narcotics use has increased domestically in Mexico, the State Department’s *2007 International Narcotics Control Strategy Report* estimates that about 90 percent of the cocaine that enters the United States is trafficked through Mexico. Arms flow in the other direction, with 90 to 95 percent of the guns used in drug violence in Mexico entering illegally from the United States, as estimated by the U.S. Bureau of Alcohol, Tobacco, Firearms and Explosives. And the weapons are more and more sophisticated. Where police used to find *cuernos de chivo*—goat’s horns, Mexican slang for AK-47s—they now find grenades and rockets. Moreover, the traffickers are enlisting

<sup>38</sup> See Daniel Kurtz-Phelan, “The Long War of Genaro Garcia Luna,” *New York Times*, July 13, 2008.

<sup>39</sup> Enrique Krauze, “Furthering Democracy in Mexico,” *Foreign Affairs*, Vol. 85, No. 1 January/February 2006.

<sup>40</sup> Lawrence Kerr, “Whither Mexico?” *The Milken Institute Review*, Vol. 10, No. 3, 2008.

<sup>41</sup> For obvious reasons, statistics on the drug trade are slippery. Kerr, cited above, uses an estimate of \$10 billion for trafficker “income.”

the protection of special operations forces, such as the Zetas (former Mexican military special operations forces) and Kaibiles (former Guatemalan special operations forces).

In October 2007, the United States undertook, in the Mérida initiative, to provide an additional half billion dollars per year to Mexico for equipment and training specifically intended to build capacity against traffickers and organized crime.<sup>42</sup> Yet increasing the involvement of the military against cartel violence is a double-edged sword, for it carries the risk of corrupting the military itself or of soldiers deserting the military to join the traffickers, as did the Zetas.

The outlines of an alternative policy are not yet in sight, but the starting point might be to recognize that it is not a matter of fencing the problems out. They are already here. The migrants are here, and the great majority of new ones indicate that they intend to make the United States their permanent home. Perversely, tighter control of the borders discourages back-and-forth flow, and so encourages migrants to stay longer.<sup>43</sup> It has also been a boon to people-smugglers (*coyotes*). Although the Bush administration approach to Mexican migration was stillborn, it at least proved that a middle ground, combining some measure of temporary work programs with a path to legalizing the status of the undocumented, might be possible.

Not only is the problem here, it is also us—that is, the United States itself is the provider of arms, as noted above, and the engine of the drug trade. Secretary of State Clinton was eloquent on that score in her March 2009 trip to Mexico: “Our insatiable demand for illegal drugs fuels the drug trade.”<sup>44</sup> Phoenix has replaced Miami as the prime gateway for drugs entering the United States. In the process, it has seen kidnappings—all connected to smuggling, police assert—jump to 366 in 2008 from less than 100 a decade ago.<sup>45</sup>

Seriously addressing the U.S. demand for drugs is easy to say but very hard to do, as administration after administration discovers. But at least recognizing that it is the engine of the trade is a start. And it should be possible to do something much more concrete about the enormous flow of weapons across the border into Mexico. Finally, long-term thinking might broaden the agenda in two senses—to incorporate local law enforcement and anti-gang community development across the four U.S. border states and their Mexican counterparts, and to recognize that the problem is no longer confined to the border but now reaches to Guatemala and other parts of the hemisphere.

## Extending Long-Term Thinking

In concluding, it is worth asking about other issues where long-term thinking might be extended. These fall into several categories. One is issues for which current policies seem the right ones in light of long-term thinking but perhaps should be reinforced. For another set, short-term imperatives and long-term goals simply seem in conflict, which no amount of reframing can overcome. Sometimes, thinking long-term can help push policy beyond short-term gridlock, but for these there seems no pushing.

<sup>42</sup> The State Department fact sheet on the initiative, which also includes Central America, is available online. As of April 6, 2010: <http://www.state.gov/p/inl/rls/fs/122397.htm>

<sup>43</sup> See Wayne Cornelius, “Impacts of Border Enforcement on Unauthorized Mexican Migration to the United States,” September 26, 2006. As of April 6, 2010: <http://borderbattles.ssrc.org/Cornelius/>

<sup>44</sup> As quoted in Mark Landler, “Clinton Says U.S. Feeds Mexico Drug Trade,” *New York Times*, March 25, 2009.

<sup>45</sup> Sam Quinones, “State of War,” *Foreign Policy*, March/April 2009, p. 80.

Dealing with nuclear and bioterror are in the first category. For both, the question is whether current efforts are enough. The Bush administration proposed a UN Security Council resolution that would criminalize WMD proliferation and promoted the Proliferation Security Initiative, an 11-nation group that, stretching existing legal frameworks, would search vehicles suspected of transporting WMD cargo on the high seas. The administration eventually embraced the Nunn-Lugar Cooperative Threat Reduction Program to secure and eliminate former Soviet nuclear weapons, and the administration enlisted other members of the G-8 to match Washington's \$1 billion annual commitment to the program over the next decade. And the United States cooperated with Russia to extract three potential nuclear weapons from Serbia and one from Romania. But much more could be done.<sup>46</sup>

The same seems the case for bioterror. So far, despite plenty of advertising of U.S. vulnerability, America's current terrorist foes seem not to have been attracted to biological terror. Killing lots of people relatively slowly perhaps has less dramatic appeal than explosions. Yet if terrorists attacked with biological weapons, it might for some time be unclear whether the United States was under determined attack or had suffered an "innocent" pandemic. So far, the U.S. approach—to both prevention and detection—is pretty scattered. Indeed, for this issue the government is divided (as it is in a somewhat different way over cybersecurity): Part of the government is concerned with biological threats, while another part promotes research at universities and elsewhere that strive to produce medical advances but could also leak into bioterror.

In dealing with the world's long-term transformation from people who are few and poor to many and rich, the question is what other policies, if any, would be in the long-term American interest.<sup>47</sup> Using U.S. foreign aid as an admittedly imperfect indicator, U.S. priorities in the developing world are, first, the fight against terror; then the campaign against HIV/AIDS; the Millennium Challenge Corporation; and the Economic Support Fund, the bilateral aid program which has traditionally been tied to U.S. security and political interests abroad (it was the major source of economic aid for Israel and Egypt over many years)—each in the \$3–5 billion range for 2008.<sup>48</sup> Among countries, the winners are Iraq and Afghanistan. Apart from the campaign against terror, the largest recipients are South Africa, Nigeria, and Kenya, mostly for HIV/AIDS. If that funding is excluded, then the largest recipients are Egypt, Pakistan, and Jordan.

It is worth remembering, though, that the largest movement of humans out of poverty had little to do with outside assistance: It was China's Leninist capitalism that elevated 400 million people out of poverty in a generation. Indeed, a growing body of revisionist analysis argues that all the foreign aid to Africa—scattered, short-term, and riddled with unanticipated consequences—has done no good and perhaps inflicted considerable harm.<sup>49</sup> So, even if the

<sup>46</sup> For an agenda of measures, see Graham Allison, "How to Stop Nuclear Terror," *Foreign Affairs*, Vol. 83, No. 1, January/February 2004.

<sup>47</sup> The echoes of Herman Kahn in this formulation are intentional. See his book with William Brown and Leon Martel, *The Next 200 Years: A Scenario for America and the World*, New York: Morrow, 1976.

<sup>48</sup> Carol J. Lancaster, "Global Development: Views from the Center," February 12, 2007. As of April 6, 2010: [http://blogs.cgdev.org/globaldevelopment/2007/02/us\\_foreign\\_economic\\_aid\\_in\\_200.php](http://blogs.cgdev.org/globaldevelopment/2007/02/us_foreign_economic_aid_in_200.php)

<sup>49</sup> For a careful and very readable such argument, see Thomas Epley, *The Plague of Good Intentions: We Broke Africa Here's How to Fix It*, New York: Xlibris, 2008.

current agenda of U.S. policy seems inadequate to the transformation challenge confronting the globe, it is not so obvious what the right immediate alternative is.

For the other category of issues, the “right” current approach is visible but impossible. Promoting democratic values is a sharp example. Here, the dilemma is that long-run aspirations run against short-term necessities. The combination of securing energy and fighting terror continues to associate the United States with countries that are undemocratic or unsavory or both—ranging from Egypt to Saudi Arabia to Pakistan, with plenty of others in between. The answer to “Should the United States break away from the autocratic and corrupt?” has been, and continues to be, “Yes, but not yet.” Perhaps the best that can be done is to pursue policy “trade-ons,” measures such as lessening dependence on imported oil that would have the side benefit of diminishing U.S. reliance on unsavory oil exporters. Avoiding the worst inflations of political rhetoric can also help prepare for the future.<sup>50</sup>

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<sup>50</sup> I recall standing on the South Lawn at the White House for the Shah’s arrival on his last visit to Washington, in 1977. While President Carter was speaking, the speech-writer who had written the remarks whispered to me: “Now, is this the sixth or seventh country with which we have ‘the closest possible political and cultural ties?’”