EXECUTIVE BRIEFING

A Global Agenda for the U.S. President

By Frank Carlucci, Robert Hunter, and Zalmay Khalilzad
Three stories in this issue consider some of the most daunting challenges facing the United States and offer strategies to help the new administration meet those challenges.

The cover story outlines a global agenda for the United States. Painstakingly bipartisan in its derivation, the story advocates “selective global leadership” in foreign and defense policy, combined with “strengthened and revitalized alliances.” In practical terms, that strategy means striking a difficult financial balance between short-term military readiness and long-term military modernization. It means expanding U.S. alliances in Europe and Asia and increasing allied capabilities and decisionmaking roles in military operations. It means thoroughly reviewing current approaches to national missile defense and Arab-Israeli peacemaking. And it means taking advantage of unprecedented opportunities to improve the lives of people all over the world. Sidebars about Russia, humanitarian interventions, and Latin America specify how the strategy of “selective global leadership” can apply to these particular areas of concern.

Our other feature story outlines a national agenda for science and technology policy. Steven Popper explains that the new administration will have to juggle several research priorities in science and technology to serve the overall public interest. Greater government attention should be paid to protecting new information infrastructures, managing the capabilities of new genomics technologies, and meeting other governance challenges posed by emerging technologies. At the same time, science and technology research should be harnessed to help confront a legion of continuing national challenges, ranging from aviation safety to energy efficiency to educational improvement.

With respect to energy strategy, we include a news story that discusses some of the lessons the nation can learn from California’s disastrous deregulation of the electricity industry. Some of the problems in California were unique to the state. Others were not. Still others promise to get worse for both state and nation unless the short-term lessons can be learned so that a long-term national energy strategy can be implemented.

We at RAND have reason to believe that the strategies proposed here will reach a high-level audience in the new administration. President George W. Bush nominated two RAND trustees to his cabinet: Paul H. O’Neill as Secretary of the Treasury and Donald H. Rumsfeld as Secretary of Defense. Both were confirmed by the U.S. Senate, necessitating their resignations from the RAND Board of Trustees. Condoleezza Rice, the president’s national security adviser, also served as a RAND trustee from 1991–1997.

—John Godges
Gulf War Illness Studies Cannot Rule Out Pesticides As Contributing Factors

Some pesticides used during the Persian Gulf War cannot be ruled out as factors that could have contributed to the health problems reported by Gulf War veterans, according to two new RAND studies published as part of a continuing series of studies on Gulf War illness.

Based on a review of the scientific literature on pesticides likely used during the Gulf War, RAND researchers investigated the health effects of the active ingredients in many of the pesticides and compared those effects with the symptoms reported by some Gulf War veterans. The U.S. Department of Defense (DoD) selected the active ingredients of concern because of their toxicity and/or possible extent of use.

The researchers found that carbamate and organophosphate pesticides have been shown to produce symptoms—including fatigue, joint and muscle symptoms, headaches, and other effects—frequently reported by ill Gulf War veterans. The research team was led by Gary Cecchine and included Beatrice Golomb, Lee Hilborne, Dalia Spektor, and Ross Anthony.

“Given the evidence to date from the literature reviewed, it is inappropriate to rely upon exposure to pesticides, especially organophosphates and carbamates, as the explanation for the myriad health problems reported by Persian Gulf War veterans,” the team concluded. “However, we think it equally inappropriate at this point to rule out pesticides as a potential contributing factor.” The authors call for more research on the genetic and biological differences between ill and healthy veterans and on the interactions among pesticides and other exposures.

A complementary RAND study surveyed the use of pesticides by a sample of Gulf War veterans who served on the ground in the Kuwaiti theater. The survey—which provides the best picture to date of which pesticides the troops used, who used them, and in what quantities—shows that cases of pesticide misuse were rare.

However, there was one major exception: It is estimated that about 13,000 service members used a pet flea/tick collar at some point during their tours of duty. Although deemed “unsafe and illegal” by DoD, the collars were often obtained by troops from well-meaning family and friends back home. Most of the troops wore the collars over their uniforms, not on their skin.

The survey revealed that two-thirds of the troops used personal pesticides, such as insect repellents. Moreover, some service members who used personal pesticides more frequently also took larger quantities of pyridostigmine bromide (PB) pills.

PB was a drug supplied to troops to guard against the nerve agent soman, and a 1999 RAND report found that PB itself “cannot be ruled out as a possible contributor” to Gulf War illness. Both PB and nerve agents generate similar chemical activity when combined with some pesticides, but scientific research is unclear about the effects of these combinations.

The RAND survey on pesticides was directed by Susan Hosek and Ron Fricker, whose team included Elaine Reardon, Dalia Spektor, Sarah Cotton, Jennifer Hawes-Dawson, and Jennifer Pace.

Other recent RAND reports about Gulf War illness include examinations of infectious diseases and combat stress. The first report concluded that none of the diseases known to have infected Gulf War troops, or to be present in the combat zone, likely caused the unexplained illnesses.

The second report, a history of combat and deployment stress, indicated that stress could be a contributing cause to many psychological and somatic symptoms and that “it could have rendered soldiers more vulnerable to environmental pathogens.”

More about the Gulf War illness studies can be found at www.rand.org/multi/gulfwar/.

Carbamate and organophosphate pesticides have been shown to produce symptoms frequently reported by ill Gulf War veterans.
Schadenfreude is a German word that means “pleasure derived from the misfortunes of others.” Perhaps there’s an element of schadenfreude in recent national media coverage of California’s energy crisis. But another and more compelling reason for the media’s behavior may be the unsettling question that the California crisis raises in the minds of observers nationwide: Can it happen to us?

The answer is yes, according to former U.S. Secretary of Energy Bill Richardson, who spoke at RAND on Jan. 18, 2001. The outgoing energy secretary ranked the national energy situation as “critical.” Not since the 1970s, he said, has there been more reason for concern about energy in the United States.

“There’s no more dramatic example of the problem than what’s taking place in the Golden State,” he said. In California’s case, electricity shortages were triggered by a protracted series of overlapping events: utility deregulation, lack of infrastructure development, inconsistent pricing structures, unusual weather, and soaring demand for energy. Although Richardson called California’s woes a “state issue” that ultimately would have to be resolved by Californians, he noted the larger lesson for national policymakers: Energy policy deserves top priority.

“The U.S. should have a broad, balanced energy portfolio,” echoed Mark Bernstein, codirector of RAND Environment and a member of the RAND team working to inform the California congressional delegation about energy policy priorities. “There is no silver bullet, but these problems can be addressed through a mix of actions.”

Just how did the energy situation in the United States get to a point where it needs such fixing? According to Richardson, “California experienced 13 percent more electricity demand in just one year.” Similarly, “the booming economy of the last two years drove a 14-percent increase in U.S. energy demand.” He also explained that computer technology and Asia’s economic recovery further hastened a dramatic worldwide draw on energy.

While demand rose, new sources of supply failed to keep pace. These trends exacerbated America’s dependence on imported oil, particularly on the Organization of Petroleum Exporting Countries (OPEC). Although not all foreign oil comes from OPEC nations, most observers agree that the organization effectively sets world oil prices. U.S. diplomats have attempted to stabilize OPEC oil prices at about $25 a barrel, but most OPEC countries prefer a higher number, closer to $30 a barrel. To increase revenues, OPEC has cut oil production.

Some solutions might seem obvious: Drill for more oil and find other energy sources here at home. Although nuclear power is now back on the table, Bernstein said significant public resistance remains. Many are concerned about safety and the unresolved problem of long-lived radioactive waste. On top of this, construction costs remain high, and construction requires long lead times.

Given the obstacles to pursuing each option, perhaps it’s time for Americans, once again, to practice restraint. “Conservation is not such a bad word,” said Richardson. “We have to be more energy-efficient. We have to have more fuel-efficient vehicles.”

In fact, according to Richardson, an increase of only three miles per gallon in auto efficiency would reduce demand in this country by nearly one million barrels per
day—roughly 10 percent of the oil now being imported. To this end, a cooperative program between the government and the Big Three automakers, called Partnership for the Next Generation of Vehicles, has been established to raise fuel-economy standards.

So assume for a moment that OPEC becomes more cooperative, solar panels become as popular as satellite TV dishes, and American consumers are persuaded to trade their sport utility vehicles for less energy-intensive vehicles. Problem solved, right? Not quite.

According to Richardson, the energy infrastructure—the system that moves power from point A to point B—is literally falling apart. Bernstein concurred that the infrastructure is aging and that the country has failed to invest in expanding its capacity. “Also, you have 50 states with 50 different regulatory structures,” he added.

“This doesn’t mean that the federal government should do the work or even pay for it, but the federal government should know what the problems are and make sure things get fixed. Experience has shown that we cannot leave all of these long-term investment decisions solely to the marketplace, at least not until we better understand how competitive energy markets actually work.”

The current situation foreshadows future problems, particularly in natural gas markets. All power generation plants built in the past ten years use natural gas, as will most of the plants planned for the next ten years. Although domestic supplies of natural gas may be adequate for the foreseeable future, large questions remain for the long term regarding feasible production levels, pipeline investments, and the functioning of regional natural gas markets.

Already, a key problem underlying the California crisis “appears to be the extremely high prices that electric power generators have had to pay for natural gas,” noted Jim Bartis, another member of the RAND energy team. For most of December 2000, spot market prices for natural gas in the state were, in terms of energy produced, equivalent to oil selling at $90 a barrel. On a few days, the spot price spiked to nearly the equivalent of $300 per barrel of oil. Thus, while diplomats argue with OPEC about the difference between $25 and $30 per barrel, California already pays between three and ten times those amounts for energy. Building more natural gas power plants in California won’t solve the state’s electricity problems without an increased supply of natural gas.

Recent technical advances in pollution control mean that coal-fired power plants could once again be an option for California. Of all the alternatives to natural gas, Bartis said that coal is probably the most cost-effective way for California to diversify its energy infrastructure. “I wouldn’t site a coal plant in the L.A. basin” because of air quality concerns, said Bartis, “but it’s important to recognize that state-of-the-art coal power plants are a lot cleaner than what our parents grew up with.”

RAND Joins Online Consortium To Promote Scholarly Learning

RAND recently formalized a partnership with Fathom.com, an educational web site that provides scholarly content and online learning.

Fathom.com is a consortium of universities, research institutions, museums, and libraries. Members include the University of Chicago, Columbia University, the New York Public Library, the London School of Economics, the British Library, Cambridge University Press, the Smithsonian Institution’s National Museum of Natural History, Woods Hole Oceanographic Institution, the American Film Institute, the University of Michigan, and the Victoria and Albert Museum. RAND now joins these institutions in offering content to students, professionals, and intellectually curious individuals.

“For all the strengths of the Internet—its vastness, openness, and decentralized architecture—it doesn’t always deliver legitimacy or authenticity of knowledge,” said John Warren, the RAND publications marketing director. “Fathom’s intellectual content is distinguished from most Internet sites by its rigor, sophistication, and roots within the scholarly community.”

Fathom pools its content—publications, interviews, lectures, essays, and multimedia presentations—from top scholars and researchers at member institutions. Information is organized in a unique way that allows users to explore a subject along a graphed “trail.” Users hoping to learn about a subject can follow a predetermined trail or, where subjects intersect, switch directions to explore another trail.

Michael Rich, RAND’s executive vice president, serves on Fathom.com’s Academic Council, which is chaired by Jonathan Cole, provost of Columbia University.

Much of Fathom’s content is free, although registration is required. Once registered, users can participate in discussions, purchase products, and enroll in courses.
Emerging scientific and technological developments are posing unprecedented challenges to government and society, making the need for a comprehensive, long-term perspective all the more important. Yet no area of federal responsibility is as widely dispersed across agencies and congressional committees as is science and technology policy. Moreover, with every change of administration, there is a risk of losing focus on many issues not raised explicitly during the ordinary course of political campaigns. Today, the potential costs associated with such institutional memory loss are especially pronounced.

To help identify the most pressing science and technology issues facing the nation, a RAND research team worked first with a bipartisan group of former top officials in science and technology. This group nominated over 50 candidate issues that were then presented to an advisory panel that included Erich Bloch, former director of the National Science Foundation; Edward David, former science advisor to President Nixon; Steve Dorfman, former vice-chair of Hughes Aircraft Company; Arati Prabakhar, former director of the National Institute of Standards and Technology; Frank Press, former science advisor to President Carter and former president of the National Academy of Science; and Robert White, former president of the National Academy of Engineering.

The panel concluded that the new administration should focus policy attention on ten science and technology issues. Three of the issues represent new challenges that require greater government attention: protecting “critical infrastructures,” managing the capabilities of genomic technologies, and meeting other governance challenges posed by emerging technologies. Three issues represent ongoing safety and security challenges: strengthening the national aviation system, reviewing U.S. export controls on sensitive technology, and reassessing national missile defense options. Three issues represent other urgent, continuing challenges: rethinking global climate change policy, anticipating energy crises, and improving education research. The remaining issue entails juggling research priorities to best serve the overall public interest.

**Greater Government Attention**

“Critical infrastructures” are systems so vital to economic well-being, national security, and public safety that any sustained degradation of the systems could debilitate the country. These systems include information networks and other assets controlled predominantly by the private sector. The “public goods” nature of these private infrastructures suggests a role for government in working with the private sector to protect such assets for society at large.

To gain routine access to the often proprietary data necessary to protect critical infrastructures, the federal government needs to establish trusting relationships with industry and address industry concerns.
The concerns include immunity from self-incrimination caused by sharing information with law enforcement entities, a quid pro quo whereby the government shares its own information about threats to private infrastructures, and the provision of federal resources to defend against attacks.

The Y2K experience shows that government can help the private sector meet national goals. For Y2K, the federal government created a single point of contact to coordinate private efforts. In return, the government placed limitations on legal liability for damages flowing from Y2K disruptions and allowed commercial competitors to share information as necessary without being subject to antitrust action. Comparable arrangements could be made, for example, to neutralize computer viruses, to deflect other electronic intruders, or to map entire networks.

With respect to genomics, the administration is likely to face issues never before confronted by the nation—or even humankind. Human genetic research could soon offer capabilities never before possible, among them: (1) altering damaged or disease-prone genes; (2) altering genotypes in ways that make the alterations transmissible to succeeding generations; and (3) replacing or enhancing human traits, such as strength or intelligence, beyond what is available in nature.

Such capabilities will also raise serious questions. Opportunities for huge profits will encourage the investment of private capital into genetic research in excess of government spending. Uneven access to superior health care may increase the disparities of care between rich and poor. Some individuals or groups may even be inclined to use genomic technologies against other individuals, regardless of the legality of such actions. It will be important for the government to define the potential illegal use of genomic technologies and to provide adequate disincentives and safeguards against such use.

The policy mechanisms called on to do this job will, more than ever before, require an appreciation for science, a respect for democracy, a concern for citizens and their rights, and an appreciation of the complex role that private enterprise plays in our economy and quality of life.

These considerations raise more general issues of fundamental challenges to governance. Emerging technological developments could well swamp the response times and capabilities of traditional government structures. Some of the emerging technology-related challenges include safety protocols and trade rules for the commercial sale of genetically modified foods; privacy of information sent over wireless networks; taxation equity between Internet-based businesses and traditional businesses; and intellectual property protection not only for software but also for new "business methods," such as online shopping or marketing, and even for strings of genetic code.

Success in governing these emerging issues will depend on cooperation among state and local governments, international organizations, and private industry. The administration can lay the foundation for future cooperation by (a) designating one person to coordinate national responses to the emerging technological challenges, (b) assigning a liaison to the science and technology committees of the National Governors’ Association to solicit input from the states, and (c) asking the President’s Committee of Advisors on Science and Technology to solicit input from private industry regarding appropriate government responses to these challenges.
Safety and Security

Many problems threaten the vitality and safety of the national aviation system. First, the system becomes overburdened during peak periods because there are few constraints on how airlines schedule flights, select fleets, and price tickets. Second, the fatal accident rate has been stubbornly consistent for the past 20 years; meanwhile, both the non-fatal accident rate and the number of close calls are growing. Third, the United States has only one remaining manufacturer of large transport aircraft: Boeing. That company is locked in tough competition with European builders. By 2015, 40 percent of the international commercial fleet will be of non-U.S. manufacture—a doubling of market share since 1995.

As a near-term priority, the administration should pursue a national aviation policy that stresses both economic vitality and constantly improved safety. To retain its leadership in these areas, the United States needs not only regulations that are more streamlined and effective but also research to help improve the performance of aircraft, flight crews, and ground controllers. Additional funds are needed for research on advanced aviation technologies. Currently, however, aviation research is fragmented. It is spread across NASA, the Federal Aviation Administration, and the Department of Defense in programs that are only loosely coordinated. Greater coordination is needed if we are to ensure that we get the most from the funds we invest.

Similarly, U.S. export controls on potentially sensitive technology are currently a patchwork of outdated laws and regulations that appear to be onerous, ineffective, and poorly suited to modern conditions. A new approach might be to hold only those technologies developed by or for the Department of Defense, Department of Energy, or intelligence community and classified at the “top secret” level or higher as subject to formal review prior to release abroad.

All other technical information could be regulated by a new “Technology Control Commission” (TCC), a body operating in a manner similar to the Federal Communications Commission. The president, as well as the majority and minority leaders of Congress, could each nominate a commissioner and thereby enhance bipartisanship. The TCC would develop “effectiveness measures” for controlling sensitive technologies. Unlike current practice, any investigations of alleged violators would require officials to demonstrate damage before penalizing a violator, and all export restrictions would have sunset clauses. Greater transparency and accountability would engender broader support for the policies. They would also be easier to understand and to enforce and thus more likely to work.

Also in the security realm, the president needs access to an authoritative, independent, scientific review of all national missile defense issues beyond the political and military considerations. To this end, we recommend two actions. The administration would be well-served by commissioning a panel of recognized experts in the suitable fields to advise the White House Office of Science and Technology Policy about missile defense technology. The administration could also profit from establishing an independent research effort to study the issues and to inform the panel.

Continuing Societal Challenges

Evidence is mounting that greenhouse gases are changing the earth’s climate. Numerous alternative energy technologies show great promise for reducing the human impact on global climate without causing adverse economic impacts. However, the Kyoto Protocol’s targets and timetables for reducing greenhouse gas emissions around the world are producing stalemate rather than progress. The Kyoto Protocol relies on forecasts of climate change over the next 50 years and on the policies negotiated on the basis of those dubious forecasts. This static and inflexible approach fails to account for the dynamics of change and the inherent uncertainties we face. A new, more flexible and adaptive approach is required.

The administration could pursue such an approach in the following ways: (1) Continue to encourage firms and local jurisdictions to develop better technological options for reducing greenhouse gas emissions; (2) employ market mechanisms, such as tax breaks, in favor of the better options; (3) support international institutions to monitor global emissions and, if necessary, eventually regulate them; and (4) encourage research into new capabilities that could help all nations adapt to potentially severe impacts of climate change, should those impacts become evident.

The administration is facing critical energy issues as well—notably energy shortages and price rises but also questions of long-term strategy. The nation’s most
deregulated electricity market, California, is in a state of chaos. Natural gas prices are higher than ever. Oil prices are at 20-year highs. And the United States continues to increase its vulnerability to the world oil market with increased oil imports. Underlying each of these problems is a deeper set of infrastructure problems that span the energy spectrum.

As demand increases rapidly, price rises are to be expected. A well-functioning market would increase supply and reduce demand, but many energy markets are not yet fully competitive. The natural gas market is still relatively new. Electricity markets are even newer. And oil markets have always been subject to international pressures. Accordingly, the U.S. Department of Energy should create multiple programs to help energy markets function better. At the same time, there is a need for improved energy efficiency, for new sources of energy supply—including small distributed generation facilities and renewable energy technologies—and for a fundamental science and technology–based reexamination of overall strategy.

The federal government has traditionally played a limited role in K–12 education, providing only about 8 percent of nationwide expenditures. However, education research is one area where the federal government is the predominant force. As many states adopt reforms and infuse massive new resources into their public schools, the federal government has a unique opportunity to strengthen the scientific research base in education. A solid research base could, in turn, help states and districts use their resources more productively.

Educational research could adhere more closely to the health research model. Health research relies on clinical trials and longitudinal studies to track health behaviors and health problems. It rests on an institutional infrastructure of teaching hospitals, schools of public health, and academic research centers that closely link research to training, practice, and public education. All of these components are reinforced by a central federal funding agency, the National Institutes of Health, that is able to set priorities and achieve more efficient investment in infrastructure.

In contrast, education research has almost no scientifically structured clinical trials, relatively few longitudinal surveys tracking children, and no equivalents of teaching hospitals or schools of public health that combine research with practice. Further, education research is notable among public programs for the exceedingly low ratio of dollars spent on research compared with overall expenditures. Education research can strengthen its scientific base by moving toward the health model—and should receive a higher level of funding.

The final issue is a subtle one. Science and technology investments are increasingly seen as being the wellsprings of our current and future well-being. Yet the large stake in federal investments in these areas is not managed as a coherent whole. To ensure balance across priorities, the administration should consider better ways to manage the federal research enterprise as an investment portfolio. While management approaches typical of the private sector will not translate directly, steps can be taken to provide better coordination. The administration could ensure greater compatibility in the collection, storage, and dissemination of data on federal research. Better communication among agencies could provide federal officials with better insight into the entire portfolio during each annual budget cycle as well as promote widespread adoption of “best practices.” No matter the total level of budgetary support, steps are required to ensure that the government’s investments in scientific research will serve the public interest to the greatest extent possible.

Addressing these ten priority issues could yield far-reaching benefits for the economy, public well-being, personal and national security—and the success of the new administration.
Dear Mr. President:

Ten years after the end of the cold war, the United States finds itself with unrivaled military, economic, political, and cultural power. However, we are still struggling to understand what we must do abroad to support our interests and values, what are the limits of our power, and what we can do with others to help shape the kind of world in which we want to live. In the past decade, we learned anew that America cannot retreat from the world, that isolationism is impossible. We learned that American economic and military strength are as important as ever and that much of the world still depends on us to be engaged—and to lead.
Yet American power and purpose alone cannot suffice to meet the array of global challenges to the welfare of the United States, of our friends and allies, and of the planet as a whole. Thus, we advocate selective global leadership by the United States, coupled with strengthened and revitalized alliances. The United States, together with its democratic allies in Europe and Asia, possesses an unparalleled ability to meet tomorrow’s challenges. However, without the help of these allies, many emerging challenges will prove beyond our capacity to manage. Thus, strengthening our alliances is essential to America’s future and should form the bedrock of U.S. engagement abroad.

None of this can be done without a price. The array of new global challenges and opportunities will significantly increase the demand for U.S. diplomacy and other nonmilitary involvement abroad. Therefore, nonmilitary spending on foreign policy and national security should increase substantially as well. Thus, Mr. President, we urge that you ask Congress for a 20 percent hike in spending for the U.S. Department of State, for payment of U.N. dues, and for other critical nonmilitary requirements of foreign policy. We also recommend that you seek about a 10 percent increase in defense spending, or about $30 billion more for procurement plus another $5–$10 billion for property maintenance, recruitment, targeted pay raises, retirement, and medical care. The alternatives to these defense investments would be either (1) to reduce the commitments of U.S. forces abroad or (2) to make politically painful reductions in the logistics and support infrastructure while simultaneously relying on unproven technologies. Linked to these budget increases for the defense and state departments should be structural reforms that would allow both departments to operate more efficiently and effectively.

We outline below what we consider to be the most important national security decisions that you will face during the first few months of your presidency. Short-term priorities appear first; long-term priorities, second. We conclude with further recommendations for a new global agenda.

**Short-Term Priorities**

Mr. President, we believe that you will need to address three critical issues right away, involving (1) national missile defense, (2) a modernized defense program, and (3) Arab-Israeli peacemaking. You should also be ready to meet crises that might erupt in places like Iraq, the Taiwan Strait, the Korean Peninsula, and Colombia.

*Handle national missile defense with care.* Mishandling the issue of national missile defense could have severe consequences for the nation’s military security as well as for relations with our allies, with Russia, and with China. Within the membership of the Transition 2001 panel, opinions varied considerably about the best way to proceed with missile defense; but we did agree that the issue requires a fresh look and that you should mandate a comprehensive review of all the technological, financial, and diplomatic variables. The panel also agreed that you should proceed with theater missile defense systems in key locations around the world in order to protect the forces of the United States, its allies, and friends.

There are several technological contenders for a national missile defense system. Each has positive and negative attributes. We recommend that you evaluate each option in light of emerging global threats, the fiscal impact on other U.S. military programs, and diplomatic relations with allies, with Russia, and with China. Because of the high costs involved, the many issues at stake, and the controversy—both at home and abroad—that will attend any choice, it is critical to get this decision as “right” as possible and to take sufficient time in making it.

*Modernize the defense program.* For about a decade, the U.S. Department of Defense has unwittingly, but consistently, underestimated the cost of maintaining and operating its force structure. Lack of funds has reduced training opportunities, starved some budgets for spare parts and maintenance, delayed new technological capabilities, and caused military housing and other components of the physical plant at many bases to be neglected.

These problems are magnified by the fact that much of the force requires substantial new spending to modernize or recapitalize the aging weapon and support platforms that were fielded in the 1970s and 1980s. Current U.S. strategy now demands capabilities (e.g., stealth) that old platforms simply cannot provide. Thus, a sizable modernization bill cannot be avoided. As a result, a critical demand on your secretary of defense will be to build and execute an affordable defense program that puts enough resources into chronically underfunded budgets so that near-term
readiness does not suffer unduly—and, at the same time, to allocate sufficient modernization spending to prevent future obsolescence. Striking the balance between the near term and the long term is one of the most important defense policy tasks facing your administration.

Resources can also be saved over the long term by rationalizing the military base structure in this country and adopting more efficient business practices. It is widely believed that the present set of bases is too large and costly for the needs of the U.S. military. You have a major opportunity to restart the base realignment and closure process. We recommend that you seek congressional authority early in your administration for an independent commission to develop a nonamendable package of base closures.

**Continue U.S. efforts at Arab-Israeli peacemaking.** The unpredictability of events in the Middle East should not obscure our enduring principles. We believe that you should emphasize that U.S. security commitments to Israel remain firm, unquestioned, and not linked to any peace negotiations. We also recommend that you reiterate America’s commitment to creating a just and lasting peace for Israel and all its neighbors and to including the entire region in the great promise of the global economy. To this end, we recommend a fundamental review of the U.S. diplomatic strategy for advancing the peace process, including when and how you as president should become directly engaged.

**Prepare for potential crises.** We have singled out four: Saddam Hussein may try to act militarily (e.g., against the Kurds in northern Iraq) or to reduce Iraqi oil exports. Incidents in the Taiwan Strait could provoke a crisis between Taiwan and China. In Korea, you could face either a crisis or an opportunity for major improvement in intra-Korean relations. In Colombia,
you could confront a crisis, with wider regional implications, stemming from the central government’s loss of control over large parts of its territory.

If provoked militarily once again by Iraq’s Saddam Hussein, the United States should be prepared to attack a wide range of strategic and military targets as a way to demonstrate resolve and to deter further challenges. We also recommend that you prepare to tap the strategic petroleum reserve and to seek an understanding with Saudi Arabia and others to expand oil production. Regarding the Taiwan Strait, we recommend stating clearly to both parties that the United States opposes unilateral moves toward independence by Taiwan but will support Taiwan in the event of an unprovoked Chinese attack.

Regarding the Korean Peninsula, the potential endgame of the conflict is an intra-Korean issue, but we believe that the United States should communicate its interests to both North and South: to Pyongyang, an end to the development of ballistic missiles and weapons of mass destruction; to Seoul, an agreement on the size and character of U.S. forces on the peninsula after a diplomatic breakthrough. In exchange, the United States would guarantee the security and independence of the entire peninsula and provide economic assistance to help integrate the two countries. In the meantime, we should give watchful support to South Korean President Kim Dae Jung’s reconciliation efforts.

In Colombia, an escalating crisis could confront the United States with two unattractive alternatives: either to abandon its counternarcotics and regional stability interests or to become more deeply involved in a protracted internal conflict. To avoid confronting such a choice, the United States should provide the Colombian government with more equipment—such as helicopters, reconnaissance assets, and communications equipment—and help it with intelligence. U.S. troops, however, should be excluded from military operations. The United States should also cooperate with concerned neighbors to promote regional stability over the longer term.

**Long-Term Priorities**

Short-term demands should not distract you from longer-term priorities for national security. We highlight three: (1) sustain a preeminent military, (2) build a broader U.S.-European partnership, and (3) recast U.S. alliances in Asia. Your administration will also need to formulate policies toward several regional powers whose domestic or international positions are now in flux.

*Sustain a preeminent military.* As indicated above, we need to overcome looming problems in the military to ensure that it can meet current challenges as well as take advantage of emerging technologies. Our existing forces face the progressive obsolescence of many premier platforms. Operating costs are high and growing. Peacekeeping and humanitarian deployments impose significant burdens. Signs of strain include recruitment shortfalls, loss of experienced personnel, and some decline in morale. Despite recent increases in the defense budget, a gap remains between resources and requirements.

But these trends also present an opportunity. The continuing modernization of the U.S. military should take place in the context of a long-delayed transformation of American security strategy. By and large, we are still living with a defense establishment that is a legacy of the cold war. Today, however, our strategy must balance a wider range of threats and challenges. The United States must now field a force capable of countering missiles, various weapons of mass destruction, and attacks on information systems. We have seen glimpses...
Members of the Transition 2001 Panel

The following members endorsed the basic content of the panel’s final report to the president:

Gordon M. Adams, director, Security Policy Studies Program, Elliott School of International Affairs, George Washington University

Kenneth L. Adelman, former director, U.S. Arms Control and Disarmament Agency

J. Brian Atwood, former administrator, U.S. Agency for International Development

Norman R. Augustine, retired chairman and chief executive officer, Lockheed Martin Corporation

Jeremy R. Azrael, director, Center for Russia and Eurasia, RAND

Elizabeth Frawley Bagley, former U.S. ambassador to Portugal and U.S. Department of State senior advisor

Robert Bates, former corporate secretary, Mobil Corporation

Barry M. Blechman, president, DFI International

Harold Brown, trustee, Center for Strategic & International Studies

Richard Burt, chairman, IEP Advisors, Inc.

Daniel L. Byman, policy analyst, RAND

Frank C. Carlucci, chairman, The Carlyle Group

Ashton Carter, Ford Foundation Professor of Science and International Affairs, John F. Kennedy School of Government, Harvard University

David S. C. Chu, vice president and director, Arroyo Center, RAND

Natalie W. Crawford, vice president and director, Project AIR FORCE, RAND

Lynn E. Davis, senior fellow, RAND


Marc Ginsberg, managing director and chief executive officer, Northstar Equity Group, Inc., and former U.S. ambassador to Morocco

David C. Gompert, president, RAND Europe

Jerrold D. Green, director, Center for Middle East Public Policy, RAND

William Harrop, former U.S. ambassador and former inspector general, U.S. Department of State and U.S. Foreign Service

Robert E. Hunter, senior advisor, RAND

Jeffrey A. Isaacson, vice president and director, National Security Research Division, RAND

Bruce W. Jentleson, director, Terry Sanford Institute of Public Policy and professor of public policy and political science, Duke University

Zalmay M. Khalilzad, corporate chair, international security, RAND

F. Stephen Larrabee, corporate chair, European security, RAND

Mel Levine, partner, Gibson, Dunn & Crutcher LLP

Samuel W. Lewis, vice chairman, American Academy of Diplomacy

Jessica Tuchman Mathews, president, Carnegie Endowment for International Peace (with dissent)

Dave McCurdy, president, Electronic Industries Alliance

David A. Ochmanek, senior defense analyst, RAND

Diann H. Painter, former chief economist, Mobil Corporation

Angel Rabasa, senior policy analyst, RAND

Michael D. Rich, executive vice president, RAND

John E. Rieley, president, Chicago Council on Foreign Relations

Robert Satloff, executive director, Washington Institute for Near East Policy

Jeremy Shapiro, policy analyst, RAND

David Skaggs, executive director, Democracy & Citizenship Program, The Aspen Institute (with dissent)

Marin J. Strmecki, vice president and director of programs, Smith Richardson Foundation

Loren B. Thompson, chief operating officer, Lexington Institute

James A. Thomson, president and chief executive officer, RAND

Harlan K. Ullman, senior fellow, Center for Naval Analyses, and senior associate, Center for Strategic & International Studies (with comment)

Ted Van Dyk, professor of politics and policy, Claremont Graduate University, and senior fellow, UCLA School of Public Policy and Social Research

Edward L. Warner, senior defense analyst, RAND

The following members participated in the process but, because of their affiliation, could not endorse the panel’s final report:

Thomas E. Donilon, executive vice president—law and policy, Fannie Mae

Albert Eisele, editor, The Hill

Richard N. Haass, vice president and director, Foreign Policy Studies, The Brookings Institution

Rita E. Hauser, president, The Hauser Foundation

Harriet Hentges, executive vice president and chief operating officer, United States Institute of Peace

Anthony Lake, visiting distinguished professor in the practice of diplomacy, Georgetown University

Richard H. Solomon, president, United States Institute of Peace

Paul A. Volcker, former chairman of the board of governors, Federal Reserve System

Paul D. Wolfowitz, dean, Paul H. Nitze School of Advanced International Studies, The Johns Hopkins University

Dov S. Zakheim, corporate vice president, System Planning Corporation
of the future, with sensors that can detect moving vehicles over huge sections of the battlefield in all conditions, and guided munitions that can attack targets precisely. Now is the time to move aggressively to develop and field the systems that can permit new ways of conducting military operations.

U.S. forces also need specialized capabilities for smaller-scale missions, such as peacekeeping and humanitarian operations, which are likely to remain principal missions of the military. Your administration should find ways to fund these operations that minimize disruptions to other important military programs.

Your administration also should determine the extent to which we can count on our allies in meeting future military challenges. Allied capabilities should be more closely integrated into U.S. force planning to achieve greater interoperability and to relieve some of the burdens on U.S. resources. For political as well as economic reasons, the United States needs to encourage its allies to increase their capability for power projection and to be more effective in coalitions with U.S. forces. At times, the U.S. government has been ambivalent about increasing allied capabilities and roles, especially decisionmaking roles, in military operations. We believe that this ambivalence should end.

Unfortunately, the U.S. government has also been reluctant to share high technology with our allies, hampering both interoperability and a transatlantic defense industry that could benefit both sides. We recommend that you propose far-reaching changes in the transatlantic regime for defense exports and investments, providing greater flexibility for countries and companies that agree to manage their own export control rules, compatible with U.S. practice. In Europe, U.S. policy should encourage efforts at defense integration and rationalization across borders, while ensuring that NATO remains the central institution for transatlantic cooperation on European security.

Closer to home, your administration must find a way to continue recruiting and retaining the skilled personnel who are the most critical element of American military superiority. To compete with a booming economy, the Department of Defense will have to consider a variety of options, from increasing compensation across the board to targeting pay raises to specific positions or even restructuring military careers. RAND research shows that targeted pay raises, especially those aimed at skilled enlisted personnel, produce better results than across-the-board raises. However, even targeted raises need to be supplemented by other measures, including targeted bonuses to increase retention of critical personnel, separation pay and tax-sheltered retirement savings plans to allow more flexible retirement schedules, and additional recruiting resources to attract new types of recruits. Adjustments should also be made in deployments to ensure that personnel do not face a tempo of operations so taxing that it reduces their effectiveness, lowers their morale, or causes them to leave when their enlistments are up.

Build a broader U.S.-European partnership. Early in your administration, you should begin a strategic dialogue directly with the European Union (EU) in addition to the central U.S. strategic engagement with NATO. An opportune time to launch this initiative, with a global agenda of actions in the common interest, will be at the projected U.S.-EU summit in Sweden in June.

The next NATO summit is planned for sometime in 2002. At this summit, the allies will review progress made toward NATO membership by nine applicants: Albania, Bulgaria, Estonia, Latvia, Lithuania, Macedonia, Romania, Slovakia, Slovenia—and possibly Austria or
More Ways to Exercise “Selective Global Leadership”

Roughly half the members of the Transition 2001 panel wrote discussion papers related to their areas of expertise. Although not necessarily endorsed by the panel as a whole, these papers served as building blocks for the panel’s final report to the president.

At least three of the papers not only reinforced the core argument of “selective global leadership” but also proposed additional recommendations for key national security challenges. At right is a summary of the proposals outlined in “Prospects and Possibilities for U.S.-Russian Relations,” by Jeremy Azrael, director of RAND’s Center for Russia and Eurasia. The second sidebar summarizes the proposals outlined in “Humanitarian Intervention,” by Richard Haass, vice president and director of Foreign Policy Studies at The Brookings Institution until his recent appointment to be director of policy planning at the U.S. Department of State. The third sidebar summarizes the proposals outlined in “Challenges in Latin America Confronting the Next Administration,” by Angel Rabasa, senior policy analyst at RAND.


SUGGESTIONS FOR COLLABORATING WITH RUSSIA
By Jeremy R. Azrael, director, Center for Russia and Eurasia, RAND

Two issues could exacerbate tensions in U.S.-Russian relations: the U.S. deployment of a national missile defense (NMD) system and the enlargement of NATO to include the Baltic states. Therefore, the U.S. president might become more responsive to Russian proposals to cooperate in the development and deployment of a multinational missile defense network that would protect everyone involved against attacks and accidental launches. Similarly, Washington might try to open a serious dialogue with Moscow about what would be required to make Russian membership in NATO a real possibility, presumably conditioned on Russia’s graceful acceptance of NATO’s earlier incorporation of the Baltic states.

The negotiations would be necessarily lengthy; but in the meantime, Russia would have given its consent to initial NMD deployment and to the inclusion of the Baltic states in NATO. Both steps would be merely first steps in a more comprehensive, longer-range strategy of allowing Russian participation in the implementation of

Croatia. On this issue, the United States—and more particularly you, as U.S. president—will be expected to take the lead. In the end, it will be the willingness of the United States to make the strategic commitment to the new members that will be most important, and your decision is likely to prevail within the alliance.

Most observers believe that you need to make your decision about NATO enlargement in 2001 and make your preference clear. In theory, you do not have to bless the principle of NATO enlargement, but not to do so would represent a major change in U.S. and allied policy and would result in serious negative consequences both for the alliance and for U.S. credibility across the continent. In any event, the applicants and other observers must be convinced that NATO has not abandoned its pledge of an “open door” to enlargement.

As leader of the alliance, the United States should also continue building with its allies a comprehensive approach to European security. Admitting new countries into NATO is only one element; assuring other countries that they are not being left out is equally...
important. Therefore, the United States and its allies should build on the Partnership for Peace, the NATO-Ukraine Charter, the U.S.-Baltic Charter, and the NATO-Russia relationship, while ensuring that NATO retains a monopoly in deciding whom to admit. The United States will also be expected to lead the alliance in determining its overall goals and purposes, any changes to its command structure, and the practical limits to enlargement.

The Balkans remain the most troubled part of Europe. We counsel against assuming that the stabilization forces in Bosnia and Kosovo can soon depart. Currently, the most difficult question is the future of Kosovo—whether it remains a part of Serbia or becomes independent. Once again, your administration will be expected to take the lead in answering this question. In our judgment, you should decide early whether the United States favors independence, autonomy, or some third alternative.

Recast U.S. alliances in Asia. Soon after your inauguration, you should direct a review of U.S. strategy NMD and of NATO expansion. For its part, Moscow could be required to enforce strict nonproliferation measures; to comply with internationally imposed economic and other sanctions on “rogue” states; to increase governmental accountability to the public; and to institutionalize the legal and regulatory prerequisites of an open, market economy. Failure to progress along these lines would be stipulated at the outset as grounds for termination of the negotiations.

Within the Russian population, there are large and influential groups that are deeply convinced that their future depends on much closer integration with the West. Although many of these people support Moscow’s current military campaign in Chechnya, they tend to be open to the possibility of future Chechen independence and have no interest in “recovering” the Caucasus, Central Asia, or Ukraine, let alone the Baltic states. Their national identity is postimperial, and their aspiration is to live in a “normal” country. What most of them would like to see Russia emulate is the success of Poland, Hungary, and the Czech Republic in combining economic recovery and growth with democratic political development.

Given such potential support, there is a reasonable chance that President Vladimir Putin could steer Russia onto a path of meaningful security cooperation with the United States and its allies, if such a path were opened. Were Putin to make it clear that he is ready to take this chance—such as by delivering an address to this effect, firing some of his outspokenly “hardline” lieutenants, and taking steps to meet U.S. requirements—the administration in Washington should encourage him to do so.

The costs and risks of trying to work with a highly problematic but potentially cooperative Russia are far outweighed by the costs and risks of trying to build a “new world order” from which Russia is intentionally and unnecessarily excluded. The administration in Washington would be remiss if it failed to make an all-out effort to facilitate what would clearly be an enormously preferable outcome. A world in which Russia is part of the solution rather than part of the problem may be unattainable, but it is not unthinkable, and it has too much to offer to be prematurely dismissed.

Washington might try to open a serious dialogue with Moscow about what would be required to make Russian membership in NATO a real possibility.
GUIDELINES FOR HUMANITARIAN INTERVENTIONS

By Richard N. Haass, vice president and director, Foreign Policy Studies, The Brookings Institution; named in February 2001 to be director of policy planning, U.S. Department of State

Humanitarian intervention—the use of military force to save civilian lives in the absence of vital national security interests—is here to stay as a major issue. The new administration needs to assess whether and how to intervene in such situations. Below are ten suggested guidelines:

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

2. If force is to be used, it is best that it not be limited to air power, that it be used early in a crisis, and that it be employed decisively rather than gradually or incrementally. Air power alone cannot control a situation on the ground. Experience also suggests that gradual escalation can result in the United States having to use more, rather than less, force in the final calculation.

3. Exit strategies should not be confused with exit dates. Arbitrary dates should be avoided, because they bear no necessary correlation to the situation on the ground and could have the perverse effect of encouraging challenges as soon as the date passes and U.S. forces depart.

4. The United States should work to train and equip others so that they are better positioned to carry out humanitarian operations in contested environments either alone or in association with U.S. forces. A priority should be placed on the development of a regional force for Africa along the lines of the Africa Crisis Response Initiative. Allies in Europe and Asia should also be...
the following five areas as most critical for efforts in 2001, especially in terms of laying the foundation for long-term policies that can be sustained throughout your administration:

- Russia. The United States and its allies should continue seeking to anchor Russia to the West and to build a positive political and military relationship with it. We should work for reductions in the Russian nuclear arsenal, firm control over that arsenal, reforms within the Russian military, and an end to any Russian role in the proliferation of nuclear weapons or other weapons of mass destruction. Western economic assistance can—with careful monitoring—be useful. You should also search for areas of global cooperation with Russia, such as protection of the environment. At the same time, the United States should continue to press Russia to live up to international norms of human rights as an essential

collection of images, but not necessarily related to the text

encouraged to develop forces for interventions ranging from peacekeeping to peacemaking. Creating an international police reserve also deserves consideration. The United States should not, however, seek to create a "U.N. army," because the United Nations cannot be counted on to carry out missions more demanding than consensual peacekeeping.

5. U.N. Security Council authorization to conduct a humanitarian intervention should be deemed desirable but not essential. Authorization is desirable because U.N. backing can make it less difficult to build and sustain domestic and international support, can help weaken the will of opposing forces, and can help mitigate friction with other major powers, notably China and Russia. Authorization is not essential, however, because requiring it would effectively give China and Russia a veto, something they would likely use given their bias against intervening in what they consider to be the sovereign domain of states. Implicit in all of the above is a view of sovereignty that is less than absolute and of a United Nations that is less than central.

6. Humanitarian interventions, precisely because they do not involve the vital national interests of the country, should be designed and implemented to fulfill the basic requirement of saving lives. More-ambitious objectives, such as promoting multiethnic societies or democracy, should normally be avoided.

7. The United States does not have the luxury of developing or maintaining a military force dedicated to humanitarian interventions. U.S. forces are already stretched too thin. A preferable alternative is mission-specific training tailored to the expected challenges of a contemplated deployment, along with the use of reservists.

8. U.S. military forces cannot be expected to bear the full burden of U.S. humanitarian policy. More diplomacy, development assistance, international military education and training, trade access to the U.S. market, and democracy promotion will be required if the military instrument is not to be asked to do too much too often.

9. The president needs to speak to the public and Congress about humanitarian intervention, including its place and importance in U.S. foreign and defense policy. These undertakings occupy too important a place in U.S. national security to be carried out without the public and the Congress understanding both the depth and limits of the U.S. commitment.

10. There can be no doctrine for humanitarian intervention that will serve as a template for all situations. Case-by-case analysis is unavoidable. However, a set of guidelines along the lines of those proposed here can and should be applied.
The next administration will be confronted by two major policy challenges in Latin America. One is to build the future architecture of U.S.–Latin American relations overall. The other is to deal with threats to democracy and stability, particularly the worsening situation in Colombia and the broader Andean region.

The first challenge entails building the institutional framework for open markets and a stable democratic order in the hemisphere. The keystone of a proactive U.S. policy toward Latin America should be an effort to extend the North American Free Trade Agreement (NAFTA) to the rest of Latin America, beginning with Chile, a showcase of sound economic management and of successful transition from military dictatorship to democracy. The administration should set as its goal the merger of an expanded NAFTA and Mercosur within the next four years. Mercosur is a common market agreement involving Brazil, Argentina, Uruguay, and Paraguay. The merger of NAFTA and Mercosur would effectively establish the Free Trade Area of the Americas pledged in the 1998 Santiago Summit. NAFTA trading parity should also be extended to the states of Central America and the Caribbean.

Regarding Mexico, the U.S. administration should seriously consider President Vicente Fox’s proposal to negotiate arrangements that would permit more Mexicans to work legally in the United States and thereby ameliorate the problem of illegal migration. To safeguard the United States from increased narcotics flows that could result from more-open borders, this arrangement should be linked to more-effective action by Mexican law enforcement and judicial agencies against the illegal drug trade. At the same time, the administration should work with Congress to abolish the drug certification requirement. This provision in U.S. law, which requires the president to certify annually to the Congress that certain countries are cooperating with international antinarcotics efforts, is a deeply resented procedure that

India warrants an increased level of U.S. engagement.

- **China.** In cooperation with its allies, the United States should pursue a mixed strategy toward China that neither relies on engagement nor resigns itself to containment. While engaging China through commerce, military-to-military ties, and other joint projects, the United States should also press for democracy and human rights in China, discourage it from spreading missile technology, and hedge against a Chinese military buildup. If China chooses to cooperate within the current international system and becomes democratic, this mixed strategy could evolve into mutual accommodation and partnership. If China becomes a hostile power bent on regional domination, the U.S. posture could evolve into containment.

- **India and Pakistan.** We recommend that you decouple India and Pakistan in U.S. calculations. If current trends continue, India will become the world’s fourth largest economy by 2015 and will emerge as a great power. India warrants an increased level of U.S. engagement. By contrast, Pakistan is in the midst of deep social crisis and is pursuing policies counter to U.S. interests. You should increase pressure on Islamabad to stop support for the Taliban in Afghanistan, to cooperate in the fight against terrorism, to show restraint in Kashmir, and to focus on solving its own internal problems.

- **Iraq and Iran.** The United States should also reappraise its policy of dual containment toward Iraq and Iran. This reappraisal would assess whether a regime change in Iraq is necessary to U.S. long-term goals and, if so, how to bring it about and at what cost. Containment of Iraq could be aided by an Iran that was

A LATIN AMERICAN POLICY AGENDA
*By Angel Rabasa, senior policy analyst, RAND*

A merchant receives a U.S. five-dollar bill at the central market in Quito, Ecuador, on Jan. 9, 2001. Ecuador has shown signs of recovery since it phased out its currency, the sucre, last September and shifted to a dollar-based economy. El Salvador also dollarized its economy on Jan. 1, 2001.
Indonesia to avoid political collapse and to keep its democratic reforms on track. We should support the country’s economic recovery and territorial integrity, engage its military, and help to restore its role in regional security.

**A New Global Agenda**

Radical changes in the global economy have expanded the international agenda. Globalization—defined here as the increasing volume and speed of cross-border flows of goods, services, ideas, capital, technology, and people—is, according to many observers, redefining “foreign policy.” Globalization is reducing the degree of control over events by governments in favor of the private sector and nongovernmental organizations (NGOs). Globalization is also strengthening interconnections among events in different parts of the world. We believe that U.S. leadership should respond to these developments in at least four ways:

- **Indonesia.** Severe instability in Indonesia could disrupt trade and investment flows throughout Asia, generate widespread violence, create massive refugee flows, encourage secessionist movements throughout Southeast Asia, and impede the progress of democracy in the region. The United States should thus help Indonesia to avoid political collapse and to keep its democratic reforms on track. We should support the country’s economic recovery and territorial integrity, engage its military, and help to restore its role in regional security.

The United States should seek a restructuring of the inter-American security system to give OAS the authority to generate multinational responses to hemispheric security threats. These responses could be analogous to NATO’s peacekeeping and crisis management roles and could focus on nontraditional threats, such as the cross-border activities of narcotraffickers and guerrillas.

To meet the challenge of regional threats to democracy and stability, economic integration should be accompanied by the development of a hemispheric security community. The Organization of American States (OAS) has played a new role over the past decade in preventing conflict and thwarting disruptions of the democratic process. But OAS and related institutions, such as the Inter-American Defense Board, are not prepared to deal effectively with challenges such as the collapse or near-collapse of the Colombian government, the spillover of the Colombian conflict to neighboring states, the takeover of a Caribbean island state by forces linked to international criminal networks, or a violent endgame in Cuba.

The United States should also encourage Mexico to move toward dollarization or to an Argentine-style currency board arrangement, setting a fixed peso-to-dollar exchange ratio. This would remove exchange rate instability as a source of Mexico’s periodic financial crises.

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

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The United States should seek a restructuring of the inter-American security system to give OAS the authority to generate multinational responses to hemispheric security threats. These responses could be analogous to NATO’s peacekeeping and crisis management roles and could focus on nontraditional threats, such as the cross-border activities of narcotraffickers and guerrillas.

What is needed is an overarching purpose and sustained high-level U.S. government attention to the problem of hemispheric security broadly defined. The U.S. position as the preeminent power in the hemisphere was one of the foundations of its rise to global power in the early 20th century. A far-sighted policy of enlargement and consolidation of a hemispheric community would be an investment in America’s future as the preeminent global power.
**Counter asymmetric warfare.** Asymmetric warfare refers to the capacity of smaller powers to cause damage and to influence the global agenda to a degree out of proportion to their recognized status in the world. For example, a smaller power (or nonstate actor) might resort to terrorism, the use of weapons of mass destruction, or cyber threats partly in response to U.S. military dominance. The transnational nature of many of these threats means that the U.S. ability to counter them will depend on greater cooperation among the major industrial countries. More specifically, the United States should work to strengthen the Biological Weapons Convention, press Russia to stop providing assistance to Iran for its nuclear program, and discourage Chinese and Russian assistance in the spread of missile technology. We also strongly recommend that you mandate cooperation among domestic law enforcement, intelligence, economic, and diplomatic assets to combat these threats.

**Respond actively to nontraditional threats and opportunities.** A host of new global challenges may soon require imaginative and sustained responses by the United States and its allies. These nontraditional challenges include uncontrolled migration across borders, international crime, pandemics like AIDS and malaria, and environmental degradation. Many of these problems will affect Africa in particular. In few of these cases is there a consensus that they represent serious “security” threats to the United States or its allies. However, in this era, we in the United States, along with our major industrial-state allies, have the resources and opportunity to ask ourselves whether we want to live in a world where such problems continue to fester, or whether we will try to make a difference. For your administration, this is primarily a matter of leadership and exhortation. Then it is a matter of forming alliances with like-minded, relatively wealthy countries to begin creating a new ethos for the future that is not based solely on a short-term national model but that embraces a long-term global vision.

Meanwhile, your administration can continue the U.S. government’s vigorous commitment to human rights and democracy. This is the major opportunity of the age: to create a world in which more people than ever before will be able to be secure in their persons, to take part in civil society, and to pursue basic benefits for themselves and their families. Unstinting U.S. support for human rights need no longer be limited, in terms of country or region, by the trade-offs that were

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**Foster global economic order.** Early in your administration, we recommend that you seek “fast-track” trade negotiating authority from Congress, secure support from key foreign allies on the framework for multilateral trade negotiations, engage U.S. groups with concerns about the labor and environmental practices of some U.S. trading partners, and ensure that less-influential countries and NGOs gain appropriate access to the negotiations. We also believe that you should promote reforms in international financial institutions to ensure that they are accountable to their constituencies, that their funds are promoting balanced and sustainable growth, and that their funds are neither being diverted or stolen by host-country officials nor allocated to inefficient or socially irresponsible uses. Finally, we recommend that you take proactive measures to deepen economic ties with Latin America, especially Mexico, in order to foster a stable, democratic, and free-market-oriented hemisphere.

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It is a matter of creating a new ethos that is not based solely on a national model but that embraces a global vision.
sometimes required during the cold war. Democracy is perhaps the most formidable social and political force in the world, both today and for the indefinite future. The United States—and your administration—can and should remain the foremost champion of democratic development, in word and deed, including vigorous support for global democracy-based institutions, for democracy-oriented NGOs, and for following up on the June 2000 World Democracy Conference in Warsaw.

**Nurture international institutions.** The United States wants to maintain its relative freedom from external threats and its capability to shape the global environment. One long-term means to these ends is particularly critical: U.S. leadership in building international institutions, practices, attitudes, and processes that can benefit the United States precisely because they also benefit other countries. The utility of this approach was demonstrated by the re-creation of NATO during the Bush and Clinton administrations. As a result of this effort, a wider range of countries can now benefit both from greater security and from greater social development. The EU has also made great strides, not only for its 15 members, but also for other countries in Central Europe and beyond.

No doubt, neither the NATO nor EU model will find direct application elsewhere; both are the products of unique circumstances. But as U.S. president, you can promote the basic method of institutional development. This method can help mobilize support for action in those parts of the world—that such as Africa and parts of Asia—that tend to generate less interest in the wake of the cold war. Sustaining support for this approach will also require rebuilding the effectiveness of the United Nations as an institution and reestablishing U.S. domestic support for the U.N. At the very least, the United States must fulfill its commitments to pay its U.N. dues, while continuing to press for necessary institutional reforms.

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**Unstinting U.S. support for human rights need no longer be limited by the trade-offs that were sometimes required during the cold war.**
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