

WHY PROTECTIONISM IS DANGEROUS

MAY/JUNE 2017

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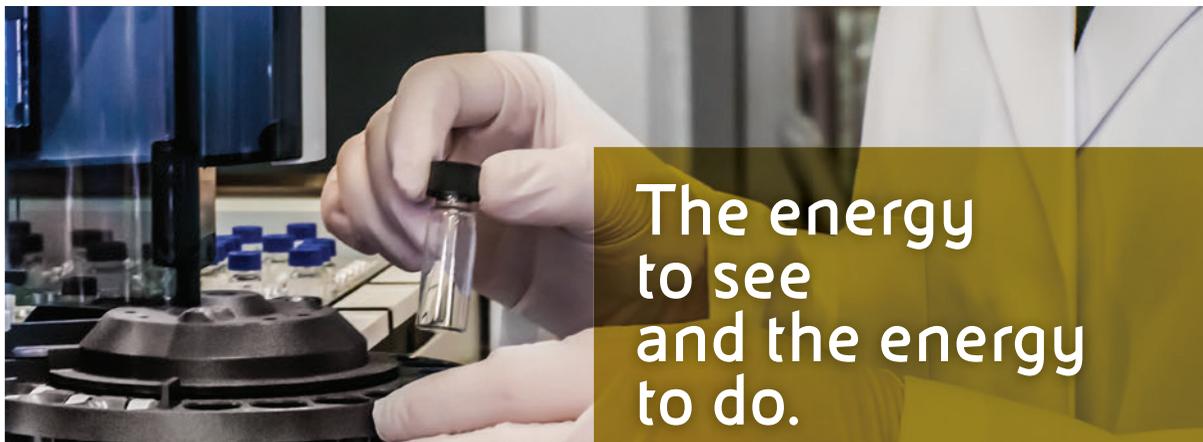
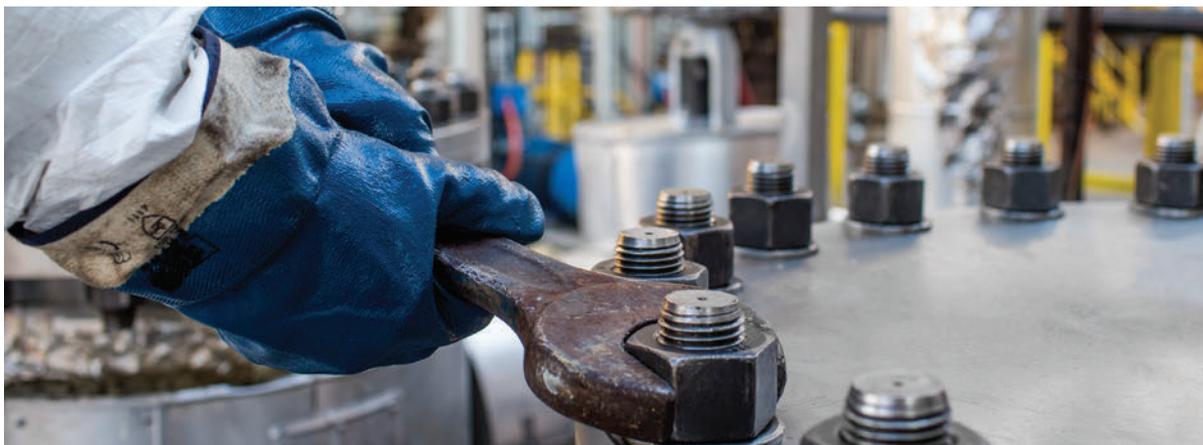


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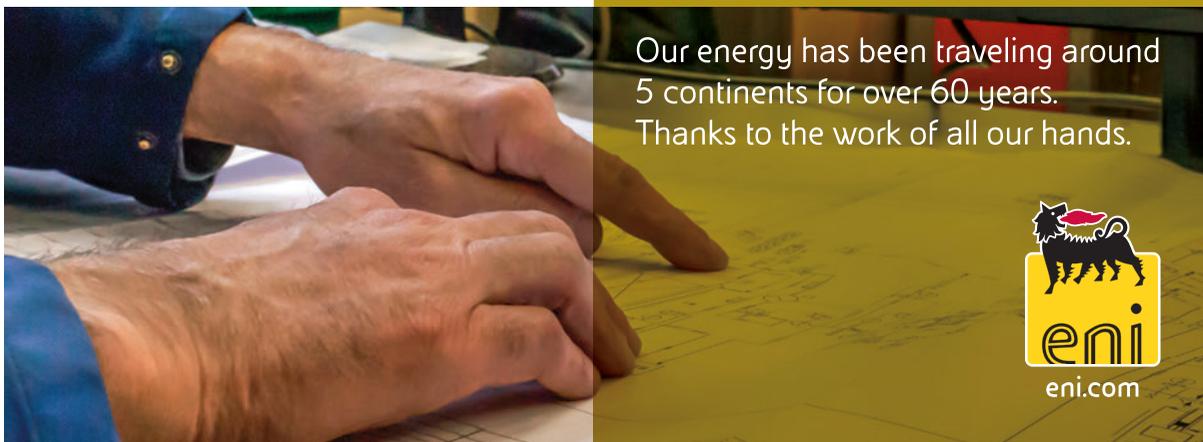
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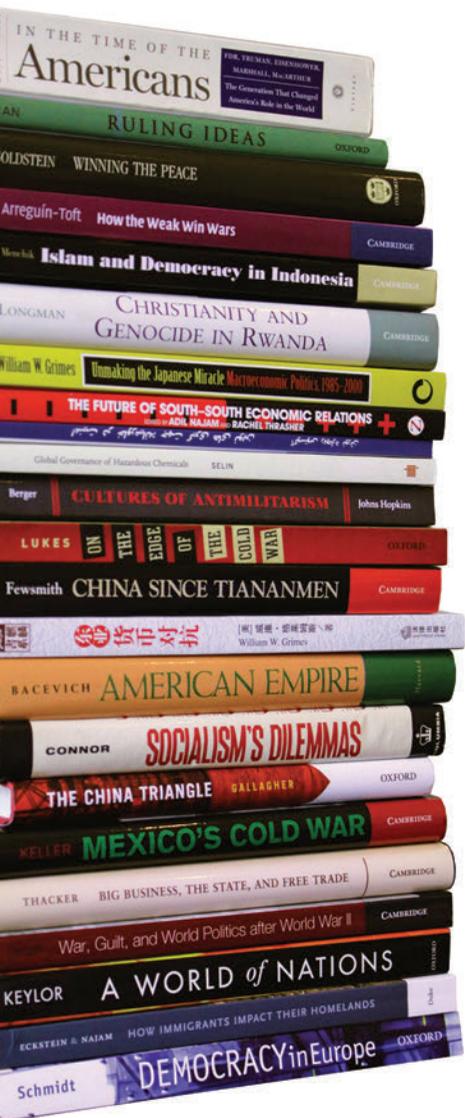
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*Volume 96, Number 3*

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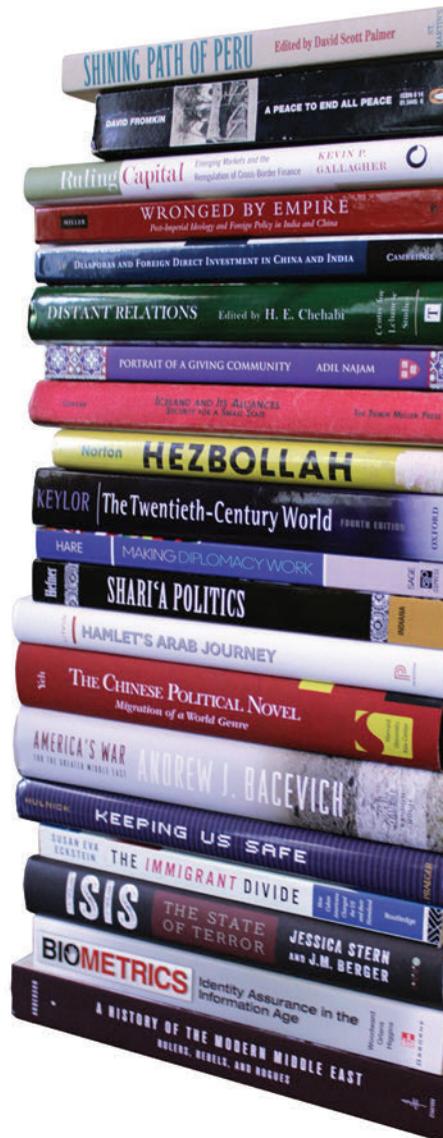
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Archibald Cary Coolidge, Founding Editor  
Volume 1, Number 1 • September 1922

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May/June 2017 · Volume 96, Number 3

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GST Number 127686483RT  
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## CONTRIBUTORS

**JAMI MISCIK** began her 22-year career with the CIA as an economic analyst, eventually rising to the post of deputy director for intelligence—leading the agency’s analytic branch, which produces the President’s Daily Brief, among many other things. In 2005, she left Langley for Lehman Brothers, where she served as global head of sovereign risk. She is now the CEO of Kissinger Associates. In “Intelligence and the Presidency” (page 57), Miscik describes the right way to configure the relationship between the producers of intelligence and its most important consumer.



Born in Venezuela to Jewish parents who had fled Eastern Europe in the late 1930s, **L. RAFAEL REIF** came to the United States in 1974 as a graduate student who spoke barely any English. Six years later, he joined the faculty of the Massachusetts Institute of Technology, eventually becoming head of the Department of Electrical Engineering and Computer Science and then, in 2012, the university’s president. In “How to Maintain America’s Edge” (page 95), Reif—who holds or shares 13 patents—argues that government funding is essential for scientific breakthroughs.



**SUZANNE METTLER** began her career working as an organizer for NETWORK, a Catholic social-justice group, advocating policies to reduce international poverty, improve childcare, and advance women’s rights. She went on to become a political scientist and has spent the past two decades producing groundbreaking studies of how contemporary government actually works. Now a professor at Cornell University, in “Democracy on the Brink” (page 121), she warns that U.S. President Donald Trump poses a threat to liberal democracy, and she outlines what can be done to stop him.



Partway through a Ph.D. program at Columbia University, **BILAHARI KAUSIKAN** decided that he didn’t want to be an academic. So he dropped out and joined Singapore’s foreign service. Over the next three decades, Kausikan became one of his country’s most respected diplomats, serving in a variety of roles, including permanent secretary and permanent representative to the United Nations. Now ambassador-at-large at Singapore’s Ministry of Foreign Affairs, Kausikan, in “Asia in the Trump Era” (page 146), looks at how U.S. policy in the region might change.



# PRESENT AT THE DESTRUCTION?

Covering the Trump administration is difficult because it requires disentangling three strands of its behavior: the normal, the incompetent, and the dangerous.

The normal aspect—the administration’s conventional Republican policies and appointments—is, broadly speaking, politics as usual. The amateur aspect—its early fumbling and bumbling—is what one finds every time power changes hands, exacerbated by an unusually inexperienced incoming team. The danger is unique.

Every administration spins, fights with the press and the bureaucracy, pushes its own agenda, and tries to evade intrusive oversight. But ordinary White Houses do not repeatedly lie, declare war on mainstream media institutions, pursue radical goals while disdaining professional input, and refuse to accept independent scrutiny.

How seriously you take these behaviors depends on how you assess the motivations behind them, generating a game that some have taken to calling “Stupid or nefarious?” or “*Veep* or *House of Cards*?” Do slow appointments signal poor management or a deliberate attempt to “deconstruct the administrative state,” as Trump guru Steve Bannon says? Is dismissing experienced senior officials en masse just a clumsy way of handling a presidential transition or a purge of potential obstacles and whistleblowers? Are all the lies mere venting or a deliberate plot to distract critics and undermine reasoned discourse?

Damage is already being done. In our lead package, G. John Ikenberry details the harm the administration is inflicting on the liberal international order. Philip Gordon traces how a continuation of the administration’s early course could lead to three different wars. And Robert Mickey, Steven Levitsky, and Lucan Way document the ongoing deterioration of American democratic norms and practices.

*Foreign Affairs*, as its editorial manifesto stated almost a century ago, “will tolerate wide differences of opinion.” As always, our pages and pixels are open to all articles that are “competent and well informed, representing honest opinions seriously held and convincingly expressed.” We will not hesitate to offer readers defenses of administration policy, such as the article by Matthew Kroenig that rounds out the package. But nor will we shy away from offering criticisms and warnings as appropriate. And rarely, if ever, have those criticisms and warnings seemed so urgent and important.

—Gideon Rose, *Editor*



*Trump has abdicated responsibility for the world the United States built, and only time will tell the full extent of the damage he will wreak.*

*—G. John Ikenberry*



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**The Plot Against American Foreign Policy**  
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# The Plot Against American Foreign Policy

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## Can the Liberal Order Survive?

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*G. John Ikenberry*

Is the world witnessing the demise of the U.S.-led liberal order? If so, this is not how it was supposed to happen. The great threats were supposed to come from hostile revisionist powers seeking to overturn the postwar order. The United States and Europe were supposed to stand shoulder to shoulder to protect the gains reaped from 70 years of cooperation. Instead, the world's most powerful state has begun to sabotage the order it created. A hostile revisionist power has indeed arrived on the scene, but it sits in the Oval Office, the beating heart of the free world. Across ancient and modern eras, orders built by great powers have come and gone—but they have usually ended in murder, not suicide.

U.S. President Donald Trump's every instinct runs counter to the ideas that have underpinned the postwar international system. Trade, alliances, international law, multilateralism, environmental protection, torture, and human rights—on all these core issues, Trump has made pronouncements that, if acted on, would bring to an end the United States' role as guarantor

of the liberal world order. He has broken with 70 years of tradition by signaling the end of U.S. support for the European Union: endorsing Brexit and making common cause with right-wing European parties that seek to unravel the postwar European project. In his inaugural address, Trump declared, "From this moment on, it's going to be America first," and he announced his intention to rethink the central accomplishments of the U.S.-led order—the trade and alliance systems. Where previous presidents have invoked the country's past foreign policy triumphs, Trump describes "horrible deals" and allies that "aren't paying their bills." His is a vision of a dark and dangerous world in which the United States is besieged by Islamic terrorism, immigrants, and crime as its wealth and confidence fade. In his revisionist narrative, the era of Pax Americana—the period in which the United States wielded the most power on the world stage—is defined above all by national loss and decline.

Trump's challenge to the liberal order is all the more dangerous because it comes with a casual disrespect for the norms and values of liberal democracy itself. The president has questioned the legitimacy of federal judges, attacked the press, and shown little regard for the Constitution or the rule of law. Facts, evidence, scientific knowledge, due diligence, reasoned discourse—the essential elements of democratic political life—are disparaged daily. One must look long and hard to find any utterances by Trump about the virtues of the nation's political traditions, the genius of the Founding Fathers, or the great struggles and accomplishments of liberal democracy. This silence speaks loudly. And in February, when asked on Fox News

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**G. JOHN IKENBERRY** is Albert G. Milbank Professor of Politics and International Affairs at Princeton University.

why he respected Russian President Vladimir Putin even though he is “a killer,” Trump dismissed 250 years of national ideals and the work of generations of Americans who have strived to reach the moral high ground, responding, “What, you think our country’s so innocent?”

The profundity of this political moment is greater still because it occurs amid a wider crisis across the liberal democratic world. The centrist and progressive governing coalitions that built the postwar order have weakened. Liberal democracy itself appears fragile, vulnerable in particular to far-right populism. Some date these troubles to the global financial crisis of 2008, which widened economic inequality and fueled grievances across the advanced industrial democracies, the original patrons and beneficiaries of the order. In recent years, Western publics have increasingly come to regard the liberal international order not as a source of stability and solidarity among like-minded states but as a global playground for the rich and powerful. Trump is less a cause than a consequence of the failings of liberal democracy. But now that he is in office, his agenda promises to further undermine its foundations.

If the liberal international order is to survive, leaders and constituencies around the world that still support it will need to step up. Much will rest on the shoulders of Prime Minister Shinzo Abe of Japan and Chancellor Angela Merkel of Germany, the only two leaders of consequence left standing who support it. Trump has abdicated responsibility for the world the United States built, and only time will tell the full extent of the damage he will wreak.

### **DON'T KNOW WHAT YOU GOT**

Trump’s dark narrative of national decline ignores the great American accomplishment of the twentieth century: the building of the liberal international order. Constructed in the years following World War II, the order is complex and sprawling, organized around economic openness, multilateral institutions, security cooperation, democratic solidarity, and internationalist ideals. For decades, the United States has served as the system’s first citizen, providing leadership and public goods—anchoring the alliances, stabilizing the world economy, fostering cooperation, and championing the values of openness and liberal democracy. Europe and Japan helped build the order, tying their fortunes to multilateral organizations and enlightened U.S. leadership. The bilateral alliance with the United States is enshrined in Japan’s constitution. NATO played a critical role in Germany’s postwar rebirth and, half a century later, its peaceful reunification. Over time, more states signed up, attracted to the fair-minded rules and norms of the order. A system of alliances now stretches across the globe, linking the United States to Europe, East Asia, and the Middle East.

Compared with past orders—imperial and anarchic systems of various sorts, from the Greek and Chinese worlds of the classical era to the nineteenth-century European imperial system—the liberal order stands alone. Choose your metric. But in terms of wealth creation, the provision of physical security and economic stability, and the promotion of human rights and political protections, no other international order in history comes close. The liberal order may have its shortcomings—costly and ill-advised wars have been fought in its name, and

vast economic and social injustices remain—but it has empowered people across the world who seek a better life within a relatively open and rules-based global system.

When Trump sees the United States “losing” to other countries, then, he misses the bigger picture. As the most powerful state in the system, the United States has agreed to restrain itself and operate within an array of regional and global institutions. In 1945, at the meeting in San Francisco that established the UN, President Harry Truman declared, “We all have to recognize, no matter how great our strength, that we must deny ourselves the license to do always as we please.” The United States became, in effect, a user-friendly superpower. Its power was loosely institutionalized, making it more predictable and approachable. The country may spend more on security than its partners, but they host and subsidize U.S. forces and offer political solidarity. Washington receives geopolitical access to Europe and East Asia, where it still wields unrivaled influence. It gives up a little of what Trump sees as unused leverage, but in return it gets a better deal: a world of friendly states willing to cooperate.

Trump’s transactional view of international relations misses the larger, interdependent logic of the U.S.-led system. The United States remains the linchpin of this order, and if it withdraws, the architecture of bargains and commitments will give way. Countries that expected to live within this system will need to make other plans. On the campaign trail, Trump said that it might be time for Japan and South Korea to get their own nuclear weapons, and some European

policymakers have begun to talk about building an EU nuclear weapons program. China, meanwhile, has already begun to step into the geopolitical vacuum Trump is creating: in January, for example, in a speech at the World Economic Forum, in Davos, Chinese President Xi Jinping launched Beijing’s bid for leadership of the world economy. As the order unravels, Trump may succeed in bullying some U.S. partners into a slightly better deal on trade or defense burden-sharing, but he will squander a 70-year investment in a system that has made the United States more secure, more prosperous, and more influential.

#### **DANGEROUS IDEAS**

Trump’s revisionism is dangerous precisely because it attacks the logic that undergirds the United States’ global position. There are voices in the administration—Secretary of Defense James Mattis and National Security Adviser H. R. McMaster—that do not appear to share Trump’s destructive instincts. But the worldview of the president and his base has long been clear, and it represents a frontal assault on the core convictions of the postwar U.S. global project.

The first is internationalism: the belief that the United States can best advance its economic, political, and security interests by leading the order and engaging deeply with the major regions of the world. This was the hard-earned lesson of the twentieth century. From the 1930s onward, the United States has faced the prospect of a world divided into competing empires, blocs, and spheres of influence controlled by hostile great powers. The building of the postwar order



*Just the two of us: Angela Merkel and Shinzo Abe in Meseberg, Germany, May 2016*

was driven by a bipartisan aspiration to reject such a world.

Yet when Trump looks beyond U.S. borders, he does not appear to see an order—defined as a strategic environment with rules, institutions, partners, and relationships. Not surprisingly, therefore, he sees no larger significance in U.S. alliances. He has made it clear that the United States' commitment to allies and regions is contingent. It is a business proposition, and allies need to pay up.

The second fundamental conviction that Trump rejects is the U.S. commitment to open trade. This responsibility dates back to the 1934 Reciprocal Trade Agreements Act, which started the slow process of reopening the world economy after the Great Depression. Ever since, trade has played a central role in U.S. foreign policy. It has strengthened the U.S. economy and driven the postwar

ascendancy of the liberal democratic world. As the historian Paul Johnson has argued, in the decades following World War II, the open trading system ushered in “the most rapid and prolonged economic expansion in world history.” Since then, it has provided the economic glue that has bound Europe, East Asia, and the rest of the world together. The World Trade Organization, championed by the United States, has developed elaborate trade rules and dispute-settlement mechanisms that make the system fair and legitimate, and the organization has given the United States tools to defend itself in trade conflicts with countries such as China.

Every postwar president has regarded this open system as integral to the prosperity of the United States and to its larger geopolitical goals—until Trump. For decades, Trump has displayed a more mercantilist, or zero-sum, understanding

of trade. In his view, trade is a game of winners and losers, not an exchange that generates mutual gains. Small wonder, then, that the new administration withdrew from the Trans-Pacific Partnership (TPP) and has pledged to renegotiate the North American Free Trade Agreement. Even the European Union, according to Trump, represents merely a tool Germany uses to “beat the United States on trade,” as he said in an interview in January.

A third conviction underpinning U.S. global leadership has been the United States’ support for multilateral rules and institutions. This is what has made U.S. power so unique—and legitimate. After World War II, the United States proceeded to create a global web of institutions and regimes. As a result, other countries realized that they could benefit from U.S. ascendancy. Global institutions fostered cooperation and allowed Washington to attract allies, making its global presence more acceptable and durable. These institutions helped the international order solve common problems. And when the Cold War ended, no anti-American bloc formed. To the contrary, countries gravitated toward a global liberal internationalist system. The UN, the Bretton Woods monetary system, arms control regimes, environmental agreements, human rights conventions—these features of the order are easy to take for granted, but they would not exist without a persistent U.S. commitment.

Trump has shown little respect for this accomplishment. He has signaled that he is willing to rethink the United States’ financial and political commitment to the UN. He disdains international law and endorses torture. Trump has yet to grasp what past presidents learned, sometimes the hard way: that working

through the UN and the U.S. alliance system leverages U.S. power. When the United States embraces multilateralism, it gains greater public acceptance in other countries, particularly in Western democracies, making it easier for their governments to support U.S. policy. An “America first” attitude toward global rules and cooperation will breed a generation of anti-Americanism—and it will take years to undo the damage.

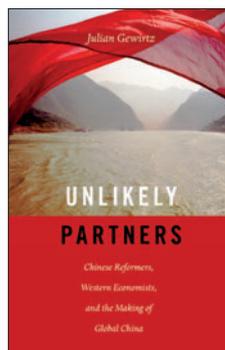
Fourth, Trump disdains the multicultural and open character of American society. U.S. power is often denominated in units of GDP and military spending. But American society itself has been a sort of hidden asset. The United States is a nation of immigrants, and its openness has attracted people the world over. Racial, ethnic, and religious diversity makes the U.S. economy more dynamic, and countless familial and cultural linkages tie the United States to the rest of the world. Immigrants come to the United States to make their mark, but they do not entirely leave the old world behind, and the resulting networks boost U.S. influence in real, if intangible, ways.

This aspect of U.S. leadership is often forgotten, but it becomes visible when threatened, as it is today. The Trump administration’s flagship policies on immigration—building a wall along the Mexican border, banning immigrants from six Muslim-majority countries, and temporarily barring all refugees—have sent an unmistakable message to the world. But more worrying than the specific policies themselves are the ethnonationalist, nativist ideas behind them. For some of his advisers, such as Steve Bannon and Stephen Miller, immigration not only threatens national security; it also poses a cultural danger,

as it plants the seeds of multiculturalism and accelerates the decline of a white Christian society. What has made the U.S. experience with immigration work so well is the notion that the U.S. polity is based on civic nationalism, not ethnic nationalism—that the United States’ political community is defined by the Constitution, by citizenship, and by shared values, not by ethnicity or religion. Trump’s advisers speak the language of ethnic nationalism, and the world has taken note. Protests against the new administration’s immigration policies have broken out in cities all over the world. The United States’ great myth about itself—that it offers refuge to the tired, the poor, and the “huddled masses yearning to breathe free”—remains a powerful source of the United States’ appeal abroad. But Trump is threatening to extinguish it.

Finally, every U.S. president from Woodrow Wilson to Barack Obama has maintained that an enduring community of liberal democracies exists, and that democracies possess a unique capacity to cooperate. During the Cold War, there was an authentic belief—felt in Washington but also in European and Asian capitals—that “the free world” was more than a temporary alliance to defend against the Soviet Union. In 1949, as he introduced the text of the treaty for the proposed Atlantic alliance in Washington, U.S. Secretary of State Dean Acheson argued that the world’s democracies shared “fundamental” bonds—“the strongest kind of ties, because they are based on moral conviction, on acceptance of the same values in life.” Initially, this community comprised only the United States, Western Europe, and Japan, but since the end of the Cold War, it has expanded.

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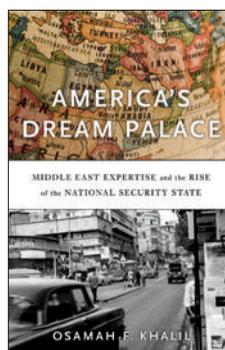
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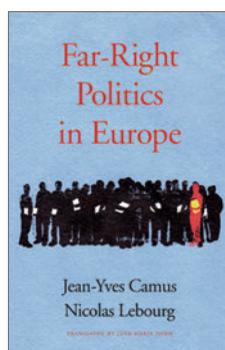
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Trump disdains this vision of the order, refusing to distinguish between liberal democratic friends and autocratic rivals—in January, he said that he trusts Merkel and Putin equally. In response, some western Europeans now view the Trump administration—and therefore the United States—as a greater threat than Putin’s Russia. In February, for example, an editorial in the German newsmagazine *Der Spiegel* called on Europe to “start planning its political and economic defenses. Against America’s dangerous president.”

### IF NOT AMERICA . . .

If the liberal international order is to survive, leaders and citizens in the United States and elsewhere will need to defend its institutions, bargains, and accomplishments. Those seeking to defend it have one big advantage: more people, within the United States and abroad, stand to lose from its destruction than stand to win.

The defenders of the order should start by reclaiming the master narrative of the last 70 years. The era of U.S. leadership did not usher in the end of history, but it did set the stage for world-historical advances. Since the end of the Cold War, over a billion people have been raised out of poverty and hundreds of millions of children have been educated. The world has been spared great-power war, and a sense of common responsibility for the well-being of the planet has emerged. In trying to reclaim this narrative, politicians and public intellectuals should take their lead from U.S. President Franklin Roosevelt and British Prime Minister Winston Churchill. In 1941, the two leaders met in Newfoundland and signed the Atlantic Charter, a declaration of their shared commitment to building a

better world after the war ended. They pledged to establish an international system based on the principles of openness, cooperative security, and social and economic advancement. Today, the leaders of the liberal democratic world should present a charter of their own, to renew their support for an open and rules-based order.

The United States’ friends and allies need to make it tough for Trump to pursue an “America first” agenda. They need to show that they are indispensable partners, increasing their military spending and taking the lead on issues such as climate change, nuclear proliferation, trade cooperation, and sustainable development. Abe and Merkel, the new leaders of the free world, will have to sustain liberal internationalism for as long as Trump is in office. Abe should keep promoting liberal trade agreements, modeled on the TPP, and Merkel, as the leader of the country that perhaps most embodies the virtues and accomplishments of the postwar liberal order, is uniquely positioned to speak as the moral voice of the liberal democratic world. U.S. allies also need to engage in what the Japanese call *gaiatsu*—“foreign pressure.” The French government had the right idea when it proposed placing a surtax on U.S. goods if the Trump administration pulled out of the Paris climate agreement. The United States needs allies in part because they will push back when it goes off track.

Those seeking to rebuild the world’s troubled trading system will need to think about how it can once again strengthen national economies. Since World War II, policymakers have used trade agreements to increase the flow of goods and investment. The Harvard economist Dani

Rodrik has argued that governments should instead view trade agreements as exercises in which governments provide access to one another's "policy space" to manage open trade. The goal is not primarily to lower barriers to trade and investment; it is to cooperate to stabilize the flows, and in a way that protects the interests of workers and the middle class. In his last address to the UN General Assembly, in September, Obama hinted at this agenda, calling on countries to preserve the gains from global economic integration while cooperating in new ways to reduce the ravages of "soulless capitalism," combating inequality within countries and strengthening the position of workers. The challenge ahead is to build on these visions of how the open world economy might adapt to the deep economic insecurities across the advanced industrial world.

The liberal international order is in crisis for reasons that predate the Trump administration. It has lost something critical in the decades since its birth during the Cold War—namely, a shared sense that a community of liberal democracies exists and that it is made physically safer and economically more secure by staying united. Across the democratic world, the first generation of postwar policymakers and citizens understood that the liberal order provided the political and economic space in which countries could prosper in safety. The political scientist John Ruggie has described this order as "embedded liberalism": international agreements, embodied in the Bretton Woods system, gave governments discretion to regulate their economies, allowing them to reconcile free trade with economic stability and policies aimed at ensuring full employment. But

with the collapse of the Soviet Union, the liberal order expanded across the globe, and sowed the seeds for today's crisis: it lost its embedded, protective qualities and was increasingly seen as a neoliberal project aimed at facilitating the transactions of globetrotting capitalists.

Today, the defenders of the order will need to recapture its essence as a security community, a grouping of countries bound together by common values, shared interests, and mutual vulnerabilities. Trump will do a lot of damage to this order, but the decisions of others—in the United States and abroad—will determine whether it is ultimately destroyed. "The best lack all conviction, while the worst / Are full of passionate intensity," William Butler Yeats wrote in the aftermath of World War I. If the liberal democratic world is to survive, its champions will have to find their voice and act with more conviction. 🌐

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# A Vision of Trump at War

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## How the President Could Stumble Into Conflict

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*Philip Gordon*

Just a few months into the Trump administration, it still isn't clear what course the president's foreign policy will ultimately take. What is clear, however, is that the impulsiveness, combativeness, and recklessness that characterized Donald Trump's election campaign have survived the transition into the presidency. Since taking office, Trump has continued to challenge accepted norms, break with diplomatic traditions, and respond to perceived slights or provocations with insults or threats of his own. The core of his foreign policy message is that the United States will no longer allow itself to be taken advantage of by friends or foes abroad. After decades of "losing" to other countries, he says he is going to put "America first" and start winning again.

It could be that Trump is simply staking out tough bargaining positions as a tactical matter, the approach to negotiations he has famously called "the art of the deal." President Richard Nixon long ago developed the "madman theory," the idea that he could frighten his

adversaries into believing he was so volatile he might do something crazy if they failed to meet his demands—a tactic that Trump, whose reputation for volatility is firmly established, seems particularly well suited to employ.

The problem, however, is that negotiations sometimes fail, and adversaries are themselves often brazen and unpredictable. After all, Nixon's madman theory—designed to force the North Vietnamese to compromise—did not work. Moreover, putting the theory into practice requires the capacity to act judiciously at the appropriate moment, something that Trump, as president, has yet to demonstrate. And whereas a failed business deal allows both parties to walk away unscathed if disappointed, a failed diplomatic gambit can lead to political instability, costly trade disputes, the proliferation of dangerous weapons, or even war. History is littered with examples of leaders who, like Trump, came to power fueled by a sense of national grievance and promises to force adversaries into submission, only to end up mired in a military, diplomatic, or economic conflict they would come to regret.

Will that happen to Trump? Nobody knows. But what if one could? What if, like Ebenezer Scrooge in Charles Dickens' *A Christmas Carol*, Trump could meet a ghost from the future offering a vision of where his policies might lead by the end of his term before he decides on them at its start?

It is possible that such a ghost would show him a version of the future in which his administration, after a turbulent start, moderated over time, proved more conventional than predicted, and even had some success in negotiating, as he

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**PHILIP GORDON** is a Senior Fellow at the Council on Foreign Relations. From 2013 to 2015, he was Special Assistant to the President and White House Coordinator for the Middle East, North Africa, and the Gulf Region.

has pledged, “better deals.” But there is a real risk that events will turn out far worse—a future in which Trump’s erratic style and confrontational policies destroy an already fragile world order and lead to open conflict—in the most likely cases, with Iran, China, or North Korea.

In the narratives that follow, everything described as having taken place before mid-March 2017 actually happened. That which takes place after that date is—at least at the time of publication—fiction.

### **STUMBLING INTO WAR WITH IRAN**

It is September 2017, and the White House is consumed with a debate about options for escalation with Iran. Another dozen Americans have been killed in an Iranian-sponsored attack on U.S. soldiers in Iraq, and the president is frustrated that previous air strikes in Iran failed to deter this sort of deadly aggression. He is tempted to retaliate much more aggressively this time but also knows that doing so risks involving U.S. troops even further in what is already a costly and unpopular war—the very sort of “mess” he had promised to avoid. Looking back, he now sees that this conflict probably became inevitable when he named his foreign policy team and first started to implement his new approach toward Iran.

Well before his election, of course, Trump had criticized the Iran nuclear agreement as “the worst deal ever negotiated” and promised to put a stop to Iran’s “aggressive push to destabilize and dominate” the Middle East. Some of his top advisers were deeply hostile to Iran and known to favor a more confrontational approach, including his first national security adviser, Michael Flynn; his CIA director, Mike Pompeo;

his chief strategist, Steve Bannon; and his defense secretary, James Mattis. Some of Mattis’ former military colleagues said he had a 30-year-long obsession with Iran, noting, as one marine told *Politico*, “It’s almost like he wants to get even with them.”

During his campaign and first months in office, Trump whipped up anti-Iranian feelings and consistently misled the public about what the nuclear deal entailed. He falsely insisted that the United States “received absolutely nothing” from it, that it permitted Iran to eventually get the bomb, and that it gave \$150 billion to Iran (apparently referring to a provision of the deal that allowed Iran to access some \$50 billion of its own money that had been frozen in foreign accounts). Critics claimed that the rhetoric was reminiscent of the Bush administration’s exaggerations of Iraq’s weapons of mass destruction programs in the run-up to the Iraq war. In February 2017, in response to an Iranian ballistic missile test, Flynn brashly declared that he was “officially putting Iran on notice.” Two days later, the administration announced a range of new sanctions on 25 Iranian individuals and companies involved in the ballistic missile program.

Perhaps just as predictably, Iran dismissed the administration’s tough talk. It continued to test its missiles, insisting that neither the nuclear deal nor UN Security Council resolutions prohibited it from doing so. Ali Khamenei, Iran’s supreme leader, even taunted Trump for his controversial immigration and travel ban, thanking him on Twitter for revealing the “true face” of the United States. Tehran also continued its policy of shipping arms to the Houthi rebels in Yemen and

providing military assistance to Bashar al-Assad's regime in Syria, neither of which proved particularly costly to the Iranian treasury. U.S. efforts to get Russia to limit Iran's role in Syria were ignored, adding to the White House's frustration.

To the surprise of many, growing U.S. pressure on Iran did not immediately lead to the collapse of the nuclear deal. As soon as he took office, Trump ended the Obama administration's practice of encouraging banks and international companies to ensure that Iran benefited economically from the deal. And he expressed support for congressional plans to sanction additional Iranian entities for terrorism or human rights violations, as top officials insisted was permitted by the nuclear deal. Iran complained that these "backdoor" sanctions would violate the agreement yet took no action. By March 2017, U.S. officials were concluding internally—and some of the administration's supporters began to gloat—that Trump's tougher approach was succeeding.

Different behavior on either side could have prevented relations from deteriorating. But ultimately, the deal could not be sustained. In the early summer of 2017, real signs of trouble started to emerge. Under pressure from hard-line factions within Iran, which had their own interest in spiking the deal, Tehran had continued its provocative behavior, including the unjustified detention of dual U.S.-Iranian citizens, throughout the spring. In June, after completing a review of his Iran policy, Trump put Iran's Islamic Revolutionary Guard Corps on the State Department's list of foreign terrorist organizations and announced that continued sanctions relief would be contingent on Iran's

release of all U.S. detainees and a return to negotiations to address the nuclear deal's "flaws." Instead of submitting to these demands, Iran responded with defiance. Its new president, a hard-liner who had defeated Hassan Rouhani in the May 2017 election, declared that in the face of U.S. "noncompliance," Iran would resume certain prohibited nuclear activities, including testing advanced centrifuges and expanding its stockpile of low-enriched uranium. Washington was suddenly abuzz with talk of the need for a new effort to choke off Iran economically or even a preventive military strike.

The Trump administration had been confident that other countries would back its tougher approach and had warned allies and adversaries alike that they must choose between doing business with Iran and doing business with the United States. But the pressure did not work as planned. China, France, Germany, India, Japan, Russia, South Korea, and the United Kingdom all said that the deal had been working before the United States sought to renegotiate it, and they blamed Washington for precipitating the crisis. The EU even passed legislation making it illegal for European companies to cooperate with U.S. secondary sanctions. Trump fumed and vowed they would pay for their betrayal.

As the United States feuded with its closest partners, tensions with Iran escalated further. Frustrated by continued Iranian support for the Houthi rebels in Yemen, the Pentagon stepped up patrols in the Strait of Hormuz and loosened the rules of engagement for U.S. forces. When an Iranian patrol boat aggressively approached a U.S.



*Let's get ready to rumble: a rally in Pyongyang, January 2016*

cruiser, in circumstances that are still disputed, the U.S. ship responded with deadly defensive force, killing 25 Iranian sailors.

The outrage in Iran bolstered support for the regime and led to widespread calls for revenge, which the country's new president could not resist. Less than a week later, the Iranian-backed militia group Kataib Hezbollah killed six U.S. soldiers in Iraq. With the American public demanding retaliation, some called for diplomacy, recalling how, in January 2016, U.S. Secretary of State John Kerry and Iranian Foreign Minister Mohammad Javad Zarif spoke directly to defuse the situation after U.S. sailors drifted into Iranian waters. This time, the EU offered to mediate the crisis.

But the administration wanted nothing to do with what it considered the Obama administration's humiliating appeasement of Iran. Instead, to teach Iran a lesson,

Trump authorized a cruise missile strike on a known Islamic Revolutionary Guard Corps intelligence headquarters, destroying three buildings and killing a dozen officers and an unknown number of civilians.

Trump's advisers predicted that Iran would back down, but as nationalist fervor grew in Iran, Tehran escalated the conflict, calculating that the American public had no desire to spend more blood or treasure in the Middle East. Kataib Hezbollah and other Shiite militias in Iraq, some directed by Iran and others acting independently, launched further attacks on U.S. personnel. Tehran forced the weak government in Baghdad to demand the Americans' departure from Iraq, which would deal a huge blow to the U.S.-led campaign against the Islamic State, or ISIS.

As Washington reimposed the sanctions that had been suspended by the nuclear deal, Iran abandoned the limits on its enrichment of uranium,

expelled the UN monitors, and announced that it was no longer bound by the agreement. With the CIA concluding that Iran was now back on the path to a nuclear weapons capability, Trump's top advisers briefed the president in the Oval Office. Some counseled restraint, but others, led by Bannon and Mattis, insisted that the only credible option was to destroy the Iranian nuclear infrastructure with a massive preventive strike, while reinforcing the U.S. presence in Iraq to deal with the likely Iranian retaliation. Pompeo, a long-standing advocate of regime change in Iran, argued that such a strike might also lead to a popular uprising and the ousting of the supreme leader, an encouraging notion that Trump himself had heard think-tank experts endorse on television.

Once again, nervous allies stepped in and tried to broker a diplomatic solution. They tried to put the 2015 nuclear deal back in place, arguing that it now looked attractive by comparison. But it was too late. U.S. strikes on Iran's nuclear facilities in Arak, Fordow, Isfahan, Natanz, and Parchin led to retaliatory counterstrikes against U.S. forces in Iraq, U.S. retaliation against targets in Iran, terrorist attacks against Americans in Europe and the Middle East, and vows from Tehran to rebuild its nuclear program bigger and better than before. The president who had vowed to stop squandering American lives and resources in the Middle East now found himself wondering how he had ended up at war there.

### **FIGHTING CHINA**

It is October 2017, and experts are calling it the most dangerous confrontation between nuclear powers since the Cuban missile crisis. After a U.S.-Chinese trade war escalated well beyond what either

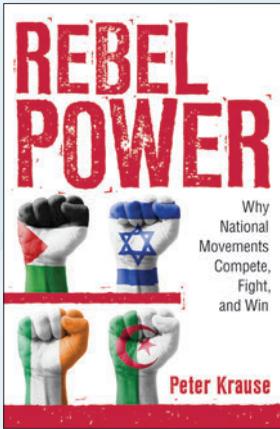
side had predicted, a clash in the South China Sea has led to casualties on both sides and heavy exchanges of fire between the U.S. and Chinese navies. There are rumors that China has placed its nuclear forces on high alert. The conflict that so many long feared has begun.

Of the many foreign targets of Trump's withering criticism during the campaign and the early months of his presidency, China topped the list. As a candidate, Trump repeatedly accused the country of destroying American jobs and stealing U.S. secrets. "We can't continue to allow China to rape our country," he said. Bannon, who early in the administration set up a shadow national security council in the White House, had even predicted conflict with China. "We're going to war in the South China Sea in five to ten years," he said in March 2016. "There's no doubt about that."

Not long after the election, Trump took a congratulatory phone call from Taiwanese President Tsai Ing-wen, breaking with decades of diplomatic tradition and suggesting a potential change in the United States' "one China" policy. It wasn't clear whether the move was inadvertent or deliberate, but either way, Trump defended his approach and insisted that the policy was up for negotiation unless China made concessions on trade. "Did China ask us if it was OK to devalue their currency (making it hard for our companies to compete), heavily tax our products going into their country (the U.S. doesn't tax them) or to build a massive military complex in the middle of the South China Sea?" he tweeted. "I don't think so!" In February 2017, after a call with Chinese President Xi Jinping, Trump announced that the

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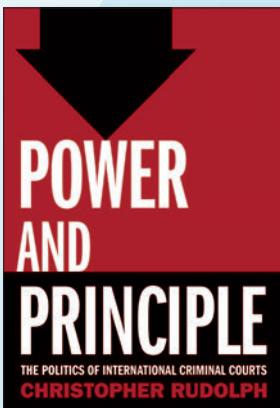
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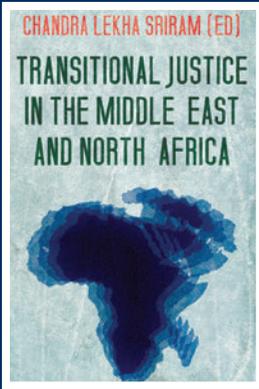
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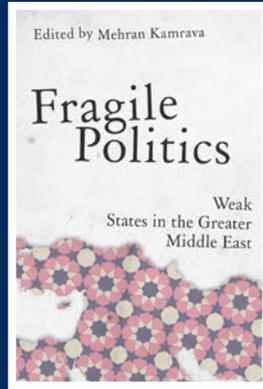
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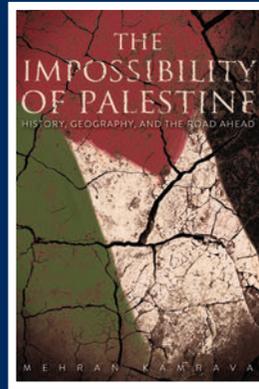
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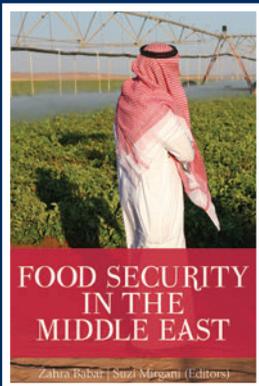
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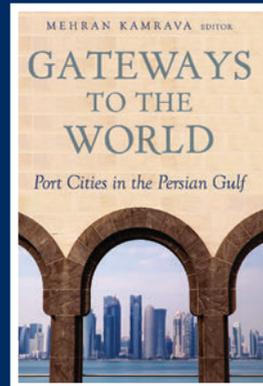
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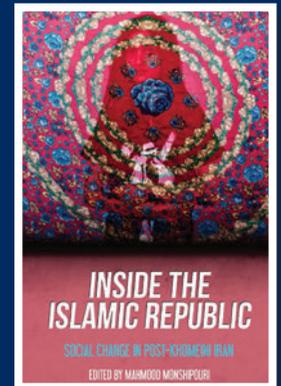
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United States would honor the “one China” policy after all. Asia experts were relieved, but it must have infuriated the president that so many thought he had backed down. “Trump lost his first fight with Xi and he will be looked at as a paper tiger,” Shi Yinhong, a professor at Renmin University of China, told *The New York Times*.

There were other early warning signs of the clashes to come. At his confirmation hearings for secretary of state, Rex Tillerson appeared to draw a new redline in the South China Sea, noting that China’s access to islands there “is not going to be allowed.” Some dismissed the statement as overblown rhetoric, but Beijing did not. The state-run *China Daily* warned that any attempt to enforce such a policy could lead to a “devastating confrontation,” and the *Global Times* said it could lead to “large-scale war.”

Then there were the disputes about trade. To head the new White House National Trade Council, Trump nominated Peter Navarro, the author of *The Coming China Wars*, *Death by China*, and other provocative books that describe U.S.-Chinese relations in zero-sum terms and argue for increased U.S. tariffs and trade sanctions. Like Bannon, Navarro regularly invoked the specter of military conflict with Beijing, and he argued that tougher economic measures were necessary not only to rectify the U.S.-Chinese trade balance but also to weaken China’s military power, which he claimed would inevitably be used against the United States. The early rhetoric worried many observers, but they took solace in the idea that neither side could afford a confrontation.

It was the decisions that followed that made war all but inevitable. In

June 2017, when North Korea tested yet another long-range missile, which brought it closer to having the ability to strike the United States, Trump demanded that China check its small ally and announced “serious consequences” if it refused. China had no interest in promoting North Korea’s nuclear capacity, but it worried that completely isolating Pyongyang, as Trump was demanding, could cause the regime to collapse—sending millions of poor North Korean refugees streaming into China and leaving behind a united Korea ruled by Seoul, armed with North Korea’s nuclear weapons, and allied with Washington. China agreed to another UN Security Council statement condemning North Korea and extended a suspension of coal imports from the country but refused to take further action. Angry about Trump’s incessant criticism and confrontation over trade, Xi saw the United States as a greater danger to China than North Korea was and said he refused to be bullied by Washington.

At the same time, the U.S. current account deficit with China had swelled, driven in part by the growing U.S. budget deficits that resulted from Trump’s massive tax cuts. That, combined with Chinese intransigence over North Korea, convinced the White House that it was time to get tough. Outside experts, along with Trump’s own secretary of state and secretary of the treasury, cautioned against the risks of a dangerous escalation, but the president dismissed their handwringing and said that the days of letting China take advantage of Americans were over. In July, the administration formally branded China a “currency manipulator” (despite evidence that it had actually

been spending its currency reserves to uphold the value of the yuan) and imposed a 45 percent tariff on Chinese imports. To the delight of the crowd at a campaign-style rally in Florida, Trump announced that these new measures would remain in place until China boosted the value of its currency, bought more U.S. goods, and imposed tougher sanctions on North Korea.

The president's more hawkish advisers assured him that China's response would prove limited, given its dependence on exports and its massive holdings of U.S. Treasury bonds. But they underestimated the intense nationalism that the U.S. actions had stoked. Xi had to show strength, and he hit back.

Within days, Xi announced that China was taking the United States to the World Trade Organization over the import tariff (a case he felt certain China would win) and imposed a 45 percent countertariff on U.S. imports. The Chinese believed that the reciprocal tariffs would hurt the United States more than China (since Americans bought far more Chinese goods than the other way around) and knew that the resulting inflation—especially for goods such as clothing, shoes, toys, and electronics—would hurt Trump's blue-collar constituency. Even more important, they felt they were more willing to make sacrifices than the Americans were.

Xi also instructed China's central bank to sell \$100 billion in U.S. Treasury bonds, a move that immediately drove up U.S. interest rates and knocked 800 points off the Dow Jones industrial average in a single day. That China started using some of the cash resulting from the sales to buy large stakes in major U.S. companies at depressed

prices only fueled a nationalist reaction in the United States. Trump tapped into it, calling for a new law to block Chinese investment.

With personal insults flying back and forth across the Pacific, Trump announced that if China did not start treating the United States fairly, Washington might reconsider the "one China" policy after all. Encouraged by Bannon, who argued privately that it was better to have the inevitable confrontation with China while the United States still enjoyed military superiority, Trump speculated publicly about inviting the president of Taiwan to the White House and selling new antimissile systems and submarines to the island.

China responded that any change in U.S. policy toward Taiwan would be met with an "overwhelming response," which experts interpreted to mean at a minimum cutting off trade with Taiwan (which sends 30 percent of its exports to China) and at a maximum military strikes against targets on the island. With over one billion Chinese on the mainland passionately committed to the country's nominal unity, few doubted that Beijing meant what it said. On October 1, China's normally tepid National Day celebrations turned into a frightening display of anti-Americanism.

It was in this environment that an incident in the South China Sea led to the escalation so many had feared. The details remain murky, but it was triggered when a U.S. surveillance ship operating in disputed waters in heavy fog accidentally rammed a Chinese trawler that was harassing it. In the confusion that ensued, a People's Liberation Army Navy frigate fired on the unarmed U.S. ship, a U.S. destroyer sank the Chinese frigate, and

a Chinese torpedo struck and badly damaged the destroyer, killing three Americans.

A U.S. aircraft carrier task force is being rushed to the region, and China has deployed additional attack submarines there and begun aggressive overflights and patrols throughout the South China Sea. Tillerson is seeking to reach his Chinese counterpart, but officials in Beijing wonder whether he even speaks for the administration and fear Trump will accept nothing short of victory. Leaked U.S. intelligence estimates suggest that a large-scale conflict could quickly lead to hundreds of thousands of casualties, draw in neighboring states, and destroy trillions of dollars' worth of economic output. But with nationalism raging in both countries, neither capital sees a way to back down. All Trump wanted to do was get a better deal from China.

### **THE NEXT KOREAN WAR**

It is December 2018, and North Korea has just launched a heavy artillery barrage against targets in Seoul, killing thousands, or perhaps tens of thousands; it is too soon to say. U.S. and South Korean forces—now unified under U.S. command, according to the provisions of the Mutual Defense Treaty—have fired artillery and rockets at North Korea's military positions and launched air strikes against its advanced air defense network. From a bunker somewhere near Pyongyang, the country's erratic dictator, Kim Jong Un, has issued a statement promising to “burn Seoul and Tokyo to the ground”—a reference to North Korea's stockpile of nuclear and chemical weapons—if the “imperialist” forces do not immediately cease their attacks.

Washington had expected some sort of a North Korean response when it preemptively struck the test launch of an intercontinental ballistic missile capable of delivering a nuclear warhead to the continental United States, fulfilling Trump's pledge to prevent Pyongyang from acquiring that ability. But few thought North Korea would go so far as to risk its own destruction by attacking South Korea. Now, Trump must decide whether to continue with the war and risk nuclear escalation—or accept what will be seen as a humiliating retreat. Some of his advisers are urging him to quickly finish the job, whereas others warn that doing so would cost the lives of too many of the 28,000 U.S. soldiers stationed on the peninsula, to say nothing of the ten million residents of Seoul. Assembled in the White House Situation Room, Trump and his aides ponder their terrible options.

How did it come to this? Even Trump's harshest critics acknowledge that the United States had no good choices in North Korea. For more than 20 years, the paranoid, isolated regime in Pyongyang had developed its nuclear and missile capabilities and seemed impervious to incentives and disincentives alike. The so-called Agreed Framework, a 1994 deal to halt North Korea's nuclear program, fell apart in 2003 when Pyongyang was caught violating it, leading the George W. Bush administration to abandon the deal in favor of tougher sanctions. Multiple rounds of talks since then produced little progress. By 2017, experts estimated that North Korea possessed more than a dozen nuclear warheads and was stockpiling the material for more. They also thought North Korea had missiles capable of delivering those

warheads to targets throughout Asia and was testing missiles that could give it the capacity to strike the West Coast of the United States by 2023.

Early in the administration, numerous outside experts and former senior officials urged Trump to make North Korea a top priority. Accepting that total dismantlement of the country's nuclear and missile programs was not a realistic near-term goal, most called for negotiations that would offer a package of economic incentives and security assurances in exchange for a halt to further testing and development. A critical component, they argued, would be outreach to China, the only country that might be able to influence North Korea.

But the administration preferred a more confrontational approach. Even before Trump took office, when Kim blustered about developing the capacity to strike the United States with a nuclear weapon, Trump responded on Twitter: "It won't happen!" On February 12, 2017, North Korea fired a test missile 310 miles into the Sea of Japan at the very moment Trump was meeting with Japanese Prime Minister Shinzo Abe at his Mar-a-Lago estate, in Florida. The next morning, Stephen Miller, a senior adviser to Trump, announced that the United States would soon be sending a signal to North Korea in the form of a major military buildup that would show "unquestioned military strength beyond anything anyone can imagine." Later that month, Trump announced plans for a \$54 billion increase in U.S. defense spending for 2018, with corresponding cuts in the budget for diplomacy. And in March 2017, Tillerson traveled to Asia and declared that "the political and diplomatic efforts of the past

20 years" had failed and that a "new approach" was needed.

In the ensuing months, critics urged the administration to accompany its military buildup with regional diplomacy, but Trump chose otherwise. He made clear that U.S. foreign policy had changed. Unlike what his predecessor had done with Iran, he said, he was not going to reward bad behavior. Instead, the administration announced in the summer of 2018 that North Korea was "officially on notice." Although the White House agreed with critics that the best way to pressure North Korea was through China, it proved impossible to cooperate with Beijing while erecting tariffs and attacking it for "raping" the United States economically.

Thus did the problem grow during the administration's first two years. North Korea continued to test missiles and develop fissile material. It occasionally incited South Korea, launching shells across the demilitarized zone and provoking some near misses at sea. The war of words between Pyongyang and Washington also escalated—advisers could not get the president to bite his tongue in response to Kim's outrageous taunts—and Trump repeated in even more colorful language his Twitter warning that he would not allow Pyongyang to test a nuclear-capable missile that could reach the United States.

When the intelligence community picked up signs that Pyongyang was about to do so, the National Security Council met, and the chairman of the Joint Chiefs of Staff briefed the president on his options. He could try to shoot down the test missile in flight, but shooting carried a high risk of missing, and even a successful intercept might

provoke a military response. He could do nothing, but that would mean losing face and emboldening North Korea. Or he could destroy the test missile on its launch pad with a barrage of cruise missiles, blocking Pyongyang's path to a nuclear deterrent, enforcing his redline, and sending a clear message to the rest of the world. Sources present at the meeting reported that when the president chose the third option, he said, "We have to start winning wars again."

### **LEARNING FROM THE FUTURE**

These frightening futures are far from inevitable. Indeed, for all the early bluster and promises of a dramatic break with the past, U.S. foreign policy may well turn out to be not as revolutionary or reckless as many fear. Trump has already demonstrated his ability to reverse course without compunction on a multitude of issues, from abortion to the Iraq war, and sound advice from some of his more seasoned advisers could moderate his potential for rash behavior.

On the other hand, given what we have seen so far of the president's temperament, decision-making style, and foreign policy, these visions of what might lie ahead are hardly implausible: foreign policy disasters do happen. Imagine if a ghost from the future could have given world leaders in 1914 a glimpse of the cataclysm their policies would produce. Or if in 1965, U.S. President Lyndon Johnson could have seen what escalation in Vietnam would lead to a decade later. Or if in 2003, U.S. President George W. Bush could have been shown a preview of the results of the invasion of Iraq. In each case, unwise decisions, a flawed process,

and wishful thinking did lead to a catastrophe that could have been, and often was, predicted in advance.

Maybe Trump is right that a massive military buildup, a reputation for unpredictability, a high-stakes negotiating style, and a refusal to compromise will convince other countries to make concessions that will make America safe, prosperous, and great again. But then again, maybe he's wrong. 🌐

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# Is America Still Safe for Democracy?

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## Why the United States Is in Danger of Backsliding

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*Robert Mickey, Steven Levitsky, and Lucan Ahmad Way*

**T**he election of Donald Trump as president of the United States—a man who has praised dictators, encouraged violence among supporters, threatened to jail his rival, and labeled the mainstream media as “the enemy”—has raised fears that the United States may be heading toward authoritarianism. While predictions of a descent into fascism are overblown, the Trump presidency could push the United States into a mild form of what we call “competitive authoritarianism”—a system in which meaningful democratic institutions exist yet the government abuses state power to disadvantage its opponents.

But the challenges facing American democracy have been emerging for

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**ROBERT MICKEY** is Associate Professor of Political Science at the University of Michigan and the author of *Paths Out of Dixie: The Democratization of Authoritarian Enclaves in America's Deep South, 1944–1972*.

**STEVEN LEVITSKY** is Professor of Government at Harvard University.

**LUCAN AHMAD WAY** is Professor of Political Science at the University of Toronto and a co-author, with Levitsky, of *Competitive Authoritarianism: Hybrid Regimes After the Cold War*.

decades, long before Trump arrived on the scene. Since the 1980s, deepening polarization and the radicalization of the Republican Party have weakened the institutional foundations that have long safeguarded U.S. democracy—making a Trump presidency considerably more dangerous today than it would have been in previous decades.

Paradoxically, the polarizing dynamics that now threaten democracy are rooted in the United States' belated democratization. It was only in the early 1970s—once the civil rights movement and the federal government managed to stamp out authoritarianism in southern states—that the country truly became democratic. Yet this process also helped divide Congress, realigning voters along racial lines and pushing the Republican Party further to the right. The resulting polarization both facilitated Trump's rise and left democratic institutions more vulnerable to his autocratic behavior.

The safeguards of democracy may not come from the quarters one might expect. American society's purported commitment to democracy is no guarantee against backsliding; nor are constitutional checks and balances, the bureaucracy, or the free press. Ultimately, it may be Trump's ability to mobilize public support—limited if his administration performs poorly, but far greater in the event of a war or a major terrorist attack—that will determine American democracy's fate.

### WHAT BACKSLIDING LOOKS LIKE

If democratic backsliding were to occur in the United States, it would not take the form of a coup d'état; there would be no declaration of martial law or imposition of single-party rule. Rather, the

experience of most contemporary autocracies suggests that it would take place through a series of little-noticed, incremental steps, most of which are legal and many of which appear innocuous. Taken together, however, they would tilt the playing field in favor of the ruling party.

The ease and degree to which governments can accomplish this vary. Where democratic institutions and the rule of law are well entrenched and civic and opposition forces are robust, as in the United States, abuse is both more difficult to pull off and less consequential than it is in such countries as Russia, Turkey, and Venezuela. Nevertheless, such abuse has occurred in the United States in the recent past, and so it cannot be ruled out.

The first type of abuse entails politicizing state institutions and deploying them against the opposition. Modern states possess a variety of bodies that can investigate and punish wrongdoing by public officials or private citizens—the courts; public prosecutors; legislative oversight committees; and law enforcement, intelligence, tax, and regulatory agencies. Because these organs are designed to serve as neutral arbiters, they present both a challenge and an opportunity for would-be authoritarians. To the extent that investigative agencies remain independent, they may expose and even punish government abuse. If controlled by loyalists, however, they can cover up official malfeasance and serve as potent weapons against the government's opponents.

Elected autocrats thus have a powerful incentive to purge career civil servants and other independent-minded officials and replace them with partisans. Agencies that cannot be easily purged,

such as the judiciary, may be politicized in other ways. Judges, for instance, may be bribed, bullied, or blackmailed into compliance, or be publicly vilified as incompetent, corrupt, or unpatriotic. In extreme cases, they may be targeted for impeachment.

Packing state agencies is like buying off the referees in a sporting match: not only can the home team avoid penalties, but it can also subject its opponent to more of them. For one thing, the government can shield itself from investigations, lawsuits, and criminal charges, and it can rest assured that unconstitutional behavior will go unchecked. For another, it can selectively enforce the law, targeting rival politicians, businesses, and media outlets while leaving allies (or those who remain quiet) alone. Vladimir Putin, for example, eliminated most of his opponents after becoming president of Russia by prosecuting them for corruption while ignoring similar behavior by his allies.

A politicized police force, meanwhile, can be relied on to crack down on opposition protesters while tolerating violence by pro-government thugs—a tactic that has proved effective in Venezuela. Politicized intelligence agencies, for their part, can be used to spy on critics and dig up blackmail material. Malaysia's top opposition leader, Anwar Ibrahim, was sidelined in this way: after a dubious police investigation, he was convicted of sodomy in 1999 and imprisoned. To be sure, even bureaucracies in democratic countries are susceptible to politicization, but it is usually limited and punished when egregious. In competitive authoritarian regimes, by contrast, it is systematic and consequential.

The second way elected autocrats may tilt the playing field is by neutralizing key parts of civil society. Few contemporary autocracies seek to eliminate opposition outright. Rather, they attempt to co-opt, silence, or hobble groups that can mobilize it: media outlets, business leaders, labor unions, religious associations, and so on. The easiest route is co-optation. Thus, most authoritarian governments offer perks or outright bribes to major media, business, and religious figures. Friendly press outlets get privileged access; favored business leaders receive profitable resource concessions or government contracts. To handle those who resist, autocrats turn to the politicized authorities. Newspapers, television networks, and websites that denounce government wrongdoing face libel or defamation suits or are prosecuted for publishing material that supposedly promotes violence or threatens national security. Business leaders critical of the government are investigated for tax fraud or other infractions, and opposition politicians get mired in scandals dug up or simply invented by intelligence agencies.

Sustained harassment of this type can seriously weaken the opposition. The press may remain nominally independent but quietly censor itself, as in Turkey and Venezuela. Businesspeople may withdraw from politics rather than risk running afoul of tax or regulatory agencies, as in Russia. Over time, critical media coverage diminishes, and with leading businesses and labor unions cowed into political inactivity, opposition parties find it harder to fundraise, leaving them at a significant disadvantage.

Finally, elected autocrats often rewrite the rules of the political game—reforming the constitution, the electoral system, or other institutions—to make it harder for their rivals to compete. Such reforms are often justified on the grounds of combating corruption, cleaning up elections, or strengthening democracy, but their true aim is more sinister. In Ecuador, for example, an electoral reform pushed through by the government of President Rafael Correa in 2012 heavily restricted private campaign contributions, ostensibly to reduce the corrupting influence of money in politics. But in reality, the reform benefited Correa's governing party, whose unregulated access to government resources gave it a massive advantage.

In both Malaysia and Zimbabwe, the government has invoked the goal of decentralization to justify reforms that increased the electoral weight of sparsely populated rural areas at the expense of urban centers, where the opposition was strongest. Such institutional reforms are particularly dangerous because they maintain a veneer of legitimacy. Nevertheless, they systematically bias electoral outcomes and, in many cases, allow incumbents to lock in advantages created by their initial abuse of power.

## **A YOUNG DEMOCRACY**

It may be tempting to assume that the United States' centuries-old democracy is impervious to democratic erosion, but such confidence is misplaced. In fact, liberal democracy—with full adult suffrage and broad protection of civil and political liberties—is a relatively recent development in the United States. By contemporary standards, the



*It happened there: Nicolás Maduro in Caracas, Venezuela, July 2015*

country became fully democratic only in the 1970s.

Beginning in the 1890s, after the Civil War and the failure of Reconstruction, Democratic politicians in each of the 11 states of the old Confederacy built single-party, authoritarian enclaves. Having wrested some room to maneuver from the Supreme Court, the executive branch, and their national party, conservative Democrats disenfranchised blacks and many poorer white voters, repressed opposition parties, and imposed racially separate—and significantly unfree—civic spheres. Their goal was to ensure cheap agricultural labor and white supremacy, and they used state-sponsored violence to achieve it.

For half a century, southern states capitalized on their influence in Congress and the national Democratic Party to shield themselves from outside reform

efforts. In 1944, however, the U.S. Supreme Court struck down the region's white-only Democratic primaries. Beginning with that decision, black activists compelled and capitalized on federal judicial rulings, congressional legislation, and national-party reforms to dismantle disenfranchisement, segregation, and state repression. By the early 1970s, the southern authoritarians had been defeated; today, some 6,000 black elected officials serve southern constituencies.

But American authoritarianism has not been just a southern phenomenon. From the time the FBI, the CIA, and the National Security Agency were created, presidents used them to monitor White House staff, journalists, political opponents, and activists. Between 1956 and 1971, the FBI launched more than 2,000 operations to discredit and disrupt black protest organizations, antiwar groups, and other perceived threats. It even

provided Dwight Eisenhower with derogatory information about Adlai Stevenson, his Democratic rival in the 1952 election. Likewise, the Nixon administration deployed the U.S. Attorney General's Office and other agencies against its "enemies" in the Democratic Party and the media. And congressional investigations into alleged subversion further threatened civil rights and liberties. Like southern authoritarianism, the abuse of federal intelligence and law enforcement agencies largely ended in the 1970s, in this case after the post-Watergate reforms.

American democracy remains far from ideal. Ex-felons, who are disproportionately black, are often prohibited from voting; many states are experimenting with an array of new voting restrictions; and the concentration of campaign donations among the wealthy raises serious concerns about how representative U.S. democracy truly is. Still, the United States has been a bona fide multiracial democracy for almost half a century.

Yet just as the United States fulfilled its democratic promise, the foundations of the system began to weaken. Ironically, the very process of democratization in the South generated the intense polarization that now threatens American democracy.

### **THE GREAT DIVIDE**

Scholars have long identified political polarization as a central factor behind democratic breakdown. Extreme polarization leads politicians and their supporters to view their rivals as illegitimate and, in some cases, as an existential threat. Often, democratic norms weaken as politicians become willing to break the rules, cooperate with antidemocratic

extremists, and even tolerate or encourage violence in order to keep their rivals out of power. Few democracies can survive for long under such conditions.

Until recently, the United States seemed immune from such threats. Indeed, traditions of restraint and cooperation helped the United States avoid the kinds of partisan fights to the death that destroyed democracies in Germany and Spain in the 1930s and Chile in the 1970s. In the United States, leading Democrats opposed President Franklin Roosevelt's efforts to pack the Supreme Court, and Republicans backed the investigation and impeachment of President Richard Nixon. The party controlling the White House never used the full extent of governmental powers against the other side. In fact, the systematic underutilization of power by presidents and congressional majorities has long served as a vital source of democratic stability in the United States.

But with the passage of the Civil Rights Act and the Voting Rights Act in the 1960s, the Democratic Party (long the guarantor of white supremacy) and the Republican Party ("the party of Lincoln") realigned national politics along racial lines. Southern blacks entered the electorate as Democrats, and southern whites became increasingly Republican. Many white southerners voted Republican for class reasons: the region's incomes were rising, thus enhancing the appeal of the GOP's economic policies. But many chose the Republicans for their conservative stances on racial issues and their appeals to "law and order."

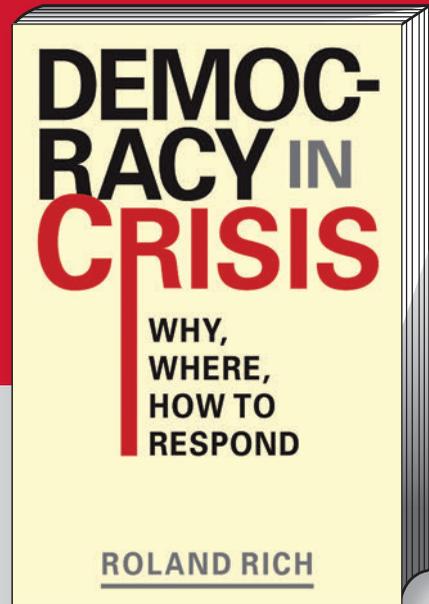
This realignment helped change the composition of Congress. In the ensuing decades, the South transformed from a one-party, Democratic region into a

Republican-dominated one. Whereas it once sent moderate Democrats to Congress, today it elects either black or Hispanic liberal Democrats or, much more commonly, very conservative white Republicans. The ideological polarization of Congress has other sources, to be sure, but the democratization of the South represents a critical one. The result has been two much more ideologically homogeneous—and disciplined—parties. Gone are crosscutting issues that temper partisan conflict, along with moderate members within each party critical for crafting legislative deals.

The triumph of democracy in the South not only polarized Congress ideologically; it also polarized voters along party lines. Starting in the late 1960s, Democratic and Republican candidates began staking out increasingly distinctive views on public policy, first on racial matters (such as affirmative action) and then on a wider range of issues. As the political scientist Michael Tesler has argued, racially coded campaign appeals encourage voters to evaluate government programs in terms of the social groups they imagine as benefiting from them. Over time, white voters' racial attitudes have increasingly shaped their views about public policy, even on issues that seem unrelated to race, such as health care, Social Security, and taxes.

Taking their cues from party leaders, voters are increasingly sorted into the ideologically "correct" party: few center-left Republican or center-right Democratic voters remain. And a greater share of black voters back Democratic candidates than ever before, while a greater share of white voters support Republicans. Although just a small percentage of the American electorate is highly

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ideological (unlike their representatives in Congress), voters now exhibit heightened animosity toward politicians and voters of the other party—what the political scientists Alan Abramowitz and Steven Webster have termed “negative partisanship.”

Partisan polarization has been reinforced by the weakening of the establishment news media, a critical component of democratic accountability. Until the 1990s, most Americans got their news from a handful of trusted television networks. Politicians themselves relied heavily on the press to get the public’s attention, and so they could ill afford to alienate journalists. But over the last 20 years, the media have become increasingly polarized. The rise of Fox News kicked off the era of partisan news channels. The Internet, meanwhile, has made it easier for people to seek out news that confirms their existing beliefs and has played a role in the widespread closure of local and regional newspapers.

Today, Democrats and Republicans consume news from starkly different sources, and the traditional media’s influence has declined precipitously. As a result, voters have grown more receptive to fake news and more trusting of party spokespeople. When events are filtered through fragmented and polarized media, Americans view nearly all political events through purely partisan lenses. Consider what happened after Trump, breaking with traditional Republican policy, embraced Putin: one poll found that Putin’s favorability rating among Republicans increased, from ten percent in July 2014 to 37 percent in December 2016.

The growing gap between the richest Americans and the rest of the country has also accentuated polarization. U.S.

income inequality has reached its highest level since the onset of the Great Depression. The explosive growth of incomes at the top has increased support among wealthy voters and campaign contributors for conservative economic policies, especially on taxes, and has moved Republican legislators to the right. The stagnation of working-class wages over the past three decades, moreover, has triggered a right-wing populist reaction with racial overtones, especially among rural whites, who have directed their anger at liberal spending programs that they view as benefiting urban minorities.

The growing political differences over identity extend beyond the traditional black-white binary. Since the 1970s, increased immigration has added more Hispanic and Asian Americans to the electorate, largely as Democrats, further solidifying the partisan gap between whites and nonwhites. These trends have exacerbated anxieties among many white voters about losing their numerical, cultural, and political preeminence—just as white southerners feared before democratization. In many respects, then, the South’s racial politics have gone national.

#### **THE PERILS OF POLARIZATION**

Partisan polarization poses several threats to U.S. democracy. First, it leads to gridlock, especially when different parties control the legislative and executive branches. As polarization increases, Congress passes fewer and fewer laws and leaves important issues unresolved. Such dysfunction has eroded public trust in political institutions, and along partisan lines. Voters backing the party that does not currently occupy

the White House have astonishingly little trust in the government: in a 2010 poll conducted by the political scientists Marc Hetherington and Thomas Rudolph, a majority of Republican voters surveyed said they “never” trust the federal government.

Gridlock, in turn, encourages presidents to pursue unilateral action on the edges of constitutional limits. When there is divided government, with the party out of power determined to block the president’s legislative agenda, frustrated presidents work around Congress. They expand their power through executive orders and other unilateral measures, and they centralize their control of the federal bureaucracy. At the same time, polarization makes it harder for Congress to exercise oversight of the White House, since members have a hard time forging a collective, bipartisan response to executive overreach.

When the same party controls both Congress and the White House, legislators have little incentive to exercise tough oversight of the president. Today, then, polarization reduces the chance that congressional Republicans will constrain Trump. Although many party elites would prefer a more predictable Republican in the White House, Trump’s strong support among the party’s voters means that any serious opposition would probably split the party and encourage primary challenges, as well as endanger the party’s ambitious conservative agenda. Congressional Republicans are thus unlikely to follow in the footsteps of their predecessors who reined in Nixon. Indeed, so far, they have refused to seriously investigate Trump’s conflicts of interest or accusations of collusion between his campaign and the Russian government.

Even more dangerous, the Republican Party has radicalized to the point of becoming, in the words of the scholars Thomas Mann and Norman Ornstein, “dismissive of the legitimacy of its political opposition.” Over the last two decades, many Republican elected officials, activists, and media personalities have begun to treat their Democratic rivals as an existential threat—to national security or their way of life—and have ceased to recognize them as legitimate. Trump himself rose to political prominence by questioning President Barack Obama’s citizenship. During the 2016 campaign, he repeatedly referred to his opponent, Hillary Clinton, as a criminal, and Republican leaders led chants of “lock her up” at their party’s national convention.

Parties that view their rivals as illegitimate are more likely to resort to extreme measures to weaken them. Indeed, the Republican Party has increasingly abandoned established norms of restraint and cooperation—key pillars of U.S. political stability—in favor of tactics that, while legal, violate democratic traditions and raise the stakes of political conflict. House Republicans’ impeachment of President Bill Clinton in 1998 represented an early instance. Senate Republicans’ refusal to hold confirmation hearings for Obama’s Supreme Court nominee in 2016 marked another.

At the state level, Republicans have gone even further, passing laws aimed at disadvantaging their rivals. The most blatant example comes from North Carolina, where in late 2016, the lame-duck Republican legislature passed a series of last-minute laws stripping powers from the newly elected

Democratic governor. Meanwhile, Republicans in more than a dozen states have introduced legislation to criminalize certain kinds of protests. Even more disturbing are new restrictions on voting rights, which have been justified as efforts to combat massive voter fraud, a problem that simply does not exist. These laws have been concentrated in states where Republicans have recently taken control of the legislature but hold only a slim majority, suggesting that their true purpose is to lower the turnout of voters likely to back Democratic candidates, such as nonwhites. Trump, for his part, has given such initiatives a boost. Not only has he falsely claimed that the 2016 election was marred by massive illegal voting, undermining public trust in the electoral process, but his Department of Justice also looks poised to begin defending states facing lawsuits over their suffrage restrictions.

Trump has thus ascended to the presidency at an especially perilous time for American democracy. His party, which controls both houses of Congress and 33 governorships, has increasingly turned to hardball tactics aimed at weakening the opposition. As president, Trump himself has continued to violate democratic norms—attacking judges, the media, and the legitimacy of the electoral process. Were his administration to engage in outright authoritarian behavior, polarization has reduced the prospects that Congress would mobilize a bipartisan resistance or that the public would turn against him en masse.

### **THE FATE OF DEMOCRACY**

What could halt the United States' democratic erosion? There is little reason to expect Americans' commitment to

democracy to serve as a safeguard. Until the 1960s, most Americans tolerated serious restrictions on democracy in the South. Nor should one expect the Constitution on its own to impede backsliding. As the constitutional scholars Tom Ginsburg and Aziz Huq have argued, the ambiguities of the U.S. Constitution leave considerable room for executive abuse on various fronts—including the ability to pack government agencies with loyalists and appoint or dismiss U.S. attorneys for political reasons. In the absence of informal norms of restraint and cooperation, even the best-designed constitution cannot fully shield democracy.

The press is also unlikely to prevent backsliding. The mainstream media will continue to investigate and denounce wrongdoing in the Trump administration. But in the current media environment, even revelations of serious abuse will likely be eagerly consumed by Democrats and dismissed as partisan attacks by Trump supporters.

Those pinning their hopes on push-back from the bureaucracy are also likely to be disappointed. The United States lacks the kind of powerful career civil service found in European democracies, and Republicans' control of both the White House and Congress limits GOP legislators' incentive to monitor the president's treatment of federal agencies. Those staffing the agencies, meanwhile, may prove too intimidated to resist abuse by the White House. Moreover, Congress controls the agencies' budgets, and in January, House Republicans revived the Holman Rule, an arcane 1876 provision that allows Congress to reduce any bureaucrat's salary to \$1.

The United States' federal system of government and independent judiciary should provide more robust defenses against backsliding. Although the extreme decentralization of U.S. elections makes them uneven in quality, it also hampers any effort at coordinated electoral manipulation. And although U.S. courts have often failed to defend individual rights in the past (as when they permitted the internment of Japanese Americans during World War II), federal judges since the 1960s have generally strengthened civil rights and civil liberties. Still, even U.S. courts are not immune to political pressures from other branches of government.

Ultimately, the fate of American democracy under Trump may hinge on contingent events. The greatest brake on backsliding today is presidential unpopularity. Republican politicians troubled by Trump's behavior but worried about winning their party's nomination will have an easier time opposing the president if his support among Republican voters weakens. Declining support may also embolden federal judges to push back against executive aggrandizements more aggressively. Thus, factors that undermine Trump's popularity, such as an economic crisis or a "Katrina moment"—a high-profile disaster for which the government is widely viewed as responsible—may check his power.

But events could also have the opposite effect. If a war or a terrorist attack occurs, the commitment to civil liberties on the part of both politicians and the public will likely weaken. Already, Trump has framed the independent judiciary and the independent press as security threats, accusing the judge who

struck down his initial travel ban of putting the country in "peril" and describing the mainstream media as "enemies." In the event of an attack comparable in scale to those of 9/11, any efforts to crack down on the media, dissent, or ethnic and religious minorities would face far fewer obstacles.

The Trump presidency has punctured many Americans' beliefs about their country's exceptionalism. U.S. democracy is not immune to backsliding. In fact, it now faces a challenge that extends well beyond Trump: sustaining the multiracial democracy that was born half a century ago. Few democracies have survived transitions in which historically dominant ethnic groups lose their majority status. If American democracy manages to do that, it will prove exceptional indeed. 🌍

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# The Case for Trump's Foreign Policy

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## The Right People, the Right Positions

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*Matthew Kroenig*

**M**edia coverage of U.S. President Donald Trump's foreign policy has been overwhelmingly negative. Analysts have seized on early policy missteps, a supposed slowness in staffing the national security bureaucracy, and controversial statements and actions as evidence that Trump's foreign policy is already failing.

But the critics have gotten a lot wrong and failed to give credit where credit is due. The Trump administration has left behind the rhetoric of the campaign trail and has begun to adopt foreign policies that are, for the most part, well suited to the challenges ahead. Trump inherited a crumbling international order from President Barack Obama, but he has assembled a highly capable national security team to help him update and revitalize it. Many of the controversial foreign policy statements that Trump has made as president have, in fact, been consistent with established U.S. policy. Where he has broken with tradition, it has often been to embrace much-needed change.

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**MATTHEW KROENIG** is Associate Professor of Government and Foreign Service at Georgetown University and a Senior Fellow at the Brent Scowcroft Center on International Security at the Atlantic Council. Follow him on Twitter @kroenig.

It is too early to pass definitive judgment on the Trump administration. But its rapid improvement, combined with Trump's own willingness to take bold action, suggests that former Secretary of State Henry Kissinger may have been right when he told CBS News last December that Trump's presidency could present "an extraordinary opportunity" for U.S. foreign policy.

### TRUMP'S INHERITANCE

To gauge the success of a president's foreign policy, it helps to examine the record of his immediate predecessor. Here, the Trump administration has a low bar to clear. In Europe, Asia, and the Middle East, Obama left behind a far more dangerous world than the one he inherited in 2009.

For the first time since World War II, Russia is redrawing the map of Europe at gunpoint. Meeting only a weak response from the West, Russian President Vladimir Putin continues to threaten and undermine the United States and its NATO allies in a bid to break the alliance.

In Asia, the picture is little better. China has seized contested territory from U.S. allies and is undertaking a massive military buildup that the country's leaders hope will eventually render the United States unable to keep its security commitments in the Asia-Pacific. The Obama administration's policy of "strategic patience" with North Korea was a euphemism for standing idly by as threats gathered. According to expert estimates, Pyongyang now has up to 21 warheads and is on track to have nuclear missiles that could hit the continental United States.



*At your service: H. R. McMaster with Trump at Mar-a-Lago, Florida, February 2017*

The worst of the Obama administration's failures took place in the Middle East. The United States oversaw the wholesale disintegration of the region and the rise of the Islamic State (also known as ISIS). Iraq, Libya, Syria, and Yemen have failed or are failing as states, turning them into incubators of terrorism. ISIS is metastasizing and inspiring attacks around the world, including in the United States. Unwilling to upset nuclear negotiations with Iran, Obama failed to counter Tehran's advancing missile program and its support for terrorist groups. Today, Iran is testing long-range ballistic missiles and projecting its influence throughout the Middle East, worsening the security of the United States and its partners. Moreover, although the nuclear deal delayed the Iranian nuclear program, it created a serious problem for future U.S. presidents, who will have to figure

out what to do when the limits on Iran's nuclear program begin to expire in less than a decade.

In every region of the world important to the United States, the last eight years have left emboldened enemies, nervous allies, and increasing disorder. Obama may have inherited two difficult counterinsurgency campaigns, but he bequeathed to his successor an entire world in disarray. Indeed, the current international environment may be the worst that any incoming president has faced since the height of the Cold War. The good news is that this low starting point may allow Trump to dramatically improve the United States' position.

#### **THE A-TEAM**

A president cannot foresee all the foreign policy crises he will face, but he can choose the people he will have

at his side when those crises erupt. As Trump promised during the campaign, he has assembled a team of “the best and brightest” the country has to offer. Secretary of Defense James Mattis and National Security Adviser H. R. McMaster rank among the most influential military officers of their generation. Both are not only extraordinary leaders but also intellectuals capable of farsighted strategic thinking. Secretary of State Rex Tillerson served as the CEO of ExxonMobil for over a decade, running a corporation with revenue larger than the GDPs of many small nations and overseeing operations in more than 40 countries. Rounding out the national security cabinet, Vice President Mike Pence, UN Ambassador Nikki Haley, Director of National Intelligence Dan Coates, and CIA Director Mike Pompeo are all experienced and accomplished politicians. Some have raised concerns about the placement of Steve Bannon, the White House chief strategist, on the National Security Council’s Principals Committee. But Obama also regularly invited political advisers to NSC meetings, and as in the past, the discussions will likely center not on politics but on the views of national security officials.

Critics have also slammed Trump for filling subcabinet positions too slowly, but this charge is ill informed; George W. Bush’s undersecretary of defense for policy, for example, did not take office until six months after Bush’s inauguration. Moreover, those who have been named, such as Brian Hook, appointed as the State Department’s director of policy planning, and Jon Huntsman, a former governor of Utah and Trump’s nominee for ambassador to Russia, are experienced and highly respected public servants.

## **BETTER THAN IT LOOKS**

Like any new administration, the Trump team has made mistakes. It designed and rolled out the initial travel ban poorly, an unforced error given the popular support for stronger border security and immigration reform. More broadly, the team has struggled to stay on message. But taking a step back reveals that Trump has gotten much of the big picture right. The world is changing rapidly, and the United States must adapt if it is to succeed. Trump’s comfort with disruptive change may make him particularly well placed to oversee a creative reinvigoration of U.S. foreign policy.

Some have charged that Trump’s “America first” approach signals the end of international U.S. leadership. It doesn’t. If the United States is not strong at home, it cannot be strong abroad. Trump’s calls for tax cuts, deregulation, and major infrastructure investments have already boosted domestic economic confidence. From last year’s election to the beginning of March, U.S. stocks added nearly \$3 trillion to their value. Under Trump, the United States may finally break out of its recent cycle of low productivity, low inflation, and low growth.

To maintain its international position, the United States will need a strong military. Trump has promised “one of the greatest military buildups in history.” His first budget proposal includes a \$54 billion down payment on this promise, and, working with Republican majorities in Congress, the administration will likely improve on this opening bid. The Department of Defense will finally get the funds Obama denied it.

Trump recognized that the U.S. military must modernize to face a new nuclear age when he promised in an

interview with Reuters in February that the United States would be at the “top of the pack” in nuclear capabilities. Critics have called this goal reckless, but the United States must have a robust nuclear force to protect its allies in Europe and Asia. Moreover, past U.S. presidents have expressed similar ambitions. John F. Kennedy, for example, avowed in 1963 that it was “essential that the United States in this area of national strength and national vigor should be second to none.”

Since Trump's inauguration, his administration has also shown strong support for U.S. allies. Mattis made Seoul and Tokyo the first overseas stops by a Trump cabinet official, and Trump further solidified his commitment to Asia by hosting Japanese Prime Minister Shinzo Abe for an intimate weekend gathering at his Mar-a-Lago estate, in Florida. As president-elect, Trump called NATO “obsolete,” but since taking office, he has repeatedly voiced his support for the alliance, a message that Pence and Mattis relayed in person at the Munich Security Conference in February. Some have criticized Trump for suggesting that NATO members should increase their defense spending, but U.S. administrations from Dwight Eisenhower's to Obama's have made this same request. The only difference is that Trump's approach is working. As Germany's defense minister, Ursula von der Leyen, said at the Munich Security Conference, “Our traditional reflex of relying above all on our American friends' vigor and ducking away when things really get tight . . . will no longer be enough. . . . We must also carry our share of the burden.” Others disparage Trump for saying that NATO should be updated “to include terror,” as he told *The New York*

*Times* in March of last year. But alliance officials in Brussels are the first to agree that NATO must continue to adapt to meet twenty-first-century threats.

It is true that Trump has shown an unusually intense interest in greater cooperation with Russia, but the general inclination is not unreasonable. Both Bush and Obama sought closer relations with Putin, and there is no doubt that more cooperation could further U.S. interests. Yet the blame for the recent downturn in relations falls squarely on Putin's shoulders. And Trump has demonstrated that he will be no pushover, promising to support NATO and strengthen the United States' nuclear deterrent. He has also appointed Putin critics to every major national security post, including the Brookings scholar Fiona Hill as the senior director for Europe and Russia at the NSC.

In the Middle East, in a welcome reversal from the Obama years, U.S. partners such as Israel and the Gulf states are hopeful, while the United States' long-standing enemy Iran is wary. Critics scoff at Trump's promise to “renegotiate” the Iran nuclear deal, but the deal will have to be renegotiated at some point to address its sunset clauses, because after they expire, Iran will have a rapid path to a nuclear weapon. To pressure Iran into returning to the table, Trump has signaled that he will enforce the strict terms of the nuclear accord while turning up the heat on Iran in all the ways not covered by the deal. These should include countering Iran's malign influence in the region by, for example, intercepting more of Iran's arms shipments to the Houthi rebels in Yemen and imposing new sanctions in response to its ballistic missile tests, support for

terrorist groups, and human rights violations. Finally, Trump has already begun to follow through on his promise to wage a more aggressive campaign against ISIS, following years of bipartisan calls to increase the tempo of operations against the group.

In Asia, the Trump administration has launched a review of U.S. policy toward North Korea that will leave no options off the table. Trump has also accepted the long-standing and successful “one China” policy, under which Washington officially recognizes only the government in Beijing but has an unofficial relationship with Taiwan. The administration also seems committed to strengthening the alliances necessary to counter Chinese aggression and has vowed to stand up to China’s mercantilist policies.

The United States benefits from free trade, as Trump has repeatedly acknowledged. In February, for example, he told Congress, “I believe strongly in free trade, but it also has to be fair trade.” Indeed, Washington cannot stand by as China and other trading partners game the system. What’s more, long-standing trade pacts, such as the North American Free Trade Agreement, lack provisions, such as standards for Internet commerce, contained in modern accords. Updating them would improve protections for millions of American workers. U.S. business leaders from sectors as diverse as traditional manufacturing and high-end services, such as finance and shipping, complained that in negotiating the Trans-Pacific Partnership, Obama sold out U.S. business interests to increase U.S. political influence in the Asia-Pacific. Although the administration’s withdrawal from the agreement has

created an opening for China, Trump’s promise to renegotiate old trade deals and strike new ones could pave the way to a global trade regime that advances U.S. political and economic interests simultaneously.

On almost every front, Trump has begun to correct the failures of the past eight years and position the United States well for the challenges to come. With the current team and policies in place, and with greater adherence to a core strategy going forward, Trump may well, as Kissinger predicted was possible, go “down in history as a very considerable president.”



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# ESSAYS

*We did not pay enough attention as capitalism hijacked globalization.*

*—Jeff Colgan and Robert Keohane*



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# The Liberal Order Is Rigged

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Fix It Now or Watch It Wither

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*Jeff D. Colgan and Robert O. Keohane*

**P**rior to 2016, debates about the global order mostly revolved around its structure and the question of whether the United States should actively lead it or should retrench, pulling back from its alliances and other commitments. But during the past year or two, it became clear that those debates had missed a key point: today's crucial foreign policy challenges arise less from problems between countries than from domestic politics within them. That is one lesson of the sudden and surprising return of populism to Western countries, a trend that found its most powerful expression last year in the United Kingdom's decision to leave the EU, or Brexit, and the election of Donald Trump as U.S. president.

It can be hard to pin down the meaning of "populism," but its crucial identifying mark is the belief that each country has an authentic "people" who are held back by the collusion of foreign forces and self-serving elites at home. A populist leader claims to represent the people and seeks to weaken or destroy institutions such as legislatures, judiciaries, and the press and to cast off external restraints in defense of national sovereignty. Populism comes in a range of ideological flavors. Left-wing populists want to "soak the rich" in the name of equality; right-wing populists want to remove constraints on wealth in the name of growth. Populism is therefore defined not by a particular view of economic distribution but by a faith in strong leaders and a dislike of limits on sovereignty and of powerful institutions.

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**JEFF D. COLGAN** is Richard Holbrooke Associate Professor of Political Science and International Affairs at Brown University. Follow him on Twitter @JeffDColgan.

**ROBERT O. KEOHANE** is Professor of International Affairs at Princeton University.

Such institutions are, of course, key features of the liberal order: think of the UN, the EU, the World Trade Organization (WTO), and major alliances such as NATO. Through them, the Washington-led order encourages multilateral cooperation on issues ranging from security to trade to climate change. Since 1945, the order has helped preserve peace among the great powers. In addition to the order's other accomplishments, the stability it provides has discouraged countries such as Germany, Japan, Saudi Arabia, and South Korea from acquiring nuclear weapons.

This peace-building aspect of the liberal order has been an extraordinary success. So, too, is the way in which the order has allowed the developing world to advance, with billions of people rising out of crippling poverty and new middle classes burgeoning all over the world. But for all of the order's success, its institutions have become disconnected from publics in the very countries that created them. Since the early 1980s, the effects of a neoliberal economic agenda have eroded the social contract that had previously ensured crucial political support for the order. Many middle- and working-class voters in the United Kingdom, the United States, and elsewhere have come to believe—with a good deal of justification—that the system is rigged.

Those of us who have not only analyzed globalization and the liberal order but also celebrated them share some responsibility for the rise of populism. We did not pay enough attention as capitalism hijacked globalization. Economic elites designed international institutions to serve their own interests and to create firmer links between themselves and governments. Ordinary people were left out. The time has come to acknowledge this reality and push for policies that can save the liberal order before it is too late.

### **THE BOATS THAT DIDN'T RISE**

In 2016, the two states that had done the most to construct the liberal order—the United Kingdom and the United States—seemed to turn their backs on it. In the former, the successful Brexit campaign focused on restoring British sovereignty; in the latter, the Trump campaign was explicitly nationalist in tone and content. Not surprisingly, this has prompted strong reactions in places that continue to value the liberal order, such as Germany: a poll published in February by the German newspaper *Die Welt* found that only 22 percent of Germans believe that the United States is a trustworthy ally, down from 59 percent

just three months earlier, prior to Trump's victory—a whopping 37-point decrease.

The Brexit and Trump phenomena reflect a breakdown in the social contract at the core of liberal democracy: those who do well in a market-based society promise to make sure that those disadvantaged by market forces do not fall too far behind. But fall behind they have.

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*The Brexit and Trump phenomena reflect a breakdown in the social contract at the core of liberal democracy.*

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Between 1974 and 2015, the real median household income for Americans without high school diplomas fell by almost 20 percent. And even those with high school diplomas, but without any college education, saw their real median household income plummet by 24 percent. On the other hand, those with college degrees saw their incomes and wealth

expand. Among those Americans, the real median household income rose by 17 percent; those with graduate degrees did even better.

As political scientists such as Robert Putnam and Margaret Weir have documented, such trends have led to different sets of Americans living in separate worlds. The well-off do not live near the poor or interact with them in public institutions as much as they used to. This self-segregation has sapped a sense of solidarity from American civic life: even as communications technology has connected people as never before, different social classes have drifted further apart, becoming almost alien to one another. And since cosmopolitan elites were doing so well, many came to the conclusion—often without realizing it—that solidarity just wasn't that important for a well-functioning democracy.

Elites have taken advantage of the global liberal order—sometimes inadvertently, sometimes intentionally—to capture most of the income and wealth gains in recent decades, and they have not shared much with the middle and lower classes. Wealthier, better-educated Americans have pushed for or accepted regressive tax policies, trade and investment agreements that encouraged corporate outsourcing, and the underfunding of public and higher education. The result of such policies has been to undermine what the political scientist John Ruggie once called “embedded liberalism”: a global order made up of free-market societies that nevertheless preserved welfare states and labor-market policies that allowed for the retraining of people whose skills became

obsolete, compensation for those who lost out from trade liberalization, and validation of the self-worth of all citizens, even if they were not highly productive in economic terms. Elites pushed for and supported the first part of this vision—free markets, open borders, and multilateralism—but in the 1970s and even more so in the 1980s, they began to neglect the other part of the bargain: a robust safety net for those who struggled. That imbalance undermined domestic support for free trade, military alliances, and much else.

The bill for that broken social contract came due in 2016 on both sides of the Atlantic. And yet even now, many observers downplay the threat this political shift poses to the liberal order. Some argue that the economic benefits of global integration are so overwhelming that national governments will find their way back to liberalism, regardless of campaign rhetoric and populist posturing. But the fact is that politicians respond to electoral incentives even when those incentives diverge considerably from their country's long-term interests—and in recent years, many voters have joined in the populist rejection of globalization and the liberal order.

Moreover, business leaders and stock markets, which might have been expected to serve as a brake on populist fervor, have instead mostly rewarded proposals for lower taxes with no accompanying reduction in government spending. This is shortsighted. Grabbing even more of the benefits of globalization at the expense of the middle and working classes might further undermine political support for the integrated supply chains and immigration on which the U.S. economy depends. This position is reminiscent of the way that eighteenth-century French aristocrats refused to pay taxes while indulging in expensive foreign military adventures. They got away with it for many years—until the French Revolution suddenly laid waste to their privilege. Today's elites risk making a similar mistake.

### **CAREFUL WHAT YOU WISH FOR**

Some portion of the blame for the liberal order's woes lies with its advocates. Policymakers pursued a path of action favored by many academics, including us: building international institutions to promote cooperation. But they did so in a biased way—and, for the most part, we underestimated the risk that posed. Financial firms and major corporations enjoyed privileged status within the order's institutions, which paid little attention to the interests of workers. WTO rules

emphasized openness and failed to encourage measures that would cushion globalization's effects on those disadvantaged by it, especially workers in the traditional manufacturing sectors in developed countries. Meanwhile, investment treaties signed in the 1990s featured provisions that corporate lawyers exploited to favor big business at the expense of consumers. And when China manipulated trade and currency arrangements to the disadvantage of working-class Americans, Washington decided that other issues in U.S.-Chinese relations were more important, and did not respond strongly.

Working-class Americans didn't necessarily understand the details of global trade deals, but they saw elite Americans and people in China and other developing countries becoming rapidly wealthier while their own incomes stagnated or declined. It should not be surprising that many of them agreed with Trump and with the Democratic presidential primary contender Bernie Sanders that the game was rigged.

Much ink has been spilled on the domestic causes of the populist revolt: racism, growing frustration with experts, dysfunctional economic policies. But less attention has been paid to two contributing factors that stemmed from the international order itself. The first was a loss of national solidarity brought on by the end of the Cold War. During that conflict, the perceived Soviet threat generated a strong shared sense of attachment not only to Washington's allies but also to multilateral institutions. Social psychologists have demonstrated the crucial importance of "othering" in identity formation, for individuals and nations alike: a clear sense of who is not on your team makes you feel closer to those who are. The fall of the Soviet Union removed the main "other" from the American political imagination and thereby reduced social cohesion in the United States. The end of the Cold War generated particular political difficulties for the Republican Party, which had long been a bastion of anticommunism. With the Soviets gone, Washington elites gradually replaced Communists as the Republicans' bogeymen. Trumpism is the logical extension of that development.

In Europe, the end of the Cold War was consequential for a related reason. During the Cold War, leaders in Western Europe constantly sought to stave off the domestic appeal of communism and socialism. After 1989, no longer facing that constraint, national governments and officials in Brussels expanded the EU's authority and scope, even in the face of a series of national referendums that expressed opposi-

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tion to that trend and should have served as warning signs of growing working-class discontent. In eastern Europe, anti-Soviet othering was strong during the 1980s and 1990s but appears to have faded as memories of the Cold War have become more distant. Without the specter of communist-style authoritarianism haunting their societies, eastern Europeans have become more susceptible to populism and other forms of illiberalism. In Europe, as in the United States, the disappearance of the Soviets undermined social cohesion and a common sense of purpose.

The second force stirring discontent with the liberal order can be called “multilateral overreach.” Interdependence requires countries to curb their autonomy so that institutions such as the UN and the World Bank can facilitate cooperation and solve mutual problems. But the natural tendency of institutions, their leaders, and the bureaucracies that carry out their work is to expand their authority. Every time they do so, they can point to some seemingly valid rationale. The cumulative effect of such expansions of international authority, however, is to excessively limit sovereignty and give people the sense that foreign forces are controlling their lives. Since these multilateral institutions are distant and undemocratic—despite their inclusive rhetoric—the result is public alienation, as the political scientist Kathleen McNamara has documented. That effect is compounded whenever multilateral institutions reflect the interests of cosmopolitan elites at the expense of others, as they often have.

## **SYSTEM UPDATE**

Derigging the liberal order will require attention to substance but also to perceptions. The United States has made only feeble attempts to sustain something like Ruggie’s embedded liberalism, and even those attempts have largely failed. Germany, Denmark, and Sweden have done better, although their systems are also under pressure. Washington has a poor track record when it comes to building government bureaucracies that reach deep into society, and the American public is understandably suspicious of such efforts. So U.S. officials will have to focus on reforms that do not require a lot of top-down intervention.

To that end, Washington should be guided by three principles. First, global integration must be accompanied by a set of domestic policies that will allow all economic and social classes to share the

gains from globalization in a way that is highly visible to voters. Second, international cooperation must be balanced with national interests to prevent overreach, especially when it comes to the use of military force. Third, Washington should nurture a uniquely American social identity and a national narrative. That will require othering authoritarian and illiberal countries. Fostering U.S. opposition to illiberalism does not mean imposing democracy by force, but it does require more than occasional diplomatic criticism of

countries such as China or Saudi Arabia. A willing president could, for instance, make it clear that although the United States may have an interest in cooper-

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*Like it or not, “America first” is a powerful slogan.*

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ating with nondemocratic countries, it identifies only with liberal democracies and reserves its closest relationships for them. Done properly, that sort of othering could help clarify the American national identity and build solidarity. It might at times constrain commercial relationships. However, a society is more than just an economy, and the benefits of social cohesion would justify a modest economic cost.

Developing policies that satisfy those principles will require innovation and creativity. Some promising ideas include tax credits to businesses that provide on-the-job training for dislocated workers and earned-income tax credits for individuals. Progressives have pursued such policies in the past but in recent times have retreated or compromised for the sake of passing trade deals; they should renew their commitment to such ideas. Officials should also require that any new trade deals be accompanied by progressive domestic measures to assist those who won't benefit from the deals. At a minimum, Congress should avoid regressive tax cuts. If, for example, the Trump administration and its GOP allies in Congress decide to impose a border adjustment tax on imports, the revenue raised ought to benefit the working class. One way to make that happen would be to directly redistribute the revenue raised by the tax on a per capita basis, in the form of checks to all households; that would spread the wealth and build political support for the combination of economic openness and redistribution. Another way to benefit the working class would be to stimulate job creation by lowering employers' payroll tax burden. Such ideas will face an uphill battle in the current U.S. political environment, but it is essential to develop plans now so that, when political opportunities emerge, defenders of the liberal order will be ready.

The more difficult task will be developing a national narrative, broadly backed by elites across the ideological spectrum, about “who we are”—one built around opposition to authoritarianism and illiberalism. The main obstacle will likely be the politics of immigration, where the tension between cosmopolitanism and national solidarity surfaces most clearly. Cosmopolitans argue (correctly) that immigrants ultimately offer more benefits than costs and that nativist fears about refugees are often based more on prejudice than fact. The United States is a country of immigrants and continues to gain energy and ideas from talented newcomers. Nonetheless, almost everyone agrees that there is some limit to how rapidly a country can absorb immigrants, and that implies a need for tough decisions about how fast people can come in and how many resources should be devoted to their integration. It is not bigotry to calibrate immigration levels to the ability of immigrants to assimilate and to society’s ability to adjust. Proponents of a global liberal order must find ways of seeking greater national consensus on this issue. To be politically sustainable, their ideas will have to respect the importance of national solidarity.

Like it or not, global populism has a clear, marketable ideology, defined by toughness, nationalism, and nativism: “America first” is a powerful slogan. To respond, proponents of an open liberal order must offer a similarly clear, coherent alternative, and it must address, rather than dismiss, the problems felt keenly by working classes. For Democrats, “the party of jobs” would be a better brand than “the party of increasing aggregate welfare while compensating the losers from trade.”

Without dramatic change to their messages and approach, established political parties will fade away altogether. An outsider has already captured the Republican Party; the Democrats are cornered on the coasts. In Europe, the British Labour Party is imploding and the traditionally dominant French parties are falling apart. To adapt, establishment parties must begin to frame their ideas differently. As the social psychologist Jonathan Haidt has argued, progressives must learn to speak of honor, loyalty, and order in addition to equality and rights.

To derig the liberal order and stave off complete defeat at the hands of populists, however, traditional parties must do more than rebrand themselves and their ideas. They must develop substantive policies that will make globalization serve the interests of middle- and working-class citizens. Absent such changes, the global liberal order will wither away. 🌐



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# The False Promise of Protectionism

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## Why Trump's Trade Policy Could Backfire

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*Douglas A. Irwin*

**I**n his inaugural address, U.S. President Donald Trump pledged that economic nationalism would be the hallmark of his trade policy. “We must protect our borders from the ravages of other countries making our products, stealing our companies, and destroying our jobs,” he said. Within days, he withdrew the United States from the Trans-Pacific Partnership (TPP), announced that he would renegotiate the North American Free Trade Agreement (NAFTA), and threatened to impose a special tax on U.S. companies that move their factories abroad.

Although Trump's professed goal is to “get a better deal” on trade, his brand of economic nationalism is just one step away from old-fashioned protectionism. The president claimed that “protection will lead to great prosperity and strength.” Yet the opposite is true. An “America first” trade policy would do nothing to create new manufacturing jobs or narrow the trade deficit, the gap between imports and exports. Instead, it risks triggering a global trade war that would prove damaging to all countries. A slide toward protectionism would also undermine the institutions that the United States has long worked to support, such as the World Trade Organization (WTO), which have made meaningful contributions to global peace and prosperity.

At the same time, not all tariffs are bad. Congress is considering corporate tax reforms that would involve a “border adjustment tax”—a tax that would apply to all imports to the United States but not to exports. If implemented fairly, such a measure would not be protectionist.

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**DOUGLAS A. IRWIN** is Professor of Economics at Dartmouth College and the author of the forthcoming book *Clashing Over Commerce: A History of U.S. Trade Policy*. Follow him on Twitter @D\_A\_Irwin.

Likewise, not all trade threats are bad. Although it is true that closing the market to foreign competition is the wrong way to improve U.S. economic performance, the threat of closing the market has sometimes helped ensure compliance with international trade rules. But this is a high-risk strategy that must be used with care, since it could spark damaging foreign reprisals.

It is all the riskier given the growing nationalist sentiment around the world. According to the WTO, the import restrictions imposed by G-20 countries since 2008 now cover a disturbingly high 6.5 percent of their merchandise imports. The rate at which new measures are being imposed exceeds the rate at which old measures are being removed,

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*The Trump administration must recognize that protectionism at home can lead to protectionism abroad.*

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resulting in the steady accumulation of trade barriers. In January, citing “protectionist pressures,” the World Bank reduced its forecast for global economic growth in 2017.

In this environment, a move toward protectionism by Washington could unleash a similar response abroad. Such a scenario has a historical precedent: when Congress passed the Smoot-Hawley Tariff Act in 1930, it was taken as “the signal for an outburst of tariff-making activity in other countries, partly at least by way of reprisals,” as a League of Nations report explained at the time. Washington should not send that signal again.

As the Trump administration plots its next move, it should take care to distinguish between what trade policy can achieve and what it cannot, and between changes to current policy that would be constructive and those that would prove counterproductive. It must also recognize that protectionism at home can lead to protectionism abroad. Indeed, perhaps the greatest danger of Trump’s trade policy is that a misstep might do irreparable damage to the open world trading system that the United States had, until now, so assiduously promoted since World War II. That system constrains the policies of the 163 other WTO members, with which the United States trades. If the United States backs away from current trade rules, those countries will feel free to discriminate against the United States, and the system will unravel—doing grave damage not only to the global economy but also to the very Americans Trump claims to represent.

## **THE PERILS OF PROTECTIONISM**

Although free trade is always under fire, the barrage has been particularly intense in recent years. U.S. politicians often blame trade for the loss of manufacturing jobs and the destruction of the middle class, and many voters seem to agree. It was Trump's willingness to acknowledge the "rusted-out factories scattered like tombstones across the landscape of our nation" and to question establishment views on trade agreements that won him support in the Rust Belt.

But the reality is that factors other than foreign trade are to blame for the country's current economic woes. The share of Americans who work in manufacturing has fallen steadily since the early 1950s, mainly due to automation and productivity growth. The labor-force participation rate among working-age males has been declining since 1960. The stagnation in real earnings of men also dates back to the early 1960s. These trends started well before the era of deregulation and free trade in the 1980s and 1990s, let alone the "China shock" of the first decade of this century. Complaints about the plight of middle-class workers resonate so much today, however, because the U.S. labor market has experienced more than a decade of lackluster performance, owing to the slow recovery from the 2008 financial crisis. Since then, trade has not significantly disrupted the U.S. labor market because imports have not been surging into the country.

The problem with wrongly blaming trade for these recent difficulties is that it makes it all too easy to propose protectionism as the quick fix. After all, if imports are seen as the problem, then reducing them—by reversing existing trade policies, tearing up NAFTA, or slapping high duties on Chinese goods—would seem to be the solution. Yet simply rolling back trade will not repair the damage that has been done. Those who want to curtail trade claim that such actions will revitalize basic manufacturing industries, create new manufacturing jobs, and reduce the trade deficit. In fact, higher trade barriers would fail to achieve any of these objectives.

Why can't trade protection be used to revitalize basic industries that have suffered? After all, some claim, in the 1980s the Reagan administration imposed many import barriers, which seemed to help domestic industries cope with increased foreign competition. Confronted with a large and growing trade deficit, the United States pressured Japan to agree to reduce its automobile exports, forced foreign suppliers to limit their steel exports, and negotiated

a new arrangement that restricted imports of textiles and apparel. Because the economy recovered and employment grew, Robert Lighthizer, a trade negotiator in the Reagan administration whom Trump has tapped to be the U.S. trade representative, has asserted that Reagan-era import restrictions “worked.”

But that judgment runs counter to the evidence. In a 1982 report, the U.S. International Trade Commission found that most industries receiving trade relief were undergoing long-term declines that import restrictions could not reverse. Such measures did little to help companies, it stated, “either because so much of the firm’s injury was caused by non-import-related factors, or because the decline of imports following relief was small.” Four years later, when the Congressional Budget Office studied the question, it concluded, “Trade restraints have failed to achieve their primary objective of increasing the international competitiveness of the relevant industries.”

Just as it is today, trade then was wrongly blamed for the problems facing U.S. producers. What really afflicted them were factors beyond the reach of trade policy. The first was a cyclical problem: the severe recession in 1981–82 that resulted from the tight monetary policy the U.S. Federal Reserve had adopted to reduce inflation. That policy contributed



to a 40 percent real appreciation of the dollar against other currencies between 1981 and 1985, making U.S.-made goods far less competitive at home and abroad. Then there were various structural problems: Big Steel lost market share to low-cost domestic mini-mills that could recycle scrap metal, and the Big Three automakers were slow to improve quality and shift to the smaller, more fuel-efficient cars that consumers were demanding. Eventually, U.S. producers did regain their competitiveness, but they did not do so thanks to protectionist policies. Credit goes instead to the economic recovery that started in 1983 and the weakening of the dollar that started in 1985.

One should look back at the Reagan-era protectionism not with nostalgia but with regret, because it proved to be a costly failure. The restrictions on automobile imports raised the average price of a Japanese car by 16 percent in the early 1980s, socking it to consumers and handing billions of dollars to Japanese exporters. The limitations on steel imports punished steel-using industries, and those on textile and apparel imports raised prices for low-income consumers. When it comes to using protection to help revitalize domestic industries, the United States has been there, done that. It didn't work.



## **BAD BARRIERS**

Today, the prospect that import restrictions can help domestic producers is even dimmer than it was in the 1980s. That's because firms engaged in international trade now form part of intricate global supply chains. About half of all U.S. imports consist of intermediate goods, such as factory equipment, parts and components, and raw materials. Many U.S. companies depend on imported intermediate goods in their production process or sell their outputs to other firms around the world that use them as inputs. As a result, protectionist measures today would prove much more disruptive than they did in the 1980s.

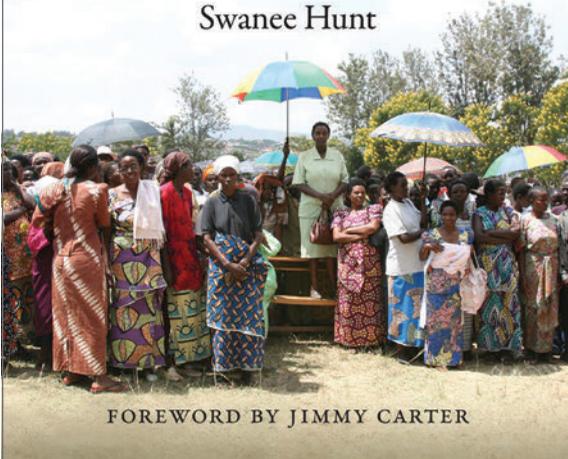
The implications for trade policy are enormous. Any import restriction that helps some upstream producers by raising the prices of the goods they sell will hurt downstream industries that use those goods in production. If a tariff raises the price of steel to help U.S. Steel, it will hurt steel consumers such as John Deere and Caterpillar by raising their costs relative to those of foreign competitors. If a quota keeps out imported sugar to boost domestic prices, it will raise costs for the domestic confectionery industry. (Indeed, in 2002, Kraft moved the production of Life Savers candy to Canada in response to the high cost of sugar in the United States.) Typically, there are far more workers in the downstream industries whose jobs will be jeopardized by trade restrictions than workers in the upstream industries whose jobs might be saved by them. In an effort to help the 147,000 Americans employed in the steel industry, for example, Washington may harm the 6.5 million Americans employed in steel-using industries.

Even if trade protection can succeed in helping some domestic producers at the expense of others, it is an illusion to think that it will create many new manufacturing jobs, particularly for low-skilled workers. In the United States, manufacturing has become technologically sophisticated and involves many more engineers and technicians than blue-collar workers on the assembly lines. The clock cannot be turned back. Consider the steel industry: in 1980, it took ten man-hours to produce a ton of steel; today it takes just two. So boosting steel output will not create nearly as many jobs as it would have in the past.

Even if a particular trade measure succeeds in terms of protecting jobs in a specific sector, it will cost consumers dearly. When the Obama administration imposed special duties on tires imported from

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FOREWORD BY JIMMY CARTER

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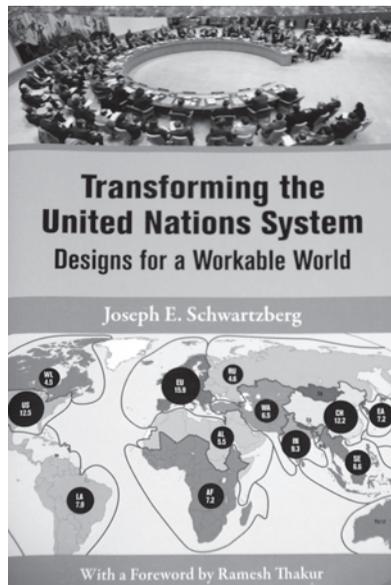
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China in 2009, the measure saved at most about 1,200 jobs—at a cost to consumers, in the form of higher tire prices, of \$900,000 per job. And by pushing U.S. production toward the types of lower-quality tires that the United States had been importing and away from the high-quality tires that U.S. producers specialized in making, the tariff froze American workers in low-end jobs at the expense of high-end ones. No country can protect the jobs of the past without losing the jobs of the future.

Another reason trade protection today makes even less sense than it did three decades ago is that other countries are sure to retaliate in a way that they did not before. Back then, the United States demanded that other countries restrict their exports to the United States. Because foreign suppliers reduced their exports themselves to avoid U.S. punishment, they were able to charge much more for these suddenly scarce goods and earn exceptionally high profits. Although countries such as Japan did not always like restricting their exports, they did not strike back because the United States was not imposing tariffs on them.

Today, such export restrictions would violate WTO rules. If the United States nonetheless arbitrarily imposed steep tariffs or other trade restrictions on imports, other countries would inevitably retaliate against U.S. exports. That would directly threaten U.S. farm and factory workers. In a report released last year, the Department of Commerce estimated that 11.5 million U.S. jobs were supported by exports. Those jobs—which tend to pay above-average wages for manufacturing—would be jeopardized if the United States started slapping taxes on imports. Protectionism is a game that more than one country can play.

Foreign retaliation could even occur if the measures were permissible under WTO rules. In the past, whenever the United States slapped duties on Chinese imports under antidumping provisions allowed by the WTO, China's regulators would suddenly find that U.S. poultry or pork was contaminated and had to be banned, its airlines would start buying from Airbus instead of Boeing, or its food companies would purchase Argentine soybeans and Australian wheat rather than the American equivalents.

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*The mix of macroeconomic policies Trump has promised will likely enlarge, rather than shrink, the trade deficit.*

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Finally, protectionism damages the U.S. economy even when no one retaliates. Trade restrictions increase the price of imported goods—not just for businesses that employ workers but for households, too. The higher prices that these consumers pay for goods affected by import restrictions reduce the amount of money they can spend on other goods. To make matters worse, tariffs on imports also act as a kind of regressive tax. Because poorer households tend to spend proportionately more of their income on tradable goods such as food, clothing, and footwear, they bear a disproportionate burden of import restrictions. You wouldn't know it from listening to most politicians, but low- and middle-income households benefit substantially more from trade than do high-income households.

### **THE TRADE DEFICIT FALLACY**

Import barriers are often proposed as a way to shrink the trade deficit, a particular bugbear of Trump's. Yet it is far from clear that reducing the trade deficit should be a policy priority. Unlike in the 1980s, when the current account deficit was growing rapidly, today, it has remained stable for nearly a decade, at about two to three percent of GDP. Imports are not flooding into the United States; in fact, in 2016, the value of U.S. imports from China fell by four percent from the previous year. Even if one believes that closing the trade gap would boost employment—and the consensus among economists is that it would not—past experience suggests that restricting imports alone would fail to narrow the deficit. The United States had a trade surplus when it imposed the Smoot-Hawley Tariff, but exports fell in step with imports and the trade balance did not budge. In the 1980s, the trade deficit continued to grow in spite of the Reagan administration's protectionist measures.

The trade deficit is impervious to import restrictions, particularly in an era of floating exchange rates, because it is determined not by trade policies but by net capital flows into the United States. As economists have long emphasized, unless domestic savings rise (a good thing) or national investment falls (a bad thing), the United States will be a recipient of capital from abroad. Because the dollar is the world's reserve currency, the closest thing to a safe asset in the global financial system, foreign demand for dollar-denominated assets will remain strong. The continued demand for safe assets means that other countries will use some of their dollar earnings to buy U.S. assets

instead of U.S. goods. This, in turn, means that the United States will continue to buy more from other countries than they do from it.

Ironically, even though Trump has said that he wants to reduce the trade deficit, the mix of macroeconomic policies he has promised will likely enlarge, rather than shrink, it. Just as the Reagan administration discovered, the combination of an expansionary fiscal policy (Trump has promised lower taxes and greater infrastructure spending) and a tighter monetary policy (the Federal Reserve's ongoing response to falling unemployment) will cause the dollar to appreciate against other currencies. In the 1980s, these policies dealt a painful blow to U.S. companies that exported goods or competed against imports. The result was a growing trade deficit and louder calls for protectionist measures. Over the past three years, the dollar has already risen by more than 25 percent compared with other currencies. If the Federal Reserve continues to tighten monetary policy and the fiscal deficit continues to grow, the trade deficit will likely grow, too, despite Trump's trade policies.

### **LEVELING THE PLAYING FIELD**

Even though the case against protectionism remains strong, that does not mean that activist trade policies have no role to play. One thing the Reagan administration did that the Trump administration could usefully emulate was to undertake strong trade-enforcement measures.

Ronald Reagan always insisted that free trade required enforcing the rules. As he put it, "When governments assist their exporters in ways that violate international laws, then the playing field is no longer level, and there is no longer free trade." That's why his administration pursued trade agreements: to establish rules to constrain unfair policies. And yet to reach such agreements, it is sometimes necessary to threaten higher trade barriers. Supporters of free trade often object to such tactics, but even Adam Smith argued that it might be worthwhile for a country to threaten to close its market if the move brought about a change in foreign behavior. Although the Obama administration filed many new cases involving specific products and specific countries with the WTO, such a piecemeal approach falls short of addressing a real and growing problem: whether international competition between private domestic firms and foreign state-owned or state-supported firms can ever truly be fair.

The problem is most acute when it comes to China. China's state banks routinely engage in generous and unprofitable lending that leads

to excess capacity in various industries, such as steel. China produces half of the world's steel, and as its economy has slowed, massive excess capacity has built up in that sector. In a market system, unneeded plants would shut down. But in China, the visible hand of the state is at work, as government-owned banks prop up uneconomic production capacity with cheap credit. China then dumps its surplus steel on other countries, where calls for protectionism grow.

Free-trade supporters are of two minds about foreign subsidies. On the one hand, these subsidies reduce the price paid by U.S. consumers, who should send a thank-you note to foreign taxpayers for their generosity. On the other hand, foreign subsidies distort markets in a way that is costly not only to the subsidizing country but also to other countries. In the countries importing the subsidized goods, plants are idled and workers are laid off—adjustment costs that the subsidizing country avoids. A political backlash can result: when foreign subsidies harm an important domestic industry, free trade gets a bad name and becomes a harder sell at home. As a result, the United States has tended to err on the side of opposing foreign subsidies. It has, for example, attacked Europe's agricultural subsidies as detrimental to American farmers and its subsidies to Airbus as a threat to Boeing, and it has sought agreements to rein in both.

So how should the United States respond to, for example, Chinese steel subsidies? Imposing antidumping duties is not the answer, since they would fail to solve the underlying problem of excess capacity and would punish steel-consuming industries in the United States. Paradoxically, however, threatening reprisals of some sort may be the answer; politely asking China to cut back its steel subsidies would accomplish nothing. Confronting unfair trade practices with the threat of retaliation is not protectionism in the usual sense. Instead, it represents an attempt to free world markets from distortions. In order to return trade to a market basis, Washington may have to threaten trade sanctions, some of which might have to be carried out for the threats to gain credibility. This process will no doubt be disruptive and controversial, but if handled skillfully, the end result could make it worthwhile.

Once again, the 1980s offers useful lessons. In 1985, Reagan used the power granted to him under a provision of U.S. trade law known as Section 301 to attack unfair foreign trade practices, such as the barring of U.S. products from certain markets. Although the U.S.

action prompted bitter foreign protests, Arthur Dunkel, the Swiss director general of the General Agreement on Tariffs and Trade (the predecessor to the WTO), later admitted that it was one of the best things the United States had ever done for the multilateral trading system: it helped unite the world behind an effort to strengthen the rules-based system in the 1986–94 Uruguay Round of international trade negotiations. The WTO's dispute-settlement system has proved remarkably successful and should be supported, but it may not be capable of handling every type of trade disagreement.

A border adjustment tax is another policy currently under consideration that is sometimes labeled as protectionist but need not be. Republicans in the House of Representatives are pushing a major tax reform package that would change the way corporations are taxed. Instead of being based on where goods are produced, the tax would be applied on the basis of where goods end up. The tax would also involve a border adjustment, meaning that it would not be imposed on U.S. exports (which are taxed in other countries) but it would apply to all imports. In essence, the tax burden would shift from goods produced in the United States to goods consumed in the United States.

Such measures are standard practice for countries that have value-added taxes and wish to equalize the tax treatment between domestic and foreign goods, and they are consistent with WTO rules. Whether the particular border adjustment tax that Congress is considering now conforms to WTO rules remains an open question. Still, the principle remains: a border adjustment tax is not protectionist if it does not discriminate in favor of U.S. producers and instead simply ensures that the same tax is imposed on all sellers in the U.S. market, regardless of where their goods are produced.

## **THE FUTURE OF FREE TRADE**

Trump's "America first" trade rhetoric has sparked fears in foreign capitals of a coming trade war. Economists of all political stripes remain deeply skeptical that the protectionist measures the president discussed during the campaign will spur a renaissance of manufacturing production or do much to boost employment.

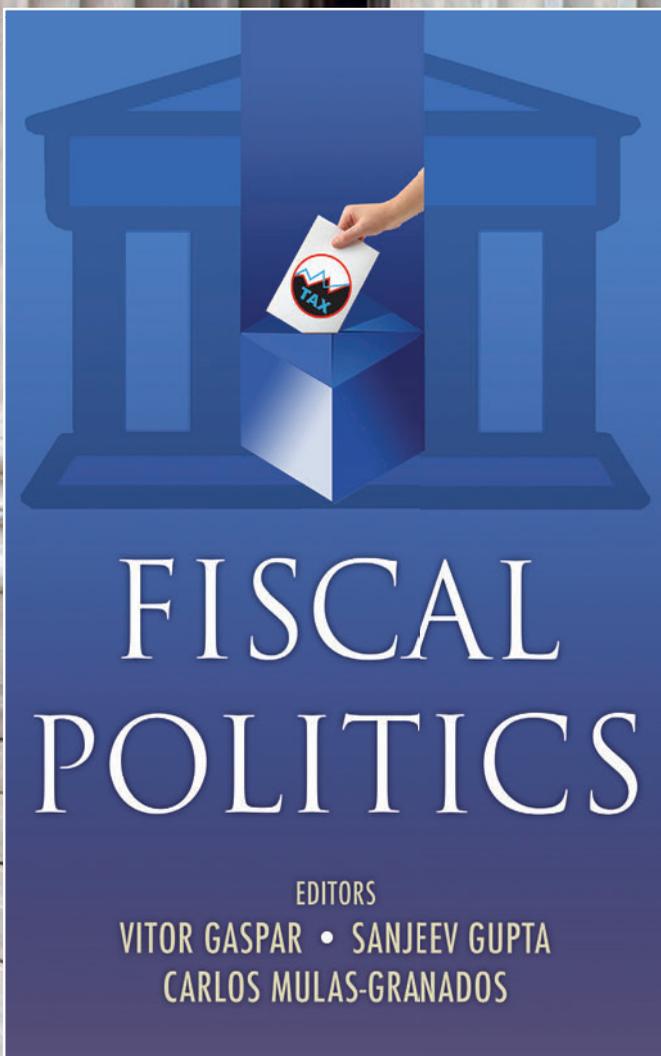
Yet Trump's pronouncements on trade are not just economically problematic; they also raise troubling questions about the United States' place in the world. A turn inward would mean abandoning global leadership, threatening the country's economic and political interests.

Already, the abrupt termination of the TPP has stoked fears of a U.S. retreat from Asia. Trump's saber rattling with Mexico has led to a growing anti-American backlash there. Just consider what happened in Canada after the United States imposed the Smoot-Hawley Tariff. The pro-American, pro-free-trade Liberal government lost power to the protectionist Conservative Party, which promptly retaliated against U.S. exports. In Mexico, the last thing the United States needs is to inadvertently give rise to an anti-American president who returns to economic nationalism and seeks common cause with leftist governments in Cuba and Venezuela.

There is a charitable view of Trump's threats to impose trade barriers, however: that they represent a negotiating tactic to seek new agreements that would scale back other countries' distorting policies. In a January interview with *The New York Times*, Trump called himself "a free trader" but added, "It's got to be reasonably fair." Likewise, the administration has announced that it wants to replace the TPP with a series of bilateral agreements, although it's not clear why a dozen bilateral agreements would prove superior to one regional agreement.

Unfortunately, most of what Trump has said to date suggests that he is interested in protectionism for protectionism's sake. He seems to view international trade as a zero-sum game, in which one country wins and another loses, with the trade balance being the scorecard. "We will follow two simple rules: Buy American and hire American," he said in his inaugural address. But if every country adopted a similar pledge, international trade would shrivel up.

Lessons from the past, such as the trade disaster of the 1930s, suggest that protectionism begets protectionism. Indeed, a poll released in February found that 58 percent of Canadians want their government to fight a trade war if the United States imposes tariffs on Canadian goods. History also reveals that trade barriers are easy to impose and hard to remove. And it can take decades to repair the damage. 🌐



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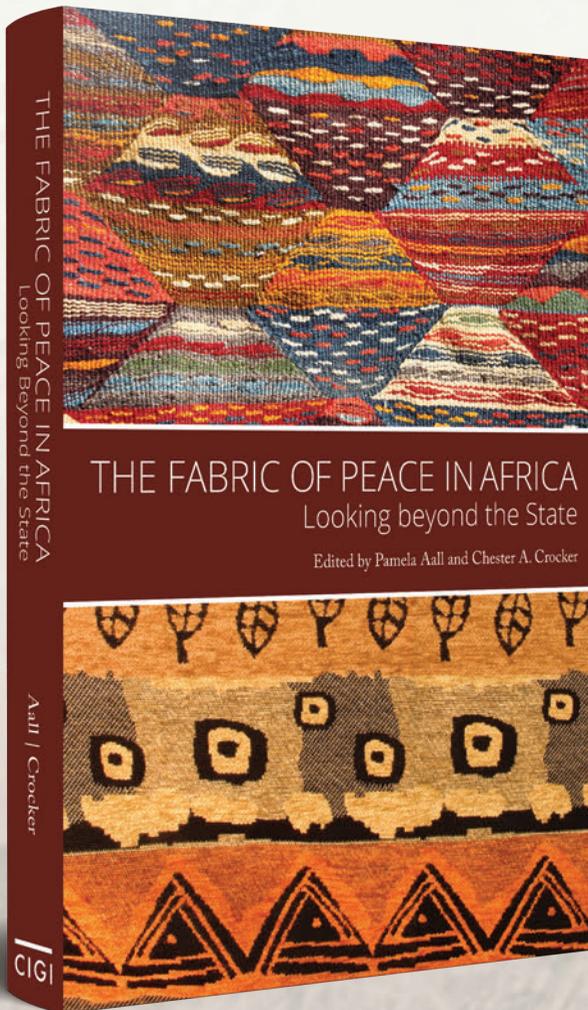
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# Intelligence and the Presidency

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## How to Get It Right

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*Jami Miscik*

**U**.S. presidents and other senior policymakers often come into office knowing little about the 17 federal agencies and offices that make up the U.S. intelligence community, but in short order, they come to rely heavily on its unique technologies, tradecraft, and expert analysis. The intelligence community's mission is to provide national leaders with the best and most timely information available on global affairs and national security issues—information that, in turn, can help those leaders achieve their foreign policy objectives.

The president is the country's top intelligence consumer and the only person who can authorize a covert action, and the services he receives from the intelligence community can be invaluable—providing early warning of brewing trouble, identifying and disrupting threats before they materialize, gaining insight into foreign leaders, and discreetly affecting developments abroad. For the relationship between intelligence producers and consumers to work effectively, however, each needs to understand and trust the other.

### **INFORMATION, NOT POLICY**

The most common misperception about the intelligence community is that it makes policy. It doesn't. As Allen Dulles, the director of central intelligence from 1953 to 1961, once said, "Intelligence is the servant, not the master, of foreign policy." A new administration considers and articulates what it stands for and what it hopes to achieve; it develops policies and informational priorities, and then it deploys the resources of the intelligence community based on those priorities.

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**JAMI MISCIK** is CEO of Kissinger Associates and former Deputy Director for Intelligence at the CIA. She is also Chair of *Foreign Affairs'* Advisory Board.

The intelligence community, in other words, cannot operate in a vacuum. It must be told what to look for and what is most important. The White House must be disciplined in its tasking; if everything is a priority, then nothing is. Moreover, it needs to remain engaged and update its thinking. Over time, some issues will rise in importance and some will fall. Without regular dialogue and guidance, the intelligence community will do what it can to respond appropriately to global changes and improvise ways to balance competing requests. But the tradeoffs will often go unnoticed by senior policymakers until a crisis exposes deficiencies in intelligence collection.

The intelligence community needs to have close and regular access to all senior national security policymakers, including the president, the vice president, the secretary of state, the secretary of defense, the secretary of homeland security, and the national security adviser. If the producers of intelligence don't know the status of ongoing operations and negotiations, then their product will not be responsive to the consumers' needs and will be dismissed as irrelevant. And the window of policy relevance is open only briefly. The reward for warning about something too early is to be ignored, and the reward for warning too late is to risk becoming the latest example of intelligence failure.

In order to work well together during a crisis, when the stakes are highest, intelligence producers and consumers need to have established a good working relationship long before the crisis hits. Personal connections and regular briefings can help establish trust and mutual understanding. Noncrisis periods are opportunities to work on the relationship and prepare for the future, because when a crisis does hit, there is no time for on-the-job training and coming up to speed on how to best utilize intelligence assets.

The intelligence community's relationship with senior policymakers must be close and trusted, or else neither party will be able to do its job well. At the same time, intelligence professionals have to be careful not to get drawn into policy debates or partisan politics. Should a president or a cabinet member ask intelligence officers for an opinion on policy, the officers should refuse to give it, because that is not their remit; they do not make policy. The training and culture of intelligence officers underscore this ethos.

The American system of government requires a new president to place his full trust in an intelligence community that loyally served his predecessor right up until the inauguration. This is a lot to ask,



*Truth tellers: at the headquarters of the CIA, in Virginia, August 2008*

especially if senior administration figures have little experience with the intelligence community. The potential for distrust is high, but intelligence officers are loyal, trustworthy, and committed to serving the presidency. They serve without regard to political affiliation and are trained to present their findings without personal or political agendas.

Reading a report from a CIA officer in the field, a former White House official once asked, “Is he a Republican or a Democrat?” Not only did the briefer not know, but as would most of his colleagues, he found the very premise of the question abhorrent. The new administration should take care not to make assumptions about the political leanings of the intelligence community or infer that it knows how intelligence officers voted. Unlike in other U.S. government departments, where there are many political appointees, in the intelligence community, most members are careerists who have served under both Democratic and Republican administrations. The whole point of the National Security Act of 1947, which codified modern governmental arrangements, was to foster a professional national security community inoculated against partisan politics. This is why public concerns were raised when a political adviser was added to the National Security Council’s Principals Committee.

When intelligence officers brief senior policymakers, they are there to do a job, not to be loved or to score political points. A former director

of central intelligence likened it to being the skunk at the garden party: frequently, the job is to tell policymakers what they do not want to hear. Senior administration officials are invested in the policies of their administration, but intelligence officers are not. It is the essence of the intelligence community's creed to speak truth to power, and those who do so responsibly are considered heroes of the profession.

### **GREAT EXPECTATIONS**

At the start of a new administration, policymakers should have realistic expectations of what intelligence can and cannot do. Many assume that the intelligence community tries to predict the future. It does not. Intelligence officers present the intelligence that has been collected, assess it, and evaluate possible actions and outcomes. They anticipate possible contingencies and warn about possible dangers, but they do not try to predict results. The relationship between intelligence officers and policymakers resembles that of scouts and coaches. A scout is responsible for studying the strengths, weaknesses, and tendencies of the other team. The scout's job is to provide data and insights on the opposition. Armed with that information, the coach can then decide how to deploy the team and what plays to execute. The scout's goal is to help the coach win, but nobody expects the scout to correctly predict the final score before the game is played.

Policymakers new to government must understand that intelligence operates in a world of uncertainties and changing realities. As Clausewitz noted, "Many intelligence reports in war are contradictory; even more are false, and most are uncertain. . . . In short, most intelligence is false." All too often, this remains true today. But false or incorrect is not fake, nor is it necessarily failure. Intelligence officers are forced to deal with partial bits of information, some sources who faithfully report inaccurate information that they mistakenly believe is correct, and other sources who are deliberately trying to mislead and deceive. Intelligence is cumulative, moreover, and earlier reports may prove less accurate than later ones. As more intelligence is collected, analysts can dismiss some reports that they had once credited. This natural and correct dynamic should not be seen as waffling or simply changing the story. It is actually how increasingly sophisticated answers to intelligence puzzles emerge.

When the intelligence community gets it wrong, it must own its mistakes. These professionals owe the country, the president, and themselves an understanding of what went wrong, why, and what measures have been taken to ensure the same mistakes are not repeated. That is exactly what I believed the CIA needed in the aftermath of the invasion of Iraq in 2003, when no stockpiles of weapons of mass destruction were found, completely contrary to our judgments. I put together a special team to find out where we had gone wrong, and then, borrowing a practice from the U.S. Navy, I ordered a “safety stand-down” for all the analysts at the CIA to ensure that the lessons learned were conveyed to everybody, not just those who had worked on Iraq. In a culture of secrets, some may try to gloss over problems in hopes that the mistakes are never discovered. It is incumbent on the leadership of the intelligence community to hold their officers accountable and demand that mistakes be acknowledged, analyzed, and rectified.

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*It is the essence of the intelligence community's creed to speak truth to power.*

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Policymakers should be able to aggressively question analytic judgments and raw reporting without being accused of politicizing intelligence. Politicization can occur only when intelligence professionals alter their findings to meet policymakers' desires. Aggressive questioning should be welcomed, in fact, because it forces analysts to defend their reasoning and leads to deeper understanding of the raw reporting that underlies their judgments. Policymakers need to understand not only what the intelligence community knows but also what it doesn't know. Having learned from the mistakes made about Iraq, the intelligence community now carefully conveys the level of confidence it places on the judgments it makes. Policymakers should also ask what could cause these judgments to change, what are the truly critical factors on which each judgment rests—“linchpin analysis,” in intelligence speak.

Policymakers sometimes go too far and try to intimidate analysts into changing or shading their judgments to fit a political objective. When that doesn't work, some have gone so far as to set up their own intelligence shops, as Secretary of Defense Donald Rumsfeld and Deputy Secretary of Defense Paul Wolfowitz did in establishing the Office of Special Plans at the Pentagon in the run-up to the Iraq war to find politically desired linkages between Saddam Hussein and

al Qaeda. But policymakers cannot politicize intelligence professionals who refuse to go along.

### **RISKY BUSINESS**

To gain an edge over their targets, intelligence officers have to take risks. They must face unimaginable dangers and overcome incredible obstacles just to collect small but critical fragments of an unknown story. The essential national service they provide should not be dismissed, minimized, or overlooked by the president or senior policymakers. Law enforcement officers, first responders, and members of the military and intelligence services are the only Americans who voluntarily agree to run mortal risks for their fellow citizens. The CIA's memorial wall honors 117 officers who died in the line of duty; many of them still remain undercover. As George Tenet, the former director of central intelligence, has said, their families and colleagues must have "the courage to bear great grief in silence." Their service and that of currently serving officers should be respected.

When using intelligence, policymakers need to be risk takers of a different kind. They might base a decision on intelligence that turns out to be wrong. A presidentially approved covert operation may be blown, leading to death, embarrassment, or retaliation. A foreign leader may learn that U.S. intelligence has been monitoring his or her phone calls. Skiers, when renting equipment, sign a waiver that begins with the phrase, "Skiing is an inherently dangerous sport." National security policymakers should mentally sign a similar waiver—and in practice ask themselves, "How much risk are we willing to take?"

Faced with the complexities of international crises, presidents are often drawn to the option of covert action. As Henry Kissinger once described it, "We need an intelligence community that, in certain complicated situations, can defend the American national interest in the gray areas where military operations are not suitable and diplomacy cannot operate." Covert action can range from propaganda to coup plotting to paramilitary operations. Used judiciously, it can be an effective foreign policy tool, but it cannot substitute for not having a policy in the first place.

Covert actions pose three risks for policymakers: exposure, failure, and the blowback of unintended consequences. Traditionally, covert action was the mandate solely of the CIA, with operations requiring a finding personally signed by the president and timely notification of

Congress. In recent years, under the guise of force protection or battlefield preparation, the U.S. military has conducted intelligence activities abroad that would have required a covert-action finding if conducted by the CIA. New policymakers with appropriate clearances will need to fully understand the extent of this activity and the potential risks engendered by it.

Both policymakers and the intelligence community are accountable to the American people, yet ensuring such accountability can be difficult. The public understands that the intelligence community must keep secrets, but that very secrecy can fuel concerns about government overreach. These days, it is not always clear where a foreign threat ends and a domestic threat begins, and government agencies need to share intelligence in order to prevent disasters. However, given the power and reach of U.S. capabilities for intercepting communications, such sharing raises legitimate concerns about civil liberties and privacy.

A healthy conversation and debate on these issues are both necessary and wise. The intelligence community does not ignore such concerns, but often, it wants to address the tension between collection and protection in classified venues such as the Foreign Intelligence Surveillance Court, the National Security Council, or the congressional intelligence oversight committees. But those concerned with civil liberties want them addressed in the public domain. However the balance is achieved, the American people must be confident that the internal controls are appropriate and that external oversight has sufficient visibility to be effective.

## **FORWARD GUIDANCE**

To meet current and future challenges, the U.S. intelligence community must constantly innovate and improve. A new administration can bring a fresh perspective on how best to organize and modernize the community, and positive change should be embraced and welcomed by intelligence professionals. The new national security team, however, needs to balance a desire for change against the potential disruption drastic change may cause in the intelligence mission. Although disruption can be a positive force in technology and business, in the intelligence community, it could carry serious risks.

Future relations between intelligence producers and consumers in Washington remain uncertain. The gravity of the presidency and the weight of the decisions the president alone must make almost inevitably change the person who sits behind the desk. As the complexities of the

international challenges facing the United States become clear, the value of intelligence in dealing with those challenges may lead senior administration officials to rely more heavily on the intelligence community. Mike Pompeo, the director of the CIA; Gina Haspel, the deputy director; and Dan Coats, the director of national intelligence, are well positioned to lead the community into the future. But the importance of the intelligence community's relationship with the president himself cannot be overstated. If human sources don't believe that their intelligence will make a difference, they may not take the extra chance to meet with a case officer. If friendly foreign intelligence services believe that their most sensitive information might be leaked to the public as part of political score-settling, they will hold back and be disinclined to share. Leaders of the intelligence community must be able to walk into the president's office at any time and be received openly and professionally.

The members of the U.S. intelligence community serve their country proudly and help it remain strong. Their professionalism is a bulwark of American democracy, and they should be respected for the work they do. Unless quickly rectified, policymakers' misconceptions about intelligence professionals and their motivations could endanger U.S. national security. The relationship needs to be recalibrated, with policymakers gaining a deeper understanding of and appreciation for the work of intelligence professionals—a mission in which “alternative facts” have no place. 🌐

# Getting Tough on North Korea

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## How to Hit Pyongyang Where It Hurts

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*Joshua Stanton, Sung-Yoon Lee, and Bruce Klingner*

**F**or the past quarter century, the United States and South Korea have tried to convince North Korea to abandon its nuclear aspirations. Beginning in the early 1990s, Washington attempted to bargain with Pyongyang, while Seoul pursued a strategy of economic engagement, effectively subsidizing Pyongyang with aid and investment even as it continued to develop nuclear weapons. Then, after North Korea tested an atomic bomb in 2006, the United States pressed the UN Security Council to impose sanctions on North Korea. Yet at the urging of South Korea and for fear of angering China, the United States failed to use its full diplomatic and financial power to enforce those sanctions. All along, the goal has been to induce North Korea to open up to the outside world and roll back its nuclear and missile programs.

This combination of sanctions and subsidies has failed. North Korea already possesses the ability to hit Japan and South Korea with nuclear weapons and will soon have the ability to hit the continental United States with one. Despite what some in Washington and Seoul want to believe, the country's leader, Kim Jong Un, is no reformer. He has staked his legitimacy on perfecting the nuclear arsenal his father and grandfather bought at the cost of billions of dollars and

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**JOSHUA STANTON** is an attorney in Washington, D.C., and was the principal drafter of the legislation that later became the North Korea Sanctions and Policy Enhancement Act of 2016. Follow him on Twitter @freekorea\_us.

**SUNG-YOON LEE** is Kim Koo-Korea Foundation Professor in Korean Studies at Tufts University's Fletcher School of Law and Diplomacy.

**BRUCE KLINGNER** is Senior Research Fellow for Northeast Asia at the Heritage Foundation. Follow him on Twitter @BruceKlingner.

millions of lives. If he will disarm at all, he will do so only under duress so extreme that it threatens the survival of his regime.

To protect the United States and its allies from the North Korean threat and prevent further nuclear proliferation, the Trump administration must end the incoherent policy of simultaneously sanctioning and subsidizing Pyongyang. Instead, it should crack down on the foreign financial dealings of North Korean officials and companies and the foreign states that help them. The world is facing its greatest nuclear emergency since the Cuban missile crisis. It's past time for the United States to act decisively.

### **ROGUE STATE**

For decades, North Korea has represented a second-tier crisis for the United States—never topping Iran, for example, as a nonproliferation priority, or Sudan as a humanitarian priority, or Iraq as a security priority. Every president since Bill Clinton has played for time, hoping that the North Korean regime would collapse while doing nothing to undermine it, and at times even propping it up with aid and by relaxing sanctions. The last three administrations cut a series of deals that traded hard cash for false promises. Time and again, North Korea agreed to dismantle its nuclear weapons program but did not.

In 1994, Clinton signed the first U.S. deal with Pyongyang: a pact, known as the Agreed Framework, that offered generous fuel aid and help building two expensive nuclear power reactors in return for promises from North Korea's then leader, Kim Jong Il, to halt both his uranium- and his plutonium-based nuclear programs. In 2002, U.S. President George W. Bush, having learned that Pyongyang was cheating by secretly enriching uranium, responded by stopping the flow of aid. After that, Kim pulled out of the agreement, withdrew from the Nuclear Nonproliferation Treaty, and restarted his plutonium reactor. Despite this history, Bush signed his own agreement with North Korea in 2007, under which he allowed North Korean entities to use the dollar system, provided more aid, relaxed sanctions, and removed the country from the list of state sponsors of terrorism. Within a year, Pyongyang balked at signing a verification protocol, and the deal collapsed as Bush left office.

U.S. President Barack Obama entered office promising to reach out a hand if Kim would unclench his fist. Within months, Kim answered by testing first a long-range missile and then a nuclear device.



*Special delivery: unloading North Korean coal in Dandong, China, December 2010*

Yet Obama persisted in his outreach to Pyongyang. Under the 2012 Leap Day agreement, the United States promised North Korea aid in exchange for a freeze of its nuclear and missile tests. Just six weeks after agreeing to the deal, Pyongyang tested a long-range missile.

The lesson to be learned from all these experiences is clear: yet another piece of paper will not resolve the United States' differences with North Korea. After all, Pyongyang has already signed and then unilaterally withdrawn from two International Atomic Energy Agency safeguards agreements and the Nuclear Nonproliferation Treaty and violated an inter-Korean denuclearization agreement, the 1994 Agreed Framework, a 2005 joint statement, and both the 2007 and the 2012 agreements.

### **MONEY FOR NOTHING**

While Washington negotiated deal after deal with Pyongyang, Seoul pursued a program of economic aid and subsidized investment in North Korea, hoping to draw it into the global economy, sow the seeds of capitalism, and gradually liberalize its regime. Between 1991 and 2015, Seoul poured at least \$7 billion into Pyongyang's coffers. The United States contributed an additional \$1.3 billion in aid, and private investment from China, South Korea, and Europe likely contributed billions more. The heyday of engagement, known in South Korea

as “the sunshine policy,” lasted from 1998 to 2008, under the presidencies of Kim Dae-jung and Roh Moo-hyun. The cash that the sunshine policy provided Kim came just in time to rescue him from a spiraling economic crisis that had already led to a major mutiny within the North Korean army.

The failure of engagement was just as inevitable as the failure of the Agreed Framework. Its premise—that capitalism would spur liberalism in a despotic state—was flawed. After all, over the past two decades, both China and Russia have cracked down on domestic dissent and threatened the United States and its allies abroad, even as they have cautiously welcomed in capitalism. In 2003, even as it cashed Seoul’s checks, Pyongyang warned party officials in the state newspaper that “it is the imperialist’s old trick to carry out ideological and cultural infiltration prior to their launching of an aggression openly.” For the regime, engagement was a “silent, crafty and villainous method of aggression, intervention and domination.” Given this attitude, it’s no surprise that Kim Jong Il never opened up North Korea. The political change that engagement advocates promised was exactly what he feared the most.

North Korea did allow a few capitalist enclaves to be built. But while Pyongyang collected the financial windfall, it carefully isolated the enclaves from the rest of North Korean society. Starting in 2002, South Korean tourists booked overpriced and closely supervised hikes along the scenic but secluded Kungang Mountain trail in North Korea’s southeastern corner. (The tours abruptly ended in 2008, when a North Korean soldier shot and killed a South Korean woman as she took an unauthorized morning walk.) And beginning in 2004, South Korean companies employed thousands of North Korean workers at the Kaesong Industrial Complex, an inter-Korean factory park a few miles north of the demilitarized zone. By 2015, the companies in Kaesong employed over 54,000 North Koreans. (The regime probably stole most of the laborers’ low wages.)

In 2016, after North Korea’s fourth nuclear test and a missile launch, Seoul finally conceded that Pyongyang was probably using revenues from Kaesong to fund its nuclear program and withdrew from the project. The leading candidate in South Korea’s presidential election this year, Moon Jae-in, has called for the Kaesong complex to reopen and expand, but a UN Security Council resolution passed in 2016 bans the kind of “public and private financial support” for trade with North

Korea that kept the industrial complex afloat, absent approval from a UN committee, approval that the United States could—and should—block.

Engagement has not changed Pyongyang, but it has often corrupted the engagers. Take the case of the Associated Press. In 2012, when it opened a bureau in Pyongyang, it promised to chart “a path to vastly larger understanding,” while following “the same standards and practices as AP bureaus worldwide,” to “reflect accurately” the lives of the North Korean people. Yet it is the AP, not North Korea, that has been compromised, by submitting to censorship and broadcasting the regime’s propaganda around the world, at the same time overlooking newsworthy events—such as an apartment collapse and a hotel fire—that took place just minutes from its bureau. Meanwhile, the foreign tour agencies that promote themselves as agents of glasnost have done little more than supply the North Korean government with hard currency—and, occasionally, hostages—while shuttling tourists through a circuit of propaganda spectacles. The Pyongyang University of Science and Technology was founded by Christian missionaries in 2010 to, in the founders’ words, help North Korea “contribute as a member within the international community.” But defectors

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*U.S. relations with  
Pyongyang will have  
to get worse before  
they can get better.*

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have alleged that the regime is using the university to train hackers. And to avoid expulsion or imprisonment, aid workers in North Korea must collaborate with the government’s discriminatory rationing system, which favors those citizens it deems the most loyal to the state.

The promised results of engagement have never materialized. Since the death of his father, Kim Jong Un has accelerated the pace of North Korea’s nuclear and missile tests, stamped out foreign media, and tightened the seals on the country’s already closed borders. He has expanded prison camps and carried out bloody purges, and he even seems to have sent a team of assassins to murder his half brother in a Malaysian airport earlier this year. Pyongyang’s party elites are richer than they were ten years ago, but they also live in greater fear of falling out of favor with the regime and are defecting in greater numbers. Although there is no wide-scale famine of the type that ravaged North Korea’s countryside in the 1990s, most North Koreans barely scrape together enough to eat.

North Korean society has changed in the past two-plus decades. Markets now provide people with most of their food, consumer goods,

and information. Yet as the economists Marcus Noland and Stephan Haggard have documented, those changes have occurred despite, not because of, official efforts. They have been driven by the country's poorest and most marginalized people, those who turned to smuggling to earn a living, often at the risk of death or life in a prison camp. The United States and its allies should focus on these signs of real change, not on brokering yet another deal with the regime that would only perpetuate the status quo.

### **GOOD COP, GOOD COP**

In 2006, after more than a decade of negotiations and aid shipments, North Korea conducted its first nuclear test. In response, the UN Security Council approved a series of sanctions resolutions, and the United States began a halfhearted campaign to use its own sanctions to pressure North Korea into disarming. Bush and Obama talked tough after various nuclear tests, but both failed to back up their words with action. Worse still, continued economic aid and investment canceled out much of the effect of the sanctions.

The lax enforcement of sanctions allowed Pyongyang to launder the money that paid for its nuclear arsenal and perpetuated its crimes against humanity through banks in the United States. Pyongyang earned much of that money from illicit activities and mingled dirty funds with legitimate profits to conceal the dirty money's origin. As reports from the UN and documents from the U.S. Justice Department confirm, North Korea continues to pay, receive, and store most of its funds in U.S. dollars. The U.S. Treasury Department could end this practice, because nearly all transactions denominated in dollars must pass through U.S. banks.

From late 2005 to early 2007, it did just that. Treasury Department officials warned bankers around the world that North Korean funds were derived in part from drug dealing, counterfeiting, and arms sales and that by transacting in those funds, banks risked losing their access to the dollar system. To show that they were serious, officials targeted Banco Delta Asia, a small bank in Macao that was laundering illicit funds for North Korea, and blocked its access to the dollar system. After that, other banks around the world froze or closed North Korean accounts, fearing similar sanctions or bad publicity. Even the state-owned Bank of China refused to follow the Chinese government's request to transfer funds from the tainted Banco Delta Asia to other accounts controlled by Pyongyang. As Juan Zarate, a former U.S. Treasury official, has

explained, the U.S. effort “isolat[ed] Pyongyang from the international financial system to an unprecedented degree.” The episode also showed that when the interests of Chinese banks diverge from those of the Chinese government, the banks will protect their access to the dollar system. As Zarate recounted, “Perhaps the most important lesson was that the Chinese could in fact be moved to follow the U.S. Treasury’s lead and act against their own stated foreign policy and political interests.”

Yet in early 2007, as part of Bush’s effort to denuclearize North Korea, the Treasury Department returned to its policy of letting most of Pyongyang’s dollars flow freely through the U.S. banking system. By July 2014, the Treasury Department had frozen the assets of just 43 (mostly low-ranking) people and entities in North Korea, compared with about 50 in Belarus (including its president and his cabinet), 161 in Zimbabwe, 164 in Myanmar (including its junta and its top banks), nearly 400 in Cuba, and more than 800 in Iran. Foreign banks that processed transactions for Cuba, Iran, or Myanmar risked getting hit with secondary sanctions and multimillion-dollar fines. The result was that many banks avoided doing business with those countries altogether. But doing business with North Korea posed no such risks and so continued freely, until last February, when Congress passed the North Korea Sanctions and Policy Enhancement Act. The law banned North Korean banks from processing payments through the dollar system. But because the restriction did not take effect until last November, it is too early to gauge its effects. It took three years for strong, well-enforced sanctions on Iran to begin to bite.

UN sanctions look strong on paper, but member states have often failed to enforce them. China, in particular, has made a show of voting for each round of sanctions, only to flagrantly violate each of them. China’s state-owned companies have sold missile trucks to Pyongyang; its banks have laundered the regime’s money; its government has allowed UN-sanctioned companies and the North Korean hackers who attacked Sony Pictures in 2014 to operate on its soil; and its ports have allowed the transshipment of arms, materials for North Korea’s nuclear and missile programs, and luxury goods headed to North Korea—all without fear of punishment.

Other countries deserve a share of the blame, as well. Until 2016, South Korea let approximately \$100 million a year flow into Pyong-

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*China has made a show of voting for each round of sanctions, only to flagrantly violate each of them.*

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yang through Kaesong without questioning how Pyongyang used the money, despite UN resolutions requiring Seoul to ensure that the North Korean regime would not use South Korean funds for its nuclear program. The fleet of ships that North Korea uses to smuggle weapons has flown Cambodian and Mongolian flags; its nuclear and missile scientists have visited Indian and Russian laboratories; its slave laborers have toiled at Qatari construction sites, Malaysian mines, and Polish shipyards; its military has trained Ugandan pilots and built weapons for Iran and Namibia; its doctors have sold quack medicines in Tanzania; and its generals have bought Swiss watches. In testimony before a U.S. congressional committee in 2015, the scholar Larry Nicksch estimated that North Korea receives over \$2 billion a year from “various forms of collaboration” with Iran alone. The cash that Pyongyang has gained by disrupting sanctions enforcement may be modest by global standards, but it has been enough to keep the regime in power and advance its nuclear program.

### **TURNING THE SCREWS**

North Korea’s fourth nuclear test, in January 2016, forced the United States and South Korea to apply more coherent financial and diplomatic pressure. Seoul could hardly ask other governments to enforce the sanctions when it was violating them itself in Kaesong. Closing the industrial complex there allowed it to use its substantial diplomatic influence to persuade allies to crack down on North Korea.

In Washington, the passage of the North Korea Sanctions and Policy Enhancement Act forced the Obama administration to designate North Korea a money-laundering concern under the Patriot Act and label several North Koreans, including Kim, human rights abusers. Today, the U.S. Treasury Department has frozen the dollar assets of about 200 North Korean entities. This number represents progress, but it does not approach the level of pressure applied to Iran. Nor does it represent a determined effort to find and freeze North Korea’s money-laundering network. Another UN Security Council resolution, passed in November 2016, aimed to coax wavering states to enforce UN sanctions against North Korea, but absent a threat of secondary sanctions, Fiji and Tanzania will continue to reflag North Korean ships, Iran and Syria will continue to buy North Korean weapons, Namibia will continue to host a North Korean arms factory, and Chinese banks will continue to launder North Korean cash.

In September 2016, in the wake of North Korea's fifth nuclear test, the United States for the first time indicted a Chinese firm for breaking UN and U.S. sanctions and seized its Chinese bank accounts. According to the indictment, the Dandong Hongxiang Industrial Development Company knowingly helped a sanctioned North Korean bank launder millions of dollars through U.S. banks. But the Obama administration stopped short of going after the Chinese banks that had facilitated the scheme, even though both UN sanctions resolutions and U.S. Treasury Department regulations obligated the banks to investigate and report the company's suspicious activities. That was a mistake: sanctions will not work if Chinese banks continue to break them, and Chinese banks will not enforce the sanctions until the United States begins penalizing violators. Indeed, it was secondary sanctions that isolated North Korea from 2005 to 2007, helped force Myanmar to accept political reforms in 2012, and got Iran to return to the negotiating table in 2014.

### **BEEN THERE, TRIED THAT**

Doves in the United States and South Korea still call for a return to economic engagement and even a halt to joint U.S.–South Korean military exercises, in the hope that North Korea will reciprocate by freezing its nuclear program. Yet Obama repeatedly attempted to negotiate, all for naught. In 2009, then former President Clinton flew to Pyongyang to meet with Kim Jong Il. He won the release of two American journalists and invited the North to denuclearization talks, but Pyongyang declined the invitation. Later that year, Stephen Bosworth, the U.S. special representative for North Korea policy, visited Pyongyang to invite the government back to the negotiating table and came back empty-handed. In 2013, Obama tried to send Robert King, the U.S. special envoy for North Korean human rights issues, to Pyongyang, but North Korea canceled the visit at the last moment. Shortly before the January 2016 nuclear test, U.S. and North Korean diplomats discussed the possibility of starting negotiations for a peace treaty, but Pyongyang insisted that its nuclear program would not be on the agenda.

Diplomacy has failed because Pyongyang remains determined to build its nuclear arsenal. Resuming talks would achieve nothing, as Pyongyang will not freeze its nuclear and missile programs when it is so close to attaining an effective arsenal. Any U.S. concessions without irreversible progress toward disarmament would do more harm

than good. Suspending U.S.–South Korean military exercises would degrade the readiness of U.S. and South Korean forces at a time when North Korean missiles are still aimed at South Korean cities. And yet Pyongyang will use any resumption of exercises as an excuse to restart its nuclear reactors and missile tests. It will exploit any enforcement of UN sanctions, any interception of a North Korean arms shipment, any acceptance of a North Korean defector, or any criticism of North Korea's crimes against humanity in the same way.

North Korea now says that it will denuclearize only after the United States and South Korea negotiate a peace treaty with it to formally end the Korean War. But Pyongyang does not want peace, or even a peace treaty. It wants a peace-treaty negotiation—the more protracted and inconclusive, the better. By drawing the United States into a peace process, the North hopes to blunt criticism of its crimes against humanity, legitimize its regime, get South Korea to lower its defenses, induce the United States and the UN to lift sanctions, and eventually get U.S. forces to withdraw from South Korea. Yet Pyongyang would ultimately rebuff U.S. requests for verification and would meet any new concessions with yet more demands and more provocations.

### **NO MORE MR. NICE GUY**

The only remaining hope for denuclearizing North Korea peacefully lies in convincing it that it must disarm and reform or perish. Doing that will require the United States to embark on an unrelenting campaign of political subversion and financial isolation. The United States should begin by fining and sanctioning the Chinese banks that illegally maintain relationships with North Korean banks and fail to report suspicious North Korean transactions to the U.S. Treasury Department. The Treasury Department should also require banks to report North Korean ownership of offshore assets. The United States and South Korea should facilitate high-level defections by North Korean diplomats of the kind that exposed large parts of Pyongyang's money-laundering network last year. As Fredrick Vincenzo, a commander in the U.S. Navy, argued in a paper last October, the United States and South Korea should try to convince elites in Pyongyang that they have a future in a free, democratic, united Korea, and that in the event of war, the United States will hold them accountable for any attacks on civilian targets in South Korea. The United States and South Korea should also threaten to prosecute those involved in Pyongyang's ongoing

crimes against the North Korean people and promise clemency for those who mitigate them.

Because Pyongyang has so consistently reneged on its agreements, the United States must continue to pursue the regime's assets until it has permanently and verifiably disarmed. Until then, Washington should work with UN aid agencies to allow Pyongyang to buy and import only the food, medicine, and other goods required to meet the humanitarian needs of the North Korean people. Washington should release blocked North Korean funds only in exchange for verified progress toward the freeze, disablement, and dismantlement of Pyongyang's nuclear and missile programs; the withdrawal of the artillery that threatens Seoul; and humanitarian reforms. As long as North Korea remains a closed society, outside inspectors will find it impossible to verify its disarmament. Only financial coercion stands any reasonable chance of getting North Korea to take the path that sanctions forced on Myanmar: incrementally opening up its society.

Effective sanctions require years of investigation and coalition building; they cannot be turned on and off in an instant. So this strategy will take time, determination, and a willingness to accept that U.S. relations with Pyongyang will have to get worse before they can get better. The same is true of U.S. relations with Beijing. In response to tough sanctions on North Korea, China will likely impose import tariffs on goods from South Korea, Japan, and the United States; increase its domestic anti-American rhetoric; take aggressive military steps in the Pacific; and attempt to circumvent the sanctions by sending food and other goods to Pyongyang. Yet Beijing wants neither a major trade war nor a military conflict. And Chinese banks and trading companies have shown that they value their access to the U.S. economy more than their business with North Korea.

China will be most likely to put diplomatic and financial pressure on North Korea if it believes that failing to do so will lead the United States to destabilize the regime on its northeastern border. Accordingly, Washington must make clear to both Kim Jong Un and Chinese President Xi Jinping that it would prefer the regime's chaotic collapse to a stable, nuclear-armed North Korea. The missing ingredient in U.S. diplomacy with Pyongyang has been not trust but leverage—and the willingness to use it. Washington must threaten the one thing that Pyongyang values more than its nuclear weapons: its survival. 🌐

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# Iran's Next Supreme Leader

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## The Islamic Republic After Khamenei

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*Sanam Vakil and Hossein Rassam*

**O**n July 17, 2016, Ayatollah Ali Khamenei, Iran's supreme leader, turned 77. Rumors that he suffers from cancer have circulated for over a decade, and in 2014, the state-run news agency published photos of him recovering from prostate surgery. Although Khamenei's prognosis remains closely guarded, the Iranian government is evidently treating his succession with urgency. In December 2015, Ali Akbar Hashemi Rafsanjani, a former president and a kingmaker, broached the usually taboo subject when he publicly admitted that a council within the Assembly of Experts, the body that selects the supreme leader, was already vetting potential successors. And last March, after new members of the assembly were elected to an eight-year term, Khamenei himself called the probability that they would have to select his replacement "not low."

The death of Khamenei will mark the biggest political change in the Islamic Republic since the death of the last supreme leader—Ayatollah Ruhollah Khomeini, the revolutionary founding father—in 1989. The supreme leader is the most powerful person in Iran, with absolute authority over all parts of the state. A new person in that position could dramatically alter the direction and tenor of Iran's foreign and domestic policies.

But those hoping for a kinder, gentler Iran are likely to be disappointed. Since he took power in 1989, Khamenei has steadily built an intricate security, intelligence, and economic superstructure composed of underlings who are fiercely loyal to him and his definition of the Islamic Republic, a network that can be called Iran's "deep

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**SANAM VAKIL** is an Associate Fellow at Chatham House and a Professorial Lecturer at Johns Hopkins University's SAIS Europe.

**HOSSEIN RASSAM** is Director of Rastah Idealogistics and a former adviser on Iran to the British Foreign and Commonwealth Office.



*Superdelegates: the Assembly of Experts meeting in Tehran, March 2012*

state.” When Khamenei dies, the deep state will ensure that whoever replaces him shares its hard-line views and is committed to protecting its interests.

## **PAST IS PROLOGUE**

When Khomeini died, observers considered Khamenei just one of a handful of possible replacements—and not even the likeliest. A 50-year-old midranking cleric at the time, Khamenei lacked Khomeini’s towering stature. But at a meeting on June 4, 1989, the day after Khomeini’s death, Rafsanjani, a close confidant of Khomeini, told the assembly that Khomeini had considered Khamenei qualified for the job. The group elected Khamenei by a vote of 60 to 14.

Khamenei pledged to maintain stability as supreme leader, saying in a speech the year he took over, “I assure you, Iran continues on the path of the Islamic Revolution and has not diverged from its principles.” In fact, however, he immediately began ushering in dramatic changes to Iran’s political system. Given Khamenei’s middling clerical rank—he was only an ayatollah and not a grand ayatollah, or *marja*—his election technically violated the Iranian constitution. So the political establishment quickly put to a referendum a series of constitutional revisions that Khomeini had already approved in an effort to reduce factional tensions after his death. Not only did these

downgrade the required clerical qualifications for supreme leader; they also increased the position's authority.

The changes eliminated the possibility of a three- or five-person leadership council should the Assembly of Experts fail to elect a supreme leader. The word "absolute" was added before a description of the supreme leader's authority in the article specifying the separation of powers, thereby maximizing his control over Iran's executive, legislative, and judicial branches. Another article was rewritten to give the supreme leader extensive new powers, including the authority to resolve "issues in the system that cannot be settled by ordinary means" through a new constitutional body called the Expediency Council. These modifications put an unprecedented amount of power in the hands of the new supreme leader. And in the ensuing years, Khomeini proved determined to use it.

### **THE RISE OF THE DEEP STATE**

Under Khomeini, the Islamic Republic had been divided. On the left were those who sought to preserve state control over the economy and impose moderate cultural policies. On the right were those who frowned at government intervention in the economy but favored a sharia-inspired domestic policy. Khomeini had held the system together at the top with the backing of the clerical establishment—the original power brokers behind the revolution—while giving each side influence. A shared sense of struggle during the Iran-Iraq War, along with Khomeini's enormous personal influence and charisma, kept these tensions from breaking into the open during his reign. But beneath the surface, the divisions ran deep.

With the war over and Khomeini gone, factional infighting entered a new stage, and Khomeini began to gradually consolidate his power. During Rafsanjani's first term as president, from 1989 to 1993, the two men coexisted peacefully, with Khomeini cautiously supporting Rafsanjani's postwar plans for economic liberalization and regional integration and tolerating his efforts to promote cultural liberalization. But opposition to Rafsanjani's liberal agenda began to mount among his hard-line allies, who in 1992 won a majority in parliament. Two years later, Khomeini openly sided against Rafsanjani over the budget, criticizing him for the country's growing economic malaise and widespread corruption. Rafsanjani backtracked from his cultural liberalization agenda and appeased conservatives by offering them more seats in his cabinet and greater access to economic privileges.

Competition between Khamenei and Rafsanjani would continue up until the latter's death, earlier this year, with Khamenei repeatedly emerging on top.

Khamenei's next problem was gaining authority within the religious establishment. Khamenei had enjoyed its near-unanimous backing when he became supreme leader, and in 1994, the Society of Qom Seminary Teachers, an important clerical and political institution, proclaimed Khamenei a *marja*. Still, a number of clerics strongly questioned Khamenei's theological credentials. To counter his perceived weakness, Khamenei embarked on a decadelong journey to build religious support. He imposed a state-controlled bureaucracy on top of the clerical structure of Qom that stripped the ayatollahs of their once cherished financial independence and put them under his implicit control. And he rewarded his supporters with political positions and financial privileges that he denied to his critics. In the process, Khamenei managed to subjugate the Assembly of Experts, the one and only body with the constitutional authority to supervise him.

Over the years, Khamenei has also steadily diminished the role of Iran's elected government, concentrating power in his own office and in state entities that fall outside government oversight. In 2011, he established a body charged with resolving conflicts among various branches of government and appointed its chair. He also created the Strategic Council on Foreign Relations, his personal advisory board on foreign policy, and set up a parallel intelligence apparatus that has grown more powerful than the elected government's. Whereas Khomeini relied on a small coterie of officials to run his office, Khamenei has placed thousands of his direct and indirect representatives in government ministries, universities, the armed forces, and religious institutions throughout the country, all of whom report to him or his office.

## **STANDING GUARD**

Most important, Khamenei has cultivated a strong relationship with the Islamic Revolutionary Guard Corps, the parallel military force beside the regular army, loyal to the supreme leader, that is charged with protecting Iran's security and Islamic character. His methods have largely been financial. Over the past two decades, as Iran has hesitantly embarked on the path of economic liberalization, Khamenei



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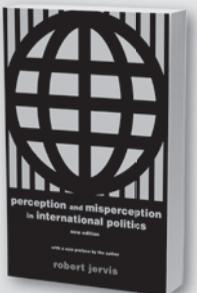
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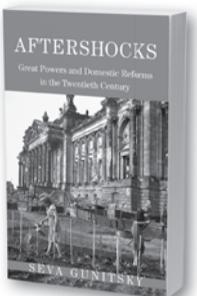
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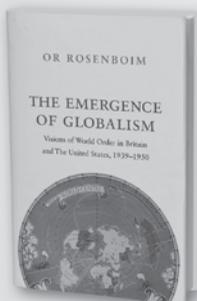
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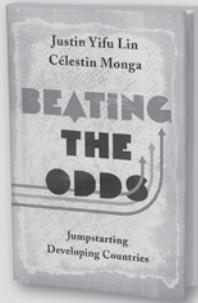
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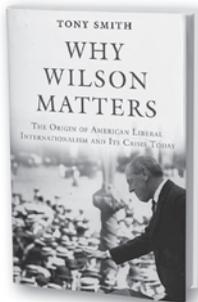
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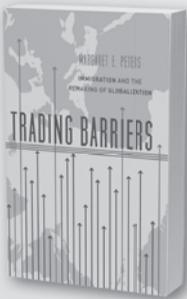
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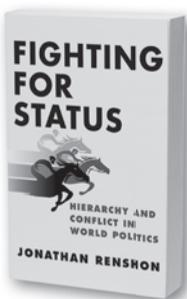
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has helped businesses affiliated with the IRGC purchase state-owned companies at below-market rates and steered lucrative government contracts their way.

As a result, the IRGC has become a multibillion-dollar commercial powerhouse that comprises hundreds of companies. These employ hundreds of thousands of Iranians directly, and millions more depend indirectly on them for their livelihoods. To name just one example, the IRGC controls the Khatam al-Anbiya Construction Headquarters, which ranks as the biggest engineering firm in Iran and employs more than 160,000 people.

As the IRGC's economic power has grown, so has its willingness to assert itself politically. The key moment came in 1999, when thousands of students took to the streets to protest the closure of a reformist

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*Over the years, Khamenei has steadily diminished the role of Iran's elected government.*

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newspaper. Twenty-four IRGC commanders wrote an angry letter to then President Mohammad Khatami, criticizing him for not stopping the demonstrations and implicitly calling for his resignation. "Our patience is at an end," they wrote, "and we do not think it is possible to tolerate any more if this

is not addressed." It was the first time the IRGC had intervened directly in politics, and the move neutralized Khatami's reform agenda. Iran's deep state had pulled off a soft coup against its government.

From that point on, reformists were on the back foot as the deep state grew. The trend continued into the presidency of Mahmoud Ahmadinejad, who took office in 2005. More government offices and parliamentary seats came to be held by members of the IRGC, and its associated organizations took control of most newly privatized entities. Then came the contested presidential election of 2009. After the Green Movement protests broke out, the IRGC oversaw the crack-down, which further solidified its authority.

What officials in the deep state care most about now is defending their institutions against what they call a "soft war" (*jang-e narm*) led by the West. Caught unawares by the 2009 protests, they see themselves as standing guard against efforts by the United States and its Western allies to undermine Iran. As the deep state prepares for Khamenei's succession, it will look for a candidate who can help it continue this struggle.

In the hours following Khamenei's death, the Speaker of the Assembly of Experts will likely convene an emergency session to choose a successor. Although the process is not written in stone (or in the constitution), precedent suggests that the assembly will name one of its 88 members.

Because the members are concerned most with protecting Iran's deep state, they will likely elect a relatively young insider who seems capable of maintaining stability for a long time to come. Such a candidate would, like Khamenei, have hard-line ideological leanings (in terms of both domestic and foreign policy), adequate but not overarching religious authority, and good executive experience. Most important, he would respect the interests of the deep state and allow it to operate without interference. These criteria rule out three oft-mentioned candidates: Hassan Khomeini (Khomeini's grandson), President Hassan Rouhani, and Mojtaba Khamenei (Khamenei's son). The first two are distrusted by the deep state for their reformist inclinations, and the third has no popular base of support. Rather, the next supreme leader is likely to be one of three men: Sadeq Larijani, Mahmoud Hashemi Shahroudi, or Ebrahim Raisi.

### **THE TARNISHED HARD-LINER**

The current head of Iran's judiciary, Larijani, 56, was born in Najaf, Iraq, to an influential family: his father, Mirza Hashem Amoli, was a much-esteemed grand ayatollah, and his four brothers have all risen to senior posts within the Iranian government. An elected member of the Assembly of Experts since 1998, Larijani was appointed to the Guardian Council (which approves candidates for parliament, the Assembly of Experts, and the presidency) in 2001 and named to his current position in the judiciary in 2009.

Larijani possesses impeccable clerical credentials. He studied under his father and another grand ayatollah, Hossein Vahid Khorasani, and began teaching the highest level of seminary education when he was just 30 years old. He has written extensively on the philosophical merits of Islamic government. Indeed, Larijani is best described as a genuine hard-liner. A member the Society of Qom Seminary Teachers' extreme right wing, he opposes the relaxation of social and religious norms and the liberalization of Iran's political system. He also advocates a zero-tolerance policy toward dissent: at a convention of

judiciary officials in 2015, he spoke of resolute action against domestic opposition, adding, “We cannot exchange compliments with them.”

Like the supreme leader, Larijani has a decidedly anti-Western outlook. After moderates supportive of Rafsanjani and Rouhani made gains in the February 2016 Assembly of Experts elections, Larijani issued a statement accusing the moderates of collaborating with Saudi Arabia, the United Kingdom, and the United States. Larijani’s uncompromising stances have put him in conflict with more than a few members of the political establishment over the years, including Ahmadinejad and Rafsanjani.

But Larijani has demonstrated an absolute devotion to the supreme leader. He has never claimed the status of grand ayatollah, thereby showing deference to Khamenei’s authority. And he supports the notion that the Assembly of Experts should exercise minimal supervision over the supreme leader, an extreme view within the seminary. Khamenei has described Larijani as a “learned, brave, cerebral, revolutionary *mujtahid* [an authoritative interpreter of Islamic law] and devout scholar” and has rewarded him for his loyalty by promoting him to important positions.

As head of the judiciary, Larijani earned the ire of reformists and the admiration of hard-liners for meting out severe punishments to the Green Movement protesters (as well as a place on the EU’s list of designated human rights violators). Larijani established good relations with the IRGC, whose intelligence arm has assisted the judiciary in recent years by detaining and questioning activists. And he demonstrated his conservative zeal, eagerly attacking Rouhani for supporting the nuclear deal. Further adding to his influence, Larijani chairs the board of trustees of Imam Sadiq University, which trains civil officers for key political positions in the Islamic Republic. His involvement in such pivotal institutions has given him a deep understanding of Iran’s labyrinth of power.

Only one major obstacle stands in Larijani’s way: in recent years, his family has come under attack for corruption. In 2013, Ahmadinejad played a video in parliament that he claimed showed one of Larijani’s brothers trading on his family connections, and members of parliament have accused Larijani of transferring public funds to his personal bank accounts. Although the allegations were eventually debunked, they could still block Larijani’s ascent to Iran’s top job if members of the assembly conclude that his reputation is simply too tarnished.

## **THE CREDENTIALLED CANDIDATE**

Larijani's predecessor as head of the judiciary, Shahroudi, is an equally plausible candidate for supreme leader. Born to a family of clerics in Karbala, Iraq, Shahroudi, 68, immigrated to Iran shortly after the 1979 revolution, where he acted as a go-between for the Islamic Republic and the Iraqi Shiite opposition to Saddam Hussein. He rose to prominence after Khomeini's death, when Khamenei named him to the Guardian Council. In 1999, Shahroudi was appointed head of the judiciary, and he served in that position until the end of his term, in 2009. Shahroudi has had a long and close relationship with Khamenei. He shares the supreme leader's anti-American worldview and hard-line foreign policy positions, but unlike Khamenei, he has shunned factional politics.

What distinguishes Shahroudi most are his Islamic credentials. Shahroudi holds the honorific title "sayyid," meaning that he is considered a descendant of the Prophet Muhammad. When Khomeini was an exiled lecturer in Najaf, Shahroudi studied under him and other esteemed scholars. In 2010, Shahroudi declared himself a grand ayatollah and published a collection of fatwas. With strong links to parts of the Shiite community in Iraq, Shahroudi enjoys a religious authority that extends beyond Iran, giving him a leg up over his rivals for supreme leader. But his relationship with the Society of Qom Seminary Teachers, of which he is a member, has been less successful: in 2012, he tried to start a rival, more inclusive clerical group, only to receive strong pushback from some fellow high-ranking ayatollahs who accused him of trying to sow discord.

As head of the judiciary, Shahroudi showed minimal opposition to the harsh treatment of dissidents and activists. He made tepid attempts at reform, which achieved little. His effort to fight corruption in the judiciary failed to do much. (In fact, the press has speculated that various associates of his are corrupt.) A 2004 parliamentary law he championed that was intended to monitor the performance of the courts and interrogators proved ineffective, as did his attempts to end solitary confinement and torture. While these efforts appear to have been genuine, as a regime insider, he never pushed for wide-scale reform.

Shahroudi has a great deal of experience at the highest echelons of power and influence. In addition to his time heading the judiciary and sitting on the Guardian Council, he has served on the Supreme

Council of the Cultural Revolution (which sets policy on Iran's social mores). And in March, his name was circulated as a possible candidate to chair the Expediency Council (which arbitrates disputes between parliament and the Guardian Council), a significant promotion. But Shahroudi's influence extends only so far: he does not appear to have strong ties to military or security officials.

Known for his gentle personality, Shahroudi has largely steered clear of factional politics. During the 2009 demonstrations, he said little about the judicial sentences handed down to protesters. He has maintained ties with both Ahmadinejad's circle of hard-liners and Rafsanjani's more reform-minded crowd. Shahroudi's fence straddling may lead some within the deep state to consider him unreliable, and it may explain why his two bids to become Speaker of the Assembly of Experts failed.

### **THE DEEP STATE'S PICK**

Since early last year, Raisi has emerged as the odds-on favorite to become Iran's next supreme leader. In March 2016, Raisi, 56, was appointed head of Astan Quds Razavi. A massive charity that is controlled by the supreme leader's office, the organization manages a shrine that attracts religious pilgrims from Iran and beyond. In this post, Raisi oversees the organization's sprawling business empire, which dispenses the charity's financial largess to religious groups and institutions. Although Raisi is not that well known among the Iranian public, his new appointment will no doubt increase his profile.

Raisi made his career in the judiciary. In 1980, when he was just 20 years old, he was among the first group of young clerics to enter the newly established Islamic court system, and he steadily worked his way up. After heading the group that prosecutes corruption in state-owned entities, he was named deputy chief justice in 2004. A year later, according to press reports, Ahmadinejad asked him to lead the Ministry of Intelligence and Security, but Raisi declined the offer, preferring to retain the more powerful post in the judiciary. In 2014, Larijani appointed Raisi attorney general, the country's top prosecutor. He distinguished himself most in that position by dragging his feet on an investigation into a series of acid attacks in 2014 against women in the city of Isfahan.

Raisi's biggest liability is his mediocre religious resumé. He is not a high-ranking cleric, has published little theological scholarship, and

has never taught in top seminaries. Unlike Larijani and Shahroudi, he is not a member of the Society of Qom Seminary Teachers, nor has he ever sat on the Guardian Council. Although he studied under Khamenei in the early 1990s and forged close ties to the supreme leader's coterie, his association with other seminarians is limited. In an attempt to burnish his clerical credentials, he started teaching graduate courses in theology at Imam

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*The question of succession will force unity among Iran's political factions.*

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Sadiq University and, in 2016, began using the title "ayatollah." Raisi also serves as the prosecutor on the Special Clerical Court, the body that punishes wrongdoing among the clergy, and as a member of the council that oversees seminaries in Mashhad, Iran's second-largest city.

Despite his clerical shortcomings, Raisi enjoys the high esteem of his fellow members of the Assembly of Experts. He was elected to the assembly in 2006, and just two years later, his peers voted for him to replace Rouhani on the body's presiding board, which acts as a liaison with other state institutions. Raisi also serves as secretary of the committee within the assembly that oversees the supreme leader.

Raisi is nothing if not a hard-liner. He hails from the extremist faction within the Combatant Clergy Association, a conservative political group. In 1988, as a prosecutor, Raisi handled the mass executions of political prisoners, including members of the Mujahideen-e Khalq, or MEK, an exiled group that advocates the overthrow of the Islamic Republic.

Perhaps most important, of all the candidates, Raisi has the strongest ties to the deep state. Last year, the commander of the IRGC paid a visit to Raisi in Mashhad with other top brass to report on the group's classified regional activities. In photos of the meeting, Raisi can be seen sitting in a chair while his guests sit on the floor—a remarkable show of respect and confidence for a security establishment that closely guards its secrets. For ten years, Raisi served on the board of Setad, a holding company under Khamenei's control that has interests in Iran's pharmaceutical, real estate, telecommunications, and energy sectors and, according to Reuters, has assets of some \$95 billion.

Throughout his career, Raisi has maintained the utmost loyalty to Khomeini and Khamenei. That, along with his conservative bona fides, experience in the judiciary, and political savvy, makes him the leading candidate for supreme leader. He ticks all the right boxes.

## PREDICTING THE UNPREDICTABLE

It is tempting to hope that when Khamenei dies, Iran's reformists will resurface to challenge the hard-liners. But when Rafsanjani died, so, too, did the possibility of any internal challenge. The question of succession will force unity among Iran's various political factions, all of which remain devoted to safeguarding the state above all else.

The Green Movement, meanwhile, has been neutralized through violence and intimidation. Khatami has been marginalized since he was placed under close state supervision in 2009 (and even as president, he never truly attempted to challenge the deep state). Rouhani, who counts as a moderate in today's Iran, is also a creature of the political system, and when push comes to shove, he, too, will fall into line, despite his deep disagreements with the hard-liners. Like the rest of Iran's establishment, he has no desire to relive the 2009 protests or allow the Arab Spring to spread to his country.

As Iran gears up for a leadership transition, it is important to see the Islamic Republic for what it is, and not what one may hope it can be. Given the enduring power of its deep state, Iran will likely keep trying to expand its regional influence. When it comes to relations with the West, it will probably continue its cautious and pragmatic strategy, cooperating on some issues (for example, helping with the fight against the Islamic State, or ISIS) while refusing to do so on others (for example, maintaining its hostility toward Israel). And as long as the United States upholds its end of the nuclear deal, Iran will continue to uphold its. But it is foolish to hope that pressure from the Trump administration will bring about political change in Iran.

Khamenei wants a stable transition, and he is counting on the deep state to ensure it. In a 1996 speech to a group of IRGC commanders, he divided Iranians into two groups, the *avam*, "masses," and the *khavas*, "insiders," and emphasized the importance of the latter's "level of dedication to the ideals of the Islamic Republic." He went on: "Some fall for the glitter of the material world, and the faithful are only those who remain committed and loyal." As Khamenei sees it, Iran's survival lies in the hands of his carefully built network of disciples. In all likelihood, they will continue to safeguard the Islamic Republic long after he is gone. 🌐



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# Greece: A New Horizon

Greece is beginning to emerge from its economic crisis, steadily returning to growth, and exceeding expectations.

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According to the Greek Minister of Economy and Development, Dimitri Papadimitriou, "The Greek economy is projected to grow dynamically and almost twice as fast as the EU average for the first time since 2006."

In the third quarter of 2016, Greece's economy developed at its fastest pace since 2008: "Real GDP grew by 1.8% annually. The volume of gross fixed capital formation increased by 12.6%. The export of goods and services has been expanded by 10.2%." Domestic conditions improved notably during the 2016 third quarter, as private consumption increased to its best result since 2007. Papadimitriou highlights that "the Greek growth strategy is based around three key pillars—attracting investments, increasing



**Dimitri Papadimitriou**  
Minister of Economy  
and Development



**Emmanouel M. Panagiotakis**  
Chairman & CEO, PPC

exports and creating a friendlier entrepreneurial environment."

This year the OECD predicts that Greece's GDP growth will amount to 2.7%. The country's progress has left it in a stronger position: structural reforms have reduced regulatory burden and eased regulation boosting productivity and growth, the enhanced investment law provides financial incentives for projects in numerous sectors, and increased

flexibility in the labor market as well as the reduction in the cost of production have led to a more attractive investment and business environment. Furthermore, the conclusion of the first policy review with creditors has raised business and consumer confidence. Papadimitriou emphasizes, "Greek firms are projecting investments to hit more than 2 billion Euro in 2017."

Greece's key sectors include tourism, finance, public

**In a continuously changing world of energy,  
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Public Power Corporation S.A.-Hellas  
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administration, education, energy, defense, shipping, real estate and human health and social work activities. The country offers high quality services and products, as well as logistics and communication infrastructures, has a highly skilled and talented workforce and its labor costs are highly competitive within the EU. The Greek government wishes to provide the best possible environment for foreign investment, and its top priority has become attracting market leading companies and dynamic entrepreneurs to stimulate job creation and the national economy.

With regards to the energy sector, Greece has become a key player in the formulation of Western Europe's energy development. With renewable energy potential including wind, hydro, biomass, geo-thermal, solar and solar thermal energy, the country's energy sector has a higher contribution to gross value added than most EU countries. And the sector is likely to grow, due to state planned privatization of major energy assets, the liberalization of electricity

## ALWAYS ONE STEP AHEAD

Hellenic Petroleum Group, through 36 affiliate companies, operates throughout the energy sector, in refining, petrochemicals, local and international marketing, oil and gas exploration, engineering services, electricity and natural gas sectors. It supplies around 70% of the Greek market, 30% of which is in retail, via 1,700 EKO branded stations, while 60% of production is exported. Operations expand into six countries, all of which are among the strongest SE Mediterranean players, competing successfully with refineries from South Europe, Asia and the Middle East. 2015 EBITDA stood at €790m, with around €700m expected for 2016.

The core of Hellenic Petroleum's strategy is the transformation from a primarily petroleum company into an energy provider, therefore these five main pillars are essential: opportunities exploitation, globalization awareness, competitiveness, people as an asset and social awareness. Within this scope, and keeping in mind the long continuous relationship with many companies, any new project opportunities are welcomed. Business ties are essential to securing good international relations and finding allies. As Greece—the door to the European energy market—is being upgraded into an energy hub, a favorable investment environment must be enhanced. In this way, extrovert collaborations can be developed, and a successful future for Hellenic Petroleum assured.

and gas markets, and projects such as the TAP gas pipeline, placing Greece in good stead to become the European gateway for natural gas. Furthermore, its developments in smart metering and smart-grid technologies complement this sector.

Greece's geostrategic position opens up opportunities for enhanced pipeline, electricity grid and interconnectivity projects. The country also has significant generation potential, especially due to its untapped potential in renewables. The government has been supporting the development of this sector with the advancement of several major investment projects. Key opportunities lie in the privatization of state assets, new infrastructure for natural gas transmission, hydrocarbon exploration, and renewable energy projects, among others.

Public Power Corporation S.A. (PPC) is the biggest power production and energy supply company in Greece, currently holding assets in lignite mines, power generation, transmission and distribution. Its portfolio consists of conventional thermal and hydroelectric power plants, as well as RES units, and accounts for approximately 68% of the total installed capacity in the country. Emmanouel M. Panagiotakis, Chairman and CEO says, "The company has a high level of expertise in the engineering, construction and operation of thermal and hydroelectric plants, in the organization and exploitation of mines and in the development and operation of networks for all voltages. Moreover, PPC has an invaluable knowledge and experience in the management of millions of customers of all categories. These assets place PPC Group high among the corresponding Balkan and Southeast Mediterranean electricity companies."

PPC's subsidiary company, Public Power Corporation Renewables (PPCR), is the only Greek company active in five forms of renewable energy. With 10% of the market, it works with major energy companies and manufacturers to develop clean energy projects. Fotis Vrotsis, CEO of PPCR explains, "Our country has rich potential of renewable energy sources, which can lead to energy independence and economic growth, while ensuring a cleaner environment."

The company is working closely with the government and the EU to reach the goal of 40% of production coming from renewables by 2020: "We want to take our current portfolio and double it... We have the opportunity, the willingness and openness to work both outside and inside the Greek borders with foreign partners and/or investors."

### Making our world a better place

Active in the field of renewable energy sources since 1982, PPCR is the leading name in sustainable power in Greece.



**Public Power Corporation  
Renewables (PPCR)**  
[www.ppcr.gr](http://www.ppcr.gr)

# Greek Banking Outlook is Classified as Stable

Moving into stable territory, confidence in Greece's banking system is being restored, allowing for positive developments in the sector.

After six years of recession, in 2014 the Greek government predicted a return to economic growth in Greece. Since then, Moody's Investors Service has also revised its outlook on the Greek banking system from negative to stable and expects improvements in funding and profitability for Greek banks to follow.

Panayotis T. Kapopoulos, Alpha Bank's Economic Research Division Manager, emphasizes Greece's progress in the banking sector: "The successful recapitalization in November 2015, the completion of the first review of the program, the reinstatement of the waiver for Greek collateral with ECB, the relaxation of capital controls, the improvement of asset quality and operating profitability trends are all signs that we are heading in the right direction."

He believes the Greek economy showed signs of resilience during the implementation of the adjustment programs that managed to address large macroeconomic and fiscal imbalances and that the negative effects of capital controls were not as strong as anticipated. According to the Greek Minister of Finance, Euclid Tsakalotos, it is now crucial that the Eurozone is successful in addressing Greece's



**Panayotis T. Kapopoulos**  
Economic Research  
Division Manager  
Alpha Bank

situation. He says "successful" means to be able to solve political problems, to give the country a clean runway so that foreign investors, Greek investors and Greek citizens know what to expect in the next two to three years."

Alpha Bank—part of Alpha Bank Group, one of the largest groups in Greece's financial sector—is one of the largest private banks with a loan market share of 22.9% and a deposits market share of 21.2%. As a market leader in business financing, the bank has a strong brand name in electronic banking, credit cards and leasing, and has one of the highest capital adequacy ratios in Europe. Alpha Bank also has a presence in South-eastern Europe via its Group Companies. The bank strives to contribute to the economic recovery and development of the country through providing high-quality support to its private and business customers.

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# Greece's Oldest Bank Sets the Benchmark

The country's first bank, the National Bank of Greece (NBG), stands strong amid economic headwinds.

With a proud history stretching back more than 175 years, NBG was the first bank in the modern Greek state and is now one of the largest and strongest financial groups in the country, despite having endured political, economic and social difficulties in recent years.

Despite such challenges, NBG continues to perform solidly in a very testing environment. With the successful implementation of its restructuring plan, it will be well placed to take advantage of the economic recovery, and thus attract investors.

Although the forward-thinking group enjoys a strong presence in southeast Europe and the eastern Mediterranean and offers a comprehensive range of financial products and services to satisfy the ever changing needs of businesses and individuals, the domestic market is now their core focus.

NBG is a household name, with a strong presence throughout the many urban and rural areas. Approximately 500 branches provide a range of financial services and support a network of around 1,500 ATMs.



**Paul Mylonas**  
Deputy CEO  
National Bank  
of Greece

**“We have by far the best liquidity of the four banks.”**

Paul Mylonas, Deputy CEO, National Bank of Greece

Reflecting the institution's standing and reputation, NBG boasts an impressive 25% share of the national retail banking market and a 25% market share in deposits that clearly reflect the confidence of savings customers, who are its driving force, with a market share of 35%.

The bank's ambition is only matched by its size, with more than 12,000 employees in Greece – including those in its insurance divisions – and a further 10,000 workers based in the Balkans.

NBG Deputy CEO, Paul Mylonas, says, “The NBG of today is not the NBG of yesterday. The NBG of yesterday was aiming to be a regional bank and had expanded throughout south-east Europe in the decade before the crisis.

“We are striving to regain our profitability, which initially includes cost cutting. Once the economy starts to improve, we'll be able to lend more and make profits in the traditional way (growing revenues). But

for the moment, it's more about watching our costs.

“We have divestments, which no other Greek bank has, and that creates capital and releases liquidity. Indeed, we have by far the best liquidity of the four banks, with a loan-to-deposit ratio of c. 89%. Finally, similar to the other Greek banks, a key challenge is to improve asset quality, which has suffered significantly due to the economic crisis, and acts as a drag on the economy.”

The Princeton educated senior executive highlights how Greece is in a much stronger position now than a few years ago. “Greece succeeded in what many people thought was not possible, which was to manage an internal devaluation at the same time as a large fiscal adjustment, while being in the straitjacket of a common currency,” he explains. “Admittedly with a high social cost, as unemployment stands at 25%.

“The Greek economy has stabilized, and we're now starting to recover. The big question is how quickly we can grow. Clearly, after you hit bottom, you're going to have some growth. The question is whether it's going to be sustainable and at high enough rates to reduce unemployment.

“Specifically, Greece requires rapid growth. Growth of just 1-2% per annum is too low. For that, we need strong investment, including from abroad.”

So, which are the sectors that investors should focus their attention? Dr. Mylonas believes Greece has to make more of its natural and human resources, such as its excellent climate and strategic location as a connector of continents.

“Greece's comparative advantages are the services sector, and tourism in particular,” he says. “Not tourism in the narrow sense of sun, fun and the beach, which is not very profitable. We need high value-added tourism, e.g. providing retirement homes and business conference centers. On the retirement front, a lot of northern Europeans could bring their pensions to Greece. We need to become a Florida of Europe.

“Education could be another source of revenue. We have the Greek diaspora, which has outstanding academics. We could harness that knowledge into creating universities which attract students from all over the world.”

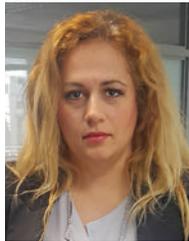
He adds: “We could also be a transport hub. The Port of Piraeus and the Chinese of Cosco are already creating a new transport link; rather than going through the Suez Canal and then on to Rotterdam and Hamburg by boat, the alternative is to arrive at Piraeus and go straight to Germany by train.”



# Reigniting the Greek Economy

After years at sea, the fruits of privatization will see Greece emerge as a prosperous and competitive nation with elevated global standing.

Modern Greece is in the midst of a successful privatization program, with major investments pouring into many different sectors as it returns to the global stage with greater credibility and resilience. After an unstable chapter in its history, the country is getting back on track and opening the markets to attract more sustainable funding. The first round will include the infrastructure, energy and real estate sectors, with large-scale construction projects, like ports, airports, the water supply, highways, railroads and energy earmarked as priorities.



**Lila Tsitsogiannopoulou**  
Executive Director of  
the Hellenic Republic  
Asset Development Fund  
(HRADF)

The Hellenic Republic Privatization Program aims to capitalize on the nation's main strengths: its tremendous tourism potential, for example, and its strategic location on the cusp of east and west with regards to all-important power pipelines and transportation links. Add in Greece's proximity to the Balkans and Central Europe and its densely-populated cities with high per-capita ratios, and it's easy to visualize the enormous inroads that investors can make in helping Greece back to prosperity.

**"Privatization will serve as the driving force for attracting foreign investment."**

Lila Tsitsogiannopoulou

Executive Director of the Hellenic Republic Asset Development Fund

Lila Tsitsogiannopoulou is the executive director of the Hellenic Republic Asset Development Fund (HRADF), the entity driving this privatization initiative. From her office in Athens, she explains the impact privatization is having on the economy at large.

"In contrast to the U.S., the ideology of statism is profoundly rooted in Greek and European traditions, privatization is not particularly popular. Today, however, we have a leftist government for the first time, and within its framework, HRADF has promoted and taken through a significant number of privatizations at a rapid pace, even though one would have expected that under such a government, nothing would have

taken place in this direction. In addition to that, it has taken place with no significant reaction [from the Greeks themselves.]

We are implementing the program not only because we are obliged to do so, but because we truly believe that it can change the structure of the Greek economy in a positive way. It will serve as the driving force for attracting foreign investment, along with the new "superfund"—The Hellenic Corporation of Assets and Participations—which is our parent holding company. In the last two years, we've promoted many significant projects and managed to maximize the value brought to the Greek State to reduce public debt. We are being honest with investors; we give them the real picture and, at the same time, we assure them that we are by their side."

The investment inquiries are flooding in it seems. "There are some important discussions on a series of ongoing energy projects taking place at present, and within this context, we are meeting U.S. companies," Tsitsogiannopoulou says. "The interest in these projects stems from the aforementioned broader reasons. I consider it our responsibility to highlight these aspects more clearly, to make a series of important strategic choices and, based on these, try to proceed with attracting foreign investors. This does not only apply to the U.S. market, but to many others too. We have achieved a very successful outcome at the port of Piraeus with Cosco, the major Chinese shipping group."

Also on board is Canada, whose PSP Investments is responsible for the operation and management of Athens International Airport until 2026. "We are currently negotiating an extension of 20 years", Tsitsogiannopoulou says. "For me, Canada's participation in Greece is crucial: should we be successful with the said extension agreement and we have a prospective period of stability ahead, we will set up a tendering process for the sale of the 30% stake that is currently held by HRADF. It will be an investment with a guaranteed turnover for the next 25 years."

The management, operation and maintenance of around 25 regional airports and the major Egnatia Odos freeway, which links Greece to Istanbul and Europe, will also be out for tender in the future, making a huge impact on the country's connectivity. All of this demonstrates that Greece is a serious prospect for those willing to invest, and the time to invest is now.



# Progressive Developments in Greek Trade and Industry

Growing imports and exports and flourishing industry sectors highlight Greek progress and the country's substantial investment opportunities.

Greek exports have once again increased, leading to the improvement of the external sector's overall growth. In the third quarter of 2016, exports grew by 8.5%, contrasting to the 2.4% reduction in the second quarter. The recent stabilization in oil prices has helped support the value of the refined oil products that Greece exports. Additionally, strong tourism earnings have improved service exports. Greece's main export partners are Italy, Germany and Turkey. Imports have also risen from 4.9% to 12.2%, with Russia, Italy and Germany as its key import partners.

With an array of investment opportunities to take advantage of in this region, companies such as Marfin Investment Group Holdings S.A. provide assistance in making the most of investment opportunities across a range of sectors.

As the largest investment group in Southeast Europe, its portfolio includes leading companies in Food and Beverages, Transportation, Healthcare, IT and Telecoms, Real Estate and Tourism and Leisure across the region.

It has been listed on the Athens Exchange (ATHEX) since 2007. Marfin Investment Group's strengths lie in their scale, expertise, investment flexibility and financial resources, which open up the possibility for the identification and exploitation of a wealth of opportunities.

Enterprise Greece, the country's investment promotion agency, supports and promotes Greece's substantial investment opportunities and helps to connect the global business community

with first-class export products made in Greece. According to Enterprise Greece's Chairman, Christos Staikos, "Foreign Direct Investment in 2016 more than tripled in comparison to 2015. Greece is now on the turning point towards a new investment era, ready to offer new and rewarding business opportunities to international investors who will leverage on its geostrategic position, the abundant natural resources, existing brand name in tourism and natural diet but most of all in the entrepreneurial and innovative spirit of the Greek labor force."

Greece is also increasingly becoming a key player in innovation, and with a predicted 20,000 new jobs to be created in this

**"Simply put, innovation is the basis of and key to our growth. All our products bear uniqueness and in personal hygiene we are certainly market pioneers."**

Constantin Vitouladitis, Managing Director, MEGA Disposables S.A.

high-value sector, it is expected that this sector will grow at a fast pace.

More than simply flourishing, certain Greek companies are world-leading in terms of exports, innovation and quality. There is no better example of this than MEGA Disposables. The quality-centric company is the leading Greek manufacturer of personal hygiene products in Europe and operates a 63,000m<sup>2</sup> state-of-the-art facility near Athens. The company is also keen to make sure every product is of the highest quality and to incorporate an innovative edge to production. Having followed this theory of

practice for over 35 years and now exporting to more than 30 international destinations, it is unsurprising that MEGA Disposables' turnover has increased threefold since 2000.

Known globally as "an innovative brand builder" according to the company's Managing Director Constantin Vitouladitis, MEGA Disposables is the crea-



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tor of the “sensitive” concept in feminine hygiene, producing the first “sensitive” napkin in the world that offers dryness without irritation. The founder continues, “Simply put, innovation is the basis of and key to our growth. All our products bear uniqueness and in personal hygiene we are certainly market pioneers.”

Heavily awarded as one of the most dynamic enterprises within the European business community, MEGA Disposables has been the recipient of the ICAP ‘Strongest Companies in Greece Certificate’ for three consecutive years. Additionally, the ‘Made in Greece’ award for 2015, the Eurobank and Grant Thornton Growth Award, and the honorary distinction ‘Ruban d’Honneur’ in the European Business Awards have all recently been bestowed upon this trendsetting and innovative exporter.

The shipping industry also contributes significantly to Greece’s national economy, as well as to European trade and global economic growth. Panagiotis Kouroumplis, Minister of Shipping and Island Policy, highlights, “The efficiency in the provision of shipping services and non-negotiable adherence to the international standards on safety and security and environmental performance, underline the quality characteristics of Greek shipping.” Despite the challenging period for Greece’s economy, “Greek shipping continues to maintain its leading role in the international shipping industry providing maritime transport services of high quality,” he adds, “The Greek-owned fleet steadily keeps the first place internationally, with its fleet comprising

out of 4,585 ships (over 1,000 gt) of 341 million dwt, representing about 20% of world capacity in dwt and almost 50% of the EU fleet in tonnage terms. Moreover, 770 ocean-going vessels (over 1,000 gt) of 41.3 million gt fly the Greek flag, ranking second in the EU.”

According to Petros Pappas, the CEO of the global shipping company Star Bulk: “Greece offers a unique investment environment within shipping due to the availability of highly skilled personnel and a community of ship owners offering unique networking opportunities.”

Star Bulk has 68 vessels and serves its customers worldwide in multiple trade routes, carrying a wide range of cargoes. On completion of its new building program the company will own 73 vessels with a total cargo carrying capacity of 8.2 million dwt. Star Bulk has the strong support of 15 international banks, and it strives to continue being one of the most efficient and low cost vessel operators.

This growing Greek industry activity opens up vast opportunities for increased business and partnership development both nationally and globally, as well as presents new avenues for investors to explore.



## CREST OF A WAVE

Proudly flying the flag across the seven seas for Greece’s 6,000-year-old shipping industry, the family of George Procopiou’s large and modern fleet links more than 1,000 ports and countless suppliers and buyers in international economies.

Industry pioneers with an enviable reputation for unique logistics solutions, the family of George Procopiou’s successful operating units consist of Sea Traders SA – founded 43 years earlier to manage bulk carriers – Dynacom Tankers Management Ltd – established in 1990 to operate tankers – and Dynagas Ltd – a Liquefied Natural Gas (LNG) carrier company formed in 2004. Over several decades, a strong network of customer relationships and an outstanding reputation for transportation excellence among quality-sensitive customers has been developed across all three of the family’s shipping brands. State-of-the-art vessels transport bulk and liquid products worth billions of dollars east and west of the famous Suez Canal, meaning Sea Traders, Dynacom, and Dynagas are key facilitators of global trade.

“We support European and US imports and exports, even during wars and tough times,” explains visionary founder George Procopiou. “We are like international taxi drivers, going wherever there is demand for transportation.”

“Shipping is cyclical, but we stay ahead with innovation and high quality of service, which makes charterers happy and opt for our tonnage.”

## NAVARINO RESIDENCES

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Imagine your garden meeting the sea, and you’ll start to envisage the paradise of Navarino Residences. Located in Messinia, an unspoilt corner of Greece that is easily accessible by direct flights, these contemporary free-hold villas form part of the multi-awarded Costa Navarino resort, the prime sustainable tourism destination in Europe. The visionary set-up offers the comforts of home combined with the endless possibilities of the perfect vacation. Residents can play two signature golf courses, enjoy the finest homegrown local produce, with exclusive access to estate vineyards and olive groves, explore the region’s rich cultural history or simply relax in their garden watching the sun set over the Mediterranean, living an exquisite dream every day.

[www.costanavarino.com/navarinoresidences](http://www.costanavarino.com/navarinoresidences)

# The Greek Pharmaceutical Industry: A Strong Contributor to its Economy

Greece is developing competitive pharmaceutical products and services.

With a highly skilled workforce and an established Research and Development and manufacturing capacity, which new start-up and spin-off companies are increasingly contributing to, Greece's pharmaceutical industry is continually developing competitive, technology-based products and services. Although to date, the industry has primarily focused on local consumption, it is now increasingly looking to expand into European and other markets. The continuing shift towards low-cost alternatives and generics also provides a strong opportunity for the Greek pharmaceutical industry, allowing for accelerated growth, increased pharmaceutical exports, and in turn improved efficiency of the Greek healthcare system.

Astellas Pharmaceuticals is committed to the success that comes from its ethos of "Changing Tomorrow". This ethos expresses the determination of Astellas to satisfy unmet medical needs. Its vision is to be at the forefront of healthcare change to turn innovative science into value for patients. Innovation is key to the company's success because its sustainable growth depends on enhancing its capabilities to deliver innovative drugs. Astellas is a leader in urology and transplantation/immunology and is

establishing a leading position in oncology. Recently, Astellas introduced a novel hormonotherapy for metastatic castration-resistant prostate cancer (mCRPC).

New therapeutic areas Astellas is focusing on include ophthalmology and muscle disease. Harry Nardis, Managing Director, Greece & Cyprus, at Astellas, says, "Through close co-operation with all stakeholders we want to co-create innovative healthcare solutions that will fit the macroeconomic challenges that Greece is facing while remaining patient-centric. I am confident that this mutually beneficial approach will ensure long-term growth for Astellas and positive contribution to the Greek economy and society." Furthermore, he emphasizes the need for the necessary steps to be taken "towards the required regulatory framework that will allow Astellas to invest in clinical trials in Greece."

Rafarm, established in 1974, is a vertically integrated European pharmaceutical company specialized in niche areas of sterile products for Ophthalmology and Nephrology. With a proven track record of more than 100 products marketed across Europe, Australia and Canada, it is expanding its presence in the international market often in partnerships with global leading companies. Aris Mitsopoulos, Rafarm's Vice-President says, "We are one of the major European development companies for generic Ophthalmic and Nephrology products with a strong direct presence in the local market and strategic alliances in the international market place." The company is moving beyond the development of plain generic products towards projects with incremental value, covering those niche therapeutic areas with a complete portfolio of common generics while at same time offering generic plus solutions differentiating Rafarm

from competition and fostering brand awareness.

Rafarm is on the way to entering the US market with a target to file 2 to 3 products per year. Having just invested in building its new R&D facility in order to expand its capabilities to develop more challenging products, it is looking

**Astellas Pharma Inc.**, based in Tokyo, Japan, is a company dedicated to improving the health of people around the world through the provision of innovative and reliable pharmaceutical products. We focus on Urology, Oncology, Immunology, Nephrology and Neuroscience as prioritised therapeutic areas while advancing new therapeutic areas and discovery research leveraging new technologies/modalities. We are also creating new value by combining internal capabilities and external expertise in the medical/healthcare business. Astellas is on the forefront of healthcare change to turn innovative science into value for patients.

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forward to capitalizing on its expertise in select areas.

Pharmaservice is one of the largest full-range pharmaceutical wholesalers in Greece, specialized in trading, storing, promoting and distributing a wide range of medicines and OTC products. The company plays a fundamental role within the country's pharmaceutical supply chain and it serves more than 1,500 pharmacies across the country. Pharmaservice has managed to remain competitive, despite the increase in several taxes, which led many companies in the sector struggling to remain profitable. Over the last years, the company has been included in Fortune Greece's ranking of the top 30 fastest growing companies in Greece and in Inc's ranking of the top 5,000 growing companies in Europe. Pharmaservice sees a lot of room for expansion and improvement in the sector. It is always open to discussing new domestic and international partnership opportunities, as it sees exports as a key area within the sector with vast potential.

Pharmathen, another key pharmaceutical company in the country, focuses on the development and marketing of pharmaceuticals, and has a strong position in generics. The company, with its three key pillars of investment—innovation, internationalization and investment—focuses its activities on the development of pharmaceutical products up to their distribution, and plans to double its revenue in the next five years.

Investments in this sector in the coming years are expected to be driven by the export potential for Greek generic pharmaceutical manufacturers, significant developments in Research and Development start ups, and through partnerships with the tourist industry for the development of specialized medical tourism.

Infrastructure development is also a key contributor to the growth of Greece's economy. According to VINCI Concessions Country Manager, Panayotis Papanikolas, "There is no doubt that infrastructure is a leverage for Greece's economy, and gives people from outside of Athens the chance to participate in the economy." VINCI Concessions designs, finances, builds and operates public facilities infrastructure under public-private partnerships throughout the world. Over the years, the global group has participated in some of Greece's most iconic and technically complex infrastructure projects, such as the Rio-Antirio bridge in the Gulf of Corinth.



## SETTING THE GOLD STANDARD



**Eleusis, Attica, elected as European Capital of Culture for 2021**

Encompassing the entire metropolitan area of Athens, the Attica region is an administrative area of 3.8m people that generates about 40% of Greece's GDP through various industrial, financial and commercial activities.

As the political, administrative and financial center, the Attica region holds the key to the country's future. The region is the main international gateway and a bustling transport hub, with the Port of Piraeus being the largest seaport in the country.

Given the tough macroeconomic challenges facing the nation, Greece requires – more than ever before – strong leaders with vision and the determination to push through reforms to boost efficiency, competitiveness and maximize its abundant resources.

Since her appointment in late 2014 as Regional Governor of the Attica region, Rena Dourou has embarked on a mission to streamline public administration and turned the fight against red tape and corruption into her mantra.

"We are building a new administration model without red tape, corruption and ineffectiveness," says Governor Dourou. "It's the only way we can take advantage of Attica's numerous assets – like tourism, culture and investment opportunities – to create a new, and more appropriate, business environment.

"We want to reinvent regional entrepreneurship and are trying to overcome old structures and obsolete mind-sets.

"We strongly believe in the significant role of regions in the Fourth Industrial Revolution. Therefore, the Attica region employs a strategy based on targeted synergies with important stakeholders, such as the Athens Chamber of Commerce and Industry (ACCI) and innovative new business entities from the Athens Startup Business Incubator (THEA). We create an ecosystem conducive to new forms of entrepreneurship, smart specialization and innovation. This is the only way to achieve growth in an intelligent, inclusive and sustainable manner".



**Rena Dourou**  
Regional Governor

[www.patt.gov.gr](http://www.patt.gov.gr)

# Investment in Real Estate on the Rise

As the Greek economy recovers, international buyers are returning to Greece.

During the boom period in Greece, which reached its peak in 2007, commercial buildings increased in capital value by almost 40% while rents grew over 20%. However, after the crisis hit in 2008, Greek real estate experienced a severe downturn characterized by falling market values. During this period, rental values fell by an estimated 30% in all sectors, whilst capital values became progressively uncertain. This turn resulted in low foreign investment into this sector for a number of years. However, as the Greek economy begins to recover, buyers are returning to Greece. Toronto's Fairfax Financial Holdings Ltd., Colony Capital LLC of Los Angeles and the UK's Invel Real Estate Partners, among others, have begun to buy commercial property assets.

NBG Pangaea is one of the most active real estate investors, having invested over €600m in the last four years, predominantly in Greece. The company is one of the leading commercial real estate investment companies in the country with a presence in Southern Europe. The Group's real estate portfolio consists of more than 330 commercial properties. NBG Pangaea's CEO, Aris Karytinis says, "With more than 80% of



"Charilaos Trikoupis" Rio – Antirio Bridge, Gulf of Corinth

its portfolio located in prime urban areas throughout Greece and selectively positioned in other key markets in the region such as Italy, NBG Pangaea boasts a high quality, high yielding, diversified portfolio with predictable cash flows driven by high occupancy levels, long term lease tenures and a strong tenant base." He adds, "NBG Pangaea focuses on commercial assets with good real estate fundamentals, a market sector in Greece where prices have been stabilizing in the past year, also showing an upward trend in selective cases. This part of the Greek real estate market has been experiencing an increase in the number of transactions (sales) and in the demand for 'take ups', a trend that is expected to be strengthened by the supply of real estate related to non performing loans."



Investing  
in infrastructure

NBG Pangaea's primary goal is to continue its growth strategy to create value for its investors, become a leading real estate investment company in the region, and to increasingly attract institutional investors and funds into Greece.

## HELLENIC RAILWAYS: ON THE RIGHT TRACK

The only way is up...this is the motto that characterizes the action and procedures of Hellenic Railways (aka OSE) since 2016.

In fact, 2016 was a turning point for the railway with two important landmarks: first, the opening of the rail market; second, a thorough incorporation of EC directives into Greek legislation.

As a result, a new approach to planning and managing the railway infrastructure—and, consequently, the whole system—has been established by the new management of OSE and all members of the railway group: equal treatment to all railway undertakings, dictating a new path for future relationships and equalizing the level of service with incentives, among others.

This pro-active approach is likely to undo negative connotations associated with the railways in recent years. More importantly, it clears the way for the implementation of large-scale renovation projects, for ever-greater synergies between the tourist and industrial sectors, and it enables the railway to make a major contribution to wider efforts to restructure the economy and society.

**Hellenic Railways S.A.**  
Kostas N. Petrakis, CEO  
k.n.petrakis@osenet.gr





**DEFINING REAL ESTATE INVESTMENTS IN GREECE**

**NBG PANGAEA**

NBG PANGAEA REIC, 6 Karageorgi Servias str. GR 10562, Athens / Greece  
Contact: T +30 210 3340097, E tmessari@nbg.gr

# Brazil's Never-Ending Corruption Crisis

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## Why Radical Transparency Is the Only Fix

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*Brian Winter*

Six decades ago, long before the Brazilian Senate's August 2016 vote to impeach President Dilma Rousseff and remove her from office, one of the most beloved leaders in the country's history was besieged by scandals of his own. President Getúlio Vargas, a stocky, gravelly voiced gaucho from Brazil's deep south, had granted new rights, including paid vacation, to a generation of workers in the 1930s and 1940s. But after Vargas returned to power in 1951, one of his top aides was charged with murder, and Vargas himself faced allegations that the state-run Bank of Brazil had granted sweetheart loans to a pro-government journalist. "I feel I am standing in a sea of mud," Vargas lamented. After a late-night cabinet meeting on August 24, 1954, failed to solve the crisis, and with numerous generals demanding his resignation, Vargas withdrew to his bedroom, grabbed a Colt pistol, and shot himself through the heart.

Ever since, corruption scandals have continued to routinely upend Brazilian politics. In 1960, the mercurial Jânio Quadros won the presidency by campaigning with a broom, vowing to sweep away the thieving "rats" in Brasília—only to quit after eight tumultuous months in office. Following a 1964 military coup, widespread disgust at the corruption of civilian politicians helped Brazil's generals hold on to power for two decades. In 1992, Fernando Collor de Mello—the first president to be elected following the restoration of democracy—was impeached over allegations that he and members of his inner circle had embezzled millions.

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**BRIAN WINTER** is Editor in Chief of *Americas Quarterly*. Follow him on Twitter @BrazilBrian.

Last August, Rousseff, the country's first female president, became the latest Brazilian politician to see her career wrecked in part by revelations of graft. The technical grounds for her impeachment were that she had manipulated the federal budget to conceal the scale of the country's mounting deficits. In reality, however, the impeachment was driven by public anger at a president who had overseen the country's worst recession in more than a century and by the exposure of a multibillion-dollar corruption scandal that made Vargas' "sea of mud" look like a tiny pond. Operation Car Wash, as the investigation has

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come to be known, uncovered massive graft involving government officials, business leaders, and the state-controlled oil company, Petrobras—the board of which Rousseff herself had chaired before becoming president in 2011. Although Rousseff is not accused of personally profiting from the corruption

scheme, prosecutors say that illegal proceeds were used to finance her electoral victories in 2010 and 2014 (Rousseff denies any wrongdoing). Several operatives from her Workers' Party, including its former treasurer, Rousseff's media guru, and a former senator, have been jailed on charges of money laundering and other crimes.

Rousseff's successor, President Michel Temer, took office hoping to turn the page—to no avail. Some within Temer's centrist Brazilian Democratic Movement Party (PMDB), including several members of Temer's cabinet, were also allegedly involved in the corruption at Petrobras. Just weeks after Temer took office, his minister of transparency, Fabiano Silveira, was forced to resign after a secret recording was leaked in which he appeared to advise the president of the Senate, another member of the PMDB, on how to avoid prosecution. In a February poll, 65 percent of Brazilians surveyed said they thought Temer's government was just as corrupt (or more so) than Rousseff's. Just ten percent approved of his government's performance, placing Temer's own political survival in jeopardy.

With public anger on the rise and the economy still stagnant, Brazilian democracy is now at its most vulnerable point since the return of civilian rule three decades ago, and it risks lapsing into long-term dysfunction or the "soft authoritarianism" currently sweeping the globe. The struggles of Rousseff and Temer, like those of their

predecessors, illustrate why it's time for Brazil to take a radically new approach to preventing corruption. Only by renouncing their special privileges and committing to genuine reform will Brazil's politicians be able to ward off disaster and regain the public's trust.

## **WASHED AWAY**

The history of corruption in Latin America has generally been one of dramatic headlines but few consequences for the guilty. While he was in office, Carlos Menem, Argentina's president during the 1990s, proudly drove a bright red Ferrari that he had received as a gift from a businessman. "It's mine, mine, mine!" he crowed. Menem's brazen behavior reflected many politicians' belief that they would be shielded from public anger, either by economic growth or by pliant institutions. In Mexico, for example, the long-dominant Institutional Revolutionary Party controlled the courts and the media, shielding the country's presidents from career-ending scandals.

Only in Brazil has corruption toppled one government after another. Some analysts blame Brazil's continental size and its strong regional power centers, which have produced a large number of political parties—at one point, Rousseff's coalition in Congress included more than 20. The parties themselves have weak ideological identities and little power to enforce loyalty among their members, which often compels presidents to bargain with legislators individually to get laws passed. This, in turn, creates strong incentives for politicians to resort to bribery to help forge alliances.

Other scholars argue that Brazil is no more crooked than its regional peers, pointing to surveys such as Transparency International's Corruption Perceptions Index, which ranks Brazil as less corrupt than Argentina and Mexico. Brazilian corruption is simply more likely to be detected, they claim. Brazil has an especially vigorous free press, an independent and well-resourced judicial branch, and a large and historically marginalized working class that, amid levels of inequality that are high even by Latin American standards, is almost always ready to turn on its leaders at the drop of a hat.

Whatever the truth, in recent decades, Brazil's systemic corruption has become more unsustainable. The country's 1988 constitution granted extraordinary autonomy to Brazilian prosecutors, leaving them free to investigate and imprison members of the business and political elite with little fear of reversal or retribution. As in other parts of the world, technological changes, including the rise of Facebook and Twitter,

have made it easier for watchdogs to collect evidence, publish allegations, and mobilize anticorruption demonstrations. And the economic boom Brazil enjoyed in the first decade of this century, fueled in part by Chinese demand for its commodities, created a new, educated middle class that demands better governance from its leaders. A decade ago, unemployment and hunger ranked at the top of most voters' concerns; today, corruption does, especially among voters under 40.

These factors have come to a head in the Car Wash scandal. In 2013, Brazilian police discovered an illegal money-transfer business hidden behind a gas station. In exchange for a plea bargain, one of the money launderers they arrested, a man named Alberto Youssef, told investigators about his role in a scheme that had funneled billions of dollars from Petrobras and other corporate giants to Brazilian politicians and their associates. Since then, a team of prosecutors has built evi-

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dence based on additional plea bargains, as well as an extensive web of domestic and international bank records. Many of Brazil's most famous tycoons have been jailed, including the oil magnate Eike Batista, the seventh-

richest person in the world in 2012, according to *Forbes* magazine. The prosecutors, most of whom are in their 30s and 40s, come from Brazil's first generation to know nothing but democracy in their adult lives and value the rule of law over deference to authority.

Meanwhile, Brazil's old political establishment has consistently underestimated both the tenacity of the prosecutors and the support they enjoy from the Brazilian public. On taking office, the 76-year-old Temer could have appointed aides who were untainted by the Car Wash scandal. Instead, he assembled an all-male, all-white cabinet (despite the fact that more than 50 percent of Brazilians define themselves as black or mixed race) that included numerous politicians already under investigation for corruption. The idea, it seems, was that by assembling an all-star team of experienced, if unpopular, politicians, Temer would be able to pass legislation, including a reform of Brazil's overly generous pension system, that would restore investors' confidence. Once economic growth returned, Temer and his aides believed, public anger over corruption would recede.

Perhaps predictably, this approach has backfired. Amid a relentless torrent of new allegations stemming from the Petrobras case and other



*You're fired: Rousseff in Brasília after being stripped of the presidency, September 2016*

investigations, five more ministers from Temer's cabinet, in addition to Silveira, have resigned or otherwise lost their jobs. In December, large street demonstrations broke out after Brazilian politicians gutted an anticorruption bill. The political instability has hampered Temer's ability to execute his legislative agenda and has scared off many domestic and foreign investors, and most economists now expect Brazil's economy to barely grow in 2017. The only public figure in Brazil whose approval rating consistently stands above 50 percent is Sérgio Moro, the 44-year-old judge overseeing Operation Car Wash.

With Temer's term set to end in December 2018, it is probably too late for him to relaunch his government in a more transparent mold. But his successor will have a golden opportunity to show that he or she has learned the lessons of Operation Car Wash. Only by prioritizing the fight against systemic corruption and making transparency a guiding principle of government policy can Brazil's politicians regain the support of their constituents, inspire confidence among investors, and end the country's crippling economic crisis. This strategy—call it “radical transparency”—holds the country's best hope for recovery.

### **THE BEST DISINFECTANT**

Radical transparency must start at the very top, and it requires deep reforms as well as symbolic measures aimed at regaining the public's trust. For starters, Brazil's next president should name a cabinet that is

completely untouched by the scandals of recent years. To reinforce his or her commitment to bringing new figures into national politics, the president should reserve half of all cabinet positions for women and a smaller quota for people under the age of 40, following the lead of Colombia, which introduced this very policy in the early years of this century. The government should also publish statements listing each minister's assets and recent income on the presidency's official website.

But to significantly reduce corruption, Brazilian lawmakers must make deeper political reforms. The most obvious is to abolish Brazil's so-called privileged standing, a law under which only the Supreme Court can judge senior government officials, including the president, cabinet ministers, and members of Congress, for alleged crimes. This provision, which has its origins in nineteenth-century Portuguese colonial rule, was designed to shield high-level public servants from politicized verdicts by

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*There is more support now for sweeping political change than at any point in a generation.*

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lower courts. But given that the Supreme Court deals with more than 100,000 cases a year, trials of politicians usually drag on for several years—if they occur at all. The result is near impunity for the estimated 22,000 people who currently enjoy some version of this privilege, which helps explain why far

more executives than politicians have been imprisoned so far in the Car Wash scandal. Withdrawing it, which would require Congress to amend the constitution, would dramatically improve the odds of corrupt politicians going to jail without inordinate delays.

Brazil's next president could complement this change by steering greater resources toward the Federal Police; the Ministry of Transparency, Supervision, and Controls; the Superior Electoral Court; and other bodies that investigate and prosecute graft and fraud. Brazil already has some of the region's most stringent anticorruption legislation, including a 2011 freedom-of-information law, a 2013 law governing private-sector conduct, and a 2016 law mandating greater financial transparency at state-run companies such as Petrobras. But as the wry Brazilian expression goes, *Algumas leis não pegam* (Some laws don't quite catch on), usually because the government fails to provide the resources to enforce them. According to their employees' union, for instance, the Federal Police are so strapped for cash that they have only one agent for every 200 cases; the union has asked that the size

of the force be doubled to keep up with demand. Other countries shaken by Operation Car Wash—the investigation has followed the money beyond Brazil's borders into Colombia and Peru—have already taken similar steps: in February, Peru's president announced that he would triple funding for anticorruption prosecutors.

If the government wishes to crack down on the kind of corruption uncovered at Petrobras, it should focus on places where the private and public sectors intersect. That means publishing all the terms, bids, and results for procurement and infrastructure projects and instituting harsher fines for companies when the projects go overtime or over budget. One proposal that Congress is considering would oblige government entities, including state-run companies, to dedicate at least ten percent of their advertising budgets to educating the public about the dangers of corruption and publicizing outlets for whistleblowers. This is a good idea, and the government should also work with Congress to draw up a new framework for campaign finance, following the Supreme Court's 2015 decision to abolish corporate donations altogether until a more transparent system could be created.

Finally, the next government should work with Congress to pass legislation that would slash the number of political parties, and with it the opportunities for corruption. As of December 2016, 28 parties were represented in Brazil's Congress, and applications were pending with electoral authorities to create an additional 52 parties. Introducing a minimum threshold of votes to enter Congress could reduce the number of major parties to, say, eight or ten, without unduly restricting political diversity.

## **CLEANING UP**

Many Brazilian politicians dismiss these proposals as unworkable in the current political climate. They insist that the true source of public discontent is not corruption but the economy, which has contracted by almost ten percent on a per capita basis since 2014. The government should therefore save its political capital, the argument goes, for passing legislation that will boost job creation, simplify its notoriously Byzantine tax code, and better integrate Brazil—the most closed major economy in Latin America—with the rest of the world.

It's true that recapturing the dynamism that lifted millions of Brazilians out of poverty is critical. But the government would be reckless to dismiss the public's outrage over corruption. In a 2016 survey, only

32 percent of Brazilians polled agreed that democracy is always the best form of government—a 22-percentage-point plunge from the previous year. If popular dissatisfaction with the political class remains so high, Brazilian democracy will face an existential threat. The risk is not a military coup; that era in Brazil ended with the Cold War. Instead, the public could be seduced by an authoritarian civilian leader who pushes Congress aside and restricts democratic freedoms. Alternatively, the country could remain trapped in a cycle in which unpopular politicians persistently resist transparency, even as new scandals continue to erupt—a recipe for long-term stagnation.

To be sure, an anticorruption drive would carry some risks. Presidents who pledge to stamp out corruption often resort to demagoguery and try to drive investigations themselves instead of empowering independent judicial institutions. Authorities must ensure that law enforcement agencies spend any additional funds effectively. After all, Brazil already spends more than its regional peers on the judicial sector, but too much of the money goes toward lavish salaries and perks for judges, even as police complain they can't afford to fill their cars with gas. Finally, efforts to increase transparency often end in disappointment. Governments should thus manage public expectations; the goal is to significantly reduce corruption, not eliminate it altogether.

Nonetheless, Brazil's leaders have an extraordinary opportunity. There is more support now for sweeping political change than at any point in a generation. Polls show that Brazilians are convinced that corruption caused the worst crisis of their lifetimes. In a nationwide survey at the end of 2016, 96 percent of respondents said they wanted Operation Car Wash to continue "no matter the cost"; 70 percent said they felt confident that, thanks to the investigation, corruption would decline in the future. Over the past 35 years, Brazil has defeated authoritarianism, hyperinflation, and hunger. Adding systemic corruption to that list would represent a historic accomplishment.

In the final months before Rousseff's impeachment, as the Car Wash scandal erupted and the economy collapsed, she commissioned secret internal polls to gauge her political standing. Rousseff was surprised to learn that the most popular figure in Brazil was not her or Luiz Inácio Lula da Silva (known as Lula), her much-loved predecessor. It was Pope Francis, whose example of austerity and integrity resonated at a time of enormous moral crisis, and who, in 2015, had called on the Vatican to operate with "absolute transparency." Brazil's next leader should take note. 🌐

# How to Maintain America's Edge

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## Increase Funding for Basic Science

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*L. Rafael Reif*

**I**n February 2016, scientists from the Massachusetts Institute of Technology (MIT) and the California Institute of Technology, or Caltech, joined with the National Science Foundation (NSF) to share some remarkable news: two black holes 1.3 billion light-years away had collided, and the resulting gravitational waves had been “heard” by the twin detectors of the Laser Interferometer Gravitational-Wave Observatory (LIGO). This was the first time such waves—ripples in the space-time continuum caused by the violent acceleration of massive objects—had ever been directly observed. Albert Einstein had predicted such waves a century ago, but it was long doubted that instrumentation sensitive enough to confirm their existence could ever be created. It took more than four decades of work by a vast team of scientists to make the impossible possible.

LIGO has revealed thrilling new insights into the cosmos—but it has given the world some gifts of immediate practical value as well, which help illustrate the benefits of such investments in basic science. Over the years, the LIGO project has provided a crucial training ground for thousands of top young scientists and engineers, developing talent that has energized not only American universities but also American businesses. Because LIGO researchers had to measure displacements of mirrors one-10,000th the size of a proton, they were required to invent an array of breathtakingly precise new tools, including ultra-stable high-powered lasers, ultrasmooth mirrors mounted on ultraquiet vibration-isolation platforms, the world's largest ultrahigh-vacuum system, and software algorithms for extracting tiny signals from noisy

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**L. RAFAEL REIF** is President of the Massachusetts Institute of Technology.

data. Some of these technologies are already beginning to be used in commercial manufacturing. And if history is any guide, LIGO will lead to important innovations far down the road—just as 1940s experiments with nuclear magnetic resonance led to the MRI scanner, a 1950s effort to create clocks to measure how gravity warps time made possible GPS, and research in the 1960s and 1970s gave the world the Internet.

LIGO, in short, is extraordinary. But it is also typical, because it highlights the system the United States relies on to achieve great

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*It often takes decades for fundamental research to yield practical applications.*

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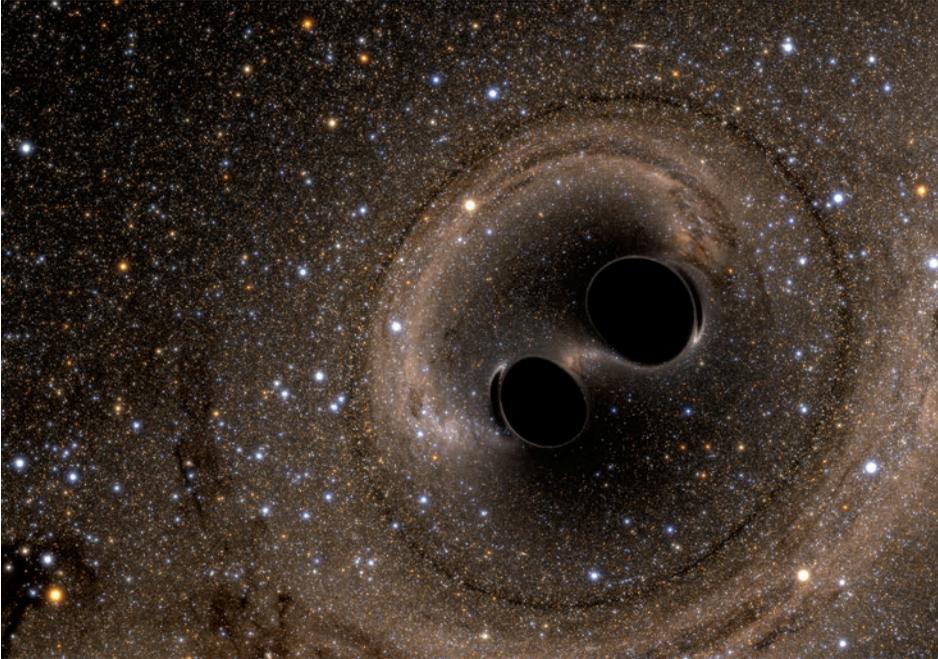
scientific discoveries: public support for university-based research, with large investments of time, cash, and patience. This support flows through federal agencies such as the NSF, the National Institutes of Health, and the Defense

and Energy Departments. In the case of LIGO, its observatories were funded by the NSF and designed, constructed, and run by its university partners, with more than \$1.1 billion spent over 40 years.

Since World War II, the U.S. government has been the world's biggest supporter of potentially transformative science—which is a key reason why the country continues to have the highest share of knowledge- and technology-intensive industries in the world, amounting to nearly 40 percent of the economy. It often takes decades for fundamental research to yield practical applications, and those applications can be unpredictable (such as the cyclotrons devised for experiments in particle physics in the 1930s being put to use in cancer treatments now). Yet it is out of such attempts to expand human knowledge that powerful new businesses grow, with technology titans such as Apple and Google building world-class companies on the backs of technologies emerging from federal investments in research.

By now, one successful way to cultivate economic growth in the United States is clear: Government provides the resources for basic science, and universities supply the talent, the training, and the commitment. The results inspire innovation, private investment, and further research and development, generating new products, new industries, new jobs, and better lives on a large scale.

Indeed, a short walk from my office, I can see the physical embodiment of this process in Cambridge's Kendall Square, which has been transformed in recent decades from an aging industrial landscape. First, it became an informal gathering place for young scientists from



*The truth is out there: a simulation of black holes, released at a conference in February 2016*

MIT, Harvard, and Boston's great medical centers excited by molecular medicine and gene engineering, then the site of academic research centers focused on cancer, genomics, neuroscience, and biomedicine and a hotbed for start-ups in the biosciences. Now it is a home for large companies as well, in biotechnology, pharmaceuticals, information technology, and energy. Once dominated by shuttered candy factories and empty pavement, Kendall Square has been reborn as the biotech capital of the world, one of the most innovative square miles on the planet. Much of the work on the government-funded Human Genome Project took place in the area, and according to the Battelle Memorial Institute, a nonprofit research-and-development organization, the \$14.5 billion spent on that effort between 1988 and 2012 has helped generate an estimated \$1 trillion in economic impact and more than four million job-years of employment.

Yet despite the remarkable success of the U.S. innovation economy, many players in both government and industry have been pulling back from the types of bold long-term investments in fundamental science that could seed the great companies of the future. The entire innovation ecosystem is becoming more shortsighted and cautious. And by failing to invest sufficiently in basic research today, Washington risks creating an innovation deficit that may hobble the U.S. economy

for decades to come. This concern has become acute since the White House released its budget blueprint, which proposes crippling cuts to science funding. Now more than ever, the fate of this crucial national investment depends on Congress.

### **THAT USED TO BE US**

While other nations are vigorously investing in scientific discovery, in recent years, total research-and-development spending in the United States, both private and public, has stagnated. Between 2008 and 2014, the entire U.S. research-and-development enterprise grew by just over one percent annually in inflation-adjusted dollars.

Most concerning, however, is the decline in federally supported research. Between 2009 and 2015, federal spending on research and development of all kinds decreased by nearly 20 percent in constant dollars. Universities suffered the longest downturn in federal support since the NSF began keeping track in 1972, and that has caused a great deal of promising work to stall—just when groundbreaking new tools, such as the LIGO detectors and CRISPR-Cas9 genome editing, have opened up enormous opportunities for new discoveries.

Such underinvestment in research and development is not merely a temporary effect of the Great Recession. The federal government now spends a significantly lower percentage of GDP on research than it did in the 1960s and 1970s and has particularly stunted research in essential fields such as the physical sciences, mathematics and computer science, and the environmental sciences. The result has been a shift over time in the source of the majority of research-and-development investment from the federal government to industry.

Industrial research and development is necessary and valuable, of course. But with some exceptions, it tends to focus on relatively narrow questions directed at specific commercial outcomes. Only about six percent of industry funding goes to basic research—to projects designed to expand humanity's store of knowledge rather than pass tests of immediate usefulness. This is understandable. Basic research is curiosity-driven, and the short-term returns from it are often not obvious. Yet we cannot do without it, because it is from such fundamental explorations that the world gets the startling breakthroughs that create entirely new industries.

Unfortunately, the United States' great corporate laboratories, such as Bell Labs and DuPont Central Research and Development, once

hubs of both fundamental and applied science, are largely a thing of the past. As global competition intensified and firms lost their market dominance, funding such labs came to be seen as an extravagance. Since 1971, moreover, U.S. corporations have been required to report their earnings quarterly, a change that has made it more difficult for managers to focus on long-term results.

There is, however, a true bright spot in the innovation economy. A new generation of digital industry leaders is now funding applied research into various blue-sky technologies, such as low-cost space rockets, autonomous vehicles, holographic computing, Internet-beaming drones, and flying cars. Some are even taking on long-term biomedical challenges, such as devising interventions for aging. But however impressive such efforts are, one must not mistake the fruit for the tree it grew from. Even Astro Teller, the head of so adventurous a corporate laboratory as Alphabet's X, home of the fabled "moonshots," notes that basic research is outside his purview. "The word 'basic' implies 'unguided,'" Teller told *The New York Times* in 2014, "and 'unguided' is probably best put in government-funded universities rather than industry." Yet many of X's futuristic projects, Teller explained, "rely on the academic work of the last 30 or 40 years."

Universities have struggled to do their part. Over the past 40 years, they have doubled the share of academic research-and-development spending they provide themselves, to its highest level ever. They have found the money to invest steadily in new facilities, they continue to train the nation's young technical talent, and they continue to drive economic development, gaining ever more patents, licensing new technologies, and incubating start-ups. But budgets are tight, and university resources are too limited to sponsor basic research anywhere near the scale of LIGO.

### **LESS MONEY, MORE PROBLEMS**

Why is U.S. government funding for fundamental scientific research drying up? In part because sluggish economic growth since the end of the last economic downturn has made it difficult to justify funding projects with no projected returns for decades to come. There is also a sense that other countries will reap the profits of U.S. investment in basic research without helping cover the costs. And there is a concern that, in combination with globalization, innovation is contributing to the erosion of jobs.

But the process of scientific progress and technological change will not stop because Washington refuses to participate. Moreover, the growth of innovation clusters such as those around Silicon Valley and Kendall Square suggests that there is indeed a home-court advantage to those places where discoveries are made and that businesses like to stay physically close to the source of important ideas. In such places, start-ups linked to university-based research stay in the neighborhood to absorb talent and knowledge and are often joined by larger, more established firms.

And although an increasing percentage of Americans worry that science is forcing too much change on them too quickly, the route to

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*All six of the 2016  
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were immigrants.*

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rising incomes ultimately runs through new technologies. In 1987, the MIT professor Robert Solow was awarded the Nobel Prize in Economics for an economic growth model that proposed that rising real incomes are largely dependent on technological progress. Throttling back on investment in basic

research is a way to increase economic insecurity, not reduce it, and threatens to shrink the country's horizons in several ways.

To start with, the United States' lead in technological innovation could fall to global competition, just as the country's domestic manufacturing base did, with major geopolitical and economic consequences. Cutting-edge science is equally vital to national security and the economy. Tellingly, other nations are already starting to catch up. As the United States' research-and-development spending stagnated between 2008 and 2013, China's grew by 17 percent annually, and South Korea's, by nine percent. Chinese nationals now publish almost as many peer-reviewed scientific journal articles as Americans do, and the quality of Chinese research is rising rapidly. (For as long as the U.S. Patent and Trademark Office has been monitoring how many patents have been granted to universities, MIT has ranked as the single institution with the greatest number, followed by other distinguished U.S. universities, such as Stanford and Caltech. In 2013, Beijing's Tsinghua University suddenly leapt ahead of Stanford.)

Further cuts in research budgets will discourage the cultivation of desperately needed young scientific and engineering talent. This is not merely an academic issue, because a high proportion of U.S. science and

engineering Ph.D.'s go into industry. As a result, universities have a significant role in training the most sophisticated talent for U.S. businesses, and a crucial feature of U.S. graduate education in science and engineering is the involvement of students in cutting-edge academic research. Projects such as LIGO show graduate students that they can pursue the boldest of ideas, leading to further innovation down the road.

Continuing to starve basic research will also hamper the country's ability to attract top global talent, adding to the discouraging effect of recent restrictions on immigration. U.S. universities have long been a magnet for the world's most brilliant people, as both students and faculty. All six of the 2016 American Nobel laureates in science and economics were immigrants, for example, as have been 40 percent of the American Nobel laureates in chemistry, medicine, and physics in this century. At MIT, more than 40 percent of both the graduate students and the faculty were born outside the United States—including the Venezuelan-born author of this article. As research funding dries up, so, too, will the influx of foreign talent.

Fewer federal dollars will also reduce the diversity of the entire U.S. research enterprise. While philanthropic support is important and can focus resources and attention on particular areas of research at particular institutions in ways that may yield rapid results, it cannot substitute for the broad base of federal investment. The National Institutes of Health alone spends over \$30 billion on medical research every year; imagine how many relentlessly generous billionaires it would take to match that. Furthermore, although some philanthropic funding goes to university research, the majority of it is directed to nonprofit research institutes, which, unlike universities, are not refreshed by a steady stream of new students and junior faculty. Because universities are forever young, they are uniquely creative.

Declining public investment in science is linked to another emerging threat: a less patient system of private investment to carry discoveries through to commercialization. From the 1960s through the early 1990s, federal investments in education and research produced well-trained young scientists and engineers who generated brilliant ideas. Big companies with big internal research-and-development operations would then hire many of those people, develop their ideas, and deliver them to the marketplace. When I joined MIT's electrical engineering faculty in 1980, that model was working well, translating discoveries from university labs across the country into market-ready innovations.

By the 1990s, however, as American corporations curtailed their own internal research operations, scientists and engineers were left with only one avenue to bring their innovations to market: seek risk capital and launch a start-up. Venture capital investment is typically not patient, however, and it has gravitated disproportionately to digital and biotechnology start-ups that offer a quick path to profitability or to the potentially outsized rewards of blockbuster therapeutics. Venture capital investment has not worked as well for many tangible products based on new science and technology, including sorely needed new energy technologies, which may require capital-intensive infrastructure and involve novel manufacturing processes that will take time to develop.

### **DANGER, WILL ROBINSON!**

The future of U.S. scientific, technological, and economic innovation depends on increased federal funding for basic research and increased effort by the private sector to move new technologies into the marketplace. In 1964, at the height of the Cold War and the space race, federal spending on research and development came to 1.9 percent of GDP. Today it is less than half that—even in the face of threats such as terrorism, cyberattacks, climate change, and potential pandemics. Given these challenges and the ratcheting up of international competition, a recommitment to U.S. leadership in science and innovation is critical.

Something more has to be done, also, to ensure a steady progression from ideas to investment to impact. Many universities have created incubators and accelerators to support start-ups emerging from their laboratories. At MIT, we are particularly concerned about the fate of “tough technologies” in fields such as clean energy, manufacturing, robotics, biotechnology, and medical devices—promising ideas that could potentially yield game-changing answers to enormous challenges but whose commercialization is too time- and capital-intensive to attract risk capital or strategic investment from a large corporation. To help such technologies reach the marketplace, we recently launched an enterprise we call The Engine. It will support up to 60 start-ups at a time by offering them affordable space near the MIT campus, access to specialized equipment and technical expertise, and patient capital through a venture capital investment arm relying on private funds. If this and similar projects elsewhere succeed, they could unleash waves of innovation that could benefit everyone.

The benefits of public investment in science and technology, finally, must be broadly shared by the citizens who shoulder the cost, and the economic and social disruptions triggered by the resulting advances must be addressed with systems that offer continuous training and retraining to American workers throughout their professional lives. Increasingly smart and nimble machines will eventually radically alter the workplace. Stopping such technological progress is impossible—so rather than wish the problem away, the public and private sectors should focus on helping people adapt successfully.

As soon as the world heard the first chirp signaling a gravitational wave emanating from black holes 1.3 billion light-years away, it was clear that the LIGO project was a triumph and would usher in a new kind of astronomy that would reveal new truths about the universe. LIGO shows that the United States still knows how to do truly bold science and do it well. But the breakthroughs today were built on the hard work and generous funding of past generations. If today's Americans want to leave similar legacies to their descendants, they need to refill the research pipelines and invest more in the nation's scientific infrastructure. If they don't, Americans should not be surprised when other countries take the lead. 🌐

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# The Boom Was a Blip

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## Getting Used to Slow Growth

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*Ruchir Sharma*

**T**he global recovery from the Great Recession of 2009 has just entered its eighth year and shows few signs of fading. That should be cause for celebration. But this recovery has been an underwhelming one. Throughout this period, the global economy has grown at an average annual pace of just 2.5 percent—a record low when compared with economic rebounds that took place in the decades after World War II. Rather than rejoicing, then, many experts are now anxiously searching for a way to push the world economy out of its low-growth trap. Some economists and investors have placed their hopes on populists such as U.S. President Donald Trump, figuring that if they can make their countries' economies grow quickly again, the rest of the world might follow along.

Given how long the global economy has been in the doldrums, however, it's worth asking whether the forces slowing growth are merely temporary. Although economists and business leaders complain that a 2.5 percent global growth rate is painfully slow, prior to the 1800s, the world's economy never grew that fast for long; in fact, it never topped one percent for a sustained period. Even after the Industrial Revolution began in the late eighteenth century, the average global growth rate rarely exceeded 2.5 percent. It was only with the massive baby boom following World War II that the global economy grew at an average pace close to four percent for several decades. That period was an anomaly, however—and should be recognized as such.

The causes of the current slowdown can be summed up as the Three Ds: depopulation, deleveraging, and deglobalization. Between the end of World War II and the financial crisis of 2008, the global economy

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**RUCHIR SHARMA** is Chief Global Strategist and Head of Emerging Markets at Morgan Stanley Investment Management and the author of *The Rise and Fall of Nations: Forces of Change in the Post-Crisis World*.

was supercharged by explosive population growth, a debt boom that fueled investment and boosted productivity, and an astonishing increase in cross-border flows of goods, money, and people. Today, all three trends have begun to sharply decelerate: families are having fewer children than they did in the early postwar years, banks are not expanding their lending as they did before the global financial crisis, and countries are engaging in less cross-border trade.

In an ideal world, political leaders would recognize this new reality and dial back their ambitions accordingly. Instead, many governments are still trying to push their economies to reach unrealistic growth targets. Their desperation is understandable, for few voters have accepted the new reality either. Indeed, many recent elections have punished establishment politicians for failing to do more, and some have brought to the fore populists who promise to bring back the good times.

This growing disconnect between the political mood and the economic reality could prove dangerous. Anxious to please angry publics, a number of governments have launched radical policy experiments designed to revive economic growth and increase wages, or to at least spread the wealth more equitably—even though such plans are likely to fail, since they often rely on heavy spending that is liable to drive up deficits and spark inflation, leading to boom-and-bust swings. Even worse, some leaders are trying to use nationalism—by scapegoating foreigners or launching military adventures—to divert the public's attention from the economy altogether.

Depopulation, deleveraging, and deglobalization need not hurt everyone; in fact, they will benefit certain classes of countries, companies, and people. To respond properly to these trends, governments need to plan for them and to manage public expectations. So far, however, few leaders have shown the ability—or even the inclination—to recognize the new economic reality.

## **MORE OR LESS**

The emergence of the Three Ds represents an epochal reversal in the story of global development, which for decades prior to the Great Recession was a tale of more: more people, more borrowing, and more goods crossing borders. To understand why the plot took such an unexpected turn, it's helpful to consider the roots of each trend.

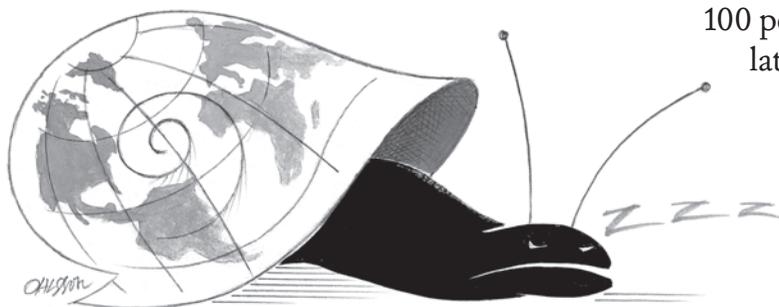
Depopulation was already under way prior to the economic melt-down. During the postwar baby boom, the annual rate of growth in

the global population of working-age people nearly doubled, from one percent in the mid-1950s to over two percent by 1980. This directly boosted economic growth, which is a simple function of how many people are joining the work force and how rapidly their productivity is increasing. By the 1980s, however, signs that the boom would fade had begun to appear, as women in many countries began to bear fewer children, in part because of the spread of contraception. As a result, the annual growth rate of the global working-age population started to fall in stages, with a sharp drop after 2005. By 2016, it had dropped all the way back to just one percent. In the United States, growth in the working-age population declined from 1.2 percent in the early years of this century to just 0.3 percent in 2016—the lowest rate since the UN began recording this statistic in 1951.

The UN now predicts that worldwide, population growth rates will continue to decline through 2025 and beyond. Such long-term forecasts, which are based on a relatively simple combination of birth and death rates, have an excellent track record. And the economic implications of that trend are clear: every percentage point decline in working-age population growth shaves an equally large chunk off the GDP growth rate.

In the 1950s and 1960s, the baby boom provided a massive boost to the global economy, as did increases in productivity rooted in large measure in technological advances. As productivity growth slowed in the subsequent decades, however, easy money started to take its place as an economic spur. Beginning in the early 1980s, central banks began to win the war on inflation, which allowed them to lower interest rates dramatically. Until that point, borrowing and economic growth had moved in tandem, as is the norm in a capitalist system; for decades, global debt had grown in line with global GDP. But as falling interest rates lowered the cost of borrow-

ing to near zero, debt surged from 100 percent of global GDP in the late 1980s to 300 percent by 2008. Although some of this borrowed money was wasted on speculation, much of it went to fuel business activity and economic growth.



Then came the global financial crisis. Regulations issued in its wake limited the risks that U.S. and European banks could take both in their domestic markets and overseas. In 2008, global capital flows—which are dominated by bank loans—stood at 16 percent of global GDP. Today, those flows hover at around two percent of global GDP—back to where they were in the early 1980s. Meanwhile, many private borrowers and lenders have been paralyzed by “debt phobia,” which has prevented new lending despite the fact that interest rates are at record lows. The only country where borrowing has continued to grow rapidly is China, which did not develop a fear of debt because it remained insulated from the financial crisis in 2008. But globally, since interest rates can hardly drop any further, a new debt boom is extremely unlikely.

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*Few leaders have shown the ability—or even the inclination—to recognize the new economic reality.*

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Globalization is not likely to revive quickly, either. The last time that cross-border flows of money and people slowed down was in 1914, at the onset of World War I. It took three decades for that decline to hit bottom, and then another three decades for flows to recover their prewar peaks. Then, in the early 1980s, many countries began to open their borders, and for the next three decades, the volume of cross-border trade doubled, from the equivalent of 30 percent of global GDP in 1980 to 60 percent in 2008. For many countries, export industries were by far the fastest-growing sector, lifting the overall growth rate of the economy.

In the wake of the recession, however, consumers have cut back on spending, and governments have started erecting barriers to goods and services from overseas. Since 2008, according to the Centre for Economic Policy Research’s Global Trade Alert, the world’s major economies have imposed more than 6,000 barriers to protect themselves from foreign competition, including “stealth” measures designed to dodge trade agreements. Partly as a result of such policies, international trade has fallen back to the equivalent of 55 percent of global GDP. This trend is likely to continue as populists opposed to globalization move to further restrict the movement of goods and people. Witness, for example, one of Trump’s first moves in office: killing the Trans-Pacific Partnership (TPP), a 12-nation deal that was designed by Trump’s predecessor to assure that American-style free-market rules would govern trade in Asia.

## **WELCOME TO THE DESERT OF THE REAL**

Depopulation, deleveraging, and deglobalization have become potent obstacles to growth and should prompt policymakers in countries at all levels of development to redefine economic success, lowering the threshold for what counts as strong annual GDP growth by a full percentage point or two. Poorer countries tend to grow faster, because they start from a lower base. In countries with average annual incomes of less than \$5,000, such as Indonesia, a GDP growth rate of more than seven percent has historically been considered strong, but that number should come down to five percent. For countries with average annual incomes of between \$5,000 and \$15,000, such as China, four percent GDP growth should be considered relatively robust. For developed nations such as the United States, with average annual incomes above \$25,000, anything over 1.5 percent should be seen as healthy.

This is the new reality of economic success. Yet few, if any, leaders understand or accept it. Given the constraints imposed by the Three Ds, the economies of China, India, Peru, the Philippines, Poland, and the United States are all growing at what should be considered healthy rates. Yet few citizens or policymakers in those countries seem satisfied with the status quo. In India, where the economy is now growing at a pace between five and six percent, according to independent estimates, elites still fantasize about hitting eight or nine percent and becoming the next China. The actual China, meanwhile, is still taking on ever more debt in an effort to keep its growth rate above six percent. And in the United States, Trump has talked of somehow getting the already fully developed U.S. economy to grow at four, five, or even six percent a year.

Such rhetoric is creating an expectations gap. No region of the world is growing as fast as it was before 2008, and none should expect to. In 2007, at the peak of the pre-crisis boom, the economies of 65 countries—including a number of large ones, such as Argentina, China, India, Nigeria, Russia, and Vietnam—grew at annual rates of seven percent or more. Today, just six economies are growing at that rate, and most of those are in small countries such as Côte d'Ivoire and Laos. Yet the leaders of many emerging-market countries still see seven percent annual GDP growth as the benchmark for success.

## **THE POPULIST MOMENT**

“What’s wrong with ambition?” some might object. The answer is that pushing an economy to sustain speeds beyond its potential is like

persistently gunning a car's engine: it may sound cool, but eventually the motor will burn out. And if buyers are promised a muscle car but find themselves stuck in a broken-down family sedan, they will turn on the dealer.

In the last year, numerous leaders once considered rising stars, such as Mexico's Enrique Peña Nieto and Italy's Matteo Renzi, have seen their approval ratings tumble and, in Renzi's case, have been forced out of office after their reform plans failed to deliver as promised. Normally, incumbent politicians enjoy an advantage on election day, but not during antiestablishment revolts, such as the one occurring now. In 2009, in the 50 most populous democracies, the governing party won 90 percent of elections at the national level. Since then, the success rate of ruling parties has fallen steadily, to just 40 percent last year.

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*Pushing an economy too hard is like persistently gunning a car's engine: it sounds cool, but eventually the motor burns out.*

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The beneficiaries of this shift have often been populist and nationalist leaders who have cast doubt on the central tenets of the liberal postwar order. Figures such as Trump, Prime Minister Theresa May in the United Kingdom, and the right-wing leader Marine Le Pen in France have encouraged people to question the so-called Washington consensus—that is, the belief that there is an intrinsic link between global free markets and rising prosperity—which was an article of faith in the United States and other Western countries for decades.

Many of these same politicians promise more muscular leadership in the name of promoting their countries' interests, and publics have shown themselves to be increasingly open to such appeals. The World Values Survey polled citizens of 30 large countries in the late 1990s and then again in the first five years of the current decade, asking, among other things, whether "having a strong leader who does not have to bother with parliament and elections" would be good for their country. In 25 of the surveyed countries, the share of people who said they would prefer authoritarian rule to democracy rose. The figure increased by 11 percentage points in the United States, 24 percentage points in Russia, and 26 points in India, where the number now stands at a stunning 70 percent. Even more striking, the decline in support for democracy was sharper among young people than among the old.

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*Diverting attention from economic troubles by blaming foreign cabals and enemies within is a trick as old as politics.*

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Many leaders are responding to this shift by embracing protectionist policies and by intervening more aggressively in markets. One of the main reasons for British voters' surprising 2016 decision to leave the

EU was a popular desire, whipped up by populists, to "retake control" of national borders and trade policy. Now the Washington consensus is under attack even in Washington. In the name of his "America first" agenda, Trump has begun publicly demanding that private companies build with U.S.-sourced materials and threatening to

change the tax code to explicitly favor exports over imports. This willingness to scrap postwar economic orthodoxy has extended into emerging markets as well. Although Indian Prime Minister Narendra Modi was once a darling of the free-market crowd, he has recently begun to defy its preferences, most recently by deciding to withdraw 86 percent of the paper currency in circulation in India, virtually overnight, as a way to punish wealthy tax dodgers.

Such policies stand little chance of accomplishing the larger goal: bringing back a period of broad prosperity. Indeed, populist experiments will likely do more harm than good, in part by threatening the victory in the war on inflation that governments won in the 1980s and have sustained ever since, as tighter central bank policies have combined with intensifying international competition to put a lid on prices. If countries pursue insular, protectionist policies, decreased foreign competition will likely remove that lid. Populist proposals to boost growth by increasing government spending could also push prices up, especially if the economy is already running close to full capacity, as it is in the United States right now. That is why expectations for U.S. inflation have risen markedly since Trump took office.

Populist spending might indeed drive up growth for a year or so, but it would come at the expense of higher deficits and rising inflation. That would force central banks to raise interest rates faster than expected, triggering a downturn. Trump's call for significant new spending on roads and bridges has proved broadly popular, but the timing is all wrong.

The U.S. economy is already in the eighth year of a recovery, which means the need for stimulus spending has passed. And the Trump

plan would push the U.S. budget deficit, which is already at unprecedented levels, even higher. At this stage, Washington should be building a surplus—money it will need when the next recession inevitably hits. But the idea of saving for a rainy day seems quaint at a time when disgruntled voters are demanding an economic revival. The U.S. economy is already growing in line with its potential rate of 1.5 to two percent, yet most politicians seem to share the public's disappointment and eagerness for more.

### **WINNERS AND LOSERS**

The slowdown in global flows of goods, money, and people has affected more than just national politics and policymaking: it has also rearranged the international balance of economic power. Before 2008, emerging economies sought to export their way to prosperity. But that model has become less effective as the competitive edge once enjoyed by major exporters, such as South Korea and Taiwan, has begun to shift to countries that can grow by selling to their own large domestic markets, such as Indonesia or Poland.

At the same time, countries that got ahead by specializing in outsourced labor will probably see their advantage dwindle. India has seen cities such as Bangalore emerge as incubators of the country's rising middle class, spurred by opportunities at global outsourcing firms. The same goes for the Philippines, where call centers did not exist at the turn of the millennium but have exploded into a \$22 billion industry employing more than one million people. As globalization retreats, however, outsourcing is likely to decline, and Trump's tax plans, designed to bring companies and jobs back to the United States, will accelerate this shift.

Economic advantages are also moving away from big multinationals and toward smaller, domestically focused companies that rely less on exporting goods and importing or outsourcing labor. As borders tighten and it becomes harder to fill positions with foreign employees, workers in developed economies such as the United States will gain more bargaining power. For much of the postwar era, the share of U.S. national income that went to workers declined, in large part because many companies cut labor costs by shifting jobs abroad. Meanwhile, the share of national income going to corporate profits rose steadily, to a peak of ten percent in 2012. Since then, however, the corporate share has started to drop and the workers' share has begun inching up.

Border restrictions and aggressive government intervention in markets are nonetheless likely to slow the global economy. Reduced competition tends to undermine productivity, one of the key drivers of growth. As leaders attempt to grab a greater share of the global pie for their countries, their combined efforts will wind up shrinking the pie itself.

### **I'M A SURVIVOR**

So what will happen when populists and nationalists fail to deliver faster growth? One might expect everything to come crashing down around them. In fact, history shows that canny populists can survive such outcomes. But the tactics they tend to use often stoke international instability, as the cases of Russia and Turkey demonstrate.

When Russian President Vladimir Putin came to power in 2000, his basic promise was that he would make Russia great again by reviving its economy. Thanks largely to rising prices for Russia's top exports, oil and gas, average annual income increased tenfold over the next decade, to the equivalent of \$15,000. Putin reaped the benefits, basking in unprecedented levels of public support. But in 2014, energy prices collapsed, setting off a recession, and average annual income fell to just \$9,000. Putin suddenly seemed politically vulnerable.

To deflect attention from the downturn, Putin embarked on a series of foreign adventures: invading and annexing Crimea, fomenting a pro-Russian insurrection in eastern Ukraine, and launching a military intervention to support the embattled Assad regime in Syria. By playing the nationalism card and casting himself as the hero of a campaign to restore Russian prestige and power, Putin has avoided suffering the fate of so many other establishment politicians. Despite Russia's continued economic struggles, his approval rating remains above 80 percent.

Like Putin, Turkish President Recep Tayyip Erdogan is also well into his second decade in power despite the fact that he presides over a sputtering economy. Erdogan's ideas about economics are distinctly unconventional: he has claimed, for example, that raising interest rates—a standard antidote to inflation—is in fact a cause of inflation. Turkey faces a crippling mix of rising deficits, accelerating inflation, and slow growth. Yet the latest polls put Erdogan's approval rating at close to 70 percent, in part because Erdogan has managed to convince many Turks that the United States and the EU are the masterminds of

a conspiracy to weaken Turkey. When military officers launched a coup attempt against him last year, Erdogan claimed that the plot was “written abroad,” and members of his government accused the CIA and the FBI of involvement—an accusation that Washington denies but that most Turks believe, according to polls.

This trick—diverting attention from economic troubles by launching foreign adventures or by scapegoating foreign cabals and enemies within—is as old as politics. But Putin’s and Erdogan’s success with such tactics will only make other leaders more willing to take similar measures when they find themselves unable to deliver on promises of renewed prosperity. The resulting wave of nationalist antagonism and aggression will stoke geopolitical tensions, especially at a time when Washington’s commitment to upholding the liberal international order seems to be wavering.

### **THE NEW NORMAL**

Not all the effects of the Three Ds will be negative; the trends will produce some winners, such as countries whose economies are less reliant on international trade and firms that deal primarily with domestic markets. A slower-growing, less globalized economy might also raise middle-class wages in developed economies, which might in turn halt or even reverse the increase in income inequality that many nations have experienced in recent decades. Such gains will prove fleeting, however, if leaders and policymakers refuse to accept the new normal.

There are some steps that governments can take to dampen the impact of the Three Ds. Although attempts to reverse the long-term decline in birthrates, such as offering women “baby bonuses,” have proved largely futile, governments can offer more women and elderly people incentives to enter or reenter the work force. They can also open doors to immigrants. But doing so will be at best politically impractical at a time of rising nativism. And working-age populations are falling so sharply that women, senior citizens, and immigrants can make up for only a small portion of the looming labor shortage.

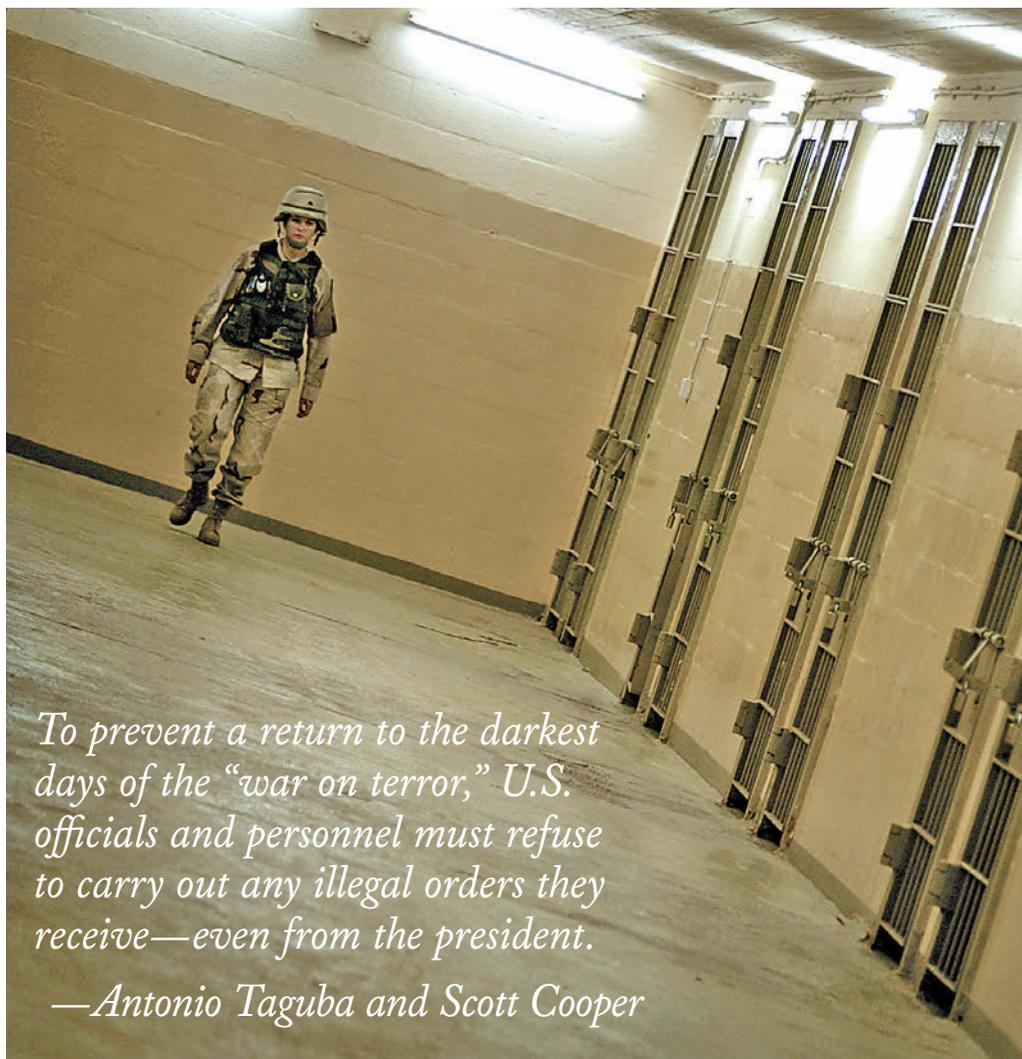
The same basic math applies to deglobalization: at a time when global trade talks have stalled and regional trade deals are dying on the vine, countries can try to boost trade by cutting bilateral deals—but this will only partly counteract the global anti-trade trend. And the rise of populists will continue pushing mainstream politicians to

be wary of any trade deals: before beginning her 2016 presidential campaign, former U.S. Secretary of State Hillary Clinton had called the TPP “the gold standard” for trade deals; once primary season started, she withdrew her support for the agreement in response to anti-trade populism in the Democratic Party’s base.

The obstacles to reviving the postwar debt boom are even more daunting. The financial crisis of 2008 led to new regulations and new restrictions on lending and made big banks an easy target for populists of all stripes, limiting the room to maneuver for policymakers and financial firms alike. And global debt, although stable, is already quite high, at around 300 percent of GDP. That means that, even if policymakers wanted to do so, it would be politically difficult and perhaps economically destabilizing to trigger a new period of debt expansion.

If political leaders can’t summon the words or the courage to explain this slow-growth world to a demanding public, they can at least avoid overpromising on growth and eschew unorthodox policy experiments to achieve it. Some traditional economic policies, such as well-designed tax cuts and deregulation, could help increase productivity and lift growth rates at the margin. But the gains from such policies are unlikely to add up to much. No country will be able to avoid the constraints on growth posed by the Three Ds; the time has come to prepare for life in a post-miracle world. 🌐

# REVIEWS & RESPONSES



*To prevent a return to the darkest days of the “war on terror,” U.S. officials and personnel must refuse to carry out any illegal orders they receive—even from the president.*

*—Antonio Taguba and Scott Cooper*

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# Tortured Souls

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## The Crimes of the War on Terrorism

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*Antonio Taguba and  
Scott Cooper*

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*Consequence: A Memoir*

BY ERIC FAIR. Henry Holt, 2016,  
256 pp.

*Enhanced Interrogation: Inside the Minds  
and Motives of the Islamic Terrorists  
Trying to Destroy America*

BY JAMES MITCHELL WITH BILL  
HARLOW. Crown Forum, 2016, 320 pp.

**P**resident Donald Trump has made it clear that he believes the United States should consider using torture when interrogating terrorist suspects. Last February, during the Republican primary campaign, he pledged that if elected, he would authorize techniques “a hell of a lot worse than waterboarding.” Doing so, he later bragged, “wouldn’t bother me even a little bit.” Trump insisted that “torture works”—and that even if it doesn’t, terrorists “deserve it anyway.”

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**ANTONIO TAGUBA** retired from the U.S. Army in 2007 with the rank of Major General. He led a 2004 army internal investigation into prisoner abuse at the U.S. detention facility in Abu Ghraib, Iraq.

**SCOTT COOPER** retired from the U.S. Marine Corps with the rank of Lieutenant Colonel. He is Director of National Security Outreach at Human Rights First.

Soon after his inauguration, Trump indicated that in crafting policy on interrogations, he would defer to the counsel of his defense secretary, the retired Marine Corps general James Mattis, who opposes the use of torture. “I’m going with General Mattis,” Trump said in an interview with David Muir of ABC News. “But do I feel it works? Absolutely, I feel it works.”

The administration has continued to send mixed signals on the subject. In late January, *The New York Times* revealed the existence of a draft executive order that would have reversed the Obama administration’s 2009 decision to shutter the secret “black sites” where the CIA tortured detainees and to limit interrogators to the nonabusive techniques contained in the U.S. Army Field Manual. The Trump administration denied the *Times*’ report and soon circulated a different draft order on detainees, which did not call for such policy changes. But the episode left a distinct impression that although Mattis and other senior administration officials might oppose torture, Trump is hardly its only proponent in the White House.

That torture is once again even a topic of discussion at the highest levels of the U.S. government is an alarming development for the country—and for us personally. One of us, Antonio Taguba, as a major general in the U.S. Army, authored a 2004 internal army report on prisoner abuse at the U.S. detention facility in Abu Ghraib, Iraq. Sifting through the evidence documenting the sickening ways that U.S. military personnel and contractors mistreated Iraqi detainees, he became intimately familiar with the very worst in human nature and the ugliness that war can produce

in those waging it. And after what became known as “the Taguba report” was leaked and made headlines, everyone learned just how stubbornly the U.S. government can resist taking responsibility for its crimes and learning from its errors. The George W. Bush administration blamed the atrocities at Abu Ghraib on low-level troops and staffers, and the senior civilian and military leaders who devised and authorized abusive tactics and encouraged an environment of brutality escaped culpability. Later, the Obama administration declined to prosecute anyone for ordering abuse or participating in it, even though President Barack Obama had himself conceded that the United States had “tortured some folks.”

That lack of accountability might be one reason why torture is back on the table and once again politically palatable. A 2014 *Washington Post*–ABC News poll found that a majority of Americans believed that the CIA’s use of torture was justified. And why wouldn’t they? By refusing to hold anyone responsible, Washington sent a clear signal to Americans that the abuse was, in fact, justified—even if it was illegal, immoral, and likely ineffective. But whether or not torture “worked,” there is little question that it harmed U.S. interests. As Douglas Johnson, Alberto Mora, and Averell Schmidt noted recently in this magazine:

Washington’s use of torture greatly damaged national security. It incited extremism in the Middle East, hindered cooperation with U.S. allies, exposed American officials to legal repercussions, undermined U.S. diplomacy, and offered a convenient justification for other governments to commit human rights abuses.

The wrong-headed policies that produced such high costs were developed by dozens of officials and implemented by a vast bureaucracy at a safe remove from the frontlines. But individuals had to actually carry them out. Two such people have recently published books reflecting on their experiences doing just that. Eric Fair was a contract interrogator for the U.S. Army in Iraq. His memoir, *Consequence*, is an act of confession, an effort to confront his demons. James Mitchell is a psychologist whom the CIA hired after the 9/11 attacks to help devise aggressive new means of extracting information from detainees. The book he co-authored with the former CIA spokesperson Bill Harlow, *Enhanced Interrogation*, is an act of self-defense. Mitchell, too, wants to confront his demons, which is how he seems to view almost anyone who has written critically about the abuse that he and others inflicted.

Taken together, the two books serve as a reminder of the importance of individual choice and personal agency, even in the expansive architecture of U.S. national security. If Trump wants to put the United States back into the torture business, he will need the compliance of individuals at many levels of government who are willing to break the law. At a debate during the Republican primary campaign last year, a moderator asked Trump what he would do if officials refused to torture detainees or to “take out their families,” as Trump had suggested might be necessary. “They’re not going to refuse me—believe me,” Trump scoffed. “If I say do it, they’re going to do it.”

We hope that Trump is wrong. To prevent a return to the darkest days of

the so-called war on terror and the Iraq war, military officers, intelligence officials, enlisted people, and contractors must refuse to carry out any illegal orders they receive—even from the president himself. Doing so will serve the national interest and their own self-interest. For as these two books demonstrate—by design in Fair’s case and inadvertently in Mitchell’s—the damage wreaked by torture is not limited to the victims: it also extends to the souls of the torturers.

### **FOLLOWING ORDERS**

Fair was born in 1972 and grew up a devout Presbyterian. He joined the army in 1995 and was honorably discharged in 2000. After the 9/11 attacks, he longed to serve his country once more and fight its new enemies. Although unable to put on the uniform again, he found a way to the war zone as a civilian contractor. Fair was hired by CACI, a U.S. corporation that had obtained a contract from the Defense Department to provide personnel for intelligence work in Iraq.

The company hired Fair as an interrogator even though he’d never received any military training in interrogation or intelligence analysis. His lack of experience was compounded, he claims, by the fact that prior to his arrival in Iraq in December 2003, CACI did not train him, either. But the company’s bare-bones orientation program did manage to convince Fair of one thing: the U.S. government had approved and authorized brutal interrogations. In a passage that every policymaker should read and remember, he writes: “We tortured people the right way, following the right procedures, and used the approved techniques. There are no legal consequences.”

Those sentences capture the ethos that guided many interrogators in the fight against terrorism, whether they worked for the military, the CIA, or civilian contractors. The result was an essentially rule-free zone in which interrogators were untethered from the usual restrictions on battlefield conduct. Fair’s description of near chaos inside interrogation rooms in Iraq matches what was learned during the investigation of the abuses at Abu Ghraib. Most military and civilian interrogators had received little more than on-the-job training and were not properly supervised. This left them confused about their responsibilities and, in some cases, uncertain about whether they were even subject to U.S. legal authority at all.

In spare, haunting prose, Fair details his own conduct in this environment, which became more abusive over time. He recalls the first time he grabbed a detainee; his use of what his colleagues called “the Palestinian chair,” a technique they were told that Israeli interrogators use to force detainees into an excruciatingly painful position; and the way some detainees cried when he asked about their wives and families.

Inflicting agony on others took a toll on Fair. After he returned home, his marriage unraveled. He drank to excess. He believes he will never be able to earn redemption but that he is “obligated to try.” He was doing his country’s bidding; he was following orders. But what he did was wrong, and he still struggles to come to terms with his actions and find a way to make amends.

### **ROUGH MEN**

Mitchell, in contrast, feels no guilt and seeks no forgiveness. He reminds

readers that, in the wake of the 9/11 attacks, justified fears of another assault drove U.S. policy, and the CIA saw coercive interrogations as one way to prevent more bloodshed. The agency turned to Mitchell and his colleague Bruce Jessen, who had served as psychologists in the U.S. Air Force and had overseen the Survival, Evasion, Resistance, and Escape (SERE) training program for personnel deemed to be at high risk of enemy capture. Mitchell and Jessen had designed and supervised some of the mock interrogations that SERE trainees undergo to prepare them for what they might endure should they ever fall into hostile hands. But the two men had never conducted genuine interrogations of enemy detainees. Nevertheless, they managed to convince the CIA that they could adapt SERE tactics to the real world, and they quickly became integral players in the CIA's new detention and interrogation program. Over the next eight years, their company, Mitchell Jessen & Associates, reportedly earned some \$81 million for its work. They are now facing a lawsuit filed in federal court in Washington State by two former CIA detainees and representatives of a third, who died in custody, accusing the psychologists of human rights violations and seeking compensatory and punitive damages.

Mitchell's book brings to mind a quote of uncertain provenance that is sometimes attributed to Winston Churchill: "We sleep safely in our beds because rough men stand ready in the night to visit violence on those who would harm us." Mitchell casts himself as a rough man and takes pride in the violence he visited on detainees such as the 9/11 plotter Khalid Sheik Mohammed,

who was waterboarded 183 times. "I have looked into the eyes of the worst people on the planet," Mitchell writes. "I have sat with them and felt their passion as they described what they see as their holy duty to destroy our way of life." He and Jessen, he goes on, "did what we could to stop them." Mitchell paints himself as something of a "good cop" in the interrogation room: his suggested techniques, he claims, were actually less brutal than "unproven and perhaps harsher techniques made up on the fly that could have been much worse." Mitchell also asserts that his efforts produced intelligence that helped foil terrorist attacks and led to the capture or killing of high-profile targets, including Osama bin Laden.

The U.S. Senate Select Committee on Intelligence spent five years and \$40 million investigating such claims. Its 6,300-page report remains classified. But in 2014, the committee's Democratic majority released a heavily redacted 500-page executive summary that refuted the idea that the torture carried out by Mitchell and others produced any particularly useful information. The executive summary also revealed that the CIA had routinely exaggerated the success of "enhanced interrogation" and that much of the intelligence the agency had gathered through torture was either incorrect or had actually been (or could have been) gleaned through other means.

Mitchell dismisses such findings and makes clear that he has no interest in handwringing about the moral or strategic costs of torture. At the end of his book, he writes that "Americans will not tolerate for long the reckless squandering of our freedoms to put ointment on some political leader's conscience." Like others who

have spent their careers in the armed forces or the intelligence agencies, we have always sought to emulate military leaders of conscience, such as Dwight Eisenhower and George Marshall, and have looked to political leaders of conscience to act not only with wisdom and strategic sensibility but also with moral aptitude. But Mitchell seems to have a different understanding of the role of conscience in war and politics.

### **THE RULE OF LAW**

In the aftermath of the Abu Ghraib revelations, investigations conducted by the U.S. Congress, government agencies, the U.S. military, human rights groups, and media organizations all pointed to the same conclusion: although the “war on terror” and the wars in Afghanistan and Iraq have differed in extraordinary ways from traditional armed conflicts, the laws of war must still apply. The Geneva Conventions of 1949; the UN Convention Against Torture and Other Cruel, Inhumane, or Degrading Treatment or Punishment of 1984; and the U.S. military’s Uniform Code of Military Justice were established to prevent atrocities. They are not fail-safe, and they are not perfect. But they are the law—as is the McCain-Feinstein amendment to the 2016 National Defense Authorization Act, which, among other things, made it illegal for U.S. personnel to employ interrogation techniques not explicitly authorized by the U.S. Army Field Manual. And regardless of what Trump might believe, no one is above the law, and no official can refuse to follow it—no matter what the president says. In the words

of the U.S. Supreme Court justice Anthony Kennedy, “The Law is superior to the government, and it binds the government and all its officials to its precepts.”

It seems likely that the Trump era will test U.S. military and intelligence institutions and the individuals who bravely serve them. They can pass the test if they heed this simple advice: follow the law. 🌐

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# Democracy on the Brink

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## Protecting the Republic in Trump's America

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*Suzanne Mettler*

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*Democracy for Realists: Why Elections Do Not Produce Responsive Government*

BY CHRISTOPHER H. ACHEN AND LARRY M. BARTELS. Princeton University Press, 2016, 390 pp.

*Democracy: A Case Study*

BY DAVID A. MOSS. Harvard University Press, 2017, 742 pp.

American democracy has always been a work in progress. What Abraham Lincoln called “the unfinished work” of ensuring “government of the people, by the people, for the people” has suffered its share of setbacks. For decades, Americans’ trust in government has been declining, signaling that not all was well. Yet until recently, democracy seemed secure in the United States.

No longer. President Donald Trump has unleashed a barrage of attacks on the underpinnings of democratic governance, threatening checks and balances, civil liberties, civil rights, and long-established norms. During last year’s

presidential campaign, Trump discarded the notion of facts as necessary anchors of political discourse and challenged the legitimacy of his political opponent, threatening to “lock her up” if he won. Since his inauguration, he has castigated sections of the mainstream media as “fake news” and called them “the enemy of the American people,” attacked the judiciary, and claimed—without evidence—that electoral fraud cost him victory in the popular vote. These displays of illiberalism suggest that the American project of self-governance, which Americans have long taken for granted, may be in a more precarious condition than most assumed.

How did the United States come to this point? And how can it revitalize its democracy? Two new books offer useful guidance. *Democracy for Realists*, by the political scientists Christopher Achen and Larry Bartels, helps explain the roots of the current crisis. And *Democracy*, by the historian David Moss, reveals how Americans have overcome political divisions in the past.

The authors of both books make clear that political conflicts in the United States are nothing new. Today, Americans face serious threats to their country’s democracy, but they can draw on a long tradition of conflict resolution. They should relearn how to use the institutions and tools—leadership, negotiation, and compromise—that have sustained American democracy in the past.

### FALLING APART

In *Democracy for Realists*, Achen and Bartels explain that deep-seated social identities and group affiliations motivate political action far more than individual rationality does. They convincingly debunk what they term the “folk theory” of

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**SUZANNE METTLER** is Clinton Rossiter Professor of American Institutions at Cornell University. Follow her on Twitter @SuzanneMettler1.

electoral democracy, an idealized view in which informed voters assess candidates on the basis of their own policy preferences or ideology and the leaders they elect then respond to the wishes of the majority, producing public policies that meet voters' demands. Drawing on a vast literature, Achen and Bartels argue that, in fact, most people are uninterested in politics and poorly informed about issues. So they act not primarily on the basis of individual preferences or rational choices but rather on the basis of "emotional attachments that transcend thinking."

Achen and Bartels argue that people's group affiliations tend to precede their values. They note that "partisanship, like religious identification, tends to be inherited, durable, and not about ideology and theology." Political affiliations typically form in childhood, endure even when people's circumstances change, and can be transmitted across generations. "Most people make their party choices based on who they are, not what they think," Achen and Bartels conclude.

This theory helps illuminate contemporary U.S. politics. Over the past few decades, the United States has witnessed growing polarization. This has manifested itself in everything from increasing partisan bias in presidential approval ratings to the fact that, on topics from climate change to the safety of vaccines, voters routinely discount evidence solely because someone on the other side of the aisle supplied it. Polarization's effects have even gone beyond politics. The political scientist Lynn Vavreck has found that in the 1950s, 72 percent of Americans surveyed told pollsters that it did not matter to them whether their daughter married a Democrat or a Republican. By 2016,

only 45 percent were noncommittal; the rest expressed a clear preference.

Strong party affiliation proved crucial in last year's election. Many pundits assumed that after several Republican Party elites distanced themselves from Trump, he was doomed to defeat. When that proved untrue, talking heads and columnists assured their audiences that voters would not choose a candidate who openly denigrated ethnic and religious groups and that social conservatives would not condone someone who had bragged about groping women. Yet some political scientists predicted that most Republican voters would eventually drop their reservations and come home to the party—and indeed they did.

The election tested Achen and Bartels' argument. Trump's presidency has gotten off to a rocky start and may test it again. Will anything Trump does cause his approval ratings, already low among Democrats and independents, to fall among Republicans? So far, the percentage of Republicans who approve of Trump's job performance is similar to the percentage of Democrats who approved of Barack Obama's and the percentage of Republicans who approved of George W. Bush's at the same juncture in their presidencies.

Although Achen and Bartels' central claim that "human life is group life" explains a fair amount about contemporary politics, it doesn't tell the whole story. Consider the fact that most people have several social identities but only some of those identities become politicized. Latinos today have a highly politically significant identity; German or Japanese ancestry mattered politically in the 1940s but no longer does. Evangelical Christians and Muslims



*Too close for comfort? Trump at a rally in Tampa, Florida, October 2016*

each have a politicized religious identity; Episcopalians and agnostics do not.

What's missing here, in part, is attention to how politics and policy can shape, give meaning to, or even create identities. Take, for example, the white working-class voters in Rust Belt states who proved pivotal in Trump's victory. In past years, many of these same people would have belonged to labor unions and looked to union leaders for information on which candidate would best represent their interests. But union membership has been falling for years. Large numbers of manufacturing jobs—the traditional base for unions—have disappeared, presidents since Ronald Reagan have withdrawn their support for organized labor, and Congress has for decades failed to update the moribund National Labor Relations Act, from which unions derive much of their power. In recent years, conservative legislators and

governors in Michigan and Wisconsin, two states in which Trump scored surprise victories, have hastened the decline of unions by passing right-to-work laws, which prevent unions from requiring employees of unionized firms to pay dues. In the absence of strong unions, politicians, including Trump, have appealed to other identities among the white working class, such as race, geography, and religion.

People's experiences of public policies can create politicized groups, which parties or candidates can then mobilize. Recipients of Social Security and Medicare, for example, are keen to protect their benefits. During last year's campaign, Trump cemented his support among older voters when he defied the current Republican orthodoxy and assured them that he would protect those programs. Veterans may feel kinship with one another because of their shared experience of military service, businesspeople may unite around

their frustration with regulations, and the rich may commiserate over the intricacies of the tax code. Achen and Bartels overlook the role that government policies play in forging such shared identities.

Examining only contemporary group affiliations, moreover, obscures how specific policies created or destroyed the bonds between parties and certain demographic groups. Although Achen and Bartels review some of the relevant history, a deeper look might have affected their conclusions. Take the case of white southerners, who defected from the Democratic Party to the Republican Party in the middle of the twentieth century. Achen and Bartels refute the idea that it was primarily Democratic leaders' endorsement of civil rights in the 1960s that drove white southerners away. As they show, the shift in partisanship had begun earlier. Yet they miss the policy developments on other issues that precipitated the transition. The political scientist Eric Schickler has shown that white southerners began to defect from the Democratic Party soon after the passage of the National Labor Relations Act of 1935. That law empowered the Congress of Industrial Organizations, a union federation, which promoted civil rights and prompted the GOP to embrace states' rights in defense of white interests. Richard Valelly, another political scientist, has highlighted how in the 1950s, Republican leaders appealed to white southerners' social conservatism, particularly regarding gay rights.

Tracing the emergence of group affiliations also reveals that ideas serve as a greater driving force than Achen and Bartels acknowledge. They claim that people who grew up together typically share political views. But as anyone from

a large family can attest, political diversity among close relatives is not uncommon. Children may gravitate to a different party than their parents do. According to the political scientists Donald Green, Bradley Palmquist, and Schickler, the association between parents' partisan identity and that of their adult children is "not trivial, but neither is it overwhelming." The emotional distress many reported experiencing at Thanksgiving dinner tables after the 2016 election indicates that people can find themselves politically distanced even from those they have known all their lives and love dearly.

#### HOW TO PERFECT YOUR UNION

Throughout the United States' history, Americans have had to deal with factionalism. In *Democracy*, Moss observes that charges of democratic dysfunction are "as old as the republic itself." In fact, discord is to be expected: democracy does not function like a machine, with neatly humming checks and balances. It is "more like a living, breathing organism"—and a fragile one, at that, constantly prone to "fragmentation, breakdown and decay." Americans, Moss argues, should not fear conflict but rather embrace it: handled properly, it permits the best ideas to win out, guards against the tyranny of the majority, and helps prevent special interest groups from gaining too much power.

Moss makes this argument in his brilliant introductory and concluding chapters, while the core of the book consists of 19 cases from throughout U.S. history that exemplify the complexity of political conflict. Moss, a professor at Harvard Business School, brings the case-study teaching method to history. He challenges readers to imagine themselves as participants in the historical cases he

uses, to better understand the deliberative and decision-making skills necessary for self-governance. The cases span a wide range. Moss tells the story of the debate at the Constitutional Convention, in 1787, over James Madison's proposal that Congress should have the power to veto state laws (the convention rejected the idea). He presents the decision Martin Luther King, Jr., faced in 1965: whether to defy a federal court order and lead some 2,000 protesters across the Edmund Pettus Bridge, in Selma, Alabama (King decided to turn the marchers back; 12 days later, after a higher court lifted the order, they set out over the bridge to Montgomery).

Moss presents each case in rich detail so that readers can grapple with the tough choices that the people at the time faced and decide how they themselves would have proceeded. Readers can take on the roles of New York State legislators in 1851, deciding whether to require school districts to levy taxes to pay for public education (they produced a weak compromise measure with one-time funding, but the principle of free schools prevailed and became law in 1867). They may imagine they are Florida lawmakers in 1982, charged with ratifying or rejecting the Equal Rights Amendment (they voted it down). Moss wisely presents each case without the outcome; for that, readers must turn to the appendix.

Together, these cases convey that Americans today have inherited not only a set of governing institutions but also a tradition of conflict resolution that both relies on democratic norms and strengthens them through practice. Tensions are a constant throughout U.S. political history. The crucial question is whether citizens can resolve them constructively. Moss suggests that Americans

**Not all readers  
are leaders,  
but all leaders  
are readers.**

*- Harry S. Truman*

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have lost sight of what's needed: a fundamental commitment to the democratic principles of self-government.

### COMING TOGETHER

Both books point out that the American founders anticipated challenges much like those the United States faces today. As Achen and Bartels acknowledge, their emphasis on how groups matter in politics is not new. Madison argued, in *The Federalist Papers*, no. 10, that humans are all too likely to form “factions”—groups that possess “a zeal for different opinions concerning religion, concerning government, and many other points.” That zeal, he wrote, had “divided mankind into parties, inflamed them with mutual animosity, and rendered them much more disposed to vex and oppress each other than to co-operate for the common good.”

As Madison knew, it is fruitless to try to remove the “causes of faction,” which are “sown in the nature of man”; people can only aim to control its effects. The best way of doing so, he argued, is through representative democracy. As Moss reminds readers, for democracy to succeed, it requires not only strong institutions, with checks and balances, but also norms, principles, and the capacity to work across differences to get things done.

In this moment of intense political division, it's important to distinguish the events that are part of the normal, if deeply partisan, course of politics from those that threaten the basis of democracy itself. Trump's nomination of Judge Neil Gorsuch to the Supreme Court, for example, is a normal political action, aimed at satisfying Trump's conservative base. This holds for his cabinet nominees as well, even though the lack of govern-

ment experience among several of them makes them unorthodox choices. On the other hand, Trump's disregard for facts, his repudiation of the role of the mainstream media, his criticism of judges, and his disregard for political opposition all degrade democratic norms. Citizens need to assess Trump's actions through this lens, distinguishing standard partisan moves from those that undermine self-government and threaten authoritarianism.

On the same day that the Second Continental Congress ratified the Declaration of Independence, Moss reminds readers, it charged Benjamin Franklin, John Adams, and Thomas Jefferson with coming up with an emblem for the new nation. They arrived at a motto: *E pluribus unum* (Out of many, one). In 1782, Congress adopted it as part of the seal of the United States. At the time, it symbolized the challenge of bringing 13 colonies together in the shared project of self-governance. Since then, the principle it conveys has enabled Americans across nearly two and a half centuries to work through conflicts and to preserve democracy. “Our differences as Americans are in fact a profound source of strength, not weakness,” Moss writes, “but only so long as we find enough in common to see ourselves as one nation.” The predecessors of today's Americans gave them the tools to manage, mitigate, and transcend their current deep divisions, if they can proudly reaffirm what they share: their system of government. 🌐

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# Libyan Ghosts

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## Searching for Truth After Qaddafi

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Robert F. Worth

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*The Return: Fathers, Sons, and the Land  
in Between*

BY HISHAM MATAR. Random House,  
2016, 256 pp.

**I**n the early summer of 2003, a few months after the U.S.-led invasion of Iraq, I arrived at the door of a pockmarked building in Baghdad where many of the military and intelligence files of Saddam Hussein's government were stored. The street was full of dust, and Iraqis of all ages were streaming in and out, some of them clutching folders. A group of men was standing near the door in authoritative poses, and older women were yelling at them, pleading for information. I was new to the country, and a little baffled at first that these scraps of yellowing paper had provoked so much passion and excitement. It did not take me long to figure out why. For all the Iraqis publicly executed under Saddam, countless more had disappeared into his archipelago of dungeons. Their families had submitted to a familiar pattern: years of soul-sapping hope and dread, with regime officials cynically

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**ROBERT F. WORTH** is a journalist and former chief of *The New York Times'* Beirut bureau. He is the author of *A Rage for Order: The Middle East in Turmoil, From Tahrir Square to ISIS*.

demanding money in exchange for information about the disappeared that they never supplied. Some of these people told me they would have given almost anything for the peace of mind conveyed by a genuine death certificate.

This is the emotional terrain of Hisham Matar, a Libyan British writer whose career has revolved around the drama of forced disappearance under dictatorship. His two novels, *In the Country of Men* (2006) and *Anatomy of a Disappearance* (2011), are both disguised memoirs based on the 1990 abduction of his father, the Libyan dissident Jaballa Matar, by Egyptian intelligence agents in Cairo. The Egyptians turned the elder Matar over to the security services of Libya's vicious ruler, Muammar al-Qaddafi; he then entered the ranks of the disappeared. His family never knew where he was being held; by the mid-1990s, they were no longer certain if he was even alive. Capturing Jaballa Matar was a significant feat for the Libyan regime: he had been a leading figure in the opposition, using the considerable wealth he'd built as a businessman to organize a network inside and outside the country that aimed to overthrow Qaddafi. In 1979, his family had left Libya for Egypt with him, and soon afterward, his sons had been sent to the even safer remove of European boarding schools.

Matar's novels evoke and reference these events; in *The Return*, Matar fully lifts the veil, providing a mesmerizing, harrowing account of his return to Libya in 2012 and his long effort to grapple with his father's fate and legacy. "I envy the finality of funerals," Matar writes early on in the book. "I covet the certainty. How it must be to wrap one's hands around the bones, to choose how to

place them, to be able to pat the patch of earth and sing a prayer.”

Matar has put together an artfully structured book that takes on larger themes and is ultimately more satisfying than either of his novels. The author’s journey forces him to reassess himself and his origins and weaves together multiple characters and histories: an uncle who survived 21 years in a Libyan prison; the heroism of his young cousins during the civil war that began in 2011 after the overthrow of Qaddafi; and the larger, tragic arc of Libyan history, from the Italian conquest a century ago to the murderous chaos of the present. Many fathers and sons are present here, including Qaddafi’s slick and self-deluded son Saif al-Islam al-Qaddafi, who in 2010 approached Matar in London with dubious promises of information and friendship.

In some places, *The Return* resembles an elegy; in others, a detective story. It is also a meditation on art, mourning, and the human costs of dictatorship, which Libyans are still paying. Although Matar’s narrative does not extend past 2012, it sheds more light than any other book I have read on the multiple tragedies that have brought Libya to its present shattered state.

#### **YOU CAN’T GO HOME AGAIN**

Matar was reluctant to return to Libya after the revolt against Qaddafi began in February 2011. He was living in London at the time, awaiting the publication of his second novel; he had gone to college there and had become a British citizen. He had also spent years on a public campaign to pressure Qaddafi’s government for information about his father, and suddenly the prospect of actually encountering

him—dead or alive—seemed shockingly real. I was in Libya during the 2011 revolt, reporting for *The New York Times Magazine*; I remember speaking to Matar once or twice on the phone from Benghazi and wondering why he was still in London. The reason, as he makes clear in the first pages of the book, is that his life had become premised, in a sense, on not returning. The journey home “could rob me of a skill that I have worked hard to cultivate: how to live away from places and people that I love.” Exile had become part of his identity, and he was afraid to trade the frozen images he had lived with for 33 years for up-to-date realities. He is also an emotionally vulnerable man who feared that if he visited the prison where his father was most likely murdered, he might be “forever undone.” But the temptation to solve the mystery of his father’s fate proved too strong.

Matar is in fact undone by his visit, although not only in the ways he expected. Walking through Benghazi, he begins to feel unmoored from the exile’s anger that has sustained him for so long: “I could see the walls, so old I had never noticed them before, that stood between me and everyone I have ever known, every book and painting and symphony and work of art that had ever mattered to me, suddenly seeming impermanent. The freedom frightened me.” He finds himself constantly revisiting his past, and the book shuttles accordingly from the present tense of the return journey to various earlier chapters of his life.

In this way, *The Return* recalls Matar’s first novel, which projected a sensitive child’s consciousness onto a paternalistic culture that is suffused with violence. In *The Return*, Matar revisits this terrain, conjuring memories of his childhood



*Gone but not forgotten: Qaddafi in Rome, November 2009*

soccer games and his first glimpse of a sheep being slaughtered. These memories are rendered with an extraordinary eye for detail and shaped by a heightened awareness of the gulf between child and adult perception:

The animal kicked furiously, snorting for air, which entered its nostrils and escaped through the open neck. The blood poured out black and thick like date syrup. Small translucent bubbles grew and burst around its mouth. I snapped my fingers, I clapped my hands beside its wide-open eye. When it did not respond, I began to cry. . . . Moments later, I sat around the table with the others and ate liver and kidneys sautéed with chili, onion, garlic, parsley and coriander, and agreed that the dish did taste better than at any other time because the meat was, as one of the adults had said, “unbelievably fresh.”

#### **FATHER FIGURE**

Much of Matar’s return journey involves rediscovering his relatives, whose bravery provides a striking counterpoint to Matar’s inwardness. His uncle Mahmoud and other relatives were released from prison just as the 2011 protests began, after 21 years of confinement and torture. (They had been members of Matar’s father’s dissident group.) Mahmoud, it turns out, was sustained for years in prison by an obsession that is almost a mirror image of Matar’s: he followed news of Matar’s writings in radio broadcasts and press clippings, in the rare moments when he had access to them. Another relative, Mahmoud’s irrepressible son Izzo, plays a major role in Matar’s poignant retelling of the 2011 uprising. Izzo fought with remarkable bravery on several fronts until he was shot and killed by a sniper during the liberation of Tripoli in late August, six months into the conflict.

Izzo's brother Hamed kept fighting, despite his parents' pleas, and later traveled to Syria to join a rebel group there in the fight against the Assad regime. Matar yells at Hamed over the phone, exhorting him to come home, to no avail. Only after Hamed is wounded and removed from the Syrian battlefield does he agree to return to Libya.

Matar's family drama coincides, in many respects, with the brief modern history of Libya. His paternal grandfather was born around 1880, when the country was "a vast and nearly empty landscape," as Matar writes, nominally under Ottoman rule. After the Italians invaded in 1911, jockeying for a better position in the European race for colonial territory and hoping to gain a "fourth shore," a fierce native resistance arose, guided by the Senussi, a mystical religious order. Its leader was Omar al-Mukhtar, a legendary guerrilla who remains Libya's great national hero. Matar's grandfather fought in the first phase of the resistance, from 1911 until 1919. He lived a long life, and Matar knew him well as a boy. He recalls his grandfather unbuttoning his shirt to reveal a "small rosette just beneath the collarbone" where an Italian soldier's bullet had wounded him. Matar's grandfather probably would have died had he not fled to Egypt and avoided the bloodiest phase of the Italian war, after Mussolini took charge in 1922. Airplanes bombed and gassed villages, and tens of thousands of Libyans were marched to concentration camps, where torture and starvation were common. Official Italian records show that the population of eastern Libya dropped from 225,000 to 142,000 during this period, Matar writes.

Matar's own father remains a central (although spectral) figure in the book, and the grandeur and mystery of the elder Matar continue to expand during his son's return journey. "I am the son of an unusual man, perhaps even a great man," Matar writes. Many boys are inclined to think this way about their fathers—and if a father disappears, the temptation only grows. But Matar's father was clearly a person of immense charisma long before his disappearance. During the 1980s, capturing the elder Matar became a top priority for the Libyan regime, which sent hit men abroad to find him. He gave his children pseudonyms to use when talking about him in public. At one point, during a trip to Europe, Matar chastised his father for being so paranoid. But shortly afterward, they passed two men on the street speaking Libyan Arabic. "So what does this Jaballa Matar look like anyway?" one said to the other. Later, Matar's brother, Ziad, narrowly escaped a carful of would-be kidnappers who chased him all the way to his boarding school in a Swiss mountain village. When the family urged Jaballa to withdraw from politics, they encountered an austere patriotism: "Don't put yourselves in competition with Libya," he told them. "You will always lose."

On his return to Libya in 2012, Matar meets men who knew his father in prison, and revered him. He hears about how his father took an enormous risk by smuggling out a letter authorizing a loan to the family of a fellow prisoner. When prison officials found out, he refused to name his accomplices and was tortured horribly for three days. One man shows Matar his father's youthful fiction, published in a student

journal, some of it relating to the desert war for independence against the Italians. Another former prisoner who knew Matar's father and admired him immensely clutches Matar's hand and gazes into his eyes, unable to express his emotions except by repeating the same phrase again and again: "Are you well? Your health? Your family?"

These encounters are interspersed with Matar's reports on the disgraceful efforts of the Libyan regime to placate him in the years prior to the 2011 revolt. The messenger was Qaddafi's son Saif, who arranged to meet Matar at a London hotel in 2010. The British government was mending fences with Qaddafi at the time, and Saif seemed confident that he could buy Matar off and elide all the horrors of the previous decades. Saif claimed that he knew what had happened to Matar's father, but he refused to tell him, saying that he first had to reach some shadowy accommodation with the Egyptian security services and Qaddafi's henchmen. At one point during their correspondence, Saif texted Matar a quote attributed to the Israeli military leader Moshe Dayan: "Most important, don't do anything you don't want." Matar texted back a quote from Gandhi; Saif responded with a smiley-face emoji.

In the end, Matar's quest to touch his father's bones is thwarted. "For a quarter of a century now, hope has been seeping out of me," he concludes. "Now I can say, I am almost free of it." He must accept the overwhelming likelihood that his father was murdered at the Abu Salim prison in 1996, during a massacre in which the Libyan authorities murdered 1,270 men. Their remains were scattered at sea or buried in a mass

## COUNCIL *on* FOREIGN RELATIONS

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grave. Fittingly, it was this atrocity that helped give rise to the 2011 uprising, which was sparked in part by a demonstration in Benghazi in support of a lawyer for the victims of the Abu Salim killings.

### FAREWELL TO THE BIG MAN?

Matar's narrative ends in mid-2012, during his brief stay in Libya. At that point, Libyans were still recovering from Qaddafi's overthrow and death in the wake of a NATO-led military intervention. The country had not yet begun its disintegration into militia-run fiefdoms, and Matar chooses not to narrate that catastrophe. In a book so layered with tragedies, perhaps it would have been too much to add another one. Instead, Matar frames his return home as a brief moment of clarity, almost an idyll, when "anything seemed possible, and nearly every individual I met spoke of his optimism and foreboding in the same breath." Those days are long gone. One can only hope that someday Libya's national story will again be amenable to a narrator as sensitive, honest, and forgiving as Matar.

For the time being, Libya has become a tale so furious that it seems to resist all efforts at translation. The outlines are familiar: two rival governments, each with foreign backers; a jihadist insurgency, now largely broken; and a fragmentation of authority among rival gangs. Is this the harvest of a misconceived NATO intervention? Is it the inevitable result of Qaddafi's deliberate destruction of Libyan institutions? No one can be sure.

Matar has said little about Libya's descent into chaos, perhaps wisely. One

of the few hopeful notes I have heard from revolutionaries in the Middle East is the idea that the Arab revolts of 2010–11 were part of a broader shift away from paternalism. The younger generation, some say, is slowly turning away from the traditional Arab reverence for a "big man" in politics, culture, and religion. They hope that this reorientation of social life will eventually erode the pillars of autocracy and the ills that came along with it.

The potential for such an outcome provides little comfort in the present moment. But taking a long-term perspective may be the best way to view the Arab world's current mayhem. It also gives added meaning to Matar's preoccupation with a legendary father figure, the man whose terrible shadow is so difficult to escape. "I am no different," Matar writes of his filial obsession. "I live, as we all live, in the aftermath." 🌍

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# Hack Job

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## How America Invented Cyberwar

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*Emily Parker*

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*Dark Territory: The Secret History of Cyber War*

BY FRED KAPLAN. Simon & Schuster, 2016, 352 pp.

*The Hacked World Order: How Nations Fight, Trade, Maneuver, and Manipulate in the Digital Age*

BY ADAM SEGAL. PublicAffairs, 2016, 320 pp.

**T**oday's cyberbattles could almost make one nostalgic for the Cold War. The nuclear arms race created a sense of existential threat, but at least it was clear who had the weapons. In contrast, a cyberattack could be the work of almost anyone. After hackers broke into the U.S. Democratic National Committee's servers in 2016 and released e-mails embarrassing to the DNC's leadership, the Republican presidential candidate Donald Trump said the attacker could be China, Russia, or "somebody sitting on their bed that weighs 400 pounds."

U.S. intelligence officials have said that the attack did indeed come from Russia, which Trump later acknowledged.

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**EMILY PARKER** is a Future Tense Fellow at New America and the author of *Now I Know Who My Comrades Are: Voices From the Internet Underground*.

But Trump's comment underscored a larger problem with cyberwarfare: uncertainty. How does a government respond to an invisible attacker, especially without clear rules of engagement? How can officials convince other governments and the public that they have fingered the right suspects? How can a state prevent cyberattacks when without attribution, the logic of deterrence—if you hit me, I'll hit you back—no longer applies? Two recent books delve into these questions. *Dark Territory*, by Fred Kaplan, and *The Hacked World Order*, by Adam Segal, lay out the history of cybersecurity in the United States and explain the dangers that future digital conflicts might pose. Both authors also make clear that although Americans and U.S. institutions increasingly feel themselves to be in the cross hairs of hackers and other cybercriminals, the United States is itself a powerful aggressor in cyberspace.

In the future, the United States must use its cyberpower judiciously. Every conflict poses the risk that one party will make a mistake or overreact, causing things to veer out of control. When it comes to cyberwar, however, the stakes are particularly high for the United States, as the country's technological sophistication makes it uniquely vulnerable to attack.

### **CYBER-SUPERPOWER**

The dramatic headlines surrounding Russia's alleged hacking of the DNC and attempts to spread misinformation online during the U.S. election may have reinforced the perception among Americans that the United States is primarily a victim of cyber-intrusions. It's not. In *Dark Territory*, Kaplan details the United States' long history of

aggression in cyberspace. It's not easy to write an engaging book on cyberwar, and Kaplan, a national security columnist at *Slate*, has done an admirable job. He presents a clear account of the United States' evolution into a formidable cyberpower, guiding the reader through a thicket of technical details and government acronyms.

It turns out that the U.S. government has been an aggressor for over a quarter century. Kaplan describes "counter command-control warfare"—attempts to disrupt an enemy's ability to control its forces—that goes back to the Gulf War in 1990–91. At a time when U.S. President George H. W. Bush had never used a computer, the National Security Agency (NSA) was employing a secret satellite to monitor the conversations of Iraqi President Saddam Hussein and his generals, which sometimes revealed the positions of Iraqi soldiers.

The United States flexed its digital muscles again in the late 1990s, when Serbs in Bosnia and Herzegovina were protesting the presence of NATO soldiers enforcing the 1995 Dayton peace agreement, which had ended the Bosnian war. U.S. officials learned that local newscasters were telling protesters when and where to gather and even instructing them to throw rocks at NATO soldiers. It turned out that 85 percent of Serbs got their television broadcasts from just five transmission towers. U.S. officials, working with the NATO-led stabilization force, or SFOR, installed devices on those five transmitters that allowed SFOR engineers to turn them on and off remotely. Whenever a newscaster began urging people to protest, the engineers shut off the transmitters.

American officials also enlisted the help of Hollywood producers, persuading them to supply programming to a U.S.-aligned Serbian station. During major anti-NATO protests, Serbs would turn on the television to find the channel playing episodes of *Baywatch*. Kaplan asserts, "Many Serbs, who might otherwise have hit the streets to make trouble, stayed in to watch young women cavorting in bikinis."

Around a decade later, the United States set up what Kaplan calls a "mini-NSA" in Iraq. Kaplan describes how NSA teams in the Middle East intercepted insurgents' e-mails and shut down many of their servers with malware. In other cases, they sent insurgents deceptive e-mails directing them to places where U.S. Special Forces would be waiting to kill them. "In 2007 alone, these sorts of operations . . . killed nearly four thousand Iraqi insurgents," Kaplan writes.

The United States' most ambitious cyberattack began in 2006, when it teamed up with Israel to sabotage the Iranian nuclear program. The collaboration, dubbed Operation Olympic Games, targeted Iran's Natanz reactor, which relied on remote computer controls. Malware designed by American programmers took over the reactor's valve pumps, allowing NSA operatives to remotely increase the flow of uranium gas into the centrifuges, which eventually burst. By early 2010, the operation had destroyed almost a quarter of Iran's 8,700 centrifuges.

For years, the Iranians failed to detect the intrusion and must have wondered if the malfunctions were their own fault. In that sense, Kaplan writes, "Operation Olympic Games was a classic campaign of information warfare: the target wasn't



*We can hear you now: a former NSA monitoring base in Bad Aibling, Germany, July 2013*

just the Iranians’ nuclear program but also the Iranians’ confidence—in their sensors, their equipment, and themselves.” The Iranians and the wider public might never have learned about the virus, now widely known as Stuxnet, if it had not accidentally spread from the computers in Natanz to machines in other parts of the world, where private-sector security researchers ultimately discovered it.

With Olympic Games, the United States “crossed the Rubicon,” in the words of the former CIA director Michael Hayden. Stuxnet was the first major piece of malware to do more than harm other computers and actually cause physical destruction. The irony was rich, as Kaplan notes: “For more than a decade, dozens of panels and commissions had warned that America’s critical infrastructure was vulnerable to a cyber attack—and now *America* was launching the first

cyber attack on *another* nation’s critical infrastructure.”

Of course, cyberattackers have often targeted the United States. In 2014 alone, Kaplan reports, the country suffered more than 80,000 cybersecurity breaches, more than 2,000 of which led to data losses. He also points out that until recently, U.S. policymakers worried less about Russia than China, which was “engaging not just in espionage and battlefield preparation, but also in the theft of trade secrets, intellectual property, and cash.”

China and Russia are not the only players. Iran and North Korea have also attacked the United States. In 2014, the businessman Sheldon Adelson criticized Iran, which responded by hacking into the servers of Adelson’s Las Vegas Sands Corporation, doing \$40 million worth of damage. That same year, hackers calling themselves the Guardians of Peace broke into Sony’s network. They destroyed

thousands of computers and hundreds of servers, exposed tens of thousands of Social Security numbers, and released embarrassing personal e-mails pilfered from the accounts of Sony executives. U.S. government officials blamed the North Korean government for the attack. Sony Pictures was about to release *The Interview*, a silly comedy about a plot to assassinate the North Korean ruler Kim Jong Un. As opening day neared, the hackers threatened theaters with retaliation if they screened the movie. When Sony canceled the release, the threats stopped.

### EVERYBODY HACKS

*The Hacked World Order* covers some of the same ground as *Dark Territory*, although with a slightly wider lens. In addition to discussing cyberattacks and surveillance, Segal, a fellow at the Council on Foreign Relations, details how the United States and other countries use social media for political ends. Russia, for example, tries to shape online discourse by spreading false news and deploying trolls to post offensive or distracting comments. The Russian government has reportedly hired English speakers to praise President Vladimir Putin on the websites of foreign news outlets. The goal is not necessarily to endear Americans to Putin, Segal explains. Rather, it sows confusion online to “make reasonable, rational conversation impossible.” Chinese Internet commenters also try to muddy the waters of online discussion. Segal claims that the Chinese government pays an estimated 250,000–300,000 people to support the official Communist Party agenda online.

Segal suggests that the United States will likely not win social media wars against countries such as China or Russia.

U.S. State Department officials identify themselves on Facebook and Twitter, react slowly to news, and offer factual, rule-based commentary. Unfortunately, as Segal notes, “content that is shocking, conspiratorial, or false often crowds out the reasonable, rational, and measured.”

Social media battles also play out in the Middle East. In 2012, the Israel Defense Forces and Hamas fought a war for public opinion using Facebook, Twitter, Google, Pinterest, and Tumblr at the same time as the two were exchanging physical fire. The Islamic State (also known as ISIS) has launched digital campaigns that incorporate, in Segal’s words, “brutality and barbarism, packaged with sophisticated production techniques.” The United States has tried to fight back by sharing negative stories about ISIS and, in 2014, even created a video, using footage released by the group, that featured severed heads and crucifixions. The video went viral, but analysts inside and outside the U.S. government criticized it for embracing extremist tactics similar to ISIS’ own. Moreover, as Segal notes, it seems to have failed to deter ISIS’ supporters.

Part of what makes the cyber-era so challenging for governments is that conflict isn’t limited to states. Many actors, including individuals and small groups, can carry out attacks. In 2011, for example, the hacker collective Anonymous took down Sony’s PlayStation Network, costing the company \$171 million in repairs. Individuals can also disrupt traditional diplomacy, as when WikiLeaks released thousands of State Department cables in 2010, revealing U.S. diplomats’ candid and sometimes embarrassing assessments of their foreign counterparts.

Segal is at his best in his discussion of China's cyberstrategy, on which he has considerable expertise. Americans tend to see themselves as a target of Chinese hackers—and indeed they are. The problem is that China also sees itself as a victim and the United States as hypocritical. In June 2013, U.S. President Barack Obama warned Chinese President Xi Jinping that Chinese hacking could damage the U.S.-Chinese relationship. Later that month, journalists published documents provided by Edward Snowden, an NSA contractor, showing that the NSA had hacked Chinese universities and telecommunications companies. It didn't take long for Chinese state media to brand the United States as "the real hacking empire."

The U.S.-Chinese relationship also suffers from a more fundamental disagreement. U.S. policymakers seem to believe that it's acceptable to spy for political and military purposes but that China's theft of intellectual property crosses a line. The United States might spy on companies and trade negotiators all over the world, but it does so to protect its national interests, not to benefit specific U.S. companies. The Chinese don't see this distinction. As Segal explains:

Many states, especially those like China that have developed a form of state capitalism at home, do not see a difference between public and private actors. Chinese firms are part of an effort to modernize the country and build comprehensive power, no matter whether they are private or state owned. Stealing for their benefit is for the benefit of the nation.

The intense secrecy surrounding cyberwarfare makes deciding what kinds

of hacking are acceptable and what behavior crosses the line even harder. The Snowden revelations may have alerted Americans to the extent of U.S. government surveillance, but the public still remains largely in the dark about digital conflict. Yet Americans have a lot at stake. The United States may be the world's strongest cyberpower, but it is also the most vulnerable. Segal writes:

The United States is . . . more exposed than any other country. Smart cities, the Internet of Things, and self-driving cars may open up vast new economic opportunities as well as new targets for destructive attacks. Cyberattacks could disrupt and degrade the American way of war, heavily dependent as it is on sensors, computers, command and control, and information dominance.

#### **FOREWARNED IS FOREARMED**

Neither Kaplan nor Segal offers easy solutions to these challenges. Kaplan argues that the cyber-era is much murkier than the era of the Cold War. Officials find it difficult to trace attackers quickly and reliably, increasing the chances that the targeted country will make an error. The U.S. government and U.S. firms face cyberattacks every day, and there is no clear line between those that are merely a nuisance and those that pose a serious threat. The public also understands cyberthreats far less well than it does the threat of nuclear weapons. Much of the information is classified, inhibiting public discussion, Kaplan notes. He concludes that "we are all wandering in dark territory."

Segal's conclusions are somewhat more prescriptive. The United States must support research and technological

innovation, for example, and not just by providing more federal funding. Segal recommends that the United States replace its federal research plan with a public-private partnership to bring in academic and commercial expertise. Government and private companies need to share more information, and companies need to talk more openly with one another about digital threats. The United States should also “develop a code of conduct that draws a clear line between its friends and allies and its potential adversaries.” This would include limiting cyberattacks to military actions and narrowly targeted covert operations, following international law, rarely spying on friends, and working to strengthen international norms against economic espionage. If the United States is attacked, it should not necessarily launch a counterattack, Segal argues; rather, it should explore using sanctions or other tools. This was apparently the path that Obama took after the attack on the DNC, when the United States punished Moscow by imposing fresh sanctions and expelling 35 suspected Russian spies.

It’s likely only a matter of time before the Trump administration faces a major cyberattack. When that happens, the government will need to react calmly, without jumping to conclusions. Failure to do so could have dire consequences. “The United States, Russia, and China are unlikely to launch destructive attacks against each other unless they are already engaged in military conflict or perceive core interests as being threatened,” Segal writes. “The greatest risks are misperception, miscalculation, and escalation.”

Those risks now seem greater than ever. Some experts have argued that Obama’s response to the Russian cyberattacks in 2016 did not do enough to deter future attackers. But if Obama underreacted, the United States may now face the opposite problem. Trump has proved willing to make bold, sometimes unsubstantiated accusations. This behavior is dangerous in any conflict, but in the fog of cyberwar, it could spell catastrophe.

Is there anything the American public can do to prevent this? All over the country, people have been trying to check Trump’s worst impulses by protesting, appealing to members of Congress, or simply demanding more information. Policy about cyberspace generally doesn’t draw the same level of public engagement, in part due to a lack of knowledge. Cyberbattles can seem confusing, technical, and shrouded in secrecy, perhaps better left to the experts. But cybersecurity is everyone’s problem now. The American public should inform itself, and these two books are a good place to start. If Washington inadvertently led the United States into a major cyberwar, Americans would have the most to lose. 🌐

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# Mind Games

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## The Partnership That Upended Social Science

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Yuen Foong Khong

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*The Undoing Project: A Friendship That Changed Our Minds*

BY MICHAEL LEWIS. Norton, 2017, 239 pp.

“We study natural stupidity instead of artificial intelligence.” That was how Amos Tversky described his collaboration with Daniel Kahneman, a partnership between two Israeli psychologists that produced some of the twentieth century’s most important findings about how the mind works. Through a series of ingenious experiments, Kahneman and Tversky discovered systematic biases in the way humans estimate probabilities and, in so doing, revolutionized the study and practice of economics, medicine, law, and public policy. If Tversky had not died in 1996, at the age of 59, he would most likely have shared the Nobel Prize in Economics awarded to Kahneman in 2002.

Michael Lewis has written an original and absorbing account of the 20-year partnership and the ideas it generated. The author of such bestsellers as *Liar’s Poker* and *Moneyball*, Lewis discovered

Kahneman and Tversky belatedly. Unbeknownst to him, they had provided the scientific basis for the phenomenon he chronicled in *Moneyball*—namely, how baseball scouts tended to eschew statistical indicators of a player’s past performance, relying instead on their subjective impressions of whether his look and build matched what they thought made a baseball player great. Kahneman and Tversky called this “the representativeness heuristic,” a cognitive shortcut used to assess events and individuals in terms of their fit with a preconceived notion. The problem, they found, was that this shortcut often led to errors. *Moneyball* told the story of how Billy Beane, the general manager of the Oakland A’s, built a winning team by doing away with intuition in favor of cold, hard statistics.

Lewis devotes a healthy chunk of *The Undoing Project* to detailing Kahneman and Tversky’s experiments and explaining their significance in an accessible way. His summaries of their key papers are competent, although he shies away from raising critical questions about their work, perhaps feeling that it is not his place to do so. His discussion of some of their theories can also come across as truncated. Fortunately for readers, however, it is now possible to learn about these experiments and the thinking behind them directly from the source: from Kahneman’s own bestseller, *Thinking, Fast and Slow*, published in 2011.

The truly novel aspect of Lewis’ book is the light it sheds on the circumstances of the Kahneman-Tversky partnership. A big part of the story concerns the role of praxis—real-world experience—in germinating great ideas. Kahneman and Tversky were deeply influenced by their experiences as Israelis; indeed, at times

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**YUEN FOONG KHONG** is Li Ka Shing Professor of Political Science at the Lee Kuan Yew School of Public Policy and the author of *Analogies at War: Korea, Munich, Dien Bien Phu, and the Vietnam Decisions of 1965*.

his account reads like a narrative of their ideas told through war, beginning with their childhoods in World War II and stretching through their involvement in four Arab-Israeli wars. But Lewis also delves into the fascinating psychological dynamics that made their partnership work. Drawing on extensive interviews with Kahneman himself and excellent access to Tversky's papers and his wife, Barbara, Lewis was able to construct an account of the friendship that lays bare, warts and all, the emotions, intellectual intensity, and tensions behind their creativity.

### LOVE AND LOSS

A recurrent theme of *The Undoing Project* concerns how Kahneman's and Tversky's lives as Israelis shaped the questions they asked, many of which had real security implications. "Israel took its professors more seriously than America did," Lewis writes. "Israeli intellectuals were presumed to have some possible relevance to the survival of the Jewish state, and the intellectuals responded by at least pretending to be relevant." Kahneman and Tversky didn't need to pretend, and their curiosity about how the mind works was directly relevant to important questions facing Israeli society. Their interest in the way people assess probabilities and their skepticism about human intuition, for instance, stemmed from their time in the Israeli military. Assigned to the army's psychology unit fresh out of Hebrew University, Kahneman invented a personality test, still in use today, that successfully predicted who would make good officers. The key was to ignore the interviewers' intuition and focus on the actual past behavior of the young

recruits—just as Beane would do years later with baseball.

Similarly, Tversky's interest in how people assess probabilities was informed by his concerns about the Israeli government's estimates of the probability of war in the run-ups to the 1956 Sinai campaign, the 1967 Six-Day War, and the 1973 Yom Kippur War, all of which took the Israelis by some degree of surprise. While on reserve duty in the Golan Heights after the 1967 war, Lewis writes, Tversky would "gaze down upon Syrian soldiers, and judge from their movements if they were planning to attack." After the Yom Kippur War, Kahneman and Tversky wondered why it had been so difficult for their government to return the Sinai, which Israel had seized in 1967, to Egypt—a gesture that might have removed Egypt's motivation to launch the surprise attack that began the war. Their answer was that the psychological pain of losing something one had acquired exceeded the pain of not having it in the first place. That thesis would become a major component of their seminal paper on what they called "prospect theory."

A second theme of Lewis' involves the intellectual and emotional intensity of the Kahneman-Tversky partnership. They completed each other's sentences, told each other's jokes, and critiqued each other's ideas. "What they were like, in every way but sexually, was lovers," Lewis writes. Tversky's wife agreed: "Their relationship was more intense than in a marriage." Their brilliance, combined with their stupendous work ethic, made them academic superstars in both Israel and the United States. But the two were accorded uneven recognition. Tversky was the initial



*Think again: Johnson and advisers discussing the situation in Vietnam, October 1968*

recipient of the academic accolades, a snub that hurt Kahneman, who felt, correctly, that they were equal partners in generating their ideas.

Ultimately, like many of the most creative partnerships—John Lennon and Paul McCartney, Steve Jobs and Steve Wozniak—their collaboration could not survive the envy and rivalry, and it ended in the late 1980s. Although they remained friends right to the end of Tversky’s days, Lewis reveals that as their collaboration neared its conclusion, Tversky never afforded Kahneman the respect Kahneman thought he was owed. “Danny needed something from Amos,” Lewis writes in one touching passage. “He needed him to correct the perception that they were not equal partners. And he needed it because he suspected Amos shared that perception.”

For those of us who have consumed or applied Kahneman and Tversky’s

findings, including myself, this is a startling revelation. Outsiders have always assumed that the two were equal partners, but what really mattered, Lewis is saying, were the subjective perceptions of the collaborators themselves, especially that of Kahneman. Kahneman comes across as incredibly human, open, and vulnerable. One cannot help but root for him when the ultimate recognition came in the form of a Nobel Prize.

Before it collapsed, this fruitful relationship managed to overturn many existing assumptions about how the mind works. The article they published on prospect theory in *Econometrica* in 1979—the most cited in the journal’s history—launched a frontal assault on assumptions that had, until then, informed all economic analysis and much of political science. Kahneman and Tversky’s experiments showed that contrary to the thinking at the time, decisions made in the

face of uncertainty are based less on calculations of the net expected value of an outcome and more on perceptions of gains and losses relative to a reference point. Furthermore, and again contradicting the prevailing theories, they proved that losses matter more than gains. If people perceive themselves to be in the domain of gains, they tend to avoid taking risks, fearing that they will start losing. But when they find themselves in the domain of losses, they become more willing to take them, desperate to somehow reverse their fortunes.

The practical implication of this finding is that when trying to understand a given choice, one cannot focus exclusively on the decision-maker's calculations of which alternative would maximize utility; it's also crucial to figure out his point of reference, in order to determine whether he sees himself as operating in the domain of gains or the domain of losses. International relations scholars have applied prospect theory to explain Mao Zedong's decision to bring a militarily weaker China into the Korean War in 1950, U.S. President Jimmy Carter's approval of the risky operation to rescue American hostages from Iran in 1980, and U.S. President George W. Bush's ill-fated invasion of Iraq in 2003. In all these cases, the argument goes, the leaders saw themselves as facing loss: Mao feared that a Western victory in North Korea would damage China's national security, Carter was desperate to end the hostage crisis, and Bush felt especially vulnerable in the wake of the 9/11 attacks. Each leader was thus more willing to take the risk of using military force, even though the probability of success was far from clear.

These examples also show that applying prospect theory to foreign policy is not straightforward. For each decision, one can make the argument that the decision-maker acted rationally: Mao correctly judged that he could beat back the U.S.-UN attack on North Korea, Carter had reason to believe that the rescue operation might work, and Bush had received intelligence that made an invasion of Iraq look less risky than tolerating the slightest chance of an Iraq armed with weapons of mass destruction. Scholars must therefore take care to properly specify the reference points that decision-makers are working from, the value they place on the alternative options, and their estimates of the probability of various outcomes.

### **THE PERILS OF SHORTCUTS**

Although prospect theory is widely seen as Kahneman and Tversky's most original contribution to social science, their earlier work on heuristics is just as noteworthy. Beginning with the assumption that cognitive processing powers are limited, Kahneman and Tversky contrived experiments showing that people resort to shortcuts to help estimate probabilities and make sense of the world. And these shortcuts, they found, tend to lead one astray.

Consider one classic experiment on the representativeness heuristic, in which Kahneman and Tversky provided subjects with a description of a person named Linda:

Linda is 31 years old, single, outspoken, and very bright. She majored in philosophy. As a student, she was deeply concerned with issues of discrimination and social justice,

and also participated in antinuclear demonstrations.

Then they asked their subjects to rank the probability that various statements about Linda were true. What is more likely, they asked: that “Linda is a bank teller” or that “Linda is a bank teller and is active in the feminist movement”?

If you answered the latter, you made the same mistake that 85 percent of Kahneman and Tversky’s respondents did. Simple statistics tells us that the number of female bank tellers who happen to be feminists cannot be bigger than the number of female bank tellers of all ideological persuasions. Yet because the description of Linda seems representative of an activist feminist, that assessment of fit overrides a basic mathematical fact.

This insight is also relevant to foreign policy. During the Vietnam War, for example, U.S. officials regularly resorted to historical analogies to make sense of the challenges they were facing. President John F. Kennedy was especially taken by an analogy to the 1948–60 communist insurgency against the British in Malaya, and he pestered his generals to study the episode. President Lyndon Johnson and his secretary of state, Dean Rusk, preferred analogies to the Munich Agreement (where appeasement abetted aggression) and the Korean War (where initial U.S. setbacks were followed by victory). Rusk’s deputy, George Ball, wrote long memos contesting the relevance of the Korean analogy and proposing his own comparison to France’s 1954 defeat in the Battle of Dien Bien Phu. In Ball’s view, the United States would lose the war and be kicked out of Vietnam, just as France was.

My own analysis of the Johnson administration’s decision-making suggests

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that the Korean analogy trumped all others because it was deemed most representative of the challenge in Vietnam. There, as in Korea, the United States found itself fighting in an Asian conflict against a communist north that, aided by China and Russia, was bent on taking over the South. Once chosen, this analogy shaped U.S. decision-making: it predisposed policymakers toward military intervention on the theory that it would save the South (just as it had in Korea), but with the caveat that the United States must not apply excessive force against the North (since it was U.S. forces' crossing the 38th parallel in Korea that precipitated Chinese military intervention).

In hindsight, it's clear that U.S. policymakers chose the wrong historical lens; had they studied the situation more carefully, and with less hubris, they might have gone with Ball's Dien Bien Phu analogy. That would have helped them realize that defeat was almost inevitable: because the Vietnamese were fighting to rid themselves of foreign domination, they had far more willpower than foreigners facing domestic and international opposition. France, however, hardly seemed representative of the United States. As one U.S. four-star general put it, "The French haven't won a war since Napoleon. What can we learn from them?"

### **CORRECTING THE UNCONSCIOUS**

There is no doubt that Kahneman and Tversky's work, as Lewis' subtitle puts it, "changed our minds": it has forced us to toss out the flattering portrait of our cognitive abilities once popular among economists and political scientists. Kahneman and Tversky performed a reality check on human thought processes

and found them wanting. The value of this contribution can hardly be overstated; their studies are worthy of the Nobel Prize because they challenged a fundamental tenet of economics—the notion of the rational actor—and replaced it with a more realistic description of how humans actually think.

Kahneman and Tversky's work was instrumental in launching the field of behavioral economics and has seen wide applications in business, especially in finance and insurance. In public policy, it enabled Cass Sunstein, who served as chief of the Office of Information and Regulatory Affairs in the Obama administration, to increase the number of poor children taking advantage of public schools' free-lunch programs. He did so by reframing the "choice architecture" their parents faced. Instead of requiring parents to submit paperwork to enroll their children in their school's program, Sunstein automatically enrolled them. That simple change—based on the underlying idea that people usually find it easier to go along with whatever is presented as the default option—increased the number of poor children receiving free lunches by some 40 percent.

For all of Kahneman and Tversky's achievements, however, their ideas raise a couple of follow-up questions. One is how transferable the findings of experiments performed on bright undergraduates are to the real world, where the stakes are higher and where decision-makers are more experienced. Kahneman and Tversky dealt with this objection directly: they subjected statisticians, doctors, and other professionals to their experiments and found that they succumbed to the same cognitive foibles the undergraduates had.

The second issue is more daunting: Are the heuristics that people routinely resort to really all that harmful? Or, as the psychologists Richard Nisbett and Lee Ross once put it, quoting a colleague, “If we’re so dumb, how come we made it to the moon?” Given the many errors of human thinking that Kahneman and Tversky cataloged, one might think that shortcuts tend to hurt more than they help.

Not so. In his latest work, Kahneman puts these heuristics in perspective, slotting human thinking into two different categories: what he and other psychologists call System 1 and System 2. The heuristics that he and Tversky identified are manifestations of System 1, “fast thinking”—intuitive, largely unconscious, and error-prone. System 2, or “slow thinking,” by contrast, is more deliberate and conscious. As Kahneman writes, “System 1 is indeed the origin of much that we do wrong, but it is also the origin of most of what we do right—which is most of what we do. Our thoughts and actions are routinely guided by System 1 and generally are on the mark.” System 1 serves people well because they learn from their mistakes and develop skills that are inscribed in their memory and “automatically produce adequate solutions to challenges as they arise.” Moreover, people often call on System 2 to correct the excesses of System 1.

That’s what the historians Ernest May and Richard Neustadt taught generations of students at Harvard’s Kennedy School of Government to do, before the System 1 and System 2 terminology had been invented. Conscious of how decision-makers routinely picked the wrong historical precedent when facing an unfamiliar

challenge, the two professors warned against latching on to the first historical analogy that comes to mind (a System 1 attribute) and instead urged students to switch mental gears (to System 2’s territory) by expanding their repertoire of historical parallels and assessing the degree of fit of each in a systematic manner.

This picture of decision-making is more nuanced than Tversky’s quip about “natural stupidity.” Recognizing their shortcomings, humans are capable of self-correction. Perhaps that is why, for all our cognitive limitations, we still made it to the moon. 🌍

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# Asia in the Trump Era

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From Pivot to Peril?

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*Bilahari Kausikan*

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*The Pivot: The Future of American Statecraft in Asia*

BY KURT CAMPBELL. Twelve, 2016, 432 pp.

*By More Than Providence: Grand Strategy and American Power in the Asia Pacific Since 1783*

BY MICHAEL J. GREEN. Columbia University Press, 2017, 760 pp.

*The End of the Asian Century: War, Stagnation, and the Risks to the World's Most Dynamic Region*

BY MICHAEL R. AUSLIN. Yale University Press, 2017, 304 pp.

**D**onald Trump ran for office promising to overturn U.S. policy toward Asia. He threatened to launch a trade war against China, calling for a 45 percent tariff on Chinese imports to the United States and promising to label Beijing a currency manipulator. After his election as U.S. president, he broke with four decades of precedent when he spoke to Taiwan's leader on the phone and declared that the United States might not uphold the "one China" policy—the foundation of U.S.-Chinese ties—

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**BILAHARI KAUSIKAN** is Ambassador-at-Large at Singapore's Ministry of Foreign Affairs. The views expressed here are his own.

under which the United States does not formally recognize the Taiwanese government. On his first full weekday in office, Trump withdrew the United States from the Trans-Pacific Partnership (TPP), the 12-nation, U.S.-led trade deal that many in the American foreign policy establishment saw as crucial to preserving U.S. influence in the region.

Since then, however, Trump has appeared to adopt a more traditional posture. He recognized the "one China" policy in February during his first phone call with Chinese President Xi Jinping. His secretary of defense, James Mattis, traveled to Japan and South Korea to reassure leaders in both places that the United States remains a committed ally, despite Trump's comments on the campaign trail that the United States could save money if those countries developed their own nuclear weapons. Soon thereafter, Trump hosted Japanese Prime Minister Shinzo Abe at his Mar-a-Lago resort, in Florida, where he assured him that the U.S.-Japanese relationship "runs very, very deep."

In short, it remains too early to tell what the Trump administration's overall strategy toward Asia will be. Although written before the presidential election, two new books offer some sound advice. *The Pivot*, by Kurt Campbell, who served in Barack Obama's administration, and *By More Than Providence*, by Michael Green, who worked for President George W. Bush, are essential guides to understanding U.S. policy in Asia. They reflect a bipartisan consensus among American scholar-practitioners that U.S. leadership remains irreplaceable for ensuring the region's future peace and prosperity—a consensus that the Trump administration would do well

to heed. A third new book, meanwhile, *The End of the Asian Century*, by Michael Auslin, charts some of the dangers that lie ahead if the region fails to manage its many risks.

### **THE INDISPENSABLE NATION**

In January, in front of a packed audience at the World Economic Forum, in Davos, Xi delivered a strong defense of globalization. He signaled that China was prepared to lead the liberal international order if the United States was not. But Xi's speech was as much a tacit admission of nervousness about the erosion of that order as it was a declaration of confidence in China's power: Xi offered no real alternative to the international system that the United States has built over the past seven decades.

In reality, China cannot lead the current global order. The leader of an open system must itself be open, and the Chinese Communist Party is concerned that further liberalization may jeopardize its rule. Growth in China has slowed, labor and social unrest are widespread, and Xi's anticorruption campaign has unsettled party cadres. External confidence masks internal insecurity. U.S. leadership in Asia remains indispensable.

No one is more aware of this reality than Campbell, one of the United States' most distinguished diplomats, who served as assistant secretary of state for East Asian and Pacific affairs from 2009 to 2013 and was one of the chief architects of the Obama administration's "pivot" to Asia, the policy for which his book is named. Campbell's central argument is a sophisticated defense of that policy, and he makes a powerful case for its continuation: "It is time," he writes, "to

finally elevate Asia to a new prominence in the councils of American policymaking." Most countries in the region welcomed more U.S. attention to Asia by the Obama administration after Bush's Middle Eastern entanglements. But the policy was poorly named. A pivot connotes inconsistency: what pivots one way can easily swing another. As Campbell himself notes, "words . . . create perceptions, and incorrect perceptions can obscure the truth." The label reinforced a talking point that Beijing never tires of repeating: that the United States is an unreliable partner.

Every new administration feels compelled to emphasize how its policies differ from those of its predecessor, and the Obama administration was no exception. But it would have been better to have stressed the consistency of U.S. policy toward the Asia-Pacific. To Green, who served as senior director for Asia on George W. Bush's National Security Council, U.S. policy in the region has had a central unifying theme since 1783: "The United States will not tolerate any other power establishing exclusive hegemonic control over Asia or the Pacific." Green's book is diplomatic history at its best. Drawing on archival work, interviews, and his own experience as a policymaker, Green carefully traces how American strategists have thought about East Asia from the eighteenth century to the present day.

He argues that five tensions, which "reappear with striking predictability," have defined U.S. policy in the Asia-Pacific over the past two centuries: the tension between prioritizing Europe and prioritizing Asia (he argues that when the United States' Asia strategy has been an afterthought to its policy in Europe or the Middle East, "American

policy in the region has proven deeply flawed”); between emphasizing relations with continental powers and emphasizing those with maritime powers (or between relations with China and relations with Japan); between promoting self-determination and promoting universal values; between protectionism and free trade; and between forward defense and Pacific depth. “The Pacific Ocean does not provide sanctuary against threats emanating from the Eurasian heartland,” he writes, “if the United States itself is not holding the line at the Western Pacific.”

### **THE GREAT REJUVENATION**

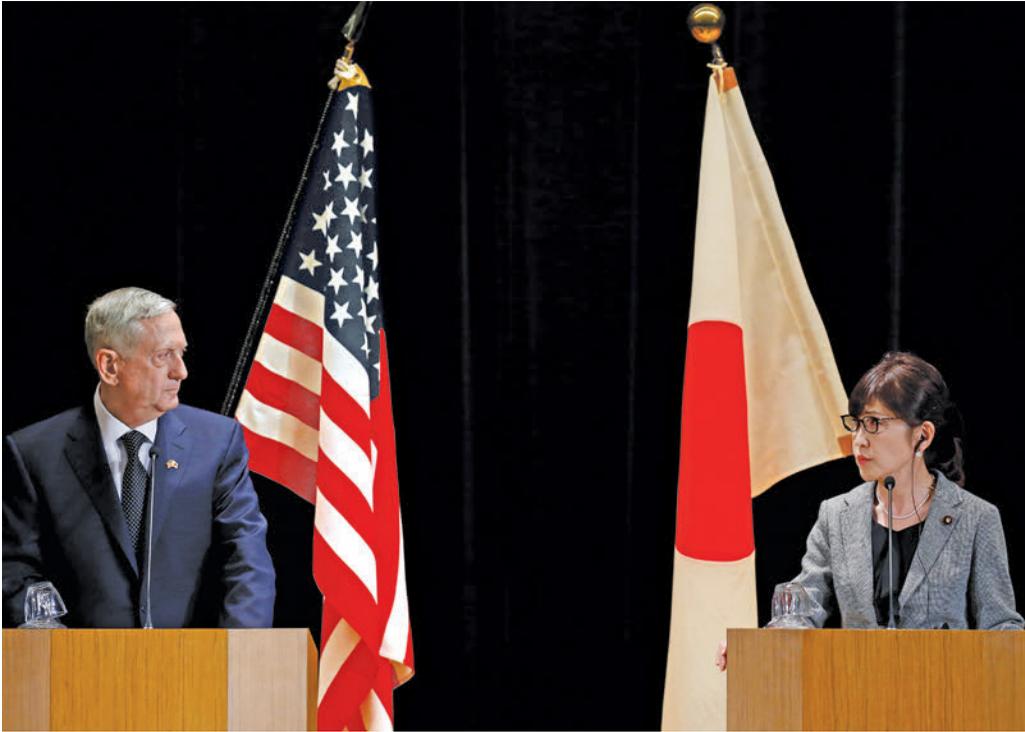
Auslin, a scholar at the American Enterprise Institute, also recognizes the centrality of the U.S. role. He has created what he calls a “risk map” of Asia: “a user’s guide to the dangers growing in the world’s most dynamic region.” Asia, according to Auslin, is “riddled with unseen threats”: economic stagnation, demographic pressures, unfinished political revolutions, the lack of regional unity, and, most dangerous of all, the risk of war.

These warnings serve as a useful reminder. But the risks he identifies are not as “unseen” as he claims. As far back as 1988, when the idea that the twenty-first century might prove to be “the Asian century” first began to gain currency, the Chinese leader Deng Xiaoping warned Indian Prime Minister Rajiv Gandhi, “If both China and India do not prosper, it will not be an Asian century.” Most Asian leaders have recognized that unless they tread carefully, the continent will not succeed. Managing the risks Auslin describes consumes much of the day-to-day politics and diplomacy of the region.

Part of Asia’s problem, Auslin argues, is that “more than any other region except perhaps the Middle East, the Asia-Pacific remains fettered by centuries of history.” Asia, he concludes, has never recovered from the fall of “the last stable political order in Asia, the Qing Empire,” in 1911. This is a serious misreading of history that distorts Asia’s contemporary security challenges.

Auslin fails to recognize that even at its height in the fourteenth century, during the Ming dynasty, the traditional Chinese order was as much a set of rituals as it was a real political system enforced by Chinese power. By 1911, that order existed only in the minds of Qing mandarins who had retained their sense of China’s innate superiority even though China had become powerless to stop the encroachments of Japan and the Western powers. Since the end of World War II, the stability and prosperity of Asia have rested on the U.S.-led order.

Today, some echoes of the traditional Chinese order can be heard in Beijing’s desire to re-create a regional hierarchy with China at the top. The narrative that China is undergoing a “great rejuvenation”—a phrase that Xi has used more insistently than any of his predecessors—legitimizes the party’s right to rule, but it is, at its core, revanchist. Auslin’s apparent nostalgia for the traditional Chinese order blinds him to the fact that China’s ambition underlies many of the region’s tensions and explains why Chinese leadership will always prove controversial in East Asia. The key contemporary strategic challenge in the Asia-Pacific is the search for a stable accommodation between the ambitions of a rising China and the current U.S.-led order.



*Let's stay together: Mattis and Japanese Defense Minister Tomomi Inada in Tokyo, February 2017*

Auslin laments that “no effective regional political community,” such as NATO or the EU, has emerged to replicate the stability that the Qing dynasty once provided. Asia’s political diversity, he writes, “has so far prevented the region from uniting the way Europe has.” He dismisses the Association of Southeast Asian Nations (ASEAN)—and its latest initiative, the East Asia Summit (EAS), which brings together most of the countries in the region, plus Russia and the United States, in an annual gathering—as insufficiently ambitious and unable to replace the order of the Qing dynasty. But the policymakers who devised ASEAN in the 1960s never intended for it to replace the Qing order, or for it to be Asia’s equivalent of the EU. As Auslin himself recognizes, “ASEAN’s primary goal has always been to forge closer ties among its own members.” And the

EAS was meant only to supplement, not supplant, the U.S.-led order.

To secure peace in the region more effectively, Auslin proposes a U.S.-led regional security architecture that would begin by sorting U.S. partners into two geographically determined “concentric triangles.” The outer triangle would consist of Australia, India, Japan, and South Korea. The inner triangle would connect Indonesia, Malaysia, the Philippines, and Singapore. In such a system, Auslin argues, Washington should focus on promoting “a common set of rules, norms, behaviors, and coordination among the region’s leading nations.”

Auslin never convincingly explains how such a design would be superior to the existing U.S.-led order or facilitate the strategic adjustments that are under way between the United States and China. Nor is Auslin’s system especially

original, since its membership and goals are essentially the same as those of the EAS. Auslin's recommendation that Washington "encourage larger nations to play a more significant role in helping protect the rules-based order" is precisely what the Obama administration tried to do by supporting the EAS.

The EAS is modest in its ambitions because it confronts a paradox: it works best when it does not work too well. As a result, the major powers find it occasionally useful, while remaining confident that it will not threaten their vital interests. Would either the United States or China have supported the EAS if it thought the EAS would constrain its freedom of action? Would the region be better off if both or either of these powers shunned the EAS? If the EAS has failed to persuade Beijing to abide by a rules-based order and abandon its preference for a hierarchical East Asian system based on the presumption of Chinese superiority, there is little reason to think that drawing new shapes on a map will make much of a difference.

## **PIVOT 2.0**

All three of these books were written before the U.S. election, and the country's foreign policy may now change dramatically. Trump's overall strategy remains undefined, but some elements of the new administration's approach have already become clear. Trump will probably be less interested than most of his predecessors were in promoting democracy abroad. Many members of the U.S. foreign policy establishment have expressed dismay at this break from American diplomatic tradition. Auslin, for his part, argues that "the best way to reduce risk" is "to encourage wider liberalization

throughout the region," especially in China. "The goal is not to change the Chinese government," he insists, but to "make available liberal ideas and viewpoints that ordinary Chinese normally do not experience" and to "encourage those voices in China struggling for civil society, and to let them know they are not alone."

It is delusional to think that the Chinese Communist Party would regard such an approach as anything but a blatant attempt to undermine its rule. If Washington prioritizes the spread of liberal ideas, it will damage U.S.-Chinese relations and magnify, not reduce, the risks of instability in Asia. Too often in the past, the United States has behaved as if it enjoys a monopoly on legitimate values. This attitude has complicated its relationships and discomfited countries that might otherwise be inclined to be friendly.

Last December, for example, Philippine President Rodrigo Duterte said that Trump had endorsed his violent antidrug campaign, which has left more than 6,000 people dead, and invited him to the White House. Human rights activists and many in the foreign policy establishment were quick to criticize Trump for what they regarded as his less-than-steadfast adherence to the promotion of human rights. But engaging with Duterte will not render U.S. diplomacy less effective in curbing extrajudicial killings. Under Obama, moralistic pressures only hardened Duterte's position and damaged ties between the two countries. In September, for example, Duterte responded to Obama's criticism by calling him a "son of a whore." Duterte is the current chair of ASEAN, reason enough to invite him to the White House. Trump's overtures may

have already helped mend the relationship: Duterte has recently downplayed his earlier calls for “separation” from the United States and said that he will honor U.S.-Philippine defense agreements.

Self-righteous posturing may feel good, but actually doing good requires pragmatism. Critics of the Trump administration should take note of the Obama administration’s opening to Myanmar (also called Burma), one of its major achievements, and one in which Campbell played an important role. After decades of sanctions under administrations of both parties had failed to promote political reform, Washington realized it needed to offer some carrots along with sticks. By engaging with Myanmar, the Obama administration encouraged Myanmar’s military-led government to continue the tentative political reforms it had begun in 2003; boosted Myanmar’s economy; loosened Beijing’s grip on Myanmar; and improved U.S. relations with its Asian allies, none of which supported isolating the country. Realistic diplomat that he is, Campbell concedes that Myanmar’s “ultimate political trajectory remains unknowable,” but he is correct to conclude that the “shift in Burma’s political system has been striking and heartening.” Trump should emulate this pragmatic approach.

#### **TRUMP GOES TO CHINA?**

If the Trump administration’s lack of enthusiasm for promoting democratic values is unlikely to harm U.S. foreign policy in the Asia-Pacific, some of its other policies may prove more damaging. Pulling out of the TPP, for example, undermined U.S. credibility. Trump

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wants the United States to project strength abroad, and most countries in Asia would welcome a strong U.S. posture. But projecting strength is not just a matter of maintaining military dominance. It also requires preserving confidence in the United States, a task made much harder by U.S. domestic politics, the vagaries of which are not as well understood abroad as many Americans might think. Washington's withdrawal from the TPP reinforced Beijing's central message that the United States is an unreliable ally.

Still, the TPP's defeat does not represent "an unalloyed triumph for China," as Gardiner Harris and Keith Bradsher of *The New York Times* wrote in November. The Regional Comprehensive Economic Partnership is now the only multilateral trade agreement being negotiated in the region. Although it does not include the United States, RCEP is not a Chinese initiative, as is often claimed: it is an ASEAN initiative intended to connect the group with six countries with which ASEAN already has free-trade agreements. Four of the six—Australia, Japan, New Zealand, and South Korea—are U.S. treaty allies. A fifth, India, is hardly a Chinese stooge.

Three RCEP members—Australia, Singapore, and South Korea—currently have bilateral free-trade agreements with the United States, and Trump has given no indication that he wishes to cancel them. His administration has said that it will seek a bilateral trade agreement with Japan, suggesting that even if it rejects multilateral trade deals, it is not pursuing an outright protectionist agenda and understands that in Asia, trade is strategy. The Trump administration may seek to replace the

TPP with a hub-and-spoke approach, in which the United States (the hub) will strike bilateral trade deals with its partners (the spokes).

In security matters, Trump will probably have little patience with multilateral diplomacy through forums such as the EAS and ASEAN, which stress the gradual accumulation of small steps. But the Obama administration's emphasis on multilateralism was a historical exception, and Trump's attitude toward ASEAN will likely prove a relatively minor issue. Far more serious are the potential geopolitical risks of the new administration's harsh anti-Muslim stance. If Islamophobia appears to become central to U.S. policy, the administration will alienate Muslim communities across Southeast Asia, and the leaders of countries such as Indonesia and Malaysia will struggle to justify their continued support for the United States.

The Trump administration has reaffirmed U.S. alliances with Japan and South Korea and has neither said nor done anything to suggest that the United States will withdraw from the region and allow China to establish its preferred regional order. As a result, the situation in the South China Sea will remain a stalemate: Washington cannot force Beijing to abandon the artificial islands it has constructed or stop the Chinese from deploying military assets on them, but neither can China prevent the United States from operating in the area without risking a major conflict that China cannot win and that might threaten the Chinese Communist Party's rule.

The only issue over which China must fight is Taiwan, because the party's rule would not survive if Taiwan achieved

independence. When Trump reaffirmed the “one China” policy during his telephone call with Xi in February, some analysts portrayed it as a victory for the Chinese. But the Trump administration has not accepted China’s interpretation of the policy—indeed, it cannot, because the Taiwan Relations Act prevents it from doing so, just as the act constrained previous administrations. Trump’s telephone conversation with Taiwanese President Tsai Ing-wen and his subsequent posts on Twitter, in which he asked rhetorically whether the Chinese had bothered to seek U.S. agreement when they built a “massive military complex” in the South China Sea or “devalue[d] their currency,” were unorthodox, but they made a legitimate point: if China expects the United States to consider its interests, it cannot ignore U.S. interests.

Taiwan, for its part, like much of the region, is nervous that under Trump, a more transactional United States might be tempted to sacrifice its interests in a grand U.S.-Chinese bargain, in which the two countries would divide Asia into spheres of influence. But such an agreement is unlikely, and as China tries to realize its ambitions, it faces an inescapable dilemma. To establish its preferred hierarchical regional order, Beijing must push Washington out of the center of the strategic equation and occupy that space itself. But if China erodes confidence in the U.S. alliance system, Japan might very well become a nuclear weapons state. Japan already has a stockpile of plutonium and the capability to develop nuclear weapons rapidly. If Japan acquires nuclear weapons, South Korea and perhaps even Taiwan would have strong incentives to follow

suit—an outcome that China would much rather avoid.

For almost 30 years, Washington has allowed Japan to reprocess nuclear fuel from the United States, permitting Japan to master the nuclear fuel cycle, a privilege the United States has granted to no other country. In effect, the United States has long acquiesced in, if not actively aided, Japan’s preparations to become a nuclear weapons state. During the presidential campaign, the U.S. media and the American foreign policy establishment criticized Trump for suggesting that he could accept a nuclear Japan and a nuclear South Korea. But his attitude was not as irresponsible as some claimed.

Even if Trump wishes to strike a grand bargain with China, he will not tolerate appearing to be weak. Campbell’s “pivot” may fade from memory, but the Trump administration will still seek to project strength in the region. Under Trump, as under any U.S. president, East Asia will remain an arena of great-power competition. Ultimately, the region will deal with the Trump administration the same way it has always dealt with change: by adapting. 🌐

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## Recent Books

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### Political and Legal

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G. John Ikenberry

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*The Chessboard and the Web: Strategies of Connection in a Networked World*

BY ANNE-MARIE SLAUGHTER. Yale University Press, 2017, 304 pp.

**T**raditionally, global politics has been understood as a grand competition among states—a chessboard on which statesmen play games of power politics and grand strategy. In this brilliant, imaginative book, Slaughter upends this conception and offers a different image: a global web of networks where games are played not through bargaining but by building connections and relationships. The book dives deeply into “network science” and the dynamics of nonhierarchical systems. Energy, trade, disease, crime, terrorism, human rights: in Slaughter’s view, these are all areas of threat and opportunity that are now driven more by networks than by traditional interstate relations. Slaughter calls on policymakers to develop a “network mindset” that replaces the chessboard’s emphasis on states, sovereignty, coercion, and self-interest with the web’s orientation toward connections, relationships, sharing, and engagement. She argues not that power politics is disappearing but that it increasingly coexists with a more decentralized and shifting system of networks. This book represents an

important watershed in thinking about power and interdependence in the contemporary world.

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*Age of Anger: A History of the Present*

BY PANKAJ MISHRA. Farrar, Straus and Giroux, 2017, 416 pp.

What explains today’s global disorder, when liberalism is under assault by violent extremism, populist nationalism, xenophobia, religious tribalism, and antiglobalization? In this ambitious portrait of the current moment, Mishra sees all these problems as rooted in liberalism itself. Beginning in the 1990s, a liberal democratic revolution enveloped the world, spreading an ideology of free markets, individualism, secularism, and consumerism. Paradoxically, Mishra argues, that revolution both succeeded and failed: it overturned old social hierarchies and cultures of solidarity but left moral and spiritual vacuums in its wake. Liberal modernity has stripped people all over the world of their sense of community, identity, and meaning. Mishra also usefully reminds readers that Western narratives of modernity tend to minimize the resentment, rage, and mass violence that accompanied the spread of democracy and capitalism. Still, modern Western societies are hardly the only historical sources of alienation, despair, war, and genocide, and such horrors long predate the rise of liberalism. In the end, Mishra is better at capturing today’s *Zeitgeist* than at pinning down the precise relationship between any earlier “age of anger” and the current one.

*A Question of Order: India, Turkey, and the Return of Strongmen*

BY BASHARAT PEER. Columbia Global Reports, 2017, 160 pp.

In recent years, an illiberal wave has swept the world, as constitutional democracies have come under the sway of authoritarian leaders. One result is the emergence of hybrid regimes led by strongman rulers who win office through elections but, once in power, augment their executive authority at the expense of free speech and fair play. Peer's illuminating little book provides a ground-level account of this phenomenon in India and Turkey, revealing striking parallels between the two cases. In both places, the turn to authoritarianism has proceeded slowly, as Indian Prime Minister Narendra Modi and Turkish President Recep Tayyip Erdogan have introduced business-friendly policies while chipping away at the freedom of the press and civil rights. Both men have moved away from Western-style political visions of democratic rights and liberties in favor of appeals to nationalism and ethnic and religious identity. With a keen journalist's eye, Peer observes how various kinds of people—politicians, shopkeepers, intellectuals—experience these regime transitions. He finds that the most profound change is also the most subtle: a slow and sometimes imperceptible erosion of civic culture and political norms that undermines the democratic spirit.

*Realpolitik: A History*

BY JOHN BEW. Oxford University Press, 2015, 408 pp.

The term “realpolitik” is widely used today as a synonym for “power politics” and understood as the realist approach to foreign policy, a venerable tradition that stretches from Machiavelli and Bismarck to scholar-diplomats of the postwar era such as George Kennan and Henry Kissinger. In this fascinating biography of the concept, Bew reveals its rather surprising intellectual provenance and explains its shifting role in grand debates over statecraft. Bew traces the term to the mid-nineteenth-century writings of a little-known German thinker, August Ludwig von Rochau. For Rochau, “realpolitik” referred less to a philosophy than to a method for working through the contradictions emerging across Europe as the competing forces of liberalism and nationalism gave shape to modern states. A few decades later, the term entered the Anglo-American world, where it became entangled with concepts such as *machtpolitik* (the politics of force) and *weltpolitik* (global power politics). In the early twentieth century, the liberal internationalist movement galvanized by U.S. President Woodrow Wilson explicitly cast its ideas in contrast to such concepts. But by recovering the origins of “realpolitik,” Bew suggests that its original meaning might prove useful for today's internationalists, who, like Rochau before them, are struggling to reconcile liberal ideals with a rising tide of nationalism.

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## Economic, Social, and Environmental

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*Richard N. Cooper*

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*Global Trends: Paradox of Progress*

BY THE NATIONAL INTELLIGENCE COUNCIL. National Intelligence Council, 2017, 226 pp.

*World on the Move: Consumption Patterns in a More Equal Global Economy*

BY TOMAS HELLEBRANDT AND PAOLO MAURO. Peterson Institute for International Economics, 2016, 166 pp.

Every four years, the U.S. government's National Intelligence Council (NIC) addresses in a report the important global economic, political, and societal developments it believes are likely to occur in the near term (the next five years) and the longer term (the next two decades). This year's edition makes for a sobering read. It foresees slower global economic growth and increasing public disappointment with the ability of governments to ensure prosperity or even provide basic public goods such as education, health care, and security. The threat from terrorist organizations will increase, further undermining public confidence. Over the longer period, outcomes will depend to a high degree on demographic changes, the effects of which the report declines to specifically forecast, offering instead a number of imaginative potential scenarios—some negative, some positive.

In their book, Hellebrandt and Mauro also make projections about the next

two decades. Their forecasts are bolder than the NIC's and are built on specific predictions about demographic change and economic performance in many countries. Interestingly, they foresee a trend toward greater income and wealth equality as poorer countries grow more rapidly than developed ones. The book focuses especially on what the authors deem to be likely increases in the purchasing power of urban populations and middle classes, the ways in which the demand for food in emerging markets will rise (and change), and a growth in demand for many forms of transportation within and between cities.

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*The Curse of Cash*

BY KENNETH S. ROGOFF. Princeton University Press, 2016, 296 pp.

This persuasive book makes the novel argument that highly developed countries should eventually eliminate paper money altogether, at least for large transactions, and that they should eliminate high-denomination notes—for example, the \$100 bill and the 500 euro bill—as soon as practically possible. Such notes are rarely used in ordinary transactions and often support criminal activities and tax evasion. The book also addresses some of the cash-related problems that today's low-interest environment poses to monetary policy. Paper currency—which, in effect, is the equivalent of interest-free government debt—limits the extent to which interest rates can become negative, which might be desirable under some conditions, including those that have prevailed in recent years. Although phasing out paper currency would introduce some

inconveniences, Rogoff argues that the benefits would far outweigh the costs. It's an important and thought-provoking proposal.

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*Dirty Secrets: How Tax Havens Destroy the Economy*

BY RICHARD MURPHY. Verso, 2017, 224 pp.

*A Fine Mess: A Global Quest for a Simpler, Fairer, and More Efficient Tax System*

BY T. R. REID. Penguin Press, 2017, 288 pp.

Murphy's book aggressively attacks the world's tax havens—or "secrecy jurisdictions," as he calls them. Their most corrosive effect, in his judgment, is not to allow individuals (including criminals) and corporations to avoid or evade taxes, although that is important. Rather, the worst thing about tax havens is the way in which they prevent the kind of transparency in transactions that any well-functioning market requires. Tax havens also erode trust in democratic governments, which have proved unable or unwilling to enforce their own laws and regulations. Murphy and his colleagues at the nonprofit Tax Justice Network have helpfully ranked 92 jurisdictions according to what each one provides in terms of financial secrecy—which should not be confused with legally protected financial privacy, which does not harm other members of society. Vanuatu and Samoa are the most secretive places, but the most important tax havens are Switzerland and Hong Kong. The United States does not fare particularly well in this ranking; laws pertaining to corporations and trusts

are mainly enforced at the state level, and a number of states use relatively lax rules to attract firms and capital. If secrecy jurisdictions were curtailed, the world would be a much better place, Murphy contends: democracies would be stronger, and markets more efficient.

Reid makes the case for a complete overhaul of the U.S. income tax system akin to the ones that Washington carried out in 1922, 1954, and 1986. He favors lower but more progressive rates and the elimination of all deductions and exemptions. The book makes a great contribution to this subject with useful and informative comparisons of tax systems in the United States with the usually better ones found in other rich countries. As Reid writes, the American systems are archaic, too complex, and too difficult to comply with, and they invite "convoluted and pernicious strategies" for avoiding payment.

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*A Little History of Economics*

BY NIALL KISHTAINY. Yale University Press, 2017, 256 pp.

This engaging book provides a nontechnical introduction to economic concepts by highlighting the innovations of leading thinkers from ancient Greece to modern times—from Plato and Aristotle to Tony Atkinson and Thomas Piketty. It ingeniously links key concepts from economics not just to government policies and the workings of big corporations but also to everyday family life and the day-to-day functioning of small companies. Reading this book is a pleasurable and easy way to become familiar with important economic ideas such as comparative advantage, unemployment, aggregate demand, inflation, and income inequality.

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## Military, Scientific, and Technological

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*Lawrence D. Freedman*

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*Reporting War: How Foreign Correspondents Risked Capture, Torture, and Death to Cover World War II*  
BY RAY MOSELEY. Yale University Press, 2017, 440 pp.

*The War Beat, Europe: The American Media at War Against Nazi Germany*  
BY STEVEN CASEY. Oxford University Press, 2017, 448 pp.

*Alamein*  
BY SIMON BALL. Oxford University Press, 2016, 288 pp.

Could the reporters who covered World War II have been truly independent even though they shared the dangers and discomforts experienced by combatants and even though their lives depended on operational secrecy? Moseley, himself a former war correspondent, tackles that question in a largely descriptive survey, reliant on memoirs, that still manages to cover all of the war's theaters and relate the experiences of reporters from all the Allied countries. The book is full of striking vignettes: a reporter yelling "Traitors!" at his carrier pigeons as the birds fly toward German lines in France rather than back to London, as they were supposed to; the American journalist Martha Gellhorn observing that many of the people she had met in Germany denied being Nazis and claimed to have

helped Jews. Toward the end of the book, Moseley considers whether journalists might have held back some information out of a desire to not undermine the war effort by demoralizing the public.

Casey touches on that issue, as well, and points out that the relationship between the media and the authorities was complex and that military officials would not necessarily have appreciated sanitized reporting: General Dwight Eisenhower, the supreme allied commander in Europe, for instance, wanted people to understand that the fighting could be grim and difficult. Casey's book benefits from a sharp focus on U.S. correspondents in the European theater, many of whom became dedicated anti-Nazis after experiencing the Blitz in 1940–41. He reveals the stress under which they worked and also highlights the quality of their writing. One standout was Ernie Pyle of the Scripps-Howard newspaper chain, who was ultimately killed by a Japanese machine gunner. Arriving late to the Allied landing in Normandy in 1944, he described the scene on the beach: "Men were sleeping on the sand, some of them sleeping forever."

Ball's book on the Second Battle of El Alamein, which took place in Egypt in 1942, adds a further layer of complexity to the question of how the war was presented. In this entry into Oxford University Press' Great Battles series, Ball looks at how a range of sources, including media reports but also the testimony of German prisoners of war, have shaped understandings of this battle. To add luster to a victory for the forces of the British Empire that owed in large part to a German fuel shortage and to the United Kingdom's superior airpower, it suited British officers and

journalists to exaggerate the prowess of the German commander, Erwin Rommel, thereby positioning his British counterpart, Bernard Montgomery, as his equal in generalship. This was too much for supporters of the man Montgomery had replaced, Claude Auchinleck, who felt that he had been given insufficient credit for his efforts during an earlier, more defensive battle at El Alamein. Rommel, for his part, was happy to stress his material disadvantages. Meanwhile, the Royal Air Force wished it to be known that airpower had played a decisive role. And everyone, it seems, preferred to minimize the contribution made by Germany's Italian allies.

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*Rape During Civil War*

BY DARA KAY COHEN. Cornell University Press, 2016, 288 pp.

This must have been a harrowing book to research, for Cohen interviewed not only victims of wartime rape but perpetrators as well. Her case studies come from East Timor, El Salvador, and Sierra Leone and are backed up by an analysis of data from many other civil wars. Her achievement is to shift the debate away from the question of whether rape most often occurs as a result of a deliberate military strategy, ethnic hatred, or simple opportunism and to instead focus on what she calls "combatant socialization." She notes that the prevalence of mass rape in civil wars varies (although it occurs in at least 75 percent of cases) and that many rapes are committed by gangs made up of members of militias who have often been forced into joining the fighting. These observations lead her to argue

that rape helps forge group cohesion by breaking social taboos, communicating "norms of virility and masculinity," and increasing mutual esteem among fighters. In that sense, rape in wartime is as likely to result from weak discipline as from political direction.

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*Religion on the Battlefield*

BY RON E. HASSNER. Cornell University Press, 2016, 232 pp.

This short but thoughtful book invites readers to reconsider their ideas about the role of religion in war. Ever since the 9/11 attacks, the intersection of religion and organized violence has been understood in ideological terms, with a focus on extremism; unsurprisingly, Islam has attracted most attention of this kind. Hassner wants readers to instead think of religion as a set of practices that appear in a variety of forms but have something to do with the sacred—and serve as sources of motivation and inhibition and also exploitation and provocation. He concentrates on major wars with a particular, but not exclusive, emphasis on Christianity and Western attitudes. He divides the discussion into four areas where the practice of religion interacts with the practice of war: sacred time (respect for the Sabbath during the American Civil War, Egypt and Syria choosing the holy day of Yom Kippur to attack Israel in 1973); sacred places (the special meaning of Jerusalem as a prize to capture, efforts to attack Rome in 1944 without hitting the Vatican); sacred leaders (the role of chaplains); and sacred rituals (prayer before battle). He notes that in any conflict, religious practices can act as force multipliers.

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## The United States

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*Walter Russell Mead*

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*Avenging the People: Andrew Jackson, the Rule of Law, and the American Nation*  
BY J. M. OPAL. Oxford University Press, 2017, 352 pp.

With Andrew Jackson's portrait now gazing down balefully at President Donald Trump in the Oval Office, Opal's analysis of Jackson's career has more than antiquarian interest. Opal takes a bleak view of Jackson and of the populism that propelled him to the presidency. In Opal's view, on economic matters, Jackson was anything but a populist: in fact, he was a consistent opponent of the relief bills that desperate debtors on the western frontier introduced in state legislatures to protect their assets during the frequent financial panics that marked the early decades of the nineteenth century. To Opal, what qualifies Jackson as a populist was the ferocity with which he pursued the destruction and dispossession of the remaining Native American nations. The greed of speculators, the land hunger of poor farmers, and the legacy of hatred that generations of bitter fighting had created among white settlers were the forces that propelled Jackson to the White House. Many readers will see Trump's revival of a Jacksonian spirit as embodying and encouraging similar forces. The question, both in Jackson's time and today, is whether populism can also offer something better.

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*Earning the Rockies: How Geography Shapes America's Role in the World*

BY ROBERT D. KAPLAN. Random House, 2017, 224 pp.

As a dissenter from the determinism that fills many U.S. policymakers and academics with a faith that the arc of history bends in the directions they prefer, Kaplan believes that history, culture, and geography set limits—often grim ones—on what human societies can accomplish. The United States is a great power, he argues in this short but ambitious book, not just because Americans have a successful constitution but also because the United States occupies some of the richest temperate land in the world. The country comprises an immense mass of fertile land watered by the greatest network of navigable rivers in the world—rivers whose flows unite the vast expanse between the Rockies and the Appalachians into an economic (and therefore political) unit. But the size and variety of the country have often made it difficult for Americans to unify around communal visions of national identity and the proper U.S. role in the world. Kaplan notes that the taming and development of the arid American West required new forms of political organization and a more powerful role for government. That experience, he suggests, might provide the inspiration for innovative social policies that could promote social cohesion in the years to come.

*Washington's Farewell: The Founding Father's Warning to Future Generations*  
BY JOHN AVLON. Simon & Schuster, 2017, 368 pp.

For almost 150 years, the address that George Washington delivered to announce that he would step down after two terms as president served as a pillar of American politics and civic identity. Schoolchildren were given prizes for memorizing and reciting it, celebrations of Washington's birthday featured public readings of it, and patriotic orators referred to it endlessly. All of that is lost today. Avlon's timely book makes a strong case for bringing Washington's final public message back into the national consciousness as a way of strengthening the frayed political fabric of the aging republic. With input from both James Madison and Alexander Hamilton, Washington's Farewell Address called for amity between native-born and immigrant citizens, counseled constant vigilance against the dangers of foreign meddling in the U.S. political process, and warned against the corrosive effects of habitual partisan rancor on the institutions that make democracy work. Avlon hopes that a rediscovery of such wisdom might strengthen the union to which Washington dedicated his life; many readers of this powerful and well-argued book will hope the author is right.

*The Wars of the Roosevelts: The Ruthless Rise of America's Greatest Political Family*  
BY WILLIAM J. MANN. Harper, 2016, 624 pp.

Not since the Adamses in the early years of the republic did a family dominate U.S. politics the way the Roosevelts did in the first half of the twentieth century. Mann has written an uneven but ultimately rewarding account of the rise of the rival Roosevelt clans of New York. The Republican Roosevelts of Oyster Bay and the Democratic Roosevelts of Hyde Park were not closely related by blood: Franklin Roosevelt and Theodore Roosevelt were fifth cousins. Eleanor Roosevelt was, in Mann's telling, the central figure of the family drama. She was Franklin's wife and Theodore's niece; her relationships with both men were difficult, and bad feeling between her and Theodore's children turned the Roosevelt wars into a gripping national saga. When Theodore Roosevelt, Jr., tried to follow in his father's footsteps by running for governor of New York in 1924, Eleanor organized and funded a group to drive around the state in a car made to resemble a teapot in an attempt (which she later admitted was unjust) to link him to the Teapot Dome scandal. Mann is better at chronicling the Roosevelts' love lives and sibling rivalries than at placing this remarkable family in the context of U.S. history, and although Mann's portrait of Theodore contains recognizable elements, the author's visceral dislike of the man renders him a one-dimensional villain. Even so, *The Wars of the Roosevelts* is what Theodore might have called "a ripping read" and deserves a wide audience.

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*The Great War and American Foreign Policy, 1914–24*

BY ROBERT E. HANNIGAN.  
University of Pennsylvania Press, 2016,  
368 pp.

Hannigan's latest book builds on his previous one, *The New World Power: American Foreign Policy, 1898–1917*. Like the earlier work, the new one is an essential read for anyone who seeks to understand the development of U.S. national strategy. After the Napoleonic Wars, the United Kingdom relied on its sea power, its manufacturing strength, and the gold standard to build a world system that, by 1900, had become extremely comfortable for the United States. Hannigan argues that President Woodrow Wilson's policymaking was more conservative than is widely believed and that both Wilson and his successors sought to preserve and develop the existing world order rather than build a new one. Looking at Wilson's policies in Asia, Europe, and Latin America, Hannigan contends that a quest for stability rather than a drive for revolutionary change lay at the heart of Wilson's agenda and that this approach continued to shape U.S. strategy under the Harding and Coolidge administrations that followed. Readers will come away from this thoughtful book with a richer understanding of problems that continue to challenge the United States today.

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Western Europe

*Andrew Moravcsik*

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*A History of the Iraq Crisis: France, the United States, and Iraq, 1991–2003*

BY FRÉDÉRIC BOZO. TRANSLATED  
BY SUSAN EMANUEL. Woodrow  
Wilson Center Press and Columbia  
University Press, 2016, 408 pp.

Commentators still do not agree on what exactly motivated the U.S. invasion of Iraq in 2003. In the wake of the 9/11 attacks, senior members of the George W. Bush administration sold the war as vital to counterterrorism, counterproliferation, democracy promotion, and Middle East peace. It is unclear whether they believed any of that. French President Jacques Chirac, along with some other European leaders, strongly opposed the war. In this book, Bozo relies on official documents and interviews with insiders to reconstruct how Paris viewed these developments. At the time, pundits on both sides of the Atlantic spilled much ink on France's purported anti-Americanism and principled stance against U.S. "hyperpower." Yet behind the scenes, Chirac's opposition was almost entirely pragmatic. He tried hard to avoid a direct confrontation with Washington and warned Bush that "war will have catastrophic consequences, including on terrorism throughout the entire world." Bush rejected his advice with disdain. Yet ironically, the invasion eventually brought the Americans and the French closer—if only to cope with its disastrous consequences. Today, Paris may be Washington's most constant ally

in the fight against terrorism, spearheading pressure for decisive military action in Libya, Mali, and elsewhere.

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*The Novel of the Century: The Extraordinary Adventure of "Les Misérables"*  
BY DAVID BELLOS. Farrar, Straus and Giroux, 2017, 336 pp.

Although ostensibly a work of historical fiction, Victor Hugo's *Les Misérables* is in fact a panoramic exposé of mid-nineteenth-century France—a society defined by its contradictions. The splendid memory of Napoleon Bonaparte remained omnipresent, yet his mediocre nephew Napoleon III headed the state. Extraordinary new wealth was everywhere, yet so, too, was abject poverty. Rich men profited handsomely by criminal and immoral means, including the promotion of dangerous industrial labor, corruption, prostitution, imperialism, and even slavery. As Bellos shows, such contradictions found expression in Hugo's own life and career. Although the novel's hero, Jean Valjean, rails against injustice from atop Parisian barricades, Hugo himself led a company of soldiers against the revolutionaries of his own time. Similarly, having written nearly 2,000 pages that movingly described the plight of the poor, Hugo sold temporary publication rights to *Les Misérables* for an advance of \$5 million in current dollars—arguably the highest amount ever paid for a work of fiction. This unique and readable book conveys the chaotic fabric of French life two centuries ago more powerfully than most conventional histories.

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*Four Princes: Henry VIII, Francis I, Charles V, Suleiman the Magnificent, and the Obsessions That Forged Modern Europe*  
BY JOHN JULIUS NORWICH. Atlantic Monthly Press, 2017, 304 pp.

There must always be an England, if for no other reason than to produce characters such as Norwich. Descended from King William IV and one of his mistresses, Dorothea Jordan, Norwich has served as a successful diplomat, appeared as a popular radio show host, helped lead the World Monuments Fund and many other charitable causes, and authored more than 20 books. The most recent of these is a popular history of four great kings born between 1491 and 1500. The Spanish Habsburg Charles V was named Holy Roman emperor before coming closer than any pre-Napoleonic leader to conquering all of Europe. He tangled with Francis I of France, a true Renaissance prince who patronized the arts and launched an overseas empire. In an unprecedented act for a Christian king, Francis sided with Suleiman the Magnificent, who ruled over the Ottoman Empire at its political and cultural height and fought his way to Hungary before dying at the gates of Szeged. As the English are wont to do, King Henry VIII stood apart from European squabbles. In order to resolve marital disputes, he famously renounced Catholicism and founded the Church of England. The fates of these four intertwined as they befriended and opposed one another in efforts to dominate Europe. In the end, however, none succeeded in imposing dynastic control and religious conformity, and ever since, European states have been united only in their diversity.

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*Why the UK Voted for Brexit: David Cameron's Great Miscalculation*  
BY ANDREW GLENCROSS. Palgrave Macmillan, 2016, 82 pp.

Glencross has been a prolific commentator on the Brexit issue, and this slim volume compiles some of his best writing. Although it might have benefited from more quantitative analysis, this is an insightful account of the referendum and its paradoxical consequences. A British government committed to leaving the EU is now trying to preserve almost all the policies the United Kingdom enjoys under the union, except in a somewhat less advantageous form. A vote largely against globalization has empowered the government to propose extreme deregulation and trade liberalization. Labour voters have helped ensure a seemingly permanent Conservative majority. Even deeper contradictions result from a new style of politics characterized by disillusion with established parties and the naive popular belief that referendums are the most directly “democratic” of political institutions. In fact, direct voting promotes British nationalism in a way entirely at odds with the United Kingdom’s distinctive tradition of parliamentary representative democracy. Government by referendum undermines genuine popular control wherever the public proves itself both ignorant and manipulable. And now, politicians will be able to duck responsibility for the negative effects of the choice to leave the EU and blame the public instead.

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*The Pursuit of Power: Europe 1815–1914*  
BY RICHARD J. EVANS. Viking, 2016, 848 pp.

Everything about *The Pursuit of Power* affirms a traditional approach to history. Written by one of the most eminent historians of Germany, it imposes a coherent schema on the story of Europe during a period of 100 years bookended by two massive wars. In this period, Evans argues, every country encountered similar political, economic, social, and cultural challenges, even if the timing and details of their specific responses varied. In his lively, fact-laden, and nuanced prose, Evans focuses on the relentless quest for power by nations, classes, political leaders, scientists, economic actors, artists, and everyday individuals. The search for power transformed everything, from the most intimate acts in the bedroom to the creation of empires.

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*The End of Europe: Dictators, Demagogues, and the Coming Dark Age*  
BY JAMES KIRCHICK. Yale University Press, 2017, 288 pp.

Through engaging anecdotes, Kirchick paints a dark picture of contemporary Europe: rising anti-Semitism and Islamic radicalization, a looming Russian threat, the spread of Brexit-like referendums, the coming dominance of the far right, rampant nationalism, economic dysfunction, and the danger posed by hoards of immigrants—all of which, he warns, could trigger the dissolution of the EU, the collapse of democratic government, and the outbreak of a war on the

continent. Similar forecasts have been issued like clockwork almost since the birth of the EU. Yet over the decades, European democracy has not collapsed, war has not broken out, the frequency of terrorist acts has declined, and Europeans have increasingly come to see Christianity as no longer essential to their national identities. Even the great wave of refugees that swept into Europe in 2015 has already crested, with the number plummeting over the past year and a half, in large part due to EU policies. With the exception of the United Kingdom, no member state has really contemplated exiting the EU, and even the British are now negotiating to retain as many EU policies as possible. So perhaps readers should not be surprised that, in his brief conclusion, Kirchick reverses course, tells some optimistic stories, and suggests that perhaps “the end” is not quite here yet. Europe, it seems, might still be saved.

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## Western Hemisphere

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*Richard Feinberg*

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*China's Strategic Partnerships in Latin America: Case Studies of China's Oil Diplomacy in Argentina, Brazil, Mexico, and Venezuela, 1991–2015*

BY YANRAN XU. Lexington Books, 2016, 168 pp.

**F**or those in Washington who worry that an aggressive China will exploit any missteps the Trump administration might make in Latin America, Xu's deep dive into Beijing's oil diplomacy in the region

offers some reassurance. China faces a long road ahead as it searches for ways to forge mutually advantageous strategic partnerships with the major Latin American countries. China's status as a relative newcomer to the region makes its commercial relationships with the four countries studied here very much a work in progress. Chinese business executives and diplomats are struggling to adjust to fast-paced local political currents, and they have already been forced to learn from painful mistakes. Xu cogently argues that to up its game, China will have to devise more sophisticated political risk assessments. Sometimes, callous Chinese state-owned enterprises must figure out how to honor local codes of social responsibility if they want to maintain their access to lucrative business opportunities. If China is to forge genuine strategic partnerships, it will have to match its hunger for the region's natural resources with a greater willingness to import value-added products and invest in infrastructure and industry in the region.

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*Rebel Mother: My Childhood Chasing the Revolution*

BY PETER ANDREAS. Simon & Schuster, 2017, 336 pp.

Now a professor of international relations at Brown University, Andreas recalls his extraordinary childhood travels in Chile and Peru with his mother, Carol, a radical activist. In the early 1970s, Carol abandoned a comfortable suburban life and migrated with young Peter to a communal cooperative in Berkeley, California (where her path briefly crossed my own). Later, she brought Peter along as she

sought out more intense political struggles in shantytowns and poor rural communities in Chile during the ill-fated government of Salvador Allende and in the highlands of Lima, Peru (breeding grounds of the guerrilla movement the Shining Path). Drawing on Carol's extensive, reflective diaries and his own sharp memories, Andreas paints vivid, mostly empathetic portraits of the many grass-roots activists they encountered. Eventually, Carol's radical feminism bumped up against Latino Leninism; identity politics clashed with class struggle. She retreated to her homeland but remained passionately engaged in local political struggles until her death in 2004. *Rebel Mother* is a warm, tender tale of protective love and codependency in a mother-son pair living in extreme circumstances. Carol's ultimate triumph: both Peter and an older brother, Joel, have grown up to become creative, purposeful scholars.

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*Four Seasons in Havana*

WRITTEN BY LEONARDO PADURA AND LUCIA LOPEZ COLL.  
DIRECTED BY FÉLIX VISCARRET.  
Netflix, 2016.

*Four Seasons in Havana* introduces the novelist Padura's Havana Quartet series of crime thrillers and his legendary detective and (one suspects) alter ego, Mario Conde, to a mass viewing audience. This magnificent, evocative Netflix miniseries was filmed in large measure in Havana, co-produced by Cuban and Spanish companies, and adapted for the screen by Padura and his wife, Lopez Coll. Conde, played by Jorge Perugorría, is middle-aged and emblematic of his

politically disenchanted generation: he looks back with nostalgia at his more idealistic youth, drinks and smokes heavily, and jumps without commitment from one woman to another. But he nevertheless retains his sense of personal integrity and his courage. The books and the miniseries faithfully portray Havana's working-class milieus, whose inhabitants have become accustomed to surveillance, opportunism, and official corruption. "Guys who rob and get away with it piss me off," Conde declares as he uncovers illicit behavior in high places: collusion in drug trafficking, the misuse of offshore business accounts, the theft of confiscated assets. Postrevolutionary Cuba, it seems, is not quite as exceptional as its apologists—and critics—contend.

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*Beyond the Scandals: The Changing Context of Corruption in Latin America*  
BY KEVIN CASAS-ZAMORA AND MIGUEL CARTER. Inter-American Dialogue, 2017, 68 pp.

Contrary to popular perceptions that Latin American corruption is only getting worse, Casas-Zamora and Carter argue the opposite: corruption is becoming easier to expose, publicize, and punish. Latin America is experiencing a healthy rebellion against endemic corruption, especially among the educated and informed middle classes. Many factors have contributed to a new public morality: international agreements that establish higher standards of conduct; stiffer transparency and accountability laws; tough, well-equipped prosecutors; aggressive, independent journalists; watchful social-media users; and indignant, mobilized civil society organizations.

Economic downturns have also reduced tolerance for the flagrant misuse of public funds. Casas-Zamora and Carter find that a battery of legal and institutional innovations are slowly making progress against entrenched habits of opacity, patrimonialism, and malfeasance. Today, gross violations are more likely to be uncovered and successfully prosecuted: even presidents and top-level corporate executives are no longer safe. This study includes useful reviews of major corruption scandals—often involving government procurement or the financing of political parties and campaigns—in Brazil, Chile, Guatemala, Honduras, Mexico, and Panama.

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*Left Behind: Chronic Poverty in Latin America and the Caribbean*

BY RENOS VAKIS, JAMELE RIGOLINI, AND LEONARDO LUCCHETTI. World Bank Group, 2015, 44 pp.

In this timely and well-researched report, World Bank economists survey recent findings on the state of chronic poverty in Latin America, which afflicts 130 million people—one in five of the region's inhabitants. They also assess a growing array of policy interventions that are proving effective in combating this scourge, although progress remains very uneven across and within countries. Some of their recommendations echo the conventional wisdom that guides U.S. antipoverty programs: for example, that well-informed social workers can play a vital role in encouraging the poor to access public assistance, and that policymakers must recognize the importance of helping poor people

overcome psychological obstacles such as hopelessness and depression. The authors emphasize the importance of quantifiable results and call on governments to seek out cost-effective “tweaks,” coordinate poverty-reduction efforts across public agencies, and design programs that will be consistent with budgetary resources and bureaucratic capabilities. Public policies, they argue, should also align with a country's social contract and shared political vision: an easy goal to affirm in theory, but one that is too often elusive in practice.

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## Eastern Europe and Former Soviet Republics

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*Robert Legvold*

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*Everyone Loses: The Ukraine Crisis and the Ruinous Contest for Post-Soviet Eurasia*

BY SAMUEL CHARAP AND TIMOTHY J. COLTON. Routledge, 2017, 212 pp.

*The Crimean Nexus: Putin's War and the Clash of Civilizations*

BY CONSTANTINE PLESHAKOV. Yale University Press, 2017, 216 pp.

Charap and Colton see the Ukrainian crisis as part of a broader and more basic contest over Russia's and the West's roles in what was once the Soviet Union's extended empire. The two sides and the hapless states caught in between have treated this conflict as a zero-sum game; the result has been a negative-sum game, with all parties suffering net losses. The

authors trace the many discouraging strands of this story with great care. In their telling, NATO enlargement, the 1998–99 Kosovo war, the so-called color revolutions in former Soviet states, the failure of the Obama administration’s “reset” with Russia, and the Ukrainian crisis compose a pattern of mutually destructive behavior that transcends the significance of any one event. Hence, their recommendations do not offer a specific solution to the conflict in Ukraine; rather, they focus on how Russia and the Western powers might get back to constructing the kind of inclusive, jointly fashioned European-Eurasian order they once championed, at least in words.

Pleshakov covers some of the same ground as Charap and Colton and does not depart much from their equal-opportunity indictment. But he focuses more squarely on Ukraine and starts his analysis from the epicenter of the crisis: Crimea, the region where he was born and whose color and feel he knows intimately. He first recounts the relevant parts of Ukrainian history, in which he believes today’s problem are rooted. “Centuries of imperial rule by Austria, Poland, Russia, and Turkey left [Ukraine] in fragments,” a country with a “lack [of] historical definition,” he writes. Crimea has its own separate history, which sets it apart from large portions of modern Ukraine, and Pleshakov also presents that story in a highly readable form. He offers no specific recommendations for ending the Ukrainian conflict, but he urges the United States to stop trying to “impose the gift of ‘freedom’” on “divided” nations such as Ukraine and to instead adopt the principle of “do no harm.”

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*Lenin on the Train*

BY CATHERINE MERRIDALE.  
Metropolitan Books, 2017, 368 pp.

In most histories of the Russian Revolution, Vladimir Lenin’s return from exile in western Europe to Russia in the crucial month of April 1917—ensconced by the German high command in a sealed train, “like a plague bacillus,” as Winston Churchill later put it—figures as a footnote. But Merridale uses it as a focal point, recounting in fascinating detail the eight-day journey from Switzerland, across Germany, through Sweden, and down through Finland to St. Petersburg, weaving in the tumultuous events unfolding simultaneously in Russia and in the revolutionary movement abroad. With verve, she assembles a vast panorama of players and brings to vivid life the drama and chaos of a world collapsing and a tragic future forming. The Lenin who rushes into this maelstrom comes off here as no less driven and brutal than in other biographies, yet he also appears to be more genuinely charismatic and, in some ways, more mundane. Merridale sees echoes in recent events of the ruinously myopic behavior of players and powers that stormy winter.

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*Violence as a Generative Force: Identity, Nationalism, and Memory in a Balkan Community*

BY MAX BERGHOLZ. Cornell University Press, 2016, 464 pp.

Some years ago in Kulen Vakuf, a small rural community on the border between Croatia and Bosnia and Herzegovina, neighbor set upon neighbor, and in

several bloody weeks, roughly 2,000 men, women, and children were slaughtered in barbaric fashion. The year was 1941—although readers might have assumed a date five decades later. Bergholz, a historian, stumbled across a blue folder in a Sarajevo archive containing some startling details about the episode and set out on a long quest to piece the whole story together. Croatian militias began the violence; Serbian and Muslim insurgents responded. But the bloodletting was not simply an explosion of long-simmering ethnic hostilities; neither was the violence ginned up by scheming politicians. Putting this beastly case under the microscope, Bergholz probes the role that ethnic identity played. He discovers that strong ethnic identification was often a product of violence rather than a source; that ethnic identities were shifting before, during, and long after the nightmare; and that the rigid ways in which people tend to think about ethnicity in cases like this misleads more than illuminates.

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*Dictators Without Borders: Power and Money in Central Asia*

BY ALEXANDER COOLEY AND JOHN HEATHERSHAW. Yale University Press, 2017, 312 pp.

Corruption is no mere nuisance; it can suffuse a country's core institutions and dominate political life. On this subject, Russia gets all the attention, but virtually every post-Soviet state, with the exception of the Baltics, is as bad or worse, especially the five Central Asian states of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan. In this relentless exposé of corruption in the

region, Cooley and Heathershaw detail the looting of state coffers, bribery on a massive scale, a labyrinth of opaque means for hiding assets abroad, and the ways in which corrupt elites use their wealth not only for personal excess but also to amass ever more political power. Such revelations, however, are not the authors' primary purpose. Instead, they are intent on highlighting the extent to which the corruption of authoritarian rulers in these countries relies on the complicity of outside abettors, including Western lawyers, banks, and even courts, and how such collusion erodes the power of international norms and institutions. That pernicious impact on global governance makes this subject salient and this book important.

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*Milosz: A Biography*

BY ANDRZEJ FRANASZEK.  
EDITED AND TRANSLATED BY  
ALEKSANDRA PARKER AND  
MICHAEL PARKER. Harvard  
University Press, 2017, 544 pp.

This is the English translation of Franaszek's fine biography of Czesław Miłosz, the great Polish poet and 1980 Nobel laureate. Miłosz embodied as much as any Pole the spirit, the tortured twentieth-century history, and the artistic sensibility of his country, even though he spent close to 30 years teaching literature at the University of California, Berkeley. Franaszek, with exquisite balance, blends Miłosz's life story with his intellectual and aesthetic journey, enriching both with perfectly chosen fragments from his poetry and other writings. Miłosz was born in 1911 to a well-off Lithuanian family, trained

as a lawyer, and became a serious poet in his 20s. He lived a peripatetic life, displaced at first by war, later by professional ambition, then briefly by service as a diplomat representing communist Poland, and then by flight to the West—only to return to Poland for the last ten years of his life, which ended in 2004. He was not only, as Joseph Brodsky said, “one of the greatest poets of our time, perhaps the greatest,” but an intermediary whose translations brought the twentieth-century masters of Polish poetry to international acclaim. In Milosz’s life, so well illustrated by Franaszek, poetry’s confrontation with history converged with the poet’s engagement, sometimes mystical, with humankind’s most basic values.

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## Middle East

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*John Waterbury*

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*The Way of the Strangers: Encounters With the Islamic State*

BY GRAEME WOOD. Random House, 2016, 352 pp.

*The Master Plan: ISIS, al-Qaeda, and the Jihadi Strategy for Final Victory*

BY BRIAN FISHMAN. Yale University Press, 2016, 376 pp.

**T**hese two books afford readers a look into the soul of violent jihadism. Wood, a national correspondent for *The Atlantic*, is a gifted storyteller who tracks down jihadist interlocutors around the world. Fishman, a fellow at West Point’s Combating Terrorism Center, is a diligent analyst

and chronicler of the Islamic State (or ISIS). He presents the players and the events in impressive detail, without always offering quite enough guidance on what to think about them. Both authors have much to teach readers. They agree that ISIS and its sympathizers are not heretical zealots; their devotion is not a form of false consciousness. Their practice and understanding of Islam, although extreme and rejected by the vast majority of Muslims, nonetheless qualify as a form of Islamic orthodoxy. Both writers identify the practice of *takfir*—the act of declaring whole swaths of Muslims (frequently Shiites) to be apostates—as perhaps the most important feature of ISIS’ brutal version of jihad.

Wood plunges into the thickets of extremist theology, giving it voice through an eclectic sampling of its most committed practitioners. They expound on the caliphate, slavery, corporal punishment, the end of days, and the coming of the Messiah. Wood’s account is unrivaled in the breadth and depth of its exposition. Fishman usefully stresses the seminal role played by Abu Musab al-Zarqawi, the jihadist who laid the foundation for ISIS in the wake of the American-led invasion of Iraq, before he was snuffed out by a U.S. air strike in 2006. He is often portrayed as a coarse thug, but Fishman reveals him to be much more than that. According to Fishman, Zarqawi served as the inspiration for the influential Egyptian jihadist strategist Saif al-Adel’s seven-stage “master plan” for the triumph of Islam. However, as Fishman points out, the master plan anticipates the unification of all Muslims, and yet the practice of *takfir* assumes that most Muslims are beyond salvation.

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*A People Without a State: The Kurds From the Rise of Islam to the Dawn of Nationalism*  
BY MICHAEL EPPHEL. University of Texas Press, 2016, 188 pp.

*The Kurds: A Modern History*  
BY MICHAEL GUNTER. Markus Wiener, 2015, 256 pp.

The Kurds enjoy a romantic reputation as doughty mountain fighters who have been denied their freedom and independence by the Arabs, Persians, and Turks who dwell in the cities and plains below. They number somewhere around 40 million, with the biggest populations in Iran, Iraq, Syria, and Turkey. Significantly, much of the territory where large concentrations of Kurds reside is rich in oil and gas reserves.

Eppel and Gunter, both academics, demonstrate clear but guarded sympathy for the Kurds and their national aspirations. Neither sees Kurdish nationhood as immanent, and both view Kurdish national identity as a fairly recent notion developed by the Kurdish intelligentsia, rather than as a manifestation of a deep historical truth. Eppel notes that the Kurds lack an urban bourgeoisie of the kind that has historically played a critical role in successful ethnonationalist movements.

Eppel's account mostly covers the Ottoman era. Gunter's focuses on recent decades, paying close attention to the period since the 2003 U.S.-led invasion of Iraq and especially the Syrian civil war that began in 2011. Both authors depict the Kurds as living in a meat grinder. In centuries past, the Kurds suffered under the Persian, Russian, and Ottoman empires, engaging in a series of shifting alliances and betrayals that

seemingly left everyone worse off. In more recent times, the oppressors have been different but the experience similar, as the fiercely nationalist Republic of Turkey, Islamic Republic of Iran, and Baathist Iraq and Syria became the main obstacles to Kurdish self-rule. More distant powers—the Americans, the British, and the French—have often joined in proxy wars that have engulfed the Kurds, who have seldom obtained a good deal. Kurdish fortunes seemed poised to improve with the emergence of the highly autonomous Kurdistan Regional Government in northern Iraq in the wake of the Gulf War of 1990–91—as close to a state as the Kurds have ever come.

The story of Iraq's Kurds is relatively well known; Gunter's book sheds light on the less familiar Syrian Kurds, who number around 2.2 million and occupy three enclaves along the Turkish border. Syrian Kurdish militias have proved to be the most effective of Washington's partners in the fight against the Islamic State (or ISIS) in Syria. But they are also closely aligned with the Kurdistan Workers' Party, or PKK, a group that the United States has designated as a terrorist organization and that is anathema to Turkey, a member of NATO and a close U.S. ally.

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*Debriefing the President: The Interrogation of Saddam Hussein*

BY JOHN NIXON. Blue Rider Press, 2016, 256 pp.

Nixon spent 13 years as an Iraq analyst for the CIA. When U.S. forces captured Saddam Hussein a few months after the 2003 invasion of Iraq, Nixon and a colleague were tasked with "debriefing"

the dictator—in other words, questioning him in order to gain intelligence. Nixon's book is informed by those conversations and examines Saddam's life and reign, U.S. policy in Iraq, and the role of the firebrand Shiite cleric Muqtada al-Sadr in post-Saddam Iraq. Nixon believes that the invasion was a mistake, but that view appears to have little to do with his interrogations of Saddam. Nixon acknowledges Saddam's misdeeds but also puzzlingly asserts that "no one knew better the dreams and desires of Iraqis." He sees Sadr as a lasting force in Iraqi politics but does not spend much time explaining why. Nixon also complains of an "era of analytic mediocrity" at the CIA, which he associates with the tenure of Director George Tenet. During that period, Nixon argues, the agency allowed itself to become a tool of presidential agendas.

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## Asia and Pacific

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*Andrew J. Nathan*

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*Easternization: Asia's Rise and America's Decline, From Obama to Trump and Beyond*  
BY GIDEON RACHMAN. Other Press, 2017, 320 pp.

**A**s the *Financial Times*' chief foreign affairs commentator, Rachman has frequent access to global elites. Drawing on numerous interviews and reporting trips, he has put together a striking portrait of a weakening and confused West and a rising but troubled Asia. The power shift is the culmination of a long

historical process that will not be derailed even if China suffers a temporary economic or political setback. This has led many analysts to argue that the United States must either yield primacy to China or fight a war that at most could delay the shift but not reverse it. Rachman's view is more nuanced. Unlike the Western powers, which are united by common values, he argues, the Eastern ones are culturally fractured and rife with strategic mistrust, especially of China. Moreover, financial systems and other features of the international order will remain "wired" through the West so long as rising Asian powers fail to provide reliable rule of law. If Washington can skillfully manage its relations with China—by no means a sure thing—the United States will not have to match China's GDP or fleet size to maintain a strong position in Asia. Informed on history and up to date, the book is a sprightly, pointed primer on world affairs.

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*The Souls of China: The Return of Religion After Mao*

BY IAN JOHNSON. Pantheon, 2017, 480 pp.

Johnson practices what might be called "slow reporting": a form of patient watching, listening, and asking that produces deep insight into China's multifaceted religious revival. He sits with a Christian prayer group, practices Taoist meditation, participates in a raucous yet spiritual mountain pilgrimage, and attends burial rites. As a curious foreigner, he is welcomed by Chinese hosts who graciously instruct him on their idiosyncratic beliefs. His deft descriptions of these encounters

distill the results of broad scholarly research with gentle humor and quiet emotion. Chinese Muslims and Christians—especially Protestants, who number in the tens of millions—are forging their own understandings of faiths that are centered abroad. The religions with longer histories in China—Buddhism, Taoism, and folk religion—are short on theology by Western standards but long on ritual practices. In all these faiths, the Chinese are struggling to rediscover or reimagine their traditions across the historical chasm of the Mao years. For the time being, a fragile mutual tolerance prevails between the repressive state and a wounded society yearning for meaning.

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*Populist Authoritarianism: Chinese Political Culture and Regime Sustainability*  
BY WENFANG TANG. Oxford University Press, 2016, 240 pp.

Tang offers an intriguing explanation for one of the biggest puzzles in contemporary China. There are many protests over pollution, land seizures, unpaid wages, and the like, yet surveys show high levels of public support for the central government. Some analysts think Chinese respondents are afraid to say what they really think, but Tang explores nearly two dozen of his own and other scholars' surveys to show that respondents are not censoring themselves. The puzzle of high regime support is partly explained by nationalism and economic optimism. But Tang suggests an additional factor: Beijing encourages locally focused demonstrations and petitioning in order to keep in touch with public sentiments, and central

authorities require local officials to respond to citizens' demands. In Tang's view, demonstrations do not signal a legitimacy crisis; instead, they help generate legitimacy, which Tang suggests they may do even more effectively than democratic elections and a stronger legal system because they put officials in direct touch with citizens. The case remains circumstantial, however. The surveys do not provide direct evidence that those who protest and petition are the same people who express strong support for the regime, or that non-protesters support the regime because they value the opportunity to protest.

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*Vietnam's Communist Revolution: The Power and Limits of Ideology*

BY TUONG VU. Cambridge University Press, 2016, 352 pp.

The Vietnamese are usually seen as consummate realists, opportunistically switching alignments among China, Russia, and the United States in order to maintain maximum autonomy. But Vu makes a strong case that ideology has frequently guided Vietnam's foreign policy, at some cost to the national interest. Examples include lining up with the socialist camp at the start of the Cold War, tilting toward China during the early Sino-Soviet split, escalating the war in South Vietnam in the 1960s, aligning with the Soviet Union in the 1970s, and pushing socialist transformation in the South after unification. One can construct realist explanations for these decisions. But Vu's deep study of party documents and memoirs makes clear that Vietnam's leaders, at a minimum, used ideology

as a conceptual tool for analyzing issues, as a weapon in policy debates, and as a language for justifying decisions. The collapse of the Soviet Union and tensions with China have demolished the internationalist component of Vietnamese ideology, leaving Vietnam free to define socialism in whatever way suits its national interest.

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*A Most Enterprising Country: North Korea in the Global Economy*  
BY JUSTIN V. HASTINGS. Cornell University Press, 2016, 240 pp.

Hastings details the ingenious ways in which North Korea has conducted foreign trade despite its political isolation. In the 1970s, the country's diplomatic missions used smuggling, counterfeiting, and weapons trafficking to cover their expenses and send money home to support the ruling Kim family's lifestyle. In the 1990s, after assistance from the Soviet Union dried up, Pyongyang's overseas missions and trading companies sold heroin, methamphetamines, and counterfeit cigarettes. In addition, North Korea supplied missile technology to Pakistan in exchange for nuclear weapons technology, and Pyongyang's diplomats in Europe acquired equipment for the country's nuclear program from companies in Austria and Germany. Even after the UN levied sanctions against North Korea in 2006, state companies disguised as private firms found ways to access weapons technology and equipment from suppliers all over the world; Chinese and Taiwanese brokers were especially helpful. Meanwhile, Pyongyang lost control over ordinary citizens' economic lives, so they, too,

have taken up smuggling and human trafficking across the Chinese border, a process that contributes to a rising tide of petty corruption. The Stalinist state is rotting from within, but its economy is doing fairly well.

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*Ascending India and Its State Capacity: Extraction, Violence, and Legitimacy*  
BY SUMIT GANGULY AND WILLIAM R. THOMPSON. Yale University Press, 2017, 352 pp.

Political scientists are increasingly returning to the discipline's original fascination with the state as an institution, but today they use more sophisticated empirical tools than the discipline's founders did. Ganguly and Thompson searched far and wide for the best measures of the three key components of state capacity that they list in their subtitle. When the measures are applied to India, the findings are informative but not surprising: India is an "in-between power," with high regime legitimacy, low extractive capacity, and weak control over violence. They assess the state's ability to overcome its deficiencies by comparing India's economic, social, and political circumstances with those of previous rising powers and contemporary competitors. The sobering conclusion they reach is that for India to achieve its potential, a great deal would have to change in the country's inefficient bureaucracy, corrupt and reform-resistant politics, deficit-ridden budgeting process, fragile infrastructure, and weak educational and health-care systems.

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*To Build a Free China: A Citizen's Journey*  
BY XU ZHIYONG. TRANSLATED BY  
JOSHUA ROSENZWEIG AND YAXUE  
CAO. Lynne Rienner, 2017, 297 pp.

Xu is one of many Chinese who have imagined a better political future for his country and one of the few sent to prison for working toward this goal as a legal advocate. While awaiting his release, scheduled for later this year, a number of his friends have published this accomplished, engaging translation of his writing. The book provides fascinating details about Xu's life, his ideas, and his civic campaigns and sheds light on the experience of the disadvantaged and exploited in China. Xu's most recent and boldest initiative invited people to envision themselves as free citizens in a legal system that uses "rights talk" but often treats them as subjects, denying them the protection of the law. Using social media and techniques inspired by movements such as Occupy Wall Street, Xu's New Citizens Movement called out the Chinese Communist Party for corruption that enriches elites and for denying equal access to education for rural and migrant children. "Revolution," Xu predicted in 2013, "will break out in the blink of an eye." But when he is released, he will find China an even more repressive country and the world a darker, more uncertain place.

EVA PILS

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## Africa

*Nicolas van de Walle*

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*Madame President: The Extraordinary Journey of Ellen Johnson Sirleaf*  
BY HELENE COOPER. Simon & Schuster, 2017, 336 pp.

This enjoyable and highly readable biography of Ellen Johnson Sirleaf, the president of Liberia and one of the three winners of the 2011 Nobel Peace Prize, is at its best when it gives voice to Sirleaf's fellow Liberians. Cooper, a Pulitzer Prize-winning journalist for *The New York Times*, captures the local patois exceptionally well, with its odd syntax and curious expressions ("to know book" is to be an educated person). The book doubles as a fascinating account of the two murderous civil wars that racked Liberia between 1989 and 2003. Cooper argues that Sirleaf owes her electoral victories in 2005 and 2011 to the women of Liberia, among whom she enjoys enormous popularity. Her success in office has rested on an unusual combination of a good local reputation and excellent contacts in the West, many of which she acquired during a career spent in international banking prior to her entry into politics—a background that came in handy when renegotiating Liberia's crushing debts after the civil wars. Still, Cooper makes clear that no amount of goodwill or connections can overcome all the challenges of running a dirt-poor, postconflict country with a long history of poor governance.

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*A Fraught Embrace: The Romance and Reality of AIDS Altruism in Africa*

BY ANN SWIDLER AND SUSAN COTTS WATKINS. Princeton University Press, 2017, 304 pp.

Swidler and Watkins spent the better part of two decades studying foreign aid programs in Malawi, especially those addressing the country's HIV/AIDS crisis. They have produced a savvy and insightful book that focuses on the actors involved and the culture in which they operate and, refreshingly, pays remarkably little attention to policies and organizational charts, which are the usual focus of such studies. Through detailed ethnographic observation of the workshops, training sessions, and monitoring and evaluation exercises in which foreign aid personnel interact with aid recipients, the authors reveal how miscommunication bedevils people who make good-faith efforts to work together but who have different interests and values and face many constraints. Swidler and Watkins zero in on the importance of the local brokers who inevitably emerge as intermediaries between donor officials and recipient communities. The brokers' effectiveness and commitment help determine the success of aid projects, but donors too often misunderstand, neglect, or antagonize them. This is a deeply empathetic book that explains the failures of foreign aid even as it celebrates the idealism, generosity, and courage of those who deliver it.

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*Living by the Gun in Chad: Combatants, Impunity, and State Formation*

BY MARIELLE DEBOS. Zed Books, 2016, 256 pp.

Chad's history is littered with violence, from the wars fought among its pre-colonial kingdoms in the eighteenth and nineteenth centuries; to France's "pacification" campaigns, which ran from the 1890s until the 1920s; to the country's postcolonial history of rebellions at home and participation in regional conflicts. In her insightful book, Debos argues that pervasive violence has fostered a soldiering culture that now permeates the country and that has normalized armed violence, even in times of peace. For Chadian boys with few viable employment prospects, learning to use a gun counts as job training. Debos provides powerful evidence that ideological commitments and ethnic grievances motivate Chad's fighters less than their simple need to make a living. In periods of relative peace, when their skills are less in demand, these hired guns readily turn to banditry. Sitting atop this mess is Chadian President Idriss Déby, whom Debos portrays as an amoral kingpin who has nevertheless managed to curry favor with the West in recent years by offering support for French and U.S. military actions in the region.

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*Understanding Zimbabwe: From Liberation to Authoritarianism*

BY SARA RICH DORMAN. Oxford University Press, 2016, 256 pp.

In the years immediately following the Lancaster House Agreement of 1979,

which converted Rhodesia (in which the white minority ruled through repression) into Zimbabwe (in which the black majority gained power through elections), the country was widely considered a success story: it was even referred to as “the breadbasket of Africa.” But in the 1990s, the country descended into a prolonged economic and political crisis that continues to this day, with the dictatorial regime of Robert Mugabe barely clinging to power. Dorman’s excellent history of the post-independence era explains this reversal of fortune by focusing on the increasingly contentious relations between the regime and organized factions within society. Rather than view the Mugabe regime as merely personalistic, Dorman argues that the state progressively ratcheted up its repression as economic failures began to undermine its traditional (and ongoing) strategies of buying off key segments of the population and pacifying others with patriotic appeals that glorified the regime’s anticolonial origins.

lions. Much effort has gone into explaining the wars’ causes. Area experts have tended to focus on complex local dynamics that resist theorizing. Political scientists and economists, meanwhile, have emphasized more generic problems, such as the looting of the failing state’s natural resources and the grievances caused by the exclusion of ethnic groups from power and prosperity. Roessler and Verhoeven avoid the either-or trap. In their telling, the First Congo War saw the replacement of the “neocolonialist” Mobutu regime with a “neoliberalism” state inspired by socialist, pan-African ideals. The second war broke out when former allies—the “comrades” of their book’s title—turned against one another in a fight to secure the spoils of victory. This fascinating book is both analytically sharp and empirically rich, drawing on a vast amount of primary-source research, including scores of interviews with various high-level protagonists.

STATHIS KALYVAS

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*Why Comrades Go to War: Liberation Politics and the Outbreak of Africa’s Deadliest Conflict*

BY PHILIP ROESSLER AND HARRY VERHOEVEN. Oxford University Press, 2016, 512 pp.

The two Congo wars that shook sub-Saharan Africa between 1996 and 2003 constitute a tragedy of mind-boggling proportions, with casualties in the mil-

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**FOR THE RECORD**

“The Prisoner Dilemma” (March/April 2017) misidentified the state that Senator Chuck Grassley represents. It is Iowa, not Ohio.

John Waterbury’s review of Christopher Davidson’s *Shadow Wars* (March/April 2017) stated that the book uncovered no original evidence for its author’s main argument. It should have stated that the book uncovers little such evidence. 🌐

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*Foreign Affairs* (ISSN 00157120), May/June 2017, Volume 96, Number 3. Published six times annually (January, March, May, July, September, November) at 58 East 68th Street, New York, NY 10065. Print subscriptions: U.S., \$54.95; Canada, \$66.95; other countries via air, \$89.95 per year. Canadian Publication Mail–Mail # 1572121. Periodicals postage paid in New York, NY, and at additional mailing offices. **POSTMASTER:** Send address changes to *Foreign Affairs*, P.O. Box 60001, Tampa, FL 33662-0001. From time to time, we permit certain carefully screened companies to send our subscribers information about products or services that we believe will be of interest. If you prefer not to receive such information, please contact us at the Tampa, FL, address indicated above.

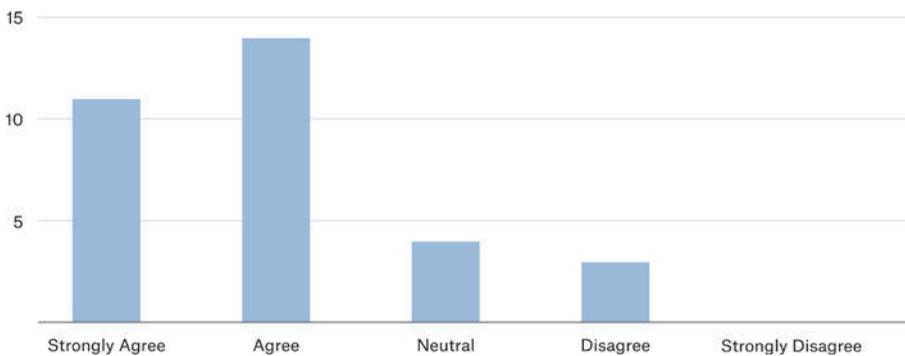
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# Is the Liberal Order in Peril?

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## *Foreign Affairs* Brain Trust

We asked dozens of experts whether they agreed or disagreed that the postwar liberal international order is in grave danger. The results from those who responded are below:



### Strongly Agree

“For the first time since the Second World War, we have an American president who is skeptical of trade, of the value of Western institutions, and of the significance of the Western military alliance. He may not succeed in destroying the postwar order, but he has certainly put it in grave danger.”

*ANNE APPLEBAUM* is a columnist for The Washington Post.



### Disagree

“While the unexpected advent of Brexit and the stunning rise of Donald Trump to the White House in 2016 will put serious strains on the process of European integration and the provision of global public goods by the United States, this is unlikely to end the postwar liberal order.”

*MATTHIAS MATTHIJS* is Assistant Professor of International Political Economy at Johns Hopkins University’s School of Advanced International Studies.

▶ See the full responses at [ForeignAffairs.com/LiberalOrderinDanger](https://ForeignAffairs.com/LiberalOrderinDanger)



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