Section III: Major Powers and Key Regions
Prospects and Possibilities for U.S.–Russian Relations

Jeremy R. Azrael, RAND

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

In the United States, disillusionment with Russia stems, above all, from the latter’s failure to meet promises and expectations of political democratization and market reform. Some Americans are ready to place part of the blame for this failure on what they consider to have been Washington’s misguided advice and mismanaged financial and economic assistance. However, there is also a strong feeling that gullible U.S. policymakers were taken in by so-called Russian “reformers” who were actually intent on political and financial self-aggrandizement at their countrymen’s ruinous expense (as well as at the expense of U.S. taxpayers). While a number of commentators have given the newly installed administration of Vladimir Putin high marks for its liberal economic program and its campaign to curb the power of at least some of the country’s rent-seeking “oligarchs,” most have raised serious doubts about whether real economic changes can and will be implemented. In the same vein, Putin’s frequently expressed commitment to constitutional democracy, governmental accountability, freedom of the press, and respect for fundamental civil rights and the rule of law have been greeted with almost universal skepticism. In consequence, there is a widespread feeling in the United States that Russia has been “lost”—if not necessarily forever, then certainly for a long time to come. Even those who have not completely written Russia off no longer see it as a potential U.S. ally.
While many Americans believe that Washington’s assistance to Russia was a waste of money, many Russians believe it was something akin to “hush money” paid to mute their leaders’ reactions to U.S. policies that were clearly inimical to Russia’s interests. Frequently cited examples and explanations of such policies include:

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

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

- limit the number of its commercial satellites that could be launched on Russian rockets;\(^1\)
- undercut Russian arms sales by applying political pressure on would-be customers;
- curb the access of Russian steel producers to U.S. markets;

\(^1\)These long-standing limits were eased in July 2000.
• provide humanitarian assistance in the form of food and medicine, which would enrich Russian bureaucrats—and U.S. producers and suppliers—while putting Russian producers out of business because of their inability to match low, taxpayer-subsidized prices;
• victimize all Russian banks, as well as the embryonic and shaky Russian banking system, to combat alleged money laundering by a few of them; and
• retain numerous Cold War restrictions on U.S.–Russian trade.

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

Such mutual disenchantment and mistrust would bode poorly for Russian–U.S. relations even if no developing issues seemed certain to exacerbate them. But at least two such issues exist: the further enlargement of NATO to include the Baltic states and the deployment of a U.S. national missile defense (NMD).\(^2\) Since both U.S. presidential candidates endorsed NMD—albeit in quite different variants—and at least tacitly subscribed to statements by the current administration that NATO membership for the Baltic states is “virtually inevitable” and could be considered as early as 2002, there is likely to be some follow-through by the next administration in Washington. Given the “red lines” the Putin administration has already drawn, any such follow-through could precipitate an acrimonious confrontation.

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

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\(^2\) A decision by President Bill Clinton to break ground for future NMD deployment could bring that issue to a head even before the inauguration of the new administration.
bound to be deeply disturbed at what they see as further evidence that the United States is actively seeking to marginalize Russia as an international actor.

There is little, if anything, Moscow can do on its own to deter Washington from proceeding with Baltic inclusion or NMD deployment. The countermeasures that Moscow has threatened or might threaten to take—reinforcement of its military forces in the Baltic region, abrogation of the Anti-Ballistic Missile (ABM) Treaty and other arms-control agreements, cancellation of the third round of strategic arms reduction talks (START III), deployment of additional strategic and theater nuclear missiles, curtailment of cooperative threat-reduction and confidence-building activities, and so forth—have already been factored into Washington’s calculations. In consequence, Moscow’s best, and possibly only, hope of preventing an outcome that it greatly fears is to rely heavily on others. This explains Putin’s leading role in an all-azimuths political and diplomatic campaign to turn the apprehension that is felt in many capitals—including in some quarters of Washington—over what is seen as gratuitous and risky U.S. “muscle flexing” into unified resistance to U.S. “hegemonic” ambitions. In effect, like the judo expert he is, Putin hopes that he can devise a way to turn Washington’s overwhelming strength to an embattled Moscow’s advantage.

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

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

4 See Robert B. Zoellick “Clinton’s Last Chance to Get Russian Policy Right,” Wall Street Journal, March 27, 2000, for one of the very few, if not the only, public statements by a senior member of the U.S. foreign policy establishment (and Bush adviser) that endorses joint work on missile defenses—“at least to the degree Russia can maintain the security of the effort.”
made about Russia’s interest in joining NATO, Washington might try to open a serious dialogue with Moscow about what would be required to make Russian membership a real possibility and about when this possibility would be acted on if the requirements—one of which would presumably be Russia’s graceful acceptance of NATO’s earlier incorporation of the Baltic states—are met.

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

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

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

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

Even if the Putin administration were to make a good-faith effort to meet
reasonable U.S. requirements for genuine security cooperation, it would not be
easy for it to deliver. In the first place, the Kremlin would almost certainly have
to contend with concerted resistance from within the so-called “power
structures”—the armed forces and the security services—that have strong vested
interests in the continued existence of a fairly high degree of “East–West” rivalry
and tension. In addition, it would face open opposition from radical communist
and ultranationalist movements for which close collaboration with the West is
anathema. Moreover, it would have a hard time selling a policy of
rapprochement to the sizable part of the Russian population—including
members of the political, administrative, and business elites—that mistrusts the
West in general and the United States in particular and that pines for the
restoration of a Russian (or Soviet) empire. Nevertheless, if it were sufficiently

5 At present, Moscow is primarily interested in securing debt relief—forgiveness as well as
rescheduling—and delivery of the outstanding tranches of previous International Monetary Fund
(IMF) loans. If Russia’s current economic recovery continues, it is unlikely either to want or to get
significant additional financial or economic assistance.
cohesive and sufficiently skillful—big “ifs,” to be sure—the Putin administration would also be able to mobilize substantial support.

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

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

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6Among others, this is true of the scientific and technical intelligentsia, young professionals and businessmen, and the hundreds of thousands of Russian citizens who have studied or traveled extensively in the West.
work with a highly problematic but potentially cooperative Russia are far outweighed by the costs and risks to trying to build a “new world order” from which Russia is intentionally and unnecessarily excluded.

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

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

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7 That Putin and his colleagues are already actively cultivating the soil for the formation of such an “outsiders’ coalition”—the ground for which was, of course, prepared by their Soviet predecessors—is indicated by, among other things, the recent flurry of visits to Moscow by senior officials from Yugoslavia, Syria, Libya, Iran, and Iraq, as well, perhaps, as by Putin’s visit to North Korea. See, for example, *Jamestown Foundation Monitor*, August 2, 2000.
Nothing the United States can do will ensure that Russia will develop along the lines sketched out above. If Putin and his colleagues prove unwilling or unable to do what is necessary to make Russia into an attractive security partner, the United States and its allies will have no choice but to accept the unpleasant and dangerous consequences. Considering the stakes, however, the next administration in Washington would be remiss if it failed to make an all-out effort to facilitate what would clearly be an enormously preferable outcome. A world in which Russia is part of the solution rather than part of the problem may be unattainable, but it is not unthinkable, and it has too much to offer to be prematurely dismissed.
U.S. Strategy Toward China

Zalmay Khalilzad, RAND

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

Where Is China Heading?

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

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

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

While both realist theory and an analysis of Chinese history suggest that a strong China will behave in a more assertive manner, there is some reason to hope that the Chinese leadership could retain its current emphasis on the importance of good relations with the United States. First, the modernization process will not have a clear-cut endpoint; even after several decades of successful economic and technological development, China will likely be behind the United States in many respects, and the leadership may still recognize the need to “catch up.” More fundamentally, the dynamism of technology and the global economy is such that even the most advanced countries quickly find that they must remain open to each other if they wish to keep pace; no country is able on its own to develop all relevant technologies to world-class standards. Hence, China would not be able to cut itself off from the rest of the world without quickly falling behind.

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

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

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

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

**U.S. Policy Alternatives**

**Engagement**

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

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

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

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

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

More fundamentally, engagement rests on a core assumption—that continued contact will eventually affect Chinese behavior in a positive direction—that is far from certain. In the meantime, a policy of engagement helps China to develop economically and technologically, creating a base for future military strength. Thus, if the core assumption is incorrect, engagement helps China to become a more threatening adversary.
Even if Beijing is temporarily willing—to secure the advantages of engagement—to abide by U.S.-supported norms of international behavior, there is no guarantee that its acquiescence will continue once China’s comprehensive national power has been sufficiently enhanced. At that point, China may feel confident of its ability to make its way in the world without economic or other relations with the United States. Alternatively, it may believe that its importance in world affairs is so great that the United States has no choice but to seek good relations with it.

**Containment**

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

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

At present, containment would be a very difficult policy to implement. First, it would be hard to obtain a domestic consensus to subordinate other policy goals—including trade—to dealing with a Chinese threat that is as yet, to say the least, far from manifest. In any case, it would be difficult to mobilize national energies on the basis of predictions that are not only extremely pessimistic but also necessarily uncertain. Second, containment would require the cooperation of regional allies and the world’s advanced industrial countries. Such cooperation
would be difficult to obtain. U.S. allies in Europe may not believe that even an aggressive, rising China would pose a threat to them, while allies in East Asia do not seem convinced that such a hard policy toward China is necessary—at least not now. In addition, the United States would lose whatever leverage over Chinese policies—such as sales of missiles or WMD-related technology—that it currently obtains by means of engagement. Containment seems unnecessarily to resign itself to an unfavorable outcome while overlooking the possibility that Sino–U.S. relations can perhaps evolve in a much more acceptable fashion. In this sense, containment risks becoming a self-fulfilling prophesy and condemning U.S.–China relations to years of unnecessary and dangerous tension.

**Recommended Strategy: ‘Congagement’**

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

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

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

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

If the next administration embraces “congagement,” the steps that it should consider include the following:
• Promote improved relations between Japan and South Korea to facilitate their cooperation on security issues in the future.

• Encourage a gradual normalization of the Japanese role as a regional actor, including the revision of its constitution allowing the right of collective self-defense, the expansion of its security horizon beyond its own territorial defense, and the acquisition of the appropriate capabilities for power projection.

• Encourage a settlement between Russia and Japan of the dispute over the “northern territories.”

• Enhance political–military cooperation among the member states of the Association of South East Asian Nations (ASEAN) and improve military-to-military cooperation between the United States and ASEAN states such as the Philippines.

• Build stronger ties with India without isolating Pakistan.

• Preserve and stabilize the status quo with regard to Taiwan. This means firm opposition to any use of force by China against Taiwan and to any Taiwanese declaration of independence.

• Tighten export controls on sensitive technology to China and gain cooperation from Israel and other allies in denying China access to a select set of weapons and technologies that could undermine regional stability.

• Finally, structure U.S. military forces to confront the possibility of conflict scenarios with China even though avoiding such a conflict should be the overall objective.

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

Ian O. Lesser, RAND

New Challenges and Opportunities

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

The changes affecting regional security and U.S. interests have been substantial. First, a dramatic improvement has occurred in the relationships between Athens and Ankara. Two years ago, Greece and Turkey were still engaged in a dangerous game of brinkmanship, with a daily risk of accidental conflict and escalation. Bilateral frictions impeded the completion of new NATO command arrangements for the eastern Mediterranean and threatened the cohesion of the alliance. Since the start of the conflict in Bosnia, U.S. policy has stressed the risk that Balkan conflicts could spread to Greece and Turkey and reinforce “civilizational” cleavages in the region, a theme reiterated in the context of Kosovo. In fact, both countries have taken a cautious, multilateral approach to the Balkans, and cooperation in Balkan relief efforts was one of the few bright spots in Greek–Turkish relations prior to 1999.

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

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

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

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

Third, the strategic environment facing Athens and Ankara has evolved significantly, with implications for U.S. and NATO agendas in the region. At the EU’s Helsinki summit in December 1999, Turkey became a candidate for full membership in the union. At the same time, the Helsinki summit envisioned the opening of Cypriot accession talks, preferably with—but if necessary without—a settlement on Cyprus. With the advanced state of the Cypriot candidacy, the clock is running on the question of Greek–Turkish relations in Cyprus, and the EU factor is now the dominant one in shaping the future of this dispute. Moreover, there can be no question of Turkish membership without a resolution of the full range of Greek–Turkish problems, including air and sea space issues in the Aegean. For Turkey, its EU candidacy provides a clear path toward closer integration and convergence with Europe—a longstanding U.S. policy preference. But the final status of Turkey within the EU is far from certain, and there is a serious risk that the offer of eventual membership will prove hollow, with negative implications for Ankara’s role in Europe and European security arrangements. Turks believe that they have been frozen out of European decision making on Europe’s Common Foreign and Security Policy (CFSP) and European Security and Defense Policy (ESDP), and under these conditions they are prepared to block the automatic use of NATO assets for European-led missions. The issue of Turkey’s role in ESDP is a key “test case” for Ankara in its evolving relationship with Europe. Above all, Turkey fears a decoupling of U.S. and European defense and a decline in the credibility of NATO guarantees to Turkey.

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

Turkey and, to a lesser extent, Greece have developed close and diversified relationships with Israel. This can offer new and useful “geometries” for U.S. diplomacy and security cooperation vis-à-vis the Persian Gulf and other key areas. Both Athens and Ankara can contribute to Middle East peace arrangements, if the peace process goes forward. Turkey will have a particularly keen interest as a water-surplus state and as a stakeholder in future security arrangements for Syria. Above all, the eastern Mediterranean is at the center of an emerging energy security picture that reaches to the Gulf, the Caspian, and across the Mediterranean. Turkey and Greece are becoming important energy entrepôts, especially for the supply of natural gas to European markets. Pipeline decisions, including the future of Turkey’s Baku–Ceyhan route, will shape the future of Western access and energy security.

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

**What Are U.S. Interests? What Is at Stake?**

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

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

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

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

Policy Options

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

1. **Focus on bilateral approaches, and provide a lead from Washington.** This is the traditional course. It acknowledges the resonance of these issues, including the Cyprus question, in U.S. domestic politics. In the current environment, it can also reassure regional allies, above all Turkey, that the United States is not decoupling from European security or defense. Moreover, the United States will have an independent stake in shaping regional diplomacy and security in ways that accord with U.S. interests. The issue of access to Incirlik Air Base, for example, is not of central interest to Washington’s European allies, and it may not wish to see Turkish attitudes toward Iraq or Iran further “Europeanized.” U.S. leadership may also help to ensure that Turkish–Greek relations remain in balance—something that might prove difficult without U.S. advocacy on Ankara’s behalf. Cyprus diplomacy would be a key test of the viability of this approach. Certain initiatives, including the Baku–Ceyhan pipeline, arguably will not happen at all without active U.S. leadership and support.
2. Let Europe take the lead. This approach would acknowledge Europe’s increasingly central place in the outlook of both countries. The United States has been a beneficiary of this trend, and it may wish to support it. Moreover, the results of the Helsinki summit have made the EU role a permanently operating factor in relation to Turkey, the future of Cyprus, and the Aegean dispute. Improved relations with Brussels provide an incentive for all sides and will be critical to the deepening of Greco–Turkish détente. The United States should welcome an opportunity for some of the diplomatic and security burden to shift to Europe, especially with other claims on U.S. attention, above all the Middle East peace process. In the context of relations with Turkey, a more balanced transatlantic approach can take pressure off of otherwise contentious issues between Ankara and Washington. The United States has pressed for a greater Turkish role in Europe, and it should now take the next steps to encourage it. In the case of Greece, as recent experience suggests, the less bilateralism, the better.

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

4. Refocus U.S. engagement to allow for a shift of roles. The overall thrust of U.S. policy toward these allies and their regional roles should change. The next administration should capture the advantages of more European and multilateral approaches and take an arm’s length approach where appropriate. At the same time, the United States and its partners should jointly redefine bilateral relationships to address new issues and foster more predictable partnerships. With some important exceptions, Washington should let Athens and Ankara manage the next stages of their reconciliation, and it should recognize that they key decisions and policies regarding Cyprus must come from Europe. Europe is also the leading factor in domestic change for both countries. Reminding Europe of its responsibility vis-à-vis Turkey should remain a feature of Washington’s transatlantic policy.

Next Steps

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

- Support the consolidation of Greco–Turkish détente, but recognize that the initiative to move ahead on “core issues,” including Cyprus and the Aegean, must come from the parties themselves. Of these issues, agreement on Aegean air and sea space and seabed resources is probably more accessible in the near term. One area where the United States (and NATO) can offer to help is in the area of military confidence-building measures, including full implementation of the package of measures already agreed on concerning rules of engagement, exercises, exchanges and observers.

- Continue to stress the importance of closer Turkish convergence with and integration in Europe. But the United States should recognize that Turkey’s prospects for full EU membership remain mixed at best. Convergence rather than membership is the real objective from the perspective of U.S. interests. Washington should press its European partners to adapt their plans for CFSP and ESDP to give Ankara a greater role in European decision making on defense—or at least to broker a compromise that will avoid a Turkish break with Brussels and the risk of paralysis over European-led initiatives at NATO.

- On Cyprus, the goal of a “bizonal, bicommmunal federation” remains appropriate. The United States can have a role, but not necessarily the leading role, in any settlement arrangements for the island. Cyprus is increasingly an EU-led issue, and the key incentives for compromise will come from Brussels. Congressionally mandated reporting requirements notwithstanding, the next administration should give priority to other aspects of its involvement in the region.

- Engage Greek and Turkish leaderships toward the development of a new, more relevant strategic agenda. For Turkey, key elements of this agenda can include energy security, ballistic missile defense, dealing with Russia, and integrating Turkey in Europe. Dialogue on a common strategic agenda can help to increase the predictability of Turkish defense cooperation, including access to Incirlik Air Base for Gulf and other contingencies. The United States should also consider exploring with the Turks what new activities of mutual interest could be conducted at Incirlik, looking beyond Operation Northern Watch. With Athens, new agenda discussions can usefully focus on Balkan
reconstruction, security cooperation in the Adriatic, and possible roles for Greece in the Middle East peace process.

• Conclude promised arms transfers to Greece and Turkey in recognition of the extraordinary progress that has been made in stabilizing Greco–Turkish relations, and as a contribution to the security of NATO allies in a troubled region.

• Offer tangible support for the Baku–Ceyhan pipeline. With the discovery of new proven reserves in the Caspian, there is a better chance for the pipeline to prove economic. To date, Washington has offered strong diplomatic support but little substantive backing for the pipeline, despite a clear strategic rationale. If it is serious about promoting energy security and Turkey’s regional role, Washington should be prepared to contribute, together with the private sector, appropriate assistance and credits toward the pipeline’s construction.

• On counterterrorism, the next administration should not hesitate to make its concerns known about the continuing threat to U.S. citizens and interests posed by terrorists in the region, especially the Greek organization “November 17.” The challenge will become critical with the approach of the 2004 Olympics in Athens. Washington should offer the Greek authorities intelligence and technical assistance. But it should recognize that EU countries are also exposed, and cooperation in an EU context is now the most effective—and politically acceptable—way for Athens to address the problem. Sanctions on Greece would be a highly inappropriate way to pursue counterterrorism in the region, and they would run counter to the U.S. interest in supporting positive developments in many other areas of the relationship.
The Balkans: Challenges and Priorities for the Next Administration

F. Stephen Larrabee,1 RAND

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

U.S. Interests in the Balkans

The United States has four important interests in the Balkans: regional stability, the cohesion and credibility of the North Atlantic Treaty Organization (NATO), stability in Europe as a whole, and relations with Russia. The problems in the Balkans are closely interconnected. A conflict in one area could easily spill over and unleash instability throughout the region. Unrest in Kosovo, for instance, could destabilize Macedonia or Albania, or both. It could also have security implications for Greece and Turkey—two important NATO allies in the region. In other words, an outbreak of violence and unrest in the Balkans could pose a serious test of NATO’s cohesion and credibility. If NATO failed to respond, its credibility as the prime manager of European security could be strongly undermined. At the same time, a crisis could put NATO’s cohesion to a severe test. Kosovo demonstrated both the fragility and the strength of this cohesion. But few would like to see it tested a second time. The stakes are too high.

The United States has a strong stake in a prosperous and stable Europe writ large. However, a crisis in the Balkans is unlikely to remain localized and could

1The views expressed here are the personal views of the author and do not represent those of RAND or any of its sponsors.
have a significant spillover effect on European stability. A number of countries, especially Greece, Italy, and Germany, would face a large influx of refugees that could threaten their internal cohesion and social stability. The ability of the European Union (EU) to carry out its agenda of internal reform—a prerequisite for further enlargement—would be impaired, possibly even halted altogether. Finally, developments in the Balkans could also exacerbate relations with Russia at a time when the United States is trying to build a new relationship with Moscow and overcome the strains precipitated by the Kosovo conflict. A Balkan crisis would doom such an effort. Moreover, Russia might be tempted to use the crisis to exploit intra-alliance differences over European Security and Defense Policy (ESDP) and U.S. national missile defense (NMD), thereby deepening already existing strains in the alliance.

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

**Staying Engaged**

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

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

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

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

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

Rather than withdrawing totally from the Balkans, the United States should encourage the Europeans to increasingly assume the main responsibility for security in the region, which they are doing. They currently provide about 85 percent of the troops in Kosovo. However, a small number of U.S. troops should remain in the region as a hedge against a possible future crisis and as a symbol of the U.S. commitment to and interest in stability in Southeastern Europe.

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

**Promoting Democratization and Reform in Serbia**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Macedonia: Fostering Ethnic Harmony**

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

Unlike the Albanians in Kosovo, however, the Albanian community in Macedonia has chosen—at least for the moment—to follow a path of peaceful integration rather than separation. It is essential that they continue to do so. The Albanian community needs to be given a greater stake in Macedonia’s political and economic life. Otherwise, discontent and secessionist pressures are likely to grow.
The United States and its allies, therefore, should encourage the Macedonian government to expand economic and educational opportunities for the Albanian population. This could help to reduce ethnic tensions and defuse separatist tendencies among the Albanian population in Macedonia. At the same time, the United States should make Kosovo’s final status contingent upon a commitment by the Kosovars to respect Macedonia’s territorial integrity and not to incite the Macedonian Albanians to join a broader Albanian state.

Stabilizing the Periphery

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

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

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

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

Conclusion

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

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

Ashley J. Tellis, RAND

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

Issue One: India and Pakistan

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

At the political level, India will continue to experience coalition governments at the center for the foreseeable future: this implies that national decision making will be buffeted by the fractious demands of domestic politics, as no single political party currently appears capable of dominating national politics as the Congress Party did during the second half of the 20th century. This implies that it will be rather difficult to secure a quick and easy domestic consensus on various international issues of great importance to the United States like, for example, the Comprehensive Test Ban Treaty (CTBT), intellectual property rights, climate management, and international trade.

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

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

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

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

At the economic level, the Pakistani economy remains paralyzed by high external indebtedness, poor extractive capacity, and low levels of technology absorption. The current regime has attempted to address the first and second problems far more seriously than its predecessor ever did, but with mixed success thus far. Engaging the third, more permanent, problem of slow technical change fundamentally depends upon access to foreign investment, but Pakistan’s structural problems—the presence of endemic corruption, the power of feudal social structures, the persistence of depressed social indicators, and the entrenchment of cultural attitudes that are increasingly alienated from the West—imply that substantial injections of foreign technology, resources, and know-how will continue to lie beyond reach. Although the current military regime has placed significant emphasis on reviving the economy, it has become increasingly clear that even a powerful bureaucracy like the Pakistan Army lacks both the power and the legitimacy required to enforce the gut-wrenching changes that will be necessary to turn the economy around.

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

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

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

1. Ignore both India and Pakistan

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

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

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

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

This option too has more disadvantages than advantages today. First, increased U.S. influence in Pakistani politics—even if attainable—would buy the United States less than is sometimes imagined. Pakistani politics today has been sufficiently transformed that even increased goodwill towards the United States will not change Islamabad’s positions on critical issues relating to, for example,
nuclear proliferation and Afghanistan. Supporting Pakistan in opposition to India also buys the United States little by way of increased influence in Central Asia, the Middle East, and China, since U.S. resources more than suffice for this purpose. Second, increasing support to Pakistan at the cost of India could result in the “tail wagging the dog”: Islamabad, delighted by the resumption of U.S. support, could be tempted to exploit it to further its own revisionist agenda vis-à-vis India in Kashmir and elsewhere and, as happened in 1965, could “entrap” Washington in unnecessary conflicts with New Delhi. Further, this option, to the degree that it would encourage Pakistani revisionism, is also likely to guarantee a major Indo-Pakistani war, with possible nuclear brandishing and conceivably nuclear use. Third, supporting a weakening and possibly decaying Pakistan against an increasingly confident and slowly rising India is bad balance-of-power politics if the weaker state—namely Pakistan—cannot absorb U.S. support because of its domestic fragility or is likely to misuse U.S. support because of its revisionist aims: In either event, increased U.S. support would only enrage the stronger, rising, power—India—even as it has little effect on constraining its rise or conditioning its ambitions. Finally, supporting Pakistan against India, even if successful, would do little to neutralize the real threat to U.S. global and regional interests which, if it emerges, is more likely to be personified by a rising China rather than a rising India. Thanks to both the differential in relative capability between China and India and the existing compatibility between Indian and American democracy, New Delhi is likely to become a less pressing strategic threat in comparison to Beijing and it may in fact become the more appropriate object of U.S. assistance rather than containment over time.

3. Increase support to India and contain Pakistan

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

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

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

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

This policy would have several distinctive features. First, U.S. calculations could systemically decouple India and Pakistan; that is, U.S. relations with each state would be governed by an objective assessment of the intrinsic value of each country to U.S. interests rather than by fears about how U.S. relations with one would affect relations with the other. Second, the United States would recognize that India is on its way to becoming a major Asian power of some consequence and, therefore, that it warrants a level of engagement far greater than the previous norm and also an appreciation of its potential for both collaboration and resistance across a much larger canvas than simply South Asia. Third, the United States would recognize that Pakistan is a country in serious crisis that must be assisted to achieve a “soft landing” that dampens the currently disturbing social and economic trends by, among other things, reaching out to Pakistani society rather than the Pakistani state.

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

With Pakistan, the United States should aim to extend assistance in strengthening the institutions in civil society with the objective of helping Pakistan to become a modern Muslim republic. Important lower-level objectives would be to assist Pakistani society through support for liberal Pakistani nongovernmental organizations (NGOs) that work in the areas of education, health care, and women’s rights and to increase the growth of U.S.–Pakistani economic relations. A second general goal should be to maintain strong pressure on the current regime for a return to democracy. The United States should also clearly communicate to Pakistan’s civilian and military leadership its strong preference for reconciliation over Kashmir that involves, among other things, a transformation of the current line of control (LOC) into a new international border. Finally, the next administration should work to restore some forms of military-to-military cooperation, primarily in the form of personnel exchanges and military education, but not arms sales—even on commercial terms—until Pakistan ceases to challenge the territorial status quo in Kashmir by force.

**Issue Two: Civil War in Afghanistan**

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

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

U.S. policy initiatives with respect to Afghanistan should include increased support for the “Rome Process” to create a broad-based forum to discuss future structures of governance in Afghanistan. They should also permit support for Massoud to prevent complete Taliban domination of Afghanistan by force. Even if the Taliban conquer all of Afghanistan, the next administration should refuse to recognize them as a legitimate regime until concerns about human rights, terrorism, and narcotics, are satisfactorily resolved. Moreover, it should support NGOs in their efforts to provide education, health care, and social services within Afghanistan. Finally, the United States should prepare to economically support the reconstruction of Afghanistan after a satisfactory broad-based solution to the civil war is achieved.

**Issue Three: Civil War in Sri Lanka**

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

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

U.S. policy initiatives with respect to Sri Lanka should, therefore, encourage the Sri Lankan government to explore confederal alternatives in its peace proposals to encourage LTTE interest in the peace talks or, failing that, to discredit them; publicly affirm the position that the United States will not recognize an independent Tamil state; seek to more vigorously restrict LTTE fund-raising efforts in North America and Europe in concert with U.S. allies; support Israeli efforts to equip and, more importantly, train the Sri Lankan Army while being prepared to offer similar U.S. assistance to the Sri Lankan military as well; and, finally, encourage India to support a reconciliation in Sri Lanka while simultaneously curbing LTTE activities to the extent possible in Southern India.
Preserving Stability and Democracy in Indonesia

Angel Rabasa, RAND

The Issue

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

The Stakes

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

Moreover, Indonesia is not the only Southeast Asian country with dissatisfied ethnic minorities and armed separatist movements. If Indonesia breaks up, there is no guarantee that balkanization will stop at its borders. There is widespread fear in the region that the example of an independent Aceh will strengthen the resolve of secessionists in the Philippines and southern Thailand and sharpen ethnic and religious divides across the region.
Aside from these geopolitical considerations, however, Indonesia’s domestic struggles resonate far beyond the Southeast Asian area. How Indonesia deals with the issues of democracy and political and religious diversity, for instance, could well influence the political evolution of Asia and the larger Islamic world.

The Challenges

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

Democratic Consolidation. Abdurrahman Wahid’s selection as president marked a critical milestone in the transition from authoritarianism to a more democratic political system: Indonesia’s Parliament is now more powerful and legitimate. The structure of social control constructed during the Suharto era is being dismantled. The press is among the freest in Asia. And legislation has been enacted that would devolve power and resources from the center to the provinces. Nevertheless, several factors make the transition to a stable democracy a difficult and unpredictable process. Wahid’s erratic style of governance and the erosion of the coalition that brought him to power are two of these factors. Lack of agreement within the governing coalition on problems such as the privatization of state-owned enterprises, the process of decentralization, and the future of economic and fiscal policy resulted in protracted controversies. As a result, there has been a dangerous drift in Indonesia’s democratic government. At the meeting of the country’s highest legislative body, the People’s Consultative Assembly (MPR) in September 2000, strong criticism of Wahid’s management forced him to delegate the day-to-day running of the administration to the vice president, Megawati Sukarnoputri.

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

Economic Reconstruction. Restoration of economic growth will be critical to political stability and democratic consolidation. The Indonesian economy has been recovering from the depth of crisis. The rupiah has strengthened from 14,000 per dollar in June 1998 to a range of 7,000–8,000 throughout most of 2000, although it had fallen to 8,800 by mid-October. Other macroeconomic indicators have shown signs of stabilizing. Nevertheless, the recovery remains fragile and vulnerable to both exogenous and endogenous shocks. The underlying causes of the crisis—the insolvency of a large part of the private corporate and banking sector—remain unresolved. The public sector debt had also increased alarmingly to 95 percent of gross domestic product (GDP) by the end of 1999, a four-fold increase from the precrisis level. Servicing this debt will increase pressure on a budget already weakened by declining tax revenues and increased demands for spending on the social safety net. A new economic team composed of Wahid loyalists was put in place in the August 2000 Cabinet reshuffle. Wahid’s move to consolidate his control of economic policy is a high-risk strategy that will be particularly acute if the newly reformulated economic team is unable to turn the economy around.

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

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

Policy Alternatives

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

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

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

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

A policy of pressure or isolation may not necessarily bring about desired results, and, moreover, it could be quite destructive of Indonesia’s stability. In this regard, U.S. policy toward Colombia in the mid-1990s might offer a cautionary example. U.S. efforts to isolate and drive from office the drug-tainted administration of Ernesto Samper ultimately failed, but they gravely weakened the Colombian government and economy, fostering the conditions for the explosive growth of guerrillas and associated drug traffickers in that country.

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

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

**Recommendations**

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

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

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

4. **Engage the military.** The Indonesian military will play a critical role in the process of Indonesia’s democratic transformation. The United States has an opportunity to influence the thinking and evolution of the Indonesian military at a time when the Indonesian military is looking for a new model and is open to new ideas. Deeper engagement with the Indonesian military would improve the ability of the United States to promote a democratic model of military professionalism in Indonesia and to play a behind-the-scenes role in fostering defense cooperation and interoperability among the members of the Association of South East Asian Nations (ASEAN). The United States should also provide assistance to prevent the further deterioration of Indonesian defense capabilities. The escalating violence in parts of Indonesia makes the rapid deployment of
troops to trouble spots a critical need, but the embargo on the transfer of military equipment and spare parts to Indonesia has affected the ability of the armed forces to transport troops to areas of violence.

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

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

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

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

Jerrold D. Green, RAND

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

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

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

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

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

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

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

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

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

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

In her speech, Albright emphasized the significance and importance of Iran, wished the Iranian people a happy Nowruz, the Iranian new year, and, on behalf of President Clinton, talked about the history of U.S.–Iranian relations in a dispassionate and reflective fashion. She reviewed what Washington regards as its positive responses to Khatami’s overtures toward the United States, highlighted certain areas in which significant differences remain between the two countries, and said “the democratic winds in Iran” are refreshing and that “many of the ideas espoused by its leaders” are encouraging. Albright then talked about the fact that Washington holds a measure of responsibility for the animosity felt by some Iranians toward the United States.

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

One development in the wake of Albright’s speech was the publication of an article in the New York Times on Sunday, April 16, 2000, which talked in detail about newly released Central Intelligence Agency (CIA) documents discussing the role of the United States in the 1953 overthrow of Mohammad Mossadegh and the return of the shah to Iran instigated by the United States and the United Kingdom. This publication, coming so soon after Albright’s virtual apology, was an attempt to signal that the United States understands Iranian sensibilities and is trying, within limits, to forge a new era in U.S.-Iranian relations.
Overall, the tone of Albright’s speech was quite positive, but it did highlight the challenge confronting U.S. policymakers in the Clinton administration as well as its successor. On one hand, if the United States appears too eager, this will be interpreted as weakness in Tehran and will undermine attempts to work toward a better relationship. On the other, if Washington completely ignores attempts by moderate elements in Tehran to seek a limited rapprochement with the United States, then there will be no reason for Iranian policymakers to make these gestures nor will there be incentives for them to become more moderate. Thus, the next administration will be faced with an exceedingly delicate and sensitive diplomatic task in which signals at the correct volume and intensity must be sent to Tehran at the appropriate intervals. This challenge is and will remain a serious one.

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

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

At present, these groups, as well as many others that are less well known, understood, or visible, are engaged in a significant conflict whose intensity seems
to ebb and flow and whose duration is unclear. The most recent manifestation of this conflict was the closure of some 16 newspapers and other periodicals by the more extreme elements, who are opposed to the course of President Khatami and his reform movement as well as to the “capture” of the Majlis in recent elections by those reformers who support Khatami.

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

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

What is more likely to be the case is that none of the groups will enjoy a clear triumph over the others; the stalemate that currently characterizes the Iranian polity is likely to continue. What is important and often overlooked by U.S. policymakers is the overlap between the various groups in Iran and the fact that, although they share significant differences, they also share certain commonalities. Each group consists of Iranian patriots deeply devoted to the Iranian Revolution and to the concept of an Islamic Republic. Most have shown
themselves to be supportive of the democratic process in some measure, although the extremists in particular have taken significant liberties in periodically abusing it. All presumably share a concern about the threats to Iran’s eastern border, and they also seem to share a desire for a rapprochement with portions of the outside world. One should not forget that it was a trip to Saudi Arabia by Ali Akbar Hashemi Rafsanjani, hardly a Khatami-style moderate, that initiated the rapprochement between the two countries. The point is that the next U.S. administration must resist the temptation to overimbue the Iranian system with U.S. views and preferences. Iran has a political dynamic and life of its own, and it is one that is not well understood in the United States. It is this lack of clarity that is likely to complicate any attempts at policy innovation toward Tehran. Put differently, the range of policy options available to the next administration is likely to be both limited and determined by domestic Iranian political developments that the United States neither fully understands nor is in a position to influence.
U.S. Policy Toward Iraq

Daniel Byman, RAND

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

The Iraqi Threat and the U.S. Response

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

The primary thrust of U.S. policy remains an aggressive containment of the Iraqi regime. Sanctions are used to keep Saddam from rebuilding Iraq’s conventional and nonconventional military forces. Washington champions UN weapons inspections as a means of further reducing Iraq’s WMD stocks and capabilities. No-fly zones are maintained over northern and southern Iraq in order to protect Iraqi Kurds and Shi’ites, albeit only from air attacks. The large military presence in the region is designed to deter any Iraqi attacks and to maintain pressure on Iraq.

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

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

**Continued Problems**

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

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

- The scope and size of Iraq’s WMD programs still are not known to a satisfactory degree of certainty. UN inspections have led to the destruction of much of Iraq’s arsenal and the disruption of Iraq’s efforts to build and acquire WMD. Nevertheless, inspectors have never received a satisfactory accounting of Iraq’s WMD programs and, in particular, serious gaps remain in the international community’s knowledge of Iraq’s nuclear and biological programs.

- Iraq remains defiant regarding the return of UN arms inspectors to Iraq. Under UN Security Council Resolution 1284, UN inspectors are preparing to
return to Iraq to resume inspections, which suffered significant disruptions beginning in late 1997 and were officially suspended in December 1998. Iraq, however, has refused to allow the inspectors to return.

- The international consensus on the need to contain Iraq is crumbling. France and Russia, and to a lesser extent China, have criticized U.S. air strikes on Iraq, pushed for the removal of sanctions, and otherwise championed Iraq’s cause.

- The United States is currently engaged in a limited military campaign against Iraq that is producing few benefits. Since December 1998, U.S. planes have bombed Iraq an average of several times a week in response to Iraqi attacks on U.S. planes enforcing the no-fly zones. The U.S. responses, in general, have been limited in target choice and intensity of bombing, focusing mainly on destroying Iraqi air defenses. Although the continued strikes demonstrate to U.S. allies that Washington is committed to keeping Iraq contained, they are widely viewed in the region as accomplishing little. From the U.S. point of view, they also place heavy demands on military equipment, training, and personnel.

- Iraq is undergoing a humanitarian and social crisis. Most reports of the suffering—including those by the UN—exaggerate the number of deaths, using dubious Iraqi figures to support their claims. But the crisis is real. Many Iraqis are dying of disease from poor sanitation and malnutrition. Iraq’s middle classes have been destroyed and Iraq’s educational system has declined.

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

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

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

Recommendations

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

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

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

The Iraqi opposition should be used to augment containment, but successful “rollback” is not likely to succeed. The various elements of the Iraqi opposition, particularly those organizations based outside Iraq, are fragmented and appear to have little influence on Iraq today. They share little in common beyond a desire to remove Saddam: They disagree on how to do so and what a post-Saddam Iraq would look like. Saddam’s security services have penetrated various opposition organizations. Iraqi armed forces have shown little propensity to defect en masse. Regional states are at best dubious about the opposition, and several are quite hostile to particular opposition groups. Because of this fractiousness and lack of regional support, making the opposition the centerpiece of U.S. strategy (à la “rollback”) would almost certainly fail and might cause the collapse of containment. In addition, opposition military operations might inadvertently embroil the United States in a larger conflict, forcing Washington to choose between abandoning an opposition that it encouraged or using U.S. forces to rescue them. Selected use of the opposition—to gather intelligence and to press the regime should containment fail—is useful. In addition, the opposition may be valuable in a post-Saddam Iraq, giving the United States a horse to back in an uncertain situation.

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

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

More high-level attention is needed to ensure that the concerns of U.S. regional allies are respected and that their burdens are manageable. One of the biggest problems facing the United States lies in ensuring the continued support of regional allies—several of which have called for ending sanctions and at times have refused to support U.S. strikes on Iraq. The continuing low-level warfare and the perceptions that the sanctions are squeezing the Iraqi people but not the regime have led to increasing criticism of U.S. policy toward Iraq in the Gulf states. In addition, several Gulf states, including Saudi Arabia, face significant financial problems. Thus, U.S. efforts to further expand its presence and to sell the Gulf states additional weapons systems may further exacerbate these states’ political and financial strains and therefore jeopardize internal stability. Washington should focus its efforts on shoring up existing capabilities rather than on pushing for additional procurement, and it should ensure that the long-term relationship remains healthy. In addition, more high-level contacts with Gulf leaders are necessary to ensure that they understand that Washington respects their concerns and their sovereignty.
The next administration will be confronted by two major policy challenges in Latin America: one is the overarching challenge of shaping the future architecture of U.S.–Latin American relations; the other is how to deal with threats to democracy and stability in the Andean region, particularly the worsening crisis in Colombia. The first challenge requires a proactive U.S. policy toward Latin America, informed by the requirements of building the institutional framework for open markets and a stable democratic order in the hemisphere. The key components of this policy should be a concerted effort to extend and deepen the North American Free Trade Agreement (NAFTA), promote monetary stability, and foster the development of a hemispheric security community. The second challenge will require a coherent strategy for the Andean region to contain armed insurgencies and protect fragile democratic institutions under attack.

**U.S. Strategic Interests in Latin America**

The United States has a strategic interest in a stable, democratic, and free-market-oriented Latin America. Latin American democracies are an integral part of the zone of peace and democracy fostered by the end of the Cold War and are natural partners for the United States in maintaining a stable international order. In the 1990s, Latin America and the Caribbean became the fastest-growing regional market for U.S. goods and a potential partner in what could be the largest free trade area in the world, with a population of 730 million, a combined gross domestic product (GDP) of $10 trillion, and total exports of more than $1 trillion.

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

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

Threats to Democracy and Stability

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

Faltering Hemispheric Integration

The process of hemispheric economic integration, which reached a high point with the approval of NAFTA in 1994, has stalled. The United States has not seriously pursued an expansion of NAFTA or even the extension of NAFTA trading parity to the small, vulnerable democracies of Central America and the Caribbean. Chile and the Mercosur countries—Brazil, Argentina, Uruguay, and Paraguay—are now forging economic links among themselves and with the European Union. The danger, if the momentum of hemispheric economic integration is not regained, is the division of the hemisphere into separate and perhaps competitive trading blocs.

The Disruptive Impact of Globalization

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

Regression to Authoritarian Patterns

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

The Activities of Transnational Criminal Cartels

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

Formulating a Strategic U.S. Approach

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

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

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

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

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

Preserving Democracy and Stability in the Andean Region

After Mexico, U.S. security interests are most directly engaged in Colombia and Venezuela because of their economic, political, and geostrategic importance and their exposure to novel threats to democracy and stability. In the rest of the region, the stakes are somewhat different, and so is the challenge to U.S. policy. In Peru, President Alberto Fujimori’s authoritarian style, although it did not conform to democratic norms, did not rise to the level of a strategic threat to U.S. interests. Political turmoil in that country, however, could add another element of instability to the troubled Andean region. The issue for U.S. policy in confronting ambiguous threats to democracy, as manifested in the case of Peru, is how to design an effective and proportionate response that advances the U.S. interest in promoting democracy but also safeguards regional stability and hemispheric cooperation.

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

Colombia: A Failing State?

In Colombia the next U.S. administration will confront not just a narcotics problem, but a national security problem. For more than 30 years, Colombia has faced a persistent insurgency spearheaded by two guerrilla armies, the Revolutionary Armed Forces of Colombia (FARC) and the smaller Army of National Liberation (ELN). What is new is the symbiosis of the guerrillas with drug traffickers. Income from drugs and other illegal activities enabled the Colombian guerrillas, alone among the Latin American Marxist insurgencies, to survive the end of the Cold War and to intensify their challenge to the Colombian state. The corrosive influence of guerrillas and drug traffickers has exacerbated even deeper problems in Colombian society, including the loss of central government authority, the continued deterioration of the economy, and the decay of social institutions.
In recent years, the insurgency has gained strength, and the government’s control over large areas of Colombia has weakened. The FARC guerrillas have expanded their area of operation from their original base areas in inhospitable regions of Colombia to densely populated and economically strategic areas. In a bid to prompt negotiations, the Colombian government of President Andres Pastrana has conceded to the FARC control of an area the size of Switzerland in southern Colombia. Critics of the government’s negotiating strategy maintain that the guerrillas have little incentive to settle and are using the negotiations to strengthen their political position and expand their control of drug production areas. A key question is whether a successful peace agreement is a realistic scenario under current conditions. The history of peace agreements—for instance, in Central America—suggests that they succeed when the insurgents are essentially defeated, as in Guatemala, or the military situation develops into a stalemate and the insurgent side concludes that a seizure of power by military means is not attainable, as in El Salvador. These conditions do not appear to be present in Colombia at this stage.

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

**Regionalization of Colombia’s Conflict**

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

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

**Venezuela: Democratic Revolution or Populist Authoritarianism?**

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

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

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

**Central America: Threats to Peace and Democracy**

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

**Cuba: A Need for a Fresh Look**

Cuba will continue to be a major policy concern for the United States, but it is an anomalous case that presents a set of challenges different from the rest of Latin America. Cuba is the only country in the hemisphere that did not partake in Latin America’s political and economic modernization. As a consequence, the conditions for Cuba’s integration into a democratic and free-market-oriented hemispheric community do not exist. The United States will face a difficult policy problem with regard to Cuba: how to effectively manage the consequences of the decay or ossification and possible implosion of the Cuban regime. Fidel Castro’s government is motivated primarily by considerations of regime integrity and survival; economic performance is an important but subordinate consideration. Washington’s ability to influence Cuba’s domestic evolution with economic tools is therefore quite limited.
There is a growing view in the United States that relaxation of the economic sanctions against Cuba could foster economic and political liberalization and a “soft landing” when Castro’s rule comes to an end. This may not be true. An argument could be made that, in the absence of a real private sector, the benefits of a unilateral lifting of U.S. economic sanctions could be captured by the regime and could strengthen rather than weaken the Cuban dictatorship. After all, the only period of limited economic reform in Cuba, from 1992 to 1995, was when the regime felt the greatest economic pressure.

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

**A Latin American Policy Agenda for the Next Administration**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In Colombia’s case, neither of the first two options—disengagement or the status quo—suffices to protect U.S. security interests. Colombia’s situation is serious enough and the stakes high enough to require the most proactive approach. If the new U.S. administration were to choose this course of action, the president should designate a senior official to coordinate the administration’s Colombia policy and to ensure both a maximum effort in support of the policy within the administration and an effective liaison with Congress.
Whatever option the United States chooses for its Colombia policy, it needs to do more to help countries such as Panama and Ecuador to regain control of their borders with Colombia. Shutting down the narcotraffickers’ and guerrillas’ pipeline through Panama is critical to the success of any U.S. strategy toward Colombia.

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

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

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

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

Bob Bates and Diann Painter, Mobil Corporation

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

Recently, the World Bank reported: “Unlike other developing regions, Africa’s output per capita in constant prices was lower at the end of the 1990s than 30 years before—and in some countries [it] had fallen by 50 percent.”¹ Consequently, abysmally low income and consumption levels cannot sustain African societies. Many African countries are destined to implode unless rich nations assist in their rescue. There are more than 600 million people in Africa, and the World Bank estimates that 46 percent of Africa’s population lives on less than one dollar a day, a standard measure of poverty across the developing world.² Africa has also become more marginalized vis-à-vis the world economy. Its share of world trade fell from about 3 percent in the 1960s and 1970s to 2 percent in the late 1990s. The continent will lose further ground if African countries do not catch up to the industrial expansions in Asia and Latin America. Predictably, Africa is not a player in the current information technology revolution.

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

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

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

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

U.S. policymakers should work with African governments and international institutions to develop Africa-based conflict resolution processes. They should also provide technical and military assistance to African groups charged with monitoring, policing, and implementing peace agreements. The recent U.S. assistance to train Nigerian and other West African military units to serve with

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3 This phrase derives from the title of the World Bank study, Can Africa Claim the 21st Century?
UN peacekeeping forces in Sierra Leone is a step toward building more effective regional forces to handle regional civil unrest.

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

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

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