

**GEITHNER: HOW TO HANDLE THE NEXT CRISIS**

JANUARY/FEBRUARY 2017

# FOREIGN AFFAIRS

## Out of Order?

### The Future of the International System



# FOREIGN AFFAIRS



*Volume 96, Number 1*

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Archibald Cary Coolidge, Founding Editor  
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Few people have more experience fighting financial crises than **TIMOTHY GEITHNER**. As a U.S. Treasury Department official in the Clinton administration, he helped respond to the financial meltdowns in Mexico, East Asia, Brazil, and Russia. When the 2008 financial crisis hit, Geithner was president of the Federal Reserve Bank of New York, and in 2009, he was appointed U.S. treasury secretary. Now president of Warburg Pincus, Geithner argues in “Are We Safe Yet?” (page 54) that the U.S. government needs greater power to protect the financial system during crises.



Over the course of 37 years in the Israel Defense Forces, **MOSHE YAALON** served as a paratrooper during the 1973 Yom Kippur War, commanded Sayeret Matkal (an elite special forces unit), and rose to the rank of chief of staff of the IDF, leading the army’s response to the second intifada. He later entered politics, serving as minister of defense from 2013 to 2016, when he resigned in protest at the policies of Israeli Prime Minister Benjamin Netanyahu, saying that he was “fearful for Israel’s future.” In “How to Build Middle East Peace” (page 73), he argues that an end to the Israeli-Palestinian conflict will require bottom-up change from the Palestinian people.



A Ph.D. student at Oxford University, **JIEUN BAEK** has advised Google Ideas on North Korea, earned a master’s degree in public policy from the Harvard Kennedy School of Government, and produced a documentary about Korean families separated by the 38th parallel. In 2013, she was the first member of her family to return to North Korea since her grandparents left in the late 1940s. In “The Opening of the North Korean Mind” (page 104), Baek argues that thanks to digital smuggling, the regime in Pyongyang has lost its monopoly on information.

A specialist in constitutional law, **DAWN JOHNSEN** headed the Office of Legal Counsel under U.S. President Bill Clinton. During the George W. Bush administration, she became an outspoken critic of the Office of Legal Counsel’s “torture memos,” which provided the legal justification for the country’s “enhanced interrogation” program. In “The Lawyers’ War” (page 148), Johnsen, now a law professor at Indiana University, argues that the Obama administration has restored the rule of law to U.S. national security policy.

## OUT OF ORDER?

**T**he first half of the twentieth century witnessed some of the worst moments in modern history: two world wars, a global depression, tyranny, genocide. That happened largely because the Western great powers hunkered down in the face of economic and geopolitical crisis, turning inward and passing the buck, each hoping that it might somehow escape disaster. But there was nowhere to run or hide, and catastrophe swept over them regardless.

Reflecting on this afterward, Western policymakers swore not to repeat their mistakes and designed a postwar order based on mutually beneficial cooperation rather than self-interested competition. They recognized that foreign policy and international economics could be team sports rather than individual ones. So they linked their countries to one another in international institutions, trade agreements, and military alliances, betting that they would be stronger together. And they were correct: backed by extraordinary American power, the system they created has led to seven decades of progress, great-power peace, and economic growth.

So when Donald Trump chose “America First” as his presidential campaign’s foreign policy slogan, experts were appalled. Didn’t he realize that was the cry of pro-German isolationists who opposed American entry into World War II? Surely, embracing such a discredited position would hurt him, flying as it did in the face of everything U.S. foreign policy had stood for over generations. As usual these days, the experts’ predictions were wrong. But their reasoning was sound,

because during his campaign, Trump did indeed offer a perspective on international politics closer to the nationalism and protectionism of the 1930s than to anything seen in the White House since 1945.

If the new administration tries to put this vision into practice, it will call into question the crucial role of the United States as the defender of the liberal international order as a whole, not just the country’s own national interests. At best, this will introduce damaging uncertainty into everything from international commerce to nuclear deterrence. At worst, it could cause other countries to lose faith in the order’s persistence and start to hedge their bets, distancing themselves from the United States, making side deals with China and Russia, and adopting beggar-thy-neighbor economic programs.

But governing is different from campaigning, and nobody knows yet just what the Trump administration’s actual foreign policy will involve. And as the authors in our lead package note, the liberal order has been fraying around the edges for years. As possible remedies, Richard Haass offers a new conception of order, Joseph Nye favors wiser leadership, Robin Niblett suggests refreshing liberal democracy, Michael Mazarr recommends institutional reform, Evan Feigenbaum advocates better ways of incorporating China, and Kori Schake warns of the dangers of U.S. retreat.

We are now officially living through interesting times; just how much of a curse that is remains to be seen.

—Gideon Rose, *Editor*

*Traditional principles of international order need to be adapted to deal with an increasingly interconnected world.*

—Richard Haass



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World Order 2.0

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# World Order 2.0

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## The Case for Sovereign Obligation

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*Richard Haass*

**F**or nearly four centuries, since the Peace of Westphalia, which ended the Thirty Years' War, the concept of sovereignty—the right of nations to an independent existence and autonomy—has occupied the core of what international order there has been. This made sense, for as every century including the current one has witnessed, a world in which borders are forcibly violated is a world of instability and conflict.

But an approach to international order premised solely on respect for sovereignty, together with the maintenance of the balance of power necessary to secure it, is no longer sufficient. The globe's traditional operating system—call it World Order 1.0—has been built around the protection and prerogatives of states. It is increasingly inadequate in today's globalized world. Little now stays local; just about anyone and anything, from tourists, terrorists, and refugees to e-mails, diseases, dollars, and greenhouse gases, can reach almost anywhere. The result is that what goes on inside a country can no longer be considered the concern of that country alone. Today's circumstances call for

an updated operating system—call it World Order 2.0—that includes not only the rights of sovereign states but also those states' obligations to others.

Such a concept of “sovereign obligation,” it is worth pointing out, differs from the notion of “sovereignty as responsibility,” which lies at the heart of the legal doctrine known as “the responsibility to protect,” or R2P. R2P refers to the obligations a government has to its own citizens—commitments that, if ignored, are supposedly enforceable by other states through measures up to and including military intervention. It clearly represents a potential infringement on classic Westphalian sovereignty, and it has supporters and opponents for that very reason. By contrast, sovereign obligation is about what a country owes to other countries. It stems from a need to expand and adapt the traditional principles of international order for a highly interconnected world.

Sovereign obligation thus retains a respect for borders and an opposition to their being changed through coercion or force. It supports actions to enforce the norm against aggression, whether the incident involves Iraq invading Kuwait or Russia invading Crimea. And it retains a respect for governments' rights to act generally as they wish within their borders, subject to the constraints of broadly accepted provisions of international law, such as the Universal Declaration of Human Rights and the Genocide Convention. Sovereign obligation does not reject or replace the traditional approach to order—one that remains necessary but is no longer sufficient—so much as it builds on it.

---

**RICHARD HAASS** is President of the Council on Foreign Relations and the author of *A World in Disarray: American Foreign Policy and the Crisis of the Old Order* (Penguin Press, 2017), from which this essay is adapted.



*Rocket man: Kim Jong Un at a missile testing site, April 2016*

## FROM STATEHOOD TO TERRORISM AND BOMBS

A new international order will require an expanded set of norms and arrangements, beginning with a commonly agreed-on basis for statehood. There cannot be an unlimited right for any and all communities to achieve political self-determination. Reaching a consensus on how to limit such a right will not be easy, but it is necessary lest unilateral actions trigger conflict. A good start would be to amend the concept of self-determination so that it is regarded as something that has to be not only asserted but also granted. (The 1978 Camp David accords between Egypt and Israel, for example, did not extend the principle of self-determination to the Palestinians but rather supported the notion that “representatives of the Palestinian people should participate in negotiations on the resolution of the Palestinian problem in all its aspects.”)

With such an approach, support for self-determination would be less automatic than it was in the era of decolonization. Existing governments would agree to consider bids for statehood in cases where there was a historical justification, a compelling rationale, popular support, and viability when it came to the proposed new entity. The impact of such a move on the viability of the country giving up territory and population would need to be considered as well, and governments would agree to consult with one another before making diplomatic moves.

An essential element of a framework for international order based on sovereign obligation would be prohibitions on carrying out or in any way supporting terrorism, defined as the intentional use of armed violence against civilians and noncombatants by nonstate entities in pursuit of political objectives. In recent decades, the world has moved away from tolerating terrorists if their cause was deemed just. International condemnation

of terrorism is on the books, as is authorization for collective action against it. So long as governments that pursue counterterrorism strike at individuals or groups that are genuinely terrorists and design their attacks so that they are consistent with legal and ethical standards, including taking steps to protect innocent civilians, they will not face major criticism.

More controversial will be bolstering the norm against the spread or use of weapons of mass destruction. There is an existing international inclination (underscored by the Nuclear Nonproliferation Treaty) to prevent proliferation by limiting the access of countries to relevant technology and materiel, and major-power opposition to Iran's acquisition of a nuclear capability shows how that approach can facilitate diplomatic progress. But consensus often breaks down when it comes to the details of what to insist on and what incentives or sanctions to put forward—and governments have proved their ability to develop or acquire nuclear weapons against international opposition, if they make it enough of a priority.

Even more disputes arise over what to do once proliferation has occurred. One option is to live with it, as has happened in the cases of Israel, India, Pakistan, and, so far, North Korea. Such *de facto* acceptance can be risky, however, both because it can enable dangerous behavior and because it can further dilute the nonproliferation norm, thereby potentially encouraging additional proliferation. An alternative to acceptance is additional diplomatic efforts, backed by sanctions, to roll back a proliferator's nuclear capacity. The problem is that such efforts often fail.

So another alternative is to live with proliferation until intelligence suggests that weapons are about to be used or transferred to a terrorist group—at which point the potential emerges for a preemptive military strike against an imminent threat. Such a strike would require timely, accurate, and relatively unambiguous intelligence, together with the will and the means to act on it. There is some support in international law for such a posture.

Yet another alternative would be to try to gain international support for the legitimacy of preventive action to stop proliferation. Preemptive actions target imminent threats; preventive ones target threats earlier, when they are still gathering. Preventive actions could disrupt a country's nuclear program before any weapons were produced or destroy them afterward. But there would be little international support for such a stance, as it would be resisted by those governments that saw it as issuing a license to the United States to attack countries such as North Korea or Iran. Nor would it necessarily be desirable, since among other things, a world of frequent preventive attacks would be more violent and dangerous.

There is considerable support for opposing proliferation but little for military action to prevent it or roll it back once it has occurred. Support for preemptive action in the face of imminent threats will depend on the details of particular cases and will increase to the extent that it can be demonstrated that such action is warranted. North Korea, which is developing the ability to place nuclear warheads on ballistic missiles that could reach the United States, promises to be a case in point.

Making this a topic of discussion at bilateral and multilateral meetings makes sense, not because it would likely lead to a formal agreement but because it would focus attention on the sorts of circumstances that could lead to a consideration of preventive or preemptive action—something that could in turn reduce the odds of such circumstances emerging.

### **FROM CLIMATE TO CYBERSPACE AND BEYOND**

Climate change is in many ways the quintessential manifestation of globalization. It reflects the sum total of what is going on; countries are exposed to and affected unevenly by the problem regardless of their contribution to it. Borders count for naught. There is broad, if not universal, agreement that climate change is real, caused in large part by human activity, and constitutes a major threat to the future of the planet and its inhabitants. But consensus breaks down when it comes to determining what is to be done and by whom.

In principle, climate change is something that ought to fit well under the rubric of sovereign obligation, since what any country does within its borders in emitting carbon has implications for the whole world. Put differently, climate change is a cumulative consequence of local activity. It is thus fundamentally different from, say, air or water pollution, which is largely a local consequence of local activity.

The problem is assessing each country's appropriate share of the burden of combating it, by either reducing its own carbon output or helping others reduce theirs. Attempts to set global ceilings, allocate national shares, or affix a price

for carbon have been resisted. The 2015 Paris conference, however, showed some realism and creativity alike by taking a different approach. An overall goal was set for limiting climate change, but countries were not given specific instructions on what needed to be done to meet that goal. It was entirely voluntary and aspirational rather than mandated. Indeed, it was agreed that each country would set for itself ambitious but achievable goals in carbon reduction and then live up to its pledges.

This is a step in the direction of sovereign obligation, and wealthier governments should provide incentives to help other countries reach their goals, as well as consider penalties of one sort or another for those that do not. More will also have to be done to help countries adapt to the effects of climate change that are already in motion; given that developed countries have contributed significantly to the problem over decades, it makes sense that they should help defray the costs of others' mitigation and adaptation as part of their own sovereign obligations.

Cyberspace is the newest domain of international activity, one marked by both cooperation and conflict. Some activity in cyberspace is benign and has little to do with national security, whereas other activities are intimately connected to foreign policy, intelligence, and national competitiveness. The goal in this area should be to create international arrangements that encourage benign uses of cyberspace and discourage malign uses. Governments would then have to uphold and act consistently within this regime as part of their sovereign obligations.

What might such a regime involve? Ideally, it would maintain a single,

integrated global cyberspace, limit what governments could do to stop the free flow of information and communication within it, prohibit commercial espionage and the theft of intellectual property, and limit and discourage disruptive activities in cyberspace during peacetime. Exceptions would need to allow for cyberattacks to frustrate both proliferation and terrorism. Eventually, it may be necessary to develop a cyberspace annex to the laws of war specifying which actions in this domain are considered permissible and which are prohibited. And as with terrorism, so with cyberspace: governments would have the obligation not just to avoid engaging in prohibited activities but also to do everything in their power to prevent other parties from carrying out those activities from their territory and to stop and penalize those who do.

Achieving even limited consensus on such principles and how to uphold them will take enormous effort. But since these problems are still relatively new, the goal now should be to start elaborating an appropriate code of conduct for states to follow in this area.

Global health presents different challenges. In a globalized world, an outbreak of infectious disease in one country could quickly evolve into a serious threat to health elsewhere, as has happened in recent years with everything from SARS to Ebola to Zika. The notion of sovereign obligation is already well advanced in this sphere, and nations are already supposed to be trying to detect infectious disease outbreaks, notify others around the world, and respond appropriately in the face of a crisis. But all that is easier

said than done, and governments and the World Health Organization do not always have the capacity (and, in some cases, the political will) to fulfill their obligations. More technical and financial assistance in this area is required, and possibly some naming and shaming of shirkers to induce them to improve their behavior.

When it comes to refugees, there is no substitute for effective local action so that situations do not arise that generate large refugee flows. In principle, this is an argument for humanitarian intervention under the aegis of R2P. But translating this principle into practice has proved impossible and is likely to remain difficult given divergent political agendas (there are few, if any, situations that are apolitical or solely humanitarian) and the high costs of an effective intervention even when objectives overlap. Even absent a consensus, however, there is an argument for increasing funding for refugees, ensuring their humane treatment, and setting fair quotas for their resettlement, all of which could and should be accommodated under sovereign obligation.

Sovereign obligation takes on a different coloring in the economic realm, as governments already have self-interested incentives to act responsibly by maintaining a viable currency, ensuring that financial institutions keep adequate reserves, enforcing honest accounting, pushing back against corruption, honoring contracts, expanding trade, and fostering an environment that will attract investment. Following economic best practices, in other words, is something nations should do for themselves most of all. But there are some other-regarding aspects of economic activity that fall under the rubric of sovereign obligation.

Trade agreements, for example, are by definition pacts of reciprocal sovereign obligations regarding tariff and nontariff barriers. When a party believes that such obligations are not being met, it has recourse to arbitration; indeed, the principal breakthrough of the World Trade Organization was to provide a standing mechanism to deal with disputes regarding trade practices and to come up with settlements. Things are less clear in some other areas of economic activity, however, such as the provision of subsidies or currency manipulation by a government to advantage its country's exports and disadvantage imports. The challenge will be to spell out appropriate sovereign obligations in these areas in future trade pacts and to create mechanisms to hold governments accountable.

#### FROM THEORY TO PRACTICE

It will be difficult to come to even a rough agreement on what specific sovereign obligations states have and how they should be enforced. Getting the concept embraced as a pillar of international order will take years or even decades of consultations and negotiations, and even then, its embrace and impact will be uneven. But instead of being reasons for abandoning the project, those are reasons for starting on it seriously and soon, because the era of globalization will continue to evolve, and existing arrangements will be increasingly inadequate in dealing with contemporary challenges.

As a first step, Washington should mull what obligations it would accept itself and what it would require of others, trying to work out a generalized code of appropriate behavior that it could follow along with other countries.



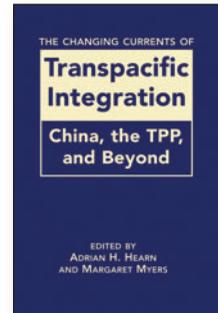
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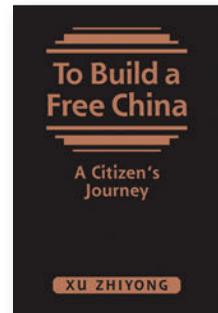


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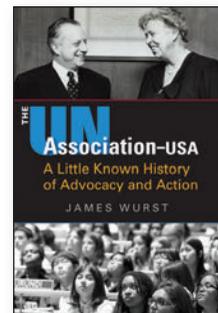
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Such a code has the potential to provide something of a compass for U.S. foreign policy as it navigates what promises to be a complicated geopolitical era characterized by a growing number of challenges to stability at the regional and global levels alike.

American policymakers must also face up to the reality that any world order will constrain U.S. choices as well as the choices of others. For although it is true that the United States has a special role in the world and unique responsibilities that sometimes call for bold unilateral actions, whenever it demands more of others than it does of itself, it appears hypocritical and forfeits authority and trust. In the South China Sea, for example, Washington has criticized Beijing for not following the UN Convention on the Law of the Sea—even as Congress has refused to ratify that very treaty. (Other similar cases, such as the U.S. refusal to join the International Criminal Court, can be managed through workarounds, such as allowing for tribunals to be created to handle specific historical events.) Similarly, the United States' ability to persuade other countries to help refugees more is hampered by obvious limits on what the United States itself is prepared to do in this sphere. The United States must also take care to be transparent: it did little for the cause of R2P when its 2011 intervention in Libya quickly morphed into one of regime change; humanitarian interventions should be narrow in scope.

In some areas, such as public health or climate change, the example set by Washington's own good behavior, together with increased aid, might be sufficient to induce other countries to meet their obligations. In other areas,

such as terrorism and proliferation, a willingness to use military force may be required on occasion—but if force turns out to be necessary, any military operation will have to bear scrutiny in terms of both its justification and its implementation.

Given the role of the dollar as the world's de facto reserve currency, the United States needs to accept special obligations in the economic realm. This means taking into account the views of others when deciding on interest rates or asset purchases (also known as “quantitative easing”). Regular, serious consultations between the Federal Reserve and its central bank counterparts around the world are essential. And trade disputes should be taken to the World Trade Organization rather than acted on unilaterally.

Promoting World Order 2.0 will require extensive consultations. In some areas, such as global health, the conversation is already far advanced, and the main challenge is building national capacity in countries that lack it. In other areas, such as cyberspace, the world is still far from agreement on what obligations should be required. And in still other areas, such as proliferation, norms are agreed on, but enforcement is highly controversial. As a rule, the United States can and should put forward ideas, but it is not in a position either intellectually or politically to present a blueprint for others to sign on to. To the contrary, others must participate in fleshing out the concept as much as its implementation.

Forward progress on this agenda will need to come voluntarily, from countries themselves, rather than as the result of some top-down edict from a supposedly authoritative body or actor. Looking

squarely at the mismatch between the nature and scale of contemporary problems and the capacity of existing arrangements to solve them, governments will have to decide whether they are prepared to sacrifice some autonomy in return for improved collective action. This sort of thinking is already common in the trade sphere (although currently under attack by angry populists in many countries), and it is beginning to materialize in the climate and cyberspace arenas, but its prospects are more mixed in the political-military realm.

But the power of discussion and persuasion in driving change over the long term is often underappreciated. Many issues are not sufficiently ripe for official negotiations to succeed, and in the interim, consultations can do much to generate understanding and tolerance of certain actions, make clear what behaviors are considered reasonable or acceptable, and clarify the likely costs and consequences of going beyond those bounds. The role of the U.S. secretary of state and other senior U.S. officials will need to change for the foreseeable future, with a greater emphasis placed on consultations over the contours of the international order and less on negotiations that solve explicit problems.

Most of the initial consultations will necessarily involve the other major powers, including China, France, Germany, India, Japan, Russia, and the United Kingdom. Talks will need to take place bilaterally and in other informal forums; it is premature to think of either the G-20 or the UN Security Council as a venue. Progress will be elusive given clear disagreements over preferences; the phrase “the international community” is often invoked when in reality

there is little evidence it exists. And these talks will be taking place against a backdrop of deteriorating major-power relations, in part fueled by resurgent authoritarianism in Russia and China and populism elsewhere, including in the United States.

There is, however, no good alternative. Globalization is here to stay, and the inadequacies of the traditional approach to order, based on sovereignty alone, will only become more obvious over time. Moving toward a new sort of order that incorporates sovereign obligation is the best way to deal with the problem, but it will take time, talk, and effort. World order thus becomes less an all-or-nothing proposition than a matter of degree, less a formal agreement than a process, more advanced in some areas than others. What is certain, however, is that it is essential for a century in which globalization will be a reality, welcome or not. Building a world order predicated on sovereign obligation is certainly ambitious, but it is an ambition born out of realism, not idealism. 🌐

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# Will the Liberal Order Survive?

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## The History of an Idea

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*Joseph S. Nye, Jr.*

**D**uring the nineteenth century, the United States played a minor role in the global balance of power. The country did not maintain a large standing army, and as late as the 1870s, the U.S. Navy was smaller than the navy of Chile. Americans had no problems using force to acquire land or resources (as Mexico and the Native American nations could attest), but for the most part, both the U.S. government and the American public opposed significant involvement in international affairs outside the Western Hemisphere.

A flirtation with imperialism at the end of the century drew U.S. attention outward, as did the growing U.S. role in the world economy, paving the way for President Woodrow Wilson to take the United States into World War I. But the costs of the war and the failure of Wilson's ambitious attempt to reform international politics afterward turned U.S. attention inward once again during the 1920s and 1930s, leading to the strange situation of an increasingly great power holding itself aloof from an increasingly turbulent world.

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Like their counterparts elsewhere, U.S. policymakers sought to advance their country's national interests, usually in straightforward, narrowly defined ways. They saw international politics and economics as an intense competition among states constantly jockeying for position and advantage. When the Great Depression hit, therefore, U.S. officials, like others, raced to protect their domestic economy as quickly and fully as possible, adopting beggar-thy-neighbor tariffs and deepening the crisis in the process. And a few years later, when aggressive dictatorships emerged and threatened peace, they and their counterparts in Europe and elsewhere did something similar in the security sphere, trying to ignore the growing dangers, pass the buck, or defer conflict through appeasement.

By this point, the United States had become the world's strongest power, but it saw no value in devoting resources or attention to providing global public goods such as an open economy or international security. There was no U.S.-led liberal order in the 1930s, and the result was a "low dishonest decade," in the words of W. H. Auden, of depression, tyranny, war, and genocide.

With their countries drawn into the conflagration despite their efforts to avoid it, Western officials spent the first half of the 1940s trying to defeat the Axis powers while working to construct a different and better world for afterward. Rather than continue to see economic and security issues as solely national concerns, they now sought to cooperate with one another, devising a rules-based system that in theory would allow like-minded nations to enjoy peace and prosperity in common.



*Called to order: Barack Obama chairing a UN Security Council meeting, September 2009*

The liberal international order that emerged after 1945 was a loose array of multilateral institutions in which the United States provided global public goods such as freer trade and freedom of the seas and weaker states were given institutional access to the exercise of U.S. power. The Bretton Woods institutions were set up while the war was still in progress. When other countries proved too poor or weak to fend for themselves afterward, the Truman administration decided to break with U.S. tradition and make open-ended alliances, provide substantial aid to other countries, and deploy U.S. military forces abroad. Washington gave the United Kingdom a major loan in 1946, took responsibility for supporting pro-Western governments in Greece and Turkey in 1947, invested heavily in European recovery with the Marshall Plan in 1948, created NATO in 1949, led a military coalition to protect South Korea from invasion in

1950, and signed a new security treaty with Japan in 1960.

These and other actions both bolstered the order and contained Soviet power. As the American diplomat George Kennan and others noted, there were five crucial areas of industrial productivity and strength in the postwar world: the United States, the Soviet Union, the United Kingdom, continental Europe, and Northeast Asia. To protect itself and prevent a third world war, Washington chose to isolate the Soviet Union and bind itself tightly to the other three, and U.S. troops remain in Europe, Asia, and elsewhere to this day. And within this framework, global economic, social, and ecological interdependence grew. By 1970, economic globalization had recovered to the level it had reached before being disrupted by World War I in 1914.

The mythology that has grown up around the order can be exaggerated.

Washington may have displayed a general preference for democracy and openness, but it frequently supported dictators or made cynical self-interested moves along the way. In its first decades, the postwar system was largely limited to a group of like-minded states centered on the Atlantic littoral; it did not include many large countries such as China, India, and the Soviet bloc states, and it did not always have benign effects on nonmembers. In global military terms, the United States was not hegemonic, because the Soviet Union balanced U.S. power. And even when its power was greatest, Washington could not prevent the “loss” of China, the partition of Germany and Berlin, a draw in Korea, Soviet suppression of insurrections within its own bloc, the creation and survival of a communist regime in Cuba, and failure in Vietnam.

Americans have had bitter debates and partisan differences over military interventions and other foreign policy issues over the years, and they have often grumbled about paying for the defense of other rich countries. Still, the demonstrable success of the order in helping secure and stabilize the world over the past seven decades has led to a strong consensus that defending, deepening, and extending this system has been and continues to be the central task of U.S. foreign policy.

Until now, that is—for recently, the desirability and sustainability of the order have been called into question as never before. Some critics, such as U.S. President-elect Donald Trump, have argued that the costs of maintaining the order outweigh its benefits and that Washington would be better off handling its interactions with other

countries on a case-by-case transactional basis, making sure it “wins” rather than “loses” on each deal or commitment. Others claim that the foundations of the order are eroding because of a long-term global power transition involving the dramatic rise of Asian economies such as China and India. And still others see it as threatened by a broader diffusion of power from governments to nonstate actors thanks to ongoing changes in politics, society, and technology. The order, in short, is facing its greatest challenges in generations. Can it survive, and will it?

#### **POWER CHALLENGED AND DIFFUSED**

Public goods are benefits that apply to everyone and are denied to no one. At the national level, governments provide many of these to their citizens: safety for people and property, economic infrastructure, a clean environment. In the absence of international government, global public goods—a clean climate or financial stability or freedom of the seas—have sometimes been provided by coalitions led by the largest power, which benefits the most from these goods and can afford to pay for them. When the strongest powers fail to appreciate this dynamic, global public goods are under-produced and everybody suffers.

Some observers see the main threat to the current liberal order coming from the rapid rise of a China that does not always appear to appreciate that great power carries with it great responsibilities. They worry that China is about to pass the United States in power and that when it does, it will not uphold the current order because it views it as an external imposition reflecting others’

interests more than its own. This concern is misguided, however, for two reasons: because China is unlikely to surpass the United States in power anytime soon and because it understands and appreciates the order more than is commonly realized.

Contrary to the current conventional wisdom, China is not about to replace the United States as the world's dominant country. Power involves the ability to get what you want from others, and it can involve payment, coercion, or attraction. China's economy has grown dramatically in recent decades, but it is still only 61 percent of the size of the U.S. economy, and its rate of growth is slowing. And even if China does surpass the United States in total economic size some decades from now, economic might is just part of the geopolitical equation. According to the International Institute for Strategic Studies, the United States spends four times as much on its military as does China, and although Chinese capabilities have been increasing in recent years, serious observers think that China will not be able to exclude the United States from the western Pacific, much less exercise global military hegemony. And as for soft power, the ability to attract others, a recent index published by Portland, a London consultancy, ranks the United States first and China 28th. And as China tries to catch up, the United States will not be standing still. It has favorable demographics, increasingly cheap energy, and the world's leading universities and technology companies.

Moreover, China benefits from and appreciates the existing international order more than it sometimes acknowledges. It is one of only five countries

with a veto in the UN Security Council and has gained from liberal economic institutions, such as the World Trade Organization (where it accepts dispute-settlement judgments that go against it) and the International Monetary Fund (where its voting rights have increased and it fills an important deputy director position). China is now the second-largest funder of UN peacekeeping forces and has participated in UN programs related to Ebola and climate change. In 2015, Beijing joined with Washington in developing new norms for dealing with climate change and conflicts in cyberspace. On balance, China has tried not to overthrow the current order but rather to increase its influence within it.

The order will inevitably look somewhat different as the twenty-first century progresses. China, India, and other economies will continue to grow, and the U.S. share of the world economy will drop. But no other country, including China, is poised to displace the United States from its dominant position. Even so, the order may still be threatened by a general diffusion of power away from governments toward nonstate actors. The information revolution is putting a number of transnational issues, such as financial stability, climate change, terrorism, pandemics, and cybersecurity, on the global agenda at the same time as it is weakening the ability of all governments to respond.

Complexity is growing, and world politics will soon not be the sole province of governments. Individuals and private organizations—from corporations and nongovernmental organizations to terrorists and social movements—are being empowered, and informal networks will undercut the monopoly on power of

traditional bureaucracies. Governments will continue to possess power and resources, but the stage on which they play will become ever more crowded, and they will have less ability to direct the action.

Even if the United States remains the largest power, accordingly, it will not be able to achieve many of its international goals acting alone. For example, international financial stability is vital to the prosperity of Americans, but the United States needs the cooperation of others to ensure it. Global climate change and rising sea levels will affect the quality of life, but Americans cannot manage these problems by themselves. And in a world where borders are becoming more porous, letting in everything from drugs to infectious diseases to terrorism, nations must use soft power to develop networks and build institutions to address shared threats and challenges.

Washington can provide some important global public goods largely by itself. The U.S. Navy is crucial when it comes to policing the law of the seas and defending freedom of navigation, and the U.S. Federal Reserve undergirds international financial stability by serving as a lender of last resort. On the new transnational issues, however, success will require the cooperation of others—and thus empowering others can help the United States accomplish its own goals. In this sense, power becomes a positive-sum game: one needs to think of not just the United States' power over others but also the power to solve problems that the United States can acquire by working with others. In such a world, the ability to connect with others becomes a major source of power, and here, too, the United States leads the

pack. The United States comes first in the Lowy Institute's ranking of nations by number of embassies, consulates, and missions. It has some 60 treaty allies, and *The Economist* estimates that nearly 100 of the 150 largest countries lean toward it, while only 21 lean against it.

Increasingly, however, the openness that enables the United States to build networks, maintain institutions, and sustain alliances is itself under siege. This is why the most important challenge to the provision of world order in the twenty-first century comes not from without but from within.

#### **POPULISM VS. GLOBALIZATION**

Even if the United States continues to possess more military, economic, and soft-power resources than any other country, it may choose not to use those resources to provide public goods for the international system at large. It did so during the interwar years, after all, and in the wake of the conflicts in Afghanistan and Iraq, a 2013 poll found that 52 percent of Americans believed that "the U.S. should mind its own business internationally and let other countries get along the best they can on their own."

The 2016 presidential election was marked by populist reactions to globalization and trade agreements in both major parties, and the liberal international order is a project of just the sort of cosmopolitan elites whom populists see as the enemy. The roots of populist reactions are both economic and cultural. Areas that have lost jobs to foreign competition appear to have tended to support Trump, but so did older white males who have lost status with the rise in power of other demographic groups. The U.S. Census Bureau projects that in

less than three decades, whites will no longer be a racial majority in the United States, precipitating the anxiety and fear that contributed to Trump's appeal, and such trends suggest that populist passions will outlast Trump's campaign.

It has become almost conventional wisdom to argue that the populist surge in the United States, Europe, and elsewhere marks the beginning of the end of the contemporary era of globalization and that turbulence may follow in its wake, as happened after the end of an earlier period of globalization a century ago. But circumstances are so different today that the analogy doesn't hold up. There are so many buffers against turbulence now, at both the domestic and the international level, that a descent into economic and geopolitical chaos, as in the 1930s, is not in the cards. Discontent and frustration are likely to continue, and the election of Trump and the British vote to leave the EU demonstrate that populist reactions are common to many Western democracies. Policy elites who want to support globalization and an open economy will clearly need to pay more attention to economic inequality, help those disrupted by change, and stimulate broad-based economic growth.

It would be a mistake to read too much about long-term trends in U.S. public opinion from the heated rhetoric of the recent election. The prospects for elaborate trade agreements such as the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership have suffered, but there is not likely to be a reversion to protectionism on the scale of the 1930s. A June 2016 poll by the Chicago Council on Global Affairs, for example, found

that 65 percent of Americans thought that globalization was mostly good for the United States, despite concerns about a loss of jobs. And campaign rhetoric notwithstanding, in a 2015 Pew survey, 51 percent of respondents said that immigrants strengthened the country.

Nor will the United States lose the ability to afford to sustain the order. Washington currently spends less than four percent of its GDP on defense and foreign affairs. That is less than half the share that it spent at the height of the Cold War. Alliances are not significant economic burdens, and in some cases, such as that of Japan, it is cheaper to station troops overseas than at home. The problem is not guns versus butter but guns versus butter versus taxes. Because of a desire to avoid raising taxes or further increasing the national debt, the U.S. national security budget is currently locked in a zero-sum tradeoff with domestic expenditures on education, infrastructure, and research and development. Politics, not absolute economic constraints, will determine how much is spent on what.

The disappointing track record of recent U.S. military interventions has also undermined domestic support for an engaged global role. In an age of transnational terrorism and refugee crises, keeping aloof from all intervention in the domestic affairs of other countries is neither possible nor desirable. But regions such as the Middle East are likely to experience turmoil for decades, and Washington will need to be more careful about the tasks it takes on. Invasion and occupation breed resentment and opposition, which in turn raise the costs of intervention while lowering the odds of success,

further undermining public support for an engaged foreign policy.

Political fragmentation and demagoguery, finally, pose yet another challenge to the United States' ability to provide responsible international leadership, and the 2016 election revealed just how fragmented the American electorate is. The U.S. Senate, for example, has failed to ratify the UN Convention on the Law of the Sea, despite the fact that the country is relying on it to help protect freedom of navigation in the South China Sea against Chinese provocations. Congress failed for five years to fulfill an important U.S. commitment to support the reallocation of International Monetary Fund quotas from Europe to China, even though it would have cost almost nothing to do so. Congress has passed laws violating the international legal principle of sovereign immunity, a principle that protects not just foreign governments but also American diplomatic and military personnel abroad. And domestic resistance to putting a price on carbon emissions makes it hard for the United States to lead the fight against climate change.

The United States will remain the world's leading military power for decades to come, and military force will remain an important component of U.S. power. A rising China and a declining Russia frighten their neighbors, and U.S. security guarantees in Asia and Europe provide critical reassurance for the stability that underlies the prosperity of the liberal order. Markets depend on a framework of security, and maintaining alliances is an important source of influence for the United States.

At the same time, military force is a blunt instrument unsuited to dealing

with many situations. Trying to control the domestic politics of nationalist foreign populations is a recipe for failure, and force has little to offer in addressing issues such as climate change, financial stability, or Internet governance. Maintaining networks, working with other countries and international institutions, and helping establish norms to deal with new transnational issues are crucial. It is a mistake to equate globalization with trade agreements. Even if economic globalization were to slow, technology is creating ecological, political, and social globalization that will all require cooperative responses.

Leadership is not the same as domination, and Washington's role in helping stabilize the world and underwrite its continued progress may be even more important now than ever. Americans and others may not notice the security and prosperity that the liberal order provides until they are gone—but by then, it may be too late. 🌐

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# Liberalism in Retreat

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## The Demise of a Dream

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*Robin Niblett*

**T**he liberal international order has always depended on the idea of progress. Since 1945, Western policymakers have believed that open markets, democracy, and individual human rights would gradually spread across the entire globe. Today, such hopes seem naive.

In Asia, the rise of China threatens to challenge U.S. military and economic hegemony, as Beijing seeks to draw American allies such as the Philippines and Thailand into its political orbit. In the Middle East, the United States and its European allies have failed to guide the region toward a more liberal and peaceful future in the wake of the Arab Spring and have proved powerless to halt the conflict in Syria. Russia's geopolitical influence has reached heights unseen since the Cold War, as the country attempts to roll back liberal advances on its periphery.

But the more important threats to the order are internal. For over 50 years, the European Union has seemed to represent the advance guard of a new liberalism in which nations pool sovereignty and cooperate ever more closely with one another. But today, as it reels from one crisis to the next, the EU has stopped expanding. After the British

vote to leave the bloc last June, it will probably shrink for the first time in its history.

Across the ocean, the U.S. commitment to global leadership, which until now has sustained the order through good times and bad, looks weaker than at any point since World War II. The Republican president-elect Donald Trump ran on an explicitly "America First" platform, pledged to renegotiate U.S. trade deals, praised Russian President Vladimir Putin, and called into question U.S. commitments to NATO. Meanwhile, President Barack Obama's "rebalance" to Asia has struggled to take off. Beijing has wasted no time in laying out its own vision for a more integrated Eurasia that may exclude the United States and in which China will play the leading role.

Over the past half century, as other political systems have crumbled, the liberal international order has risen to face its challenges. Yet so long as the economies of its leading members remain fragile and their political institutions divided, the order that they have championed is unlikely to regain the political momentum that helped democracy spread across the globe. Instead, it will evolve into a less ambitious project: a liberal international economic order that encompasses states with diverse domestic political systems. In the short term, this will allow democracies and their illiberal counterparts to find ways to coexist. In the longer term, providing it can adapt, liberal democracy is likely to regain its supremacy.

### **LIBERALISM ON TOP**

In the aftermath of World War II, Western policymakers, especially in the United States and the United Kingdom, set out to build a global system that would

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ensure that they would never repeat the disastrous failures of international cooperation of the interwar period. The architects of the system sought to promote not just economic development and individual fulfillment but also world peace. The best hope for that, they contended, lay in free markets, individual rights, the rule of law, and elected governments, which would be checked by independent judiciaries, free presses, and vibrant civil societies.

At the heart of the order were the Bretton Woods institutions—the International Monetary Fund and the World Bank—and the General Agreement on Tariffs and Trade, which became the World Trade Organization in 1995. Underpinning all these institutions was the belief that open and transparent markets with minimal government intervention—the so-called Washington consensus—would lay the foundation for economic growth. Guided by these principles, U.S. economic, military, and diplomatic support helped Germany and the other nations of Western Europe, as well as Japan, recover from the destruction of World War II.

Western policymakers were confident that transitions to open markets would inevitably lead to the spread of democracy. On many occasions, they were proved right. Liberal democracy has gradually expanded across Europe, Asia, Latin America, and sub-Saharan Africa, especially since the end of the Cold War. According to the U.S. nonprofit Freedom House, the number of democratic governments increased from 44 in 1997 to 86 in 2015, accounting for about 68 percent of global GDP and 40 percent of the world's population.

As the order expanded, a new liberal idea gained ground: that governments that mistreat their populations and foment instability in their neighborhoods forfeit their sovereign right to rule. The International Criminal Court, which encroaches on sovereignty in the name of justice, was established in 1998. One year later, British Prime Minister Tony Blair laid out his doctrine of liberal interventionism in Chicago, declaring that, in a world of growing interdependence, “the principle of non-interference must be qualified in some important respects.” In 2005, the UN General Assembly endorsed the “responsibility to protect,” the concept that when a state fails to prevent atrocities, foreign governments can intervene to do so. In an ascendant liberal international order, the fundamental Westphalian principle that sovereign governments have the right to control their internal affairs—the principle that underlies international law and the UN—increasingly depended on governments’ adhering to Western standards of human rights. The liberal order seemed to be setting the rules for the entire international community.

### **THINGS FALL APART**

But over the past decade, buffeted by financial crises, populist insurgencies, and the resurgence of authoritarian powers, the liberal international order has stumbled. According to the political scientist Larry Diamond, since 2006, the world has entered a “democratic recession”: the spread of individual freedom and democracy has come to a halt, if not retreated.

The greatest danger comes from within. The system's leading powers are facing sustained domestic political and economic uncertainty. More than



*America First: Trump supporters on election night, November 8, 2016*

25 years of stagnant median wages in the United States and parts of Europe have eroded the credibility of elites and the appeal of globalization. The opening up of economies to ever more trade, investment, and immigration has increased total national wealth, but it has not translated into local gains for large segments of society. The lax financial regulation that preceded the 2008 financial crisis and the bank bailouts that followed it have shattered people's faith in government, and the Great Recession undermined their support for open capital markets, which seemed to benefit only a narrow global elite.

Trump's victory, the decision by a majority of British voters to leave the EU, and the rise of populist parties in both the prosperous north and the poorer south of Europe represent visible symptoms of this deep unease with globalization. So, too, does the collapse in popular support in the United States and the EU for expanding international trade,

whether through the Trans-Pacific Partnership in the United States or the Transatlantic Trade and Investment Partnership in Europe. In a 2014 Pew Research survey, 87 percent of respondents in developing economies agreed that trade benefits the economy, whereas around half of all respondents in France, Italy, and the United States said they believed that trade destroys jobs and lowers wages.

Across Europe, resistance to deeper political integration has grown. For the past 60 years, the willingness of the EU's member states to pool their sovereign power in supranational legal structures provided a benchmark for other countries that sought to cooperate more closely in their regions. As the political scientist Simon Serfaty put it in 2003, Europeans had transformed their systems of political governance from city-states to nation-states to member states. Now, this process has ground to a halt—and it may well reverse.

The British vote to leave the EU will likely prove an outlier: the United Kingdom joined the European Economic Community, the EU's predecessor, only in 1973, 16 years after its founding; the United Kingdom has a long history of Euroskepticism; and it opted out of the single currency and the Schengen area of open borders. Other countries will probably not follow the United Kingdom out of the EU. But few European leaders appear willing to continue relinquishing their countries' sovereignty. Many European states have rejected EU requests that they accept a quota of refugees. The richer members of the eurozone are refusing to pool their financial resources in a common deposit insurance scheme to ensure the long-term viability of the single currency. Today, many European politicians are demanding more national sovereign control over the application of existing EU laws and the design of new forms of integration.

In this context, the hope that the EU might provide a template for liberal regional integration elsewhere seems increasingly lost. The Association of Southeast Asian Nations, South America's Mercosur, the African Union, and the Gulf Cooperation Council remain mechanisms for only limited political and economic cooperation among governments. China and Russia, meanwhile, have used this period of Western self-doubt to modernize their militaries and assert their regional and geopolitical interests. They have built institutions, including the Eurasian Economic Union and the Shanghai Cooperation Organization, that have helped them coordinate and legitimize a parallel political order that challenges Western norms of

democratic governance and that rejects any external interference in support of human rights.

### AMERICA IN RETREAT

For the past seven decades, the United States has provided the security umbrella under which the liberal international system has flourished. But today, the United States is more inward-looking than at any point since World War II. After the costly wars in Afghanistan and Iraq and the chaos that followed the intervention in Libya, Obama has recalibrated the United States' international role, consistently encouraging allies in Europe and the Middle East to take greater responsibility for their own security. In his presidential campaign, Trump twisted this argument into an explicitly transactional bargain: the United States should become a mercenary superpower, protecting only those countries that pay, so that it can focus on making itself great again at home. In so doing, he ignored the hard-won lesson that investing in the security of U.S. allies is the best way to protect the United States' own security and economic interests. How exactly Trump will govern, however, remains unclear.

Rightly or wrongly, the United States' allies, from Europe to Asia, now fear that the superpower may no longer be an engaged and committed partner. These fears come at a dangerous time. A Europe hobbled by institutional and economic weakness is more vulnerable to the diverse forms of pressure that Russia is currently applying, including financial support for European populist parties and threatening military maneuvers on NATO's eastern borders. Despite Russia's own economic weakness, Putin's

advocacy of a new European order based on cultural and national sovereignty appeals to Europe's increasingly vocal nationalist parties, from the UK Independence Party to France's National Front and Hungary's Fidesz, whose leader, Hungarian Prime Minister Viktor Orbán, has publicly advocated building an "illiberal state."

Many of the United States' other allies and democratic partners around the world are also on the back foot. Japan and South Korea are struggling to manage the twin challenges of aging populations and economies that are overly dependent on exports, and historical antagonisms prevent them from presenting a united front to promote liberal democracy in their region. Large emerging-market democracies, such as Brazil, India, Nigeria, and South Africa, have so far failed to overcome entrenched obstacles to sustainable economic growth and social cohesion. And the perception that U.S. global power is waning and that the Washington consensus does not guarantee economic progress has bolstered strongmen in countries as diverse as the Philippines, Thailand, and Turkey, who have undermined the institutional checks and balances that underpin liberal democracy.

### POT, KETTLE

Of course, supporters of the liberal international order have long displayed an inconsistent commitment to its principles. The United States and its allies may have generally promoted respect for the rule of law and liberal governance within their borders, but the dominant objective outside them has been to protect Western security and economic interests, even if doing

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so damaged the credibility of the liberal international system.

The United States has often acted unilaterally or selectively obeyed the rules of the international order it promotes. It invaded Iraq under a contested legal mandate, and the U.S. Congress has refused to ratify the UN Convention on the Law of the Sea, among numerous other multilateral conventions and treaties. And in 2011, the British, French, and U.S. governments stretched their mandate—granted by UN Security Council Resolution 1973, which authorized all necessary measures to protect civilians in Libya—when they helped overthrow Libya’s leader, Muammar al-Qaddafi. And various Western governments have condemned Russia and Syrian President Bashar al-Assad for indiscriminately shelling civilians in Syria while simultaneously supporting Saudi Arabia’s bloody campaign in Yemen.

Small wonder, then, that the West’s opponents have interpreted calls to enlarge the liberal international order as an excuse to expand Western political power. Putin sounded this theme in October, at the annual conference of the Valdai Discussion Club, when he accused the United States of promoting globalization and security “for itself, for the few, but not for all.” It is also unsurprising that the world’s principal multilateral institution, the UN Security Council, remains frozen in the same old standoffs, riven by disagreements between China and Russia, on the one hand, and France, the United Kingdom, and the United States, on the other. As a result, liberal attempts to reform the concept of state sovereignty, such as the introduction of the notion of the responsibility to protect and the

establishment of the International Criminal Court, have failed to acquire international legitimacy—take, for instance, the ongoing failure to stem the violence in Syria and the announcements in October by the governments of Burundi, Gambia, and South Africa that they will withdraw from the court. Even the Internet, which promised to foster a more liberal international order by empowering individuals instead of governments, is now increasingly dominated by ideological polarization over national firewalls, surveillance methods, and privacy violations.

### KEEPING ORDER

Do these challenges herald the end of the liberal international order? Probably not. Established liberal democracies remain resilient. Whatever domestic challenges they may face, from inequality to unemployment, they approach them from a position of strength compared with emerging-market countries, many of which boast high levels of GDP growth but have yet to make the transition from export- and investment-led growth to consumption- and innovation-driven growth. Western democracies are designed to allow the people to vent their frustrations and refresh their political leadership. Their economies operate in a relatively dynamic, transparent, and open manner, which fosters innovation. These qualities allow their political institutions to recover legitimacy and their economies to regain momentum. On the other hand, centrally controlled or illiberal countries, such as China and Russia, have yet to prove that their political systems will survive the economic transitions they are undertaking.

Still, liberal democracies cannot postpone difficult political decisions any longer. They need to fix themselves first if

they are to sustain their liberal international order. They must boost productivity as well as wages, increase work-force participation even as new technologies eliminate old jobs, integrate immigrants while managing aging societies, and, in Europe's case, evolve from centrally funded welfare states to more locally governed welfare societies, in which regions, cities, and other municipalities control a greater share of tax income and so can tailor the provision of social services to local needs. Liberal governments can rise to these challenges, whether by investing more in education, improving physical and digital infrastructure, or modernizing regulations that stifle entrepreneurship and growth in the service sector. These may seem like modest steps. But the appeal and, indeed, the survival of a liberal international order depend on its ability to deliver returns to the societies within it that are superior to any alternative.

If the liberal world can get itself back on track, and does not itself turn to protectionism, it will likely find that the non-Western rising powers, China chief among them, will want to sustain the existing international economic order of relatively open markets and free flows of investment. After all, only through continued integration into the global supply chain of goods, services, people, and knowledge can emerging markets meet the aspirations of their growing middle classes. As the scholar G. John Ikenberry noted in his 2011 book, *Liberal Leviathan*, the United States and China—the two powers that will most likely determine the future of world order—may both refuse to compromise on their core principles of domestic governance and national security, but they can best

coexist and prosper within a liberal international economic order.

It is in the West's interests, therefore, that China's economic development continue smoothly. U.S. and European markets for goods, services, and infrastructure should remain open to Chinese foreign direct investment, as long as Chinese companies abide by U.S. and European rules on security and transparency and the protection of intellectual property. European countries should take the same approach with Russia, on the condition that Russian companies abide by EU rules. A mutual commitment to the liberal international economic order would help Western governments and their illiberal counterparts keep open other avenues for cooperation on shared challenges, such as terrorism and climate change, much as China and the United States have done over the past several years.

Meanwhile, European governments and businesses should take part in the Chinese-led effort to connect Northeast Asia with Europe across the Eurasian continent, a component of a series of regional infrastructure projects known as the Belt and Road Initiative. In 2016, the volume of global trade stagnated for the first quarter and then fell by 0.8 percent in the second. This reflects an ongoing structural decline in the growth rate of trade, as emerging markets, such as China, make more of their own products and developed countries bring some production back onshore. Against this backdrop, ramping up investment in infrastructure that can connect the thriving coastal areas of Asia to its underdeveloped hinterlands and then to Europe could create new opportunities for economic growth in both the liberal

and the illiberal worlds. Rather than challenge such initiatives, the United States should support Western-led regional and multilateral financial institutions, such as the World Bank, the European Bank for Reconstruction and Development, and the Asian Development Bank, as they join forces with the Asian Infrastructure Investment Bank and the New Development Bank (set up by the BRICS countries—Brazil, Russia, India, China, and South Africa) to pursue projects that are in every country's economic interest while adhering to environmentally and financially sustainable principles.

Similar cooperation will be harder to build with Russia. Russia's system of centralized and opaque political and economic governance makes deeper integration incompatible with the EU's market and rules-based system, and NATO members have begun a much-needed upgrading of their military readiness in the face of recent Russian provocations. EU and NATO tensions with Russia will likely persist, even if Trump's election heralds a change in U.S.-Russian relations. Still, the Chinese initiative to build new ways of connecting the Eurasian economy could provide an alternative way for the United States and Europe to engage with Russia.

The countries that built the liberal international order are weaker today than they have been for three generations. They no longer serve as an example to others of the strength of liberal systems of economic and political governance. Autocratic governments may therefore try to establish an alternative political order, one governed by might rather than by international laws and rules.

But liberal policymakers would be wrong to urge their countries to hunker down or resort to containment. An extended standoff between supporters of a liberal international order and those who contest it may accidentally lead to outright conflict. A better approach would be for liberal countries to prepare themselves for a period of awkward coexistence with illiberal ones, cooperating on some occasions and competing on others. The international political world will remain divided between liberals and statist for the foreseeable future, but both sets of countries will depend on a liberal international economic order for their prosperity and internal security. Time will tell whose form of government is more resilient. If history is any guide, liberal democracy remains the best bet. 🌐

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# The Once and Future Order

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## What Comes After Hegemony?

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*Michael J. Mazarr*

Few foreign policy issues have attracted more attention in recent years than the problem of sustaining the U.S.-led liberal international order. After World War II, the United States sponsored a set of institutions, rules, and norms designed to avoid repeating the mistakes of the 1930s and promote peace, prosperity, and democracy. The resulting system has served as the bedrock of U.S. national security strategy ever since. In everything from arms control to peacekeeping to trade to human rights, marrying U.S. power and international norms and institutions has achieved significant results. Washington continues to put maintaining the international order at the center of the United States' global role.

Yet the survival of that order—indeed, of any ordering principles at all—now seems in question. Dissatisfied countries such as China and Russia view its operation as unjust, and people around the world are angry about the economic and social price they've had to pay for globalization.

It's not clear exactly what President-elect Donald Trump's views are on the role of the United States in the world, much less

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the liberal order, but his administration will confront the most profound foreign policy task that any new administration has faced in 70 years: rethinking the role that the international order should play in U.S. grand strategy. Whatever Trump's own views, the instincts of many in Washington will be to attempt to restore a unified, U.S.-dominated system by confronting the rule breakers and aggressively promoting liberal values. This would be the wrong approach; in trying to hold the old order together, Washington could end up accelerating its dissolution. What the United States must learn to do instead is navigate and lead the more diversified, pluralistic system that is now materializing—one with a bigger role for emerging-market powers and more ways for countries other than the United States to lead than the current order provides.

### THE HOUSE THAT WE BUILT

The creation of the current order, like that of its two modern predecessors—the Concert of Europe and the League of Nations—was an effort to design the basic architecture of international relations in the wake of a war among major powers. All three orders used a range of tools—organizations, treaties, informal meetings, and norms—to attain the goals of their creators. The current order's main institutions include the United Nations, NATO, the World Trade Organization, the International Monetary Fund (IMF), the World Bank, and the G-20.

Together, these bodies have influenced almost every aspect of the modern world. The UN has provided a forum for the international community to rally around shared interests and ratify joint action. The international financial institutions have boosted trade and stabilized the

global economy during crises. Multilateral treaties and agreements brokered through various bodies have helped avoid chaotic arms races and uncontrolled nuclear proliferation. And dense global networks of experts, activists, businesses, and non-profits, operating within the framework of the liberal order, have built consensus and taken action on hundreds of other issues.

The rules of any such order are not self-enforcing. When combined with direct state power, however, they encourage governments to accept norms of conduct such as nonaggression, the avoidance of nuclear weapons, and respect for human rights. The United States would be wise to do what it can to sustain these norms in the future. The trick is figuring out how to do so—and what, given all the changes the world is now experiencing, the emerging order should look like.

### **THE NOT-SO-LIBERAL ORDER**

The postwar liberal order has proved remarkably stable. But it has always incorporated two distinct and not necessarily reconcilable visions. One is a narrow, cautious view of the UN and the core international financial institutions as guardians of sovereign equality, territorial inviolability, and a limited degree of free trade. The other is a more ambitious agenda: protecting human rights, fostering democratic political systems, promoting free-market economic reforms, and encouraging good governance.

Until recently, the tension between these two visions did not pose a serious problem. For many decades, the Cold War allowed the United States and its allies to gloss over the gap in the name of upholding a unified front against the Soviets. After the collapse of the Soviet Union, Washington fully embraced the

more ambitious approach by expanding NATO up to Russia's doorstep; intervening to protect human rights in places such as the Balkans and Libya; supporting uprisings, at least rhetorically, in the name of democracy in countries including Egypt, Georgia, and Myanmar; and applying increasingly sophisticated economic sanctions to illiberal governments. In the newly unipolar international system, Washington often behaved as if the narrower concept of order had been superseded by the more ambitious one.

At the same time, the United States often took advantage of its preeminence to sidestep the order's rules and institutions when it found them inconvenient. The problem with this approach, of course, is that international orders gain much of their potency by defining the sources of prestige and status within the system, such as participation in and leadership of international institutions. Their stability depends on leading members abiding—and being seen to abide—by key norms of behavior. When the leader of an order consistently appears to others to interpret the rules as it sees fit, the legitimacy of the system is undermined and other countries come to believe that the order offends, rather than sustains, their dignity.

An extreme version of this occurred in the 1930s, when a series of perceived insults convinced Japan—once a strong supporter of the League of Nations—that the system was a racist, Anglo-American cabal designed to emasculate it. Partly as a result, Japan withdrew from the league and signed the Tripartite Pact with Germany and Italy before entering World War II. Today, a similar story is playing out as some countries see the United States as applying norms selectively and



*Crossing the line: Russian soldiers in Crimea, March 2014*

in its own favor, norms that are already tailored to U.S. interests. This is persuading them that the system's main function is to validate the United States' status and prestige at the expense of their own.

For years now, a number of countries, including Brazil, India, South Africa, and Turkey, have found various ways to express their frustration with the current rules. But China and Russia have become the two most important dissenters. These two countries view the order very differently and have divergent ambitions and strategies. Yet their broad complaints have much in common. Both countries feel disenfranchised by a U.S.-dominated system that imposes strict conditions on their participation and, they believe, menaces their regimes by promoting democracy. And both countries have called for fundamental reforms to make the order less imperial and more pluralistic.

Russian officials are particularly disillusioned. They believe that they made an honest effort to join Western-

led institutions after the fall of the Soviet Union but were spurned by the West, which subjected them to a long series of insults: NATO's attacks on Serbia in the Balkan wars of the 1990s; NATO enlargement into eastern Europe; and Western support for "color revolutions" in the early years of the new century, which threatened or in some cases actually overthrew Russian-backed leaders in several eastern European countries. In a June 2016 speech to Russian diplomats, Russian President Vladimir Putin complained that certain Western states "continue stubborn attempts to retain their monopoly on geopolitical domination," arguing that this was leading to a "confrontation between different visions of how to build the global governance mechanisms in the 21st century." And Putin hasn't just limited himself to complaining. In recent years, Russia has taken a number of dramatic, sometimes violent steps—especially in Europe—to weaken the U.S.-led order.

China also feels disrespected. The financial crisis at the end of the last decade convinced many Chinese that the West had entered a period of rapid decline and that China deserved a more powerful voice in the international system. Since then, Beijing has increased its influence in several institutions, including the IMF and the World Bank. But the changes have not gone far enough for many Chinese leaders. They still chafe at Western domination of these bodies, perceive U.S. democracy promotion as a threat, and resent the regional network of U.S. alliances that surrounds China. Beijing has thus undertaken a range of economic initiatives to gain more influence within the current order, including increasing its development aid and founding the Asian Infrastructure Investment Bank, which it clearly intends to compete with the IMF and the World Bank. China has also pursued its interests in defiance of global norms by building islands in contested international waters and harassing U.S. aircraft in the South China Sea.

Worrisome as these developments are, it is important not to exaggerate the threats they represent. Neither China nor Russia has declared itself an enemy of the postwar order (although Russia is certainly moving in that direction). Both continue to praise the core UN system and participate actively in a host of institutions, treaties, and diplomatic processes. Indeed, China has worked hard to embed itself ever more firmly in the current order. In a 2015 speech in Seattle, Chinese President Xi Jinping said that “China has been a participant, builder, and contributor” in, of, and to the system and that it stood “firmly for the international order” based on the purposes and principles

outlined in the UN Charter. China and Russia both rely on cross-border trade, international energy markets, and global information networks—all of which depend heavily on international rules and institutions. And at least for the time being, neither country seems anxious to challenge the order militarily.

Many major countries, including China and Russia, are groping toward roles appropriate to their growing power in a rapidly evolving international system. If that system is going to persevere, their grievances and ambitions must be accommodated. This will require a more flexible, pluralistic approach to institutions, rules, and norms.

#### **ALL THE RAGE**

Another threat to the liberal order comes from the populist uprisings now under way in many countries around the world, which have been spurred on by outrage at increasing economic inequality, uneasiness with cultural and demographic changes, and anger at a perceived loss of national sovereignty. For the liberal order to survive, the populations of its member countries must embrace its basic social and political values. That embrace is now weakening.

The postwar order has driven global integration and liberalization by encouraging free-trade agreements, developing international law, and fostering global communications networks. Such developments strengthened the order in turn by cementing public support for liberal values. But the populist rebellion against globalization now imperils that virtuous circle.

The populist surge has featured outbursts in Europe and the United States against the perceived intrusions

of a globalizing order. Public support for new trade agreements has tumbled. Resentment toward supranational authorities, such as the European Union, has risen steadily, as has suspicion of and hostility toward immigrants and immigration. The uprising has already claimed one major casualty—the United Kingdom’s EU membership—and is mutating into angry, xenophobic nationalism in countries as diverse as Austria, Denmark, France, Greece, Hungary, the Netherlands, Russia, Sweden, and the United States.

So far, none of these countries has totally rejected the international order. Populism remains a minority trend in most electorates, and support for liberal principles remains robust in many countries. In a 2016 Gallup survey, for example, 58 percent of Americans polled indicated that they saw trade as an opportunity rather than a threat—the highest number since 1992. Similarly, a 2016 poll by the Pew Research Center found that support for the UN among Americans had grown by nine points since 2004, to a new peak of 64 percent.

Reassuring as such findings are, however, if even a quarter or a third of citizens turn decisively against liberal values in a critical mass of nations, it can destabilize the entire system. In some cases, this happens because radical parties or individuals can come to power without ever achieving more than a plurality of support. More commonly, a rejectionist bloc can cripple legislatures by obstructing steps, such as trade deals and arms treaties, that would strengthen the prevailing order. And sometimes, as happened with the British vote to leave the EU, committed opponents of the order are joined by a larger number of worried citizens in

a successful effort to roll back elements of the system.

### **MIX IT UP**

International orders tend to rest on two pillars: the balance of power and prestige among the leading members and some degree of shared values. Both of these pillars look shaky today. For many years, U.S. grand strategy has been based on the idea that the unitary U.S.-led order reflected universal values, was easy to join, and exercised a gravitational pull on other countries. Those assumptions do not hold as strongly as they once did. If Washington hopes to sustain an international system that can help avoid conflict, raise prosperity, and promote liberal values, it will have to embrace a more diverse order—one that operates in different ways for different countries and regions and on different issues.

The United States will be tempted to resist such a change and to double down on the existing liberal order by following the Cold War playbook: rallying democracies and punishing norm breakers. But such a narrow order would create more embittered outcasts and thus imperil the most fundamental objective of any global order: keeping the peace among great powers. Dividing the world into defenders and opponents of a shared order is also likely to be less feasible than in the past. China’s role in the global economy and its standing as a regional power mean that it cannot be isolated in the way the Soviet Union was. Many of today’s rising powers, moreover, have preferences that are too diverse to gather into either a U.S.-led system or a bloc opposed to it.

Should China or Russia adopt a significantly more aggressive stance, the United States may find it necessary

to focus primarily on containing it and hunker down into a narrow, U.S.-led liberal order. But doing so should remain a last resort. During the Cold War, the central challenge of world politics was to contain—and eventually transform—a single power opposed to the main world order. Today the aim is very different: to prevent war and encourage cooperation among a fractious group of countries. An order that is inclusive and shared will meet that challenge better than one that is narrow, aggressive, and dominated by Washington.

The United States would therefore be better off trying to develop several different yet overlapping forms of order: universal and major-power-centric, global and regional, political and economic, liberal and realist. Washington already does this, to an extent. But the tendency in U.S. strategy, especially since the end of the Cold War, has been to pursue a homogeneous liberal order that all states must join in roughly the same way and that pushes its liberal values on every front. The United States would gain more traction if it consciously embraced a more mixed order and accepted some of the difficult compromises that came with it.

The first element of such a mixed order would be a forum for regular dialogue among the system's leading members. At a time when rivalries are growing and many leading states are eager to have a larger voice in international institutions, the world needs a better way to coordinate interests among the system's major powers—not just China and Russia but also Brazil, France, Germany, India, Indonesia, and Japan, among others. A more inclusive UN Security Council combined with the G-20 and various regional and informal conferences would

help find areas where major powers can cooperate and smooth over differences among them. This part of the new order would primarily focus on securing the goals laid down in the UN Charter, especially its prohibition on territorial aggression. It would also concentrate on areas where major-power interests overlap, such as fighting climate change, terrorism, and infectious diseases.

A second element of a new mixed order would focus on economic cooperation by relying on the set of international institutions, including the IMF and the World Bank, that have proved so effective at stabilizing the global economy and dealing with financial crises. To ensure that those bodies remain effective, the United States should support enlarging the voting rights of emerging-market powers and work to knit existing institutions together with new ones, such as the Asian Infrastructure Investment Bank. Doing so will be tricky, since it will involve making accommodations to enfranchise non-Western powers while upholding the essential rules of an open trading system.

Reaffirming the economic institutions of the order will be complicated by increasing disagreement over how to achieve economic growth. A number of countries are offering forms of state capitalism as alternatives to the free-market consensus of the postwar order—most notably China, whose government has adopted loose environmental and labor standards and directly supported several industries to give them an advantage over their international competitors. Even within the West, policymakers are divided over the causes of the current economic stagnation. The risk is that if no one can agree on the nature of the

problem, nothing will get done. The global economic institutions will have to find ways for the world to nevertheless take joint action, as they did despite similar disagreement when they helped limit the damage of the 2008 financial crisis.

A third part of a mixed order would involve the United States continuing to work with its allies and partners to sustain regional stability and deter aggression. The United States' role may be less predominant than in the past, but the country is likely to remain an essential spur for joint efforts and a backstop for regional balances of power.

Washington will have to calibrate its military posture to defend the order's rules without wrecking relations with other great powers. Assuming that China will continue to ramp up the pressure on the United States and its allies, that Russia will keep pressing its advantages in eastern Europe, and that North Korea will regularly provoke the world with tests of missiles and nuclear weapons, the United States will probably have to expand, rather than shrink, its global military footprint in the coming years. Yet Beijing and Moscow see additional U.S. military deployments in their neighborhoods as threats, so the fundamental challenge for U.S. defense policy in a mixed order will be to bolster deterrence without exacerbating such fears and sparking escalation. Promising ways to do so include establishing advisory programs to increase the military power of regional allies without massive U.S. troop deployments; relying on inherently defensive ways of thinking about operations rather than aggressive, escalatory ones; compromising on provocative deployments, such as missile defenses in eastern Europe;

and creating new ways to manage crises when they do occur.

Fourth, the United States would continue to work—sometimes alone, but often with allies—to promote liberal values and systems around the world, but do so in ways that manage, rather than exacerbate, the tensions of a mixed order. This will mean scaling back the more blunt and intrusive methods, such as intervening militarily in defense of human rights or backing opposition democratic movements in countries important to other great powers. But there are plenty of ways to underwrite liberal values without generating blowback. The United States could support ongoing democratic transitions in nations such as Tunisia, for example, or assist established but vulnerable democracies not adjacent to other great powers, such as Colombia or Morocco.

More fundamentally, the United States should increasingly place more indirect and long-term approaches, such as encouraging human development, at the heart of its liberal agenda. This can be done under the auspices of the UN Development Program, which espouses key liberal norms, such as human rights and gender equality, but enjoys broad legitimacy thanks to its UN affiliation and its emphasis on long-term investment over short-term democratic activism. Working through such a structure to create fellowships for young leaders in developing countries and transitioning democracies, training officials in key aspects of good governance, and supporting public health initiatives would be a tremendous investment in the liberal values at the center of U.S. grand strategy without creating the perception that the United States was overreaching.

### GIVE-AND-TAKE

In order to manage the contradictions among the various parts of a new mixed order, the United States will have to accept some uncomfortable compromises. There will be constant tension between great-power ties and the promotion of liberal values and between regional and global economic and political rules. Managing these tensions will be the toughest task for U.S. national security strategy over the next decade.

The United States has two ways to approach the problem. One is to identify win-win ideas—areas of cooperation that needn't involve conflicts of values or priorities. There are many issues on which Washington could find such common ground: by working to stabilize financial markets or combat terrorism and infectious diseases, for example.

A second strategy for maintaining balance in a mixed order is to resolve, or at least defer, conflicts that arise out of major powers' claims to spheres of influence. Because of the vital interests involved and the risk of escalation, these pose the greatest threat to global stability. The United States cannot impose its will to resolve these disputes, but if it allows other states to get away with aggression or human rights violations, the whole system could unravel. The biggest mistake of the 1930s, after all, was not liberal overreach but insufficient deterrence of the League of Nation's challengers, Germany and Japan.

This strategy could be employed in the current sovereignty disputes in the South China Sea, for example. The United States could lead a renewed diplomatic effort to defer the issue without jeopardizing any country's claims by getting all the parties to agree to principles over access

to resources and maritime movement for a limited time frame and, at the same time, reaffirming shared norms such as nonaggression and the basic principles of maritime law. Getting all sides to agree to this kind of temporary fix would be extremely difficult, but it would still be easier than reaching a final resolution and might ease tensions for a decade or more, thus keeping major-power rivalries from sabotaging the rest of the order.

On these and other issues, the United States cannot abandon its role as the international order's chief sponsor. Although it will no longer be a hegemon presiding over a unified system, it will still be a crucial actor—a catalyst for solutions and a managing partner of a mixed order, each of whose members sees itself as the equal of the others. As influential as rising powers may be, none is prepared to provide decisive direction on any issue. U.S. leadership will remain critical to global stability.

The results will be halting and, very often, unsatisfying. U.S. strategists will have to fashion clear long-term goals, find unifying themes, and explain to the American people the wisdom of diversification and compromise in a more pluralistic world that has become suspicious of grand U.S. projects. For the United States to champion a complex order and step back from liberal overreach would not be a sign of weakness, however. It would simply be an acceptance of the reality of a new, multipolar era, full of restless major powers and roiled by populist rage. The U.S. role in this changing environment will still be to lead the world toward greater peace, prosperity, and respect for liberal values, but in a different way. Getting it right will require an extraordinary balancing act. 🌐

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# China and the World

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## Dealing With a Reluctant Power

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*Evan A. Feigenbaum*

**I**n 2013, China launched an initiative to establish a new multilateral development institution, the Asian Infrastructure Investment Bank. The AIIB, Beijing argued, could help fill a multi-trillion-dollar gap in financing for railways, roads, power plants, and other infrastructure in the world's fastest-growing region. But the United States treated China's proposal as a challenge to the existing regional and global development institutions that it had helped establish in the decades after World War II. Washington not only refused to join the bank itself but also launched a quiet diplomatic campaign to dissuade its allies from doing so either.

Washington contended that the new institution could undermine the existing system by offering investment without imposing the anticorruption and environmental standards used by existing groups. And some in Washington also implied that Beijing had a deeper purpose: to construct an alternative set of China-oriented international institutions

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free from both U.S. dominance and the liberal values espoused by the United States and other industrialized democracies. Many believed that Washington's stated uneasiness about standards actually masked a geopolitical concern that the bank was the first step in an effort by Beijing to construct a Sinocentric world order.

The U.S. attempt to halt or marginalize the AIIB failed miserably. The bank was launched in 2015, and by the middle of the next year, a host of close U.S. allies, including Australia, Canada, France, Germany, Israel, South Korea, and the United Kingdom (although with the notable exception of Japan), had defied Washington and signed up.

How could Washington have misread the intentions of so many of its allies and ended up isolating itself rather than Beijing? Could it have handled China's initiative differently? And what does Washington's failure say about the United States' chances of further integrating Beijing into the existing order?

The answers have little to do with the details of the new bank or Asian infrastructure spending. Instead, they require a balanced understanding of the role China has begun to play in contemporary international relations and the serious challenge Beijing poses.

Most important, China is a disruptive power but not a revolutionary one. Its size, wealth, and assertive foreign policy lead it to demand significant changes to existing institutions, but it does not seek to overturn the current international order wholesale. Just half a century ago, Mao Zedong's China did indeed offer a distinctly revolutionary vision of world politics and China's role in it. Today, in contrast, Beijing doggedly pursues its

national interests and territorial claims yet lacks a coherent alternative to the prevailing system and is actually a member of nearly every one of the existing major institutions. Yet China is a reluctant stakeholder—inside the tent, but still ambivalent and often dissatisfied.

China's extraordinary rise in recent decades has earned it the leverage to demand a greater say in international affairs. It has acquired growing military power, trillions of dollars in foreign exchange reserves that can be recycled into direct investments, and new influence in developing countries from Africa to Central Asia. These facts mean that Beijing can now either support or undermine regional and global governance. Dealing with China's rise and revisionism will require greater creativity and strategic coherence than the West has displayed to date.

### **REFORM AND OPENING UP**

As recently as the 1960s and 1970s, a very different China sought to overturn much of the international system. Mao isolated the country's economy and society from most outside influences, opposed nearly every major global institution, and offered a revolutionary vision of an anticapitalist global order. This went beyond fiery rhetoric: China promoted internal, often violent revolution against governments in several countries, from Bolivia to Borneo.

Today, Beijing is as determined as ever to advance its interests in a variety of ways and forums, but even when it advocates alternatives or works outside the system, it often apes and adapts practices from existing institutions, as it is doing with the AIIB.

Washington's response has been to both welcome China's new role and try to manage it. Even when they were working to bring China into the system, many in the United States understood that Beijing might disrupt international governance and established practices. As a result, around a decade ago, Washington began to change its approach. The United States sought more aggressively to channel China's energies and preempt a potential challenge from Beijing to existing institutions.

In 2005, Robert Zoellick, the U.S. deputy secretary of state, gave a speech that laid out this new strategy. Zoellick sought to shift the focus of Washington's China policy away from the question of whether Beijing was in or out of major institutions to the broader issue of its conduct and choices. He noted that China, having joined the World Trade Organization four years earlier, had nearly completed the process of integrating itself into the established world order. It had joined most of the major institutions that it had once opposed and, on paper at least, subscribed to major treaties and protocols on issues as diverse as ozone depletion and chemical weapons. U.S. policy, Zoellick argued, needed to change dramatically as a result. "It is time to take our policy beyond opening doors to China's membership into the international system," he said. "We need to urge China to become a responsible stakeholder in that system."

Part of the motivation behind Zoellick's speech was to address Beijing's tendency to free-ride on the security and stability provided by the United States in both Asia and the rest of the world. In Afghanistan, for example, China derived considerable benefits from the U.S.-led war against



*On the march: Chinese soldiers on an island in the South China Sea, January 2016*

al Qaeda and the Taliban, including the elimination of a terrorist threat across its western border and the creation of a more stable government in Kabul. But China contributed little to the effort, relative to its economic size. And in the decade since then, China's power and global role have only grown. At the 2009 G-20 meeting in Pittsburgh, for example, it sought larger voting shares in the World Bank and the International Monetary Fund (IMF). In 1999, it ceased to be eligible for loans from the International Development Association, and in the middle of this decade, it instead became a contributor to it. And it has joined, and even begun to co-finance projects with, most of the major regional development banks, including the Inter-American Development Bank and the European Bank for Reconstruction and Development. Yet although China has become a stakeholder in these and other institutions,

it is still often skeptical of them and dissatisfied with their workings.

Three specific aspects of China's emergence are making U.S. efforts to defend the existing architecture more difficult. First, China does not subscribe to the liberal norms of the countries that established the world's international institutions—and sought to inject their values into them—after World War II. This resistance stems not just from China's own illiberal, Leninist political system but also from historical circumstances, most notably its claim to Taiwan, that have given it a traditional and distinctly noninterventionist worldview. In the 1990s, for example, when the United States used military force in Panama, Haiti, and the Balkans, China's concern with its own territorial disputes bolstered its opposition to intervention by Western powers. That position soon hardened into broad resistance to the use of established

institutions to carry out liberal interventions when, in 1999, the United States intervened in the Balkans again but this time bypassed the UN Security Council, where China could have wielded its veto, and instead relied on NATO to legitimize the mission. This divergence between Chinese and Western views has hindered U.S.-Chinese cooperation, notably in Iraq and Syria.

Second, although China has joined, and become an increasingly active member of, existing groups and pacts, it has also tried to diversify the system by supporting competitors to them: it has endorsed a handful of parallel structures, such as the BRICS group of major emerging economies (Brazil, Russia, India, China, and South Africa), which launched annual summits in 2009 and has formed a development bank and a contingency reserve fund.

The AIIB exemplifies this dual approach. The bank's formation was a clear statement of Beijing's discontent with what it saw as the failure of the current system to reform and embrace a larger Chinese role fast enough, as well as a warning that China has the capacity and will to work outside it. And yet China did not abandon the old institutions: it remains the third-largest funder of the AIIB's closest competitor, the Asian Development Bank, and is increasingly active in the World Bank. Moreover, China focused its discontent on an area where these banks had proved to be inadequate. In 2016, the ADB predicted that funding for infrastructure in Asia would require nearly \$1 trillion a year until 2020, of which governments could supply only about 60 percent. So Beijing could argue persuasively that the AIIB complemented, rather than threatened, the current system.

This strategy is best described as portfolio diversification, whereby Beijing expands its institutional options in order to serve multiple goals. It seeks to hedge its commitment to Western-led groups lest they fail to accommodate China's interests or turn against China, gain leverage to demand faster and deeper reforms to existing structures, "democratize" international governance by establishing groups not led by the G-7 industrialized democracies, put Washington on notice that Beijing can and will seek alternatives if its calls for change are ignored, and get things done in areas, such as infrastructure funding, where efforts by the United States and existing groups have been inadequate.

The third challenge for Washington has been Beijing's expectation that its own increased role will naturally reduce the influence of smaller European democracies. China is the world's largest trader, manufacturer, and emitter of carbon and boasts its second-largest economy. Since global economic and environmental problems cannot be solved without its participation, the only way to make existing institutions functional, Beijing argues, is to make them more representative.

For Washington, however, rebalancing power in this way poses an uncomfortable tradeoff between liberalism and effectiveness. The more Western-dominated an institution, the more likely it is to have a liberal bias, but the less representative—and perhaps less functional—it will be. One example of this is the International Energy Agency, initially a group of the world's major oil consumers, whose membership and the voting shares of whose members have largely been frozen since the group's founding in 1974. As a result, it does not include China or India,

the world's first- and third-largest energy consumers, respectively (although China has signed an association agreement with it, and the group has a program of cooperation with India), and it gives outsize weight to small European states that were major oil importers in the 1970s but no longer are. The result is a less functional institution on issues such as the coordination of stockpiles and technical standards.

### **A MORE INTEGRATED ASIA**

But it is in Asia, not in global institutions, that the United States faces its toughest choices about how to respond to China's growing activism. Particularly since the Asian financial crisis of 1997–98, when the United States refused to bail out Thailand and the IMF's rescue conditions were viewed across the region as too harsh, several countries, not just China, have promoted regional structures in Asia that exclude the United States. Resisting these threats to U.S. influence will be tough for Washington because they have deeper roots than just rising Chinese ambition. In fact, the region has a long tradition of pan-Asian ideas, negotiations, and pacts, even among countries that are U.S. allies and deeply suspicious of China.

Take Japan. Since Tokyo views the rise of Chinese power with deep distrust, some have argued that it and the United States should lead an effort to counter China's supposedly new pan-Asianism. But Japan itself has promoted pan-Asian ideas in the past. It was Japanese officials who, in 1997, suggested the establishment of an Asian monetary fund to fight future financial crises, a proposal that helped give rise to today's Chiang Mai Initiative, a system of bilateral currency

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swaps among Southeast and Northeast Asian countries intended to serve a similar purpose.

The main pan-Asian alternative to U.S.-led trade initiatives, the Regional Comprehensive Economic Partnership, is also not a Chinese idea. Ever since RCEP has become the principal competitor to Washington's preferred trade pact, the Trans-Pacific Partnership (TPP), U.S. officials, including President Barack Obama, have portrayed it as a Chinese vehicle—an example of Beijing's attempts to "write the rules" of the region in opposition to the United States. But the story is not nearly so simple. RCEP was largely a Southeast Asian initiative and includes countries—Australia, India, Japan, and Vietnam—that are among the most skeptical of Beijing's motives in Asia. In fact, around half the countries that are involved in the TPP negotiations are also involved in RCEP. The most likely prospect, then, is that if the United States fails to ratify the TPP, these countries will jointly write new pan-Asian rules, not accept ones dictated by China.

It is also worth noting that China often succeeds at its efforts to reform global institutions and build pan-Asian groups because its demands mesh with those of India, an increasingly close U.S. partner. For example, India helped found the AIIB and now ranks as its second-largest shareholder. Despite their suspicion of Chinese power, officials in New Delhi tend to agree that new forums act as a needed counterweight to unrepresentative global institutions. Like China, India is not content to live in perpetuity in architecture largely built by the West.

China's pan-Asian initiatives also gain traction by borrowing and adapting ideas that have long been advocated by others,

including the United States. A prominent example is China's ambitious Belt and Road infrastructure program. Since President Xi Jinping launched it in 2013, this multibillion-dollar effort to connect Asia by building new roads, rails, ports, and power lines has been portrayed as an attempt to make the rest of the continent dependent on China's economy. But the notion of regional connection is no Chinese invention. Many countries, including India, Japan, Singapore, South Korea, and even the United States have helped build or finance such links across Asia. For example, it is Japan, not China, that is financing the Delhi Metro and the Delhi–Mumbai Industrial Corridor, a \$90 billion high-tech industrial zone and freight route connecting India's political and economic capitals. And it was not Beijing but U.S. Secretary of State Condoleezza Rice, the World Bank, and the ADB that pressed for the development of Central and South Asian roads and power lines in the middle of the first decade of this century.

What this means for Washington is that it need not view initiatives such as the AIIB or the Belt and Road as undermining U.S. efforts. But it does mean that Asian economies are increasingly looking to one another, rather than the West, for investment and economic cooperation. The likely result is that by the 2030s, Asia will more closely resemble the integrated continent that existed before the United States' arrival—more "Asia" than "Asia-Pacific"—than the one U.S. policymakers have grown accustomed to since the end of World War II.

## **THE BEST DEFENSE**

Adjusting to this new reality ranks among the principal strategic chal-

lenges Washington faces in Asia. So far, however, it has adapted badly to China's global role and especially to its new pan-Asian initiatives. Washington can and must do better. For one thing, U.S. policymakers need to pick their fights more carefully. There will be many contests of wills in the years to come over regional and global order, and so Washington will have to exercise discretion. In the case of the AIIB, for instance, the United States contested a major Chinese initiative in an area where existing structures were clearly insufficient and Washington itself offered no alternative U.S.-centered model. In doing so, it turned China's multilateral proposal into a bilateral test of wills that it was almost certain to lose: it had no real leverage over Beijing and badly misread sentiment among its allies.

Another lesson is that the United States should not force its allies into a binary choice between Beijing and Washington on issues that are not vital to U.S. national security or to the national security of its allies. In the South China Sea, where China is challenging maritime law and customary practice, such pressure is necessary. But China's financing of a commercial railway or power line is not a comparable threat.

And ultimately, the United States needs to be clear-eyed about where its vital interests dictate that it get more skin in the game. Trade is the best example of an area where it should. With the election of Donald Trump, the United States seems almost certain to abandon the TPP. So Washington should expect Asian countries to fill the vacuum and write their own rules. To be sure, U.S.

business will remain crucial in Asia; U.S. companies have invested more than \$200 billion in Southeast Asian countries alone. But what is at stake is not business but rules, norms, and standards. Washington will lose influence over regulations governing investment, technology standards, labor, and environmental practices.

What the United States should be encouraging is a liberal, open, market-based economic order in the region. And the TPP by itself would not have been enough, in any case. Rather than abandoning the deal, Washington should be supplementing it, by negotiating bilateral investment treaties with China and India to open up their economies to U.S. firms and to support economic reformers in both countries; pursuing public-private partnerships to get U.S. businesses involved in infrastructure development across Asia; striking specific agreements to open up markets in the service and technology sectors, where the United States excels; and seeking new pacts in areas such as fishing and environmental standards for China's Belt and Road project. Doing so would mean that Washington was helping set the agenda, not merely reacting to Chinese proposals.

But the use of this form of U.S. economic statecraft now seems likely to wane. Thus, as its influence declines, the United States must find ways to rely more on its allies to act as a counterbalance to China where the United States cannot or will not do so itself. In Thailand, for example, Japan's sway has grown as Washington's has receded because of Tokyo's consistent pursuit of investment partnerships and political engagement with the military junta in Bangkok.

The final lesson is that the international system cannot function unless it incorporates the largest and fastest-growing countries. If it fails to adequately include China, India, and other emerging economies, they will simply turn elsewhere. That means formal European and, to a lesser extent, U.S. influence in most international institutions will have to shrink in the years ahead. So if the United States is to preserve the system's liberal tilt, it will need to rely more heavily on informal means. That will entail creating ad hoc groups of states to work on specific issues outside the system's formal architecture and extracting more from China in exchange for accommodating its growing stature. The recent decision to accede to Beijing's demand that the yuan be included in the IMF's Special Drawing Rights, a basket of major reserve currencies used by the fund, provides an example of how this could be done. If, instead of agreeing outright, Washington and the IMF had insisted on breaking the process up into successive steps, each pegged to specific reforms of China's capital markets, they could still have brought China into the system while also bolstering China's own economic reformers.

China will no doubt continue to propose initiatives similar to the AIIB that leverage the country's strengths. It makes no sense for U.S. officials to respond by wringing their hands. In addition to the advantages that its position at the geographic heart of Asia confers, China can deploy trillions in state-backed finance, something the United States cannot do. To reject every Chinese initiative outright, then, would require Washington to fight both

geography and economics. And doing so would cause it to miss opportunities to work with China—for example, in Central Asia, where U.S. interests align more closely with China's than with Russia's.

The bottom line is that Washington spends far too much time and energy reacting to China's moves. Instead, it should be active and exploit U.S. strengths, such as technology, innovation, and connections to global capital markets, as it works with a diverse array of Asian partners to help balance China's growing influence. The best way to adapt to China's new activism is to mount a stronger offense, not play perpetual defense. 🌐

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# Will Washington Abandon the Order?

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## The False Logic of Retreat

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*Kori Schake*

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*Retreat and Its Consequences: American Foreign Policy and the Problem of World Order*  
BY ROBERT J. LIEBER. Cambridge University Press, 2016, 152 pp.

*The Big Stick: The Limits of Soft Power and the Necessity of Military Force*  
BY ELIOT A. COHEN. Basic Books, 2016, 304 pp.

Should the United States commit its unrivaled power to spreading democracy and cementing Washington's leadership of the liberal international order that has provided decades of stability and security but has come under increasing strain in recent years? Or would U.S. interests be better served by less American intervention in world affairs—and, in particular, by less exertion of U.S. military force? Theorists and policymakers have argued over those questions for decades, especially since the end of the Cold War. During the past eight years, the Obama administration has changed the terms of the

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debate by pursuing a strategy of retrenchment. President Barack Obama has sought to reduce U.S. involvement overseas and has moved away from the interventionist strategy of preserving liberal hegemony, arguably shifting closer to something resembling “off-shore balancing.” And President-elect Donald Trump could take U.S. foreign policy even further in that direction. That approach was recently advocated in this magazine by the political scientists John Mearsheimer and Stephen Walt, who argued that “instead of policing the world,” Washington should “encourage other countries to take the lead in checking rising powers, intervening itself only when necessary.”

Obama does not use the terms “retrenchment” or “offshore balancing” to describe his strategy. However, he has made it clear in interviews with journalists and in his public remarks that he believes he has initiated a historic shift in Washington's engagement with the world, liberating his administration from the orthodoxy of a foreign policy establishment that is hobbled by groupthink (“the Blob,” as one of Obama's closest advisers called it last year) and that has led the United States into a morass of financially and morally costly overcommitment.

Robert Lieber and Eliot Cohen are two eminent voices of that establishment. Both have recently published important books that assess Obama's approach and find it wanting. Both land devastating blows against the president's policies and the assumptions and ideas on which they are based. And both seek to persuade Americans to reconsider the advantages of more actively exercising U.S. power and military force. Lieber, a

political scientist and professor of government and international affairs at Georgetown University, takes aim at Obama's belief that conciliation with U.S. adversaries would "produce a benign change in their policies" and Obama's assumption that if the United States stepped back, its allies would step up and take more responsibility for the upkeep of the liberal order. In his illuminating book, Lieber relentlessly arrays evidence showing those premises to be faulty and concludes that as a result of Obama's choices, the United States now faces "a far more dangerous and disorderly world," in which the country's adversaries are emboldened, its allies enfeebled, and its credibility in tatters. Retrenchment, Lieber convincingly argues, has proved costlier than sustained engagement.

Cohen is a professor of strategic studies at Johns Hopkins University and served as a high-level State Department official during the final two years of the George W. Bush administration. His more discursive but no less insightful book pushes back against another feature of Obama's view of U.S. foreign policy: the president's deep skepticism about the ability of U.S. military force to achieve meaningful or lasting political objectives. Cohen provides a clear-eyed review of the wars launched after the 9/11 attacks against the Taliban, al Qaeda, and Iraq and reaches a number of "dismal conclusions" regarding the flaws they revealed in U.S. strategy. But he also points out some less frequently acknowledged achievements of those wars, places the conflicts in the context of the long sweep of U.S. military history, and warns that Washington should not overlearn the lessons they offer. He goes on to detail

the numerous and durable advantages the United States continues to enjoy over its adversaries and to explain why robust applications of "hard power" will remain vital to confronting the threats the United States will face in the decades to come: a growing rivalry with China, an aggrieved and assertive Russia, aggressive middle powers such as Iran, jihadist terrorism, and risks to the global commons, including cyberspace.

To judge from Trump's campaign, the president-elect is less likely to adopt Lieber's and Cohen's policy prescriptions and more likely to retrench further: moving away from defense alliances and trade agreements, allowing China and Russia to increase their influence in their neighborhoods, disengaging from nation building, and scaling back efforts to influence the domestic policies of other countries. But presidents very often change direction once invested with the responsibility of governing: Obama, for example, wound up sticking with some of the Bush administration's most controversial counterterrorism policies. Trump is notably nonideological and might wind up embracing a more interventionist approach if doing so seems to be a pragmatic choice.

#### **RETRENCHER IN CHIEF**

Both Lieber and Cohen point to the long shadow cast by the Iraq war. When Obama first ran for president, in 2008, his early opposition to the U.S. invasion of Iraq and his pledge to end the war quickly were the defining features of his national security platform. Those positions didn't make all the difference in his 2008 general-election matchup against Senator John McCain, on whose campaign I worked; the financial crisis, for



*Handover: Trump and Obama in the Oval Office, November 2016*

one, likely played a larger role. (Polling averages showed McCain leading in early September, prior to the collapse of Lehman Brothers.) But Obama's views on Iraq made a huge difference in the Democratic primary campaign earlier that year and helped him edge out then Senator Hillary Clinton, who had voted to authorize the invasion.

Once in office, Obama made it clear that his commitment to retrenchment extended much further. Time and again, he sought to limit or reduce U.S. involvement in conflicts overseas, even when circumstances changed in ways that led many—including some of his closest national security advisers—to advocate a more robust use of force. For instance, in 2012, as the Syrian civil war grew ever more brutal and threatened to destabilize the entire Middle East, some members of Obama's team—including Secretary of State Clinton and CIA Director David Petraeus—pushed to increase U.S. covert support for rebel groups fighting the

regime of Bashar al-Assad. But Obama demurred, skeptical that such efforts could make much difference and fearful of another Middle Eastern quagmire. In cases in which Obama did turn to military force, he was generally responding to resurgent threats rather than addressing new ones—for example, by increasing the number of U.S. troops fighting in Afghanistan in 2009 and by conducting a campaign of air strikes against the Islamic State (also known as ISIS) after the group seized territory in Iraq in the wake of the U.S. withdrawal. And in cases in which he did opt for military action when faced with a new threat, he declined to take the helm: in 2011, when NATO chose to intervene in Libya to prevent an impending massacre, Obama encouraged Washington's European allies to take the lead.

Later that year, *The New Yorker's* Ryan Lizza quoted an unnamed Obama adviser describing this approach as “leading from behind.” That term rightly earned much

derision but aptly summed up Obama's preferred posture, on which the president elaborated at length in an interview with *The Atlantic's* Jeffrey Goldberg, published in March 2016. Obama explained that he had tried to transfer more responsibility for regional security to U.S. allies and partners, reach agreements with adversaries that would eliminate potential sources of conflict, give precedence to diplomacy over military means, and "pivot" to Asia to check a rising China. Undergirding all these goals was a form of realism that emphasizes the limits of American power. As Obama put it:

I . . . believe that the world is a tough, complicated, messy, mean place, and full of hardship and tragedy. And in order to advance both our security interests and those ideals and values that we care about, we've got to be hardheaded at the same time as we're bighearted, and pick and choose our spots, and recognize that there are going to be times where the best that we can do is to shine a spotlight on something that's terrible, but not believe that we can automatically solve it. There are going to be times where our security interests conflict with our concerns about human rights. There are going to be times where we can do something about innocent people being killed, but there are going to be times where we can't.

Lieber faults the president for this kind of thinking, which has the effect of "narrowing the practical options" available to Washington by framing policy choices as "requiring either outright conciliation or war." For example, Obama has caricatured critics of his Syria policy as either uninformed or

proponents of a military campaign on the scale of the 2003 invasion of Iraq. But when it comes to the Syrian civil war and other conflicts, interventionists have not claimed that U.S. power will be cost free or that it will guarantee a durable solution. Rather, they believe that declining to bring American force to bear can prove even more costly than acting—and even less likely to produce a good outcome.

Obama's promise was that a more modest U.S. role in the world would lower the risk of terrorism by extracting the United States from places that tend to produce extremism, would strengthen U.S. allies by forcing them to fend for themselves more, and would foster a more self-regulating international order. But that is not how things turned out, as Lieber and Cohen both make clear. That is because retrenchment and offshore balancing can affect only the external actions of states. Such strategies do little to shape how foreign governments rule—which matters to the United States because in an intensely interconnected world, conflicts within states produce as much instability as conflicts among them. By retreating from the mission of advancing democracy and protecting individual rights elsewhere in the world, Obama made it more likely that misrule in other countries would make the United States less safe. Obama seems to believe that the lesson of Iraq and Libya is to never intervene, rather than to learn how to intervene better, as the United States did in northern Iraq after the Gulf War, in the Balkan wars in the 1990s, and in Colombia's struggle against insurgents during the past two decades.

## **THE OFFSHORE ACCOUNT**

It's difficult to discern what lessons Trump believes Washington should learn from recent interventions, or how those experiences will influence his approach to the use of American power. Some observers have floated the possibility that Trump will push the United States even closer to full-fledged offshore balancing than Obama has. At times, Trump has suggested that he might reduce the U.S. commitment to NATO and make Washington's cooperation with its allies more nakedly transactional, or that he might give Russia a freer hand in eastern Europe and Syria. The weaknesses of such an approach would become clear soon enough. In their pitch for offshore balancing, Mearsheimer and Walt noted that "today's 'global village' . . . is more dangerous yet easier to manage" than the international system was in earlier eras. That is true, but today's dangers are more manageable only because Washington has sustained a high level of commitment to the liberal order over many decades and has worked in close concert with its allies to manage threats as they have emerged.

Advocates for offshore balancing also claim that the strategy would be more cost effective than liberal hegemony. It's true that under the status quo, Washington pays to maintain forward-deployed military forces and bankrolls the institutions of the liberal order. But offshore balancing would also incur major costs, by forcing Washington to respond quickly whenever problems arose. It takes a great deal of money and effort to quickly build up and deploy military forces, to recruit ad hoc allies, and to forge a common strategy.

There is no question that U.S. allies should do more to provide for their own

security. But it's not likely that they will see trouble coming and quickly respond. As Lieber shows, in crises as urgent and diverse as those that broke out in Bosnia and Rwanda in the 1990s and in Libya, Syria, and Ukraine more recently, regional actors and international institutions failed to act in the absence of active and immediate American management. Cohen makes this point as well, arguing that when dealing with crises and emergent threats, "strategists should build in a large and explicit margin of error." Liberal hegemony harnesses American power to do just that; offshore balancing, by contrast, would offer fewer buffers against surprise.

Finally, offshore balancing takes for granted that, left to their own devices, U.S. allies will always choose strategies that align with American interests. That, too, has not been borne out in recent years. As the United States has retrenched, it has not inspired U.S. allies to confidently push back against assertive challengers. They have appeased aggressors instead: think of the Philippines' recent talk of accommodating China in the South China Sea, or the fraying of EU solidarity with Georgia and Ukraine in the face of Russian aggression.

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

Even though the shortcomings of retrenchment and offshore balancing are clear, the concepts maintain a good deal of political appeal in the current populist moment. The American public seems to have soured on the idea of an active, interventionist foreign policy and has turned on the elites who have backed that vision for decades. But Cohen keeps the faith: he believes that in most cases, Washington has chosen perfectly good strategies but executed

them badly. If liberal interventionists (among whom I count myself) want to win another hearing, we must take blame for the objectively bad outcomes in Afghanistan and Iraq and admit, as Cohen forthrightly does, that the invasion of Iraq wasn't just badly executed but also a bad idea.

We also must make a more persuasive forward-looking case. Surveys that YouGov conducted in 2013 and 2014 for *Warriors and Citizens*, a volume that I edited with Jim Mattis, showed that the American public remains surprisingly open to the kinds of specific policies that Lieber and Cohen advocate. But their support depends on elected leaders' making a persuasive case that intervention is in the United States' best interest and proposing plans that seem likely to solve the problems at hand.

Consider how Obama broached a plan to attack Syria in 2013 after the Assad regime used chemical weapons, crossing a "redline" that Obama had earlier laid down. Obama had been arguing for the prior two years that the United States should stay out of Syria and that military intervention would achieve little; now he was advocating what critics derided as "pinprick strikes," which seemed wholly incommensurate with the threat he described and with the nature of the conflict in Syria. The president claimed his room to maneuver was constrained by public opposition. But he himself had helped encourage that opposition by casting doubt on the wisdom of intervening.

Trump should take heed of that dynamic. His campaign rhetoric suggested a desire to step back from existing alliances along with a preference for using military force in the

form of so-called stand-off weapons, thus staying far from the field of battle, and mostly as a punitive tool, avoiding the messiness of long-term interventions. Once in office, however, Trump might find it better to frame his ideas differently in order to give himself more flexibility.

But even without changing how he talks about foreign policy, Trump will already enjoy some room to maneuver. His unwillingness to criticize Russian President Vladimir Putin during the campaign might allow Trump to cajole Russia away from provocative aggression; he can speak as a friend rather than as a scold. Meanwhile, his apparent desire to undo or renegotiate the nuclear agreement with Iran might make it easier for him to improve relations with Washington's Middle Eastern allies—many of whom remain profoundly ambivalent about the deal. Trump could reassure U.S. allies rattled by his win by explaining that Washington trusts their judgment and will support their leadership on regional problems. He could praise the strength of U.S. allies in Europe rather than denigrate their abilities, as Obama has sometimes done. And Trump could increase defense spending by arguing that a stronger military will require less use of force.

Every new U.S. presidential administration presents an opportunity to reconsider foreign policy. The new president need not threaten the liberal international order in making some adjustments that would create more common ground with adversaries and others that would reassure allies. Only time will tell whether Trump will be able to find that balance. 🌐

# ESSAYS

*The result of recent financial reforms is that the U.S. economy is less vulnerable to a modest crisis but more vulnerable to an extreme one.*

*—Timothy Geithner*



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# The International Criminal Court on Trial

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## A Conversation With Fatou Bensouda

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**T**he quest for a permanent global court to try perpetrators of the world's worst crimes began as early as 1872. But it was only in 2002 that the International Criminal Court, a standing tribunal now backed by 124 states, finally came into being. Ten years later, in 2012, Fatou Bensouda was sworn in as the ICC's second chief prosecutor. A former deputy prosecutor at the court, Bensouda had also served as minister of justice in her home country of Gambia and worked at the International Criminal Tribunal for Rwanda. In November, she spoke with *Foreign Affairs'* deputy managing editor Stuart Reid in New York.

**Seven decades after Nuremberg, how far has the world really come in terms of prosecuting crimes against humanity?**

Very far. After those trials, you've seen the establishment of the ad hoc tribunals of Rwanda, the former Yugoslavia, Sierra Leone, and East Timor to try atrocity crimes. But one of humanity's proudest moments should be the creation of the ICC. It is not an ad hoc tribunal. It's a permanent international judicial institution with the mandate to try war crimes, crimes against humanity, and genocide. This really shows the resolve of the international community to say that accountability

matters, that those who commit these crimes should be held to account.

The ICC is also the first permanent institution at the international level looking towards the victims. This is the promise of the ICC: that the victims of atrocity crimes will see that justice is done.

**What are the ICC's greatest accomplishments?**

First, the existence of the court itself as an independent and impartial institution is an important achievement. But also, just recently, [the Malian jihadist Ahmad al-Faqi] al-Mahdi was tried for the destruction of cultural property in Timbuktu. He has pled guilty and been sentenced. This is the first time that any permanent institution has been able to do this.

A lot of work is also being done at the court with regard to sexual and gender-based crimes. In most of the cases that are before the ICC judges now, we have brought charges for sexual and gender-based crimes. My office wanted to lend emphasis to this very serious crime. In the coming weeks or so, I'm going to launch another policy, on children affected by armed conflict. All atrocity crimes are serious. But for some, we need to show that wherever they occur and we have jurisdiction, we will highlight them.

Also, just recently, Jean-Pierre Bemba, a former vice president of the

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This interview has been edited and condensed.

Democratic Republic of Congo, has been charged as a military commander for the crimes committed by his troops [in the Central African Republic in 2002–3]. The judges found him guilty. It sends a very strong message that commanders can be held liable for failing to give the right orders to their troops and allowing these crimes to happen, even if they are not [on the battlefield] themselves.

**What are the biggest disappointments?**

First, the court is still in its infancy. But perhaps one of the things that I regret about the court—and I don't even know whether I want to call it a regret—is the various challenges that it is being subjected to with respect to cooperation, witness interference, and attempts to politicize the court. Also, there is the issue of not having the resources we need. My office, which is the engine of the court, has had to stay some cases and deprioritize some cases.

Côte d'Ivoire is an example I like to give. I have wanted to start the case on the other side of the investigation. [In investigating the post-election violence that the country experienced in 2010–11, the ICC has brought charges against the former president, Laurent Gbagbo, and his allies but not against supporters of the incumbent president, Alassane Ouattara.] But mainly because of resources, I have had to put it on the back burner. We've of course started our investigation into the other side, but it could have happened earlier.

**Some have put the amount of money that the court has spent since its creation at \$1 billion. Why is it so expensive? And is there anything that can be done to make it more efficient?**

When investing in justice, nothing is too expensive. The court has been set up to

investigate very complex situations. It has even sometimes investigated ongoing conflicts, which requires us to take extra precautions and ensure that the investigation is done in a fair, impartial, and effective way. I don't agree that the court is an expensive venture. We're just investing as much resources as are needed to do the work we have been set up to do.

**The ICC has indicted 32 people for genocide, crimes against humanity, or war crimes but secured just four convictions. Why the low success rate?**

I would not call it low. Given the length of time the court has existed, the results it has produced so far are fair. We have had our setbacks. We have had our challenges in prosecuting these cases. Consider the very complex nature of the investigations. Even proceedings at trial take time. Still, we have been investing a lot in how to make the proceedings more efficient. Sometimes, it's completely beyond our control. For instance, in the Kenya cases [concerning post-election violence in 2007–8], there are issues of interfering with witnesses, issues of cooperation, issues of obstructionism, in particular.

**How serious a problem is witness tampering, and what can be done about it?**

In almost all the cases that we're handling now, we see this phenomenon rearing its ugly head. We have been taking steps to ensure that it doesn't happen. We have been able to secure the conviction of five people in the Bemba case for witness tampering.

In the Kenya cases, three people have already been indicted for interfering with witnesses. Arrest warrants have been issued against them. But Kenya, which has the obligation to surrender them, is

not doing that. In the Kenya situation, what we have seen was really unprecedented. The level of witness tampering and obstructing the court has resulted in either having to withdraw the case, as I did in the Kenyatta case [against Kenya's president, Uhuru Kenyatta], or one of the judges declaring a mistrial, as in the Ruto case [against Kenya's deputy president, William Ruto].

We are doing what we can. We have been able to bring these [witness-tampering] charges. But for that, you need extra resources, because the resources we have are really to do our core business: investigate and prosecute.

**One criticism of the ICC is that it relies heavily on the cooperation of states. As a result, incumbent politicians who commit crimes have little chance of facing justice if they stay in power, creating a sense of victor's justice and giving incentives for leaders to cling to power. Is this a legitimate problem? Can it be overcome?**

States have decided to create this independent institution to stand for accountability and to push back against impunity for atrocity crimes. It is a voluntary act. This institution is a court. But it's also a system that we have decided to create. The institution does the judicial work, but each of the states that have ratified the Rome Statute has given an obligation to cooperate with the court.

This institution was created without an army or police. But the army and the police of all the states parties to the Rome Statute have the obligation to assist the court. This demonstrates the resolve of the international community, because giving this institution the mandate to investigate and prosecute is almost like giving up part of your sovereignty. Some people argue

that the ICC should have a police force. But even if we created an international force, it could not just go into any sovereign state and say, "I'm arresting this person."

**Syria is one of the world's most tragic human rights disasters at the moment, but the ICC seems unable to touch it because the permanent members of the UN Security Council will never agree to refer the case to the court. Is there anything the ICC can do in Syria?**

To understand the jurisdiction of the ICC, know that we investigate when these crimes happen on the territory of a state party or are committed by a national of a state party. In the case of Syria, we don't have territorial jurisdiction because Syria is not a state party.

What I have been looking at closely are nationals of states parties who are among the ranks of ISIS [also called the Islamic State] and are involved in the commission of these crimes. I have been requesting more information from states whose nationals are part of ISIS. I'm asking whether they are investigating, whether they are prosecuting, and what information can be shared with us so we can take the next steps. This is pretty much the only way in which the ICC can look at Syria. What we have seen so far, though, is that among the top echelons of ISIS, it's nationals of Syria or Iraq, and both states are not parties to the Rome Statute.

**Because a UN Security Council referral requires all five permanent members to vote in favor, doesn't that mean that the court will inevitably focus on smaller cases and countries, undermining both its scope and its legitimacy?**

First, under the Rome Statute, there is

a provision that the UN Security Council can refer cases to the ICC, but a referral does not automatically mean that the ICC will take the case. In all situations where we're intervening, I do an independent assessment as prosecutor of whether or not to move forward with the case. And the same criteria that we apply to those situations also apply to a referral from the UN Security Council.

Recall the reason why the UN Security Council has this power under the Rome Statute. I believe that the wise negotiators of the Rome Statute wanted to allow referrals in situations where a particular state is not a party to the Rome Statute and these crimes are taking place. Even though a state is not a party, the UN Security Council can, in the interest of peace and justice under Chapter VII of the UN Charter, refer this situation to the ICC. With respect to [the fact that a referral from the UN Security Council requires the support of the five permanent members], the ICC's net can be cast much wider than just among its state party members. In instances where crimes have been committed on the territory of a state party by nationals of non-ICC-member states, we do have jurisdiction. A case in point is Georgia [where the ICC has opened investigations into the 2008 war with Russia, which has withdrawn its signature from the Rome Statute]. I've already said that we're going to look at the conduct of all the parties who were involved in that conflict. Likewise, in Afghanistan, we can look at the conduct of the Taliban and the national government, but also of the international forces. So this net can be cast much wider than just among states that have ratified the Rome Statute.

**So far, however, the ICC has cast its net exclusively in Africa. Can and should**

**the ICC do more to seek out non-African cases? Are you worried about the perception of an Africa bias among African people and governments?**

This accusation is not backed by the relevant facts. Much time and money has been spent to have that rhetoric all over that the ICC is only concentrated on Africa. This is not correct. We have been conducting preliminary examinations outside of Africa for some time now, in Afghanistan, in Colombia, in Palestine, in Ukraine.

You also have to look at how the cases in Africa got to the ICC. In most cases, it is African states that have sought out the ICC to get it to investigate atrocity crimes that they claim they are not able to. It has not been the prosecutor using *proprio motu* powers [to investigate on his or her own volition]. In fact, last month, we had a referral from Gabon. So the narrative that the ICC is biased against Africa is not matched by what is actually happening on the ground.

Unfortunately, this narrative is gaining traction because some people are very much interested in it, and they have spent time and money to ensure that it looks like the ICC is only going after African leaders. But I bring it back to the victims. In the situations where we are investigating and prosecuting in Africa, the victims are African. They deserve justice.

**One of the people making arguments about the ICC's supposed Africa bias is Yahya Jammeh, the authoritarian president of Gambia. You served as his justice minister. Do you regret your time in his government?**

Not at all. It was a call to duty from my state, and I rose to the challenge. I don't have any regrets that I served my people first and foremost. My record is clear. I

tried to give it my best, to contribute to the rule of law and justice in my country, and I think I did.

**But his government is highly repressive, and by the time you served, he had already taken power in an illegal coup. Did none of that give you pause?**

Well, look, I remember that when President Jammeh took power, the military government was allowed after two years to become a civilian government and go through elections. We elected a constitutional government, and I served in that government. I also served in the previous government—maybe not in that high a position, but I served.

**Along with Gambia, Burundi and South Africa have announced their intention to withdraw from the court. Why are they doing this? Do you fear more defections?**

When I speak about this, I like to talk about it as an African—as an African who, like many other Africans, cares about justice and accountability. Something like this is setting the continent back.

We have seen the role that the African continent played in establishing the ICC. African states were also the first to refer cases to the ICC. Those acts were demonstrations of leadership by Africa. At this moment, when the continent is so plagued with conflicts and wars, we should be looking for ways to strengthen our stance on the rule of law, on justice, on accountability. To not do anything, that is taking away from that strong position that Africa has always had.

Despite these withdrawals, I continue to maintain that we are receiving a lot of support and commitment from African states. I really welcome the statements from some African leaders

saying they're renewing their commitment to the ICC. It demonstrates that there are still many countries on the continent that are committed to the rule of law.

**Do you think there's anything that you or the court can do to stop the exodus?**

Definitely. I believe we need to talk to one another, have a dialogue. But we also have to realize that the court is not all about the prosecutor. It is states that have created this institution, and it is states that should step up to ensure that the court is supported.

**How important is it that the United States ratify the Rome Statute and join the ICC?**

**Do you think that will ever happen?**

I think that every state should be part of the ICC. I believe that we should increasingly aim for universality. States that are already in should try to bring more and more states to join the Rome Statute, because this idea of a double standard would be much reduced if the ICC had more members. Notwithstanding, I believe the court is working and will continue to work.

**What's your hope for what the court will look like, say, 15 years from now?**

I envisage that the ICC will have demonstrated a strong, independent, and impartial court system. I envisage an institution that is very well respected in all corners of the globe. I envisage an institution that the victims can look at with hope, as an institution that will stand by us, that will ensure that we have justice and accountability when we suffer. 🌍

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# Are We Safe Yet?

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## How to Manage Financial Crises

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*Timothy F. Geithner*

**T**he 2008 financial crisis was the most damaging economic event since the Great Depression, for both the United States and much of the global economy. Although the U.S. economy emerged from it more quickly and in better shape than many other economies did, the crisis imposed tragically high costs and left deep economic and political scars. To help prevent another crisis, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010. These and other reforms have added a considerable margin of safety to the U.S. financial system.

But how safe is that system today? The answer is important, because although the United States may not face a major crisis anytime soon, it is certain to at some point. The choices policymakers make in advance of that event and in the moment will have a major impact in determining the magnitude of the economic damage. Indeed, the U.S. financial system's vulnerability to a crisis depends not only on the strength of the regulation designed to prevent one but also on how much freedom policymakers have to respond when prevention fails. It's just as in medicine, where the public's health depends not just on immunizations, nutrition, and checkups but also on hospitals, surgery, and emergency care.

Determining whether the system is now safer requires looking at three different dimensions of the question. The first involves trying to assess the underlying fragility of the system today. How much dry tinder, so to speak, is there in terms of short-term liabilities, and how much privately owned capital is available to absorb losses in an economic downturn? The second involves the ability to limit the intensity of a crisis. How much fiscal capacity does the government have to cushion a fall

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in private demand, and how much monetary scope does the Federal Reserve have to lower interest rates? The third dimension has to do with the other powers necessary to prevent a financial crisis from spiraling out of control. What emergency firefighting tools can policymakers use in the midst of a crisis?

Taken together, these three dimensions of safety offer reason to worry. Although regulations have reined in banks' risk-taking behavior, they can go only so far. Fiscal and monetary policy are more constrained than they have been for decades. And the government enjoys even less emergency authority than it did before the crisis. The result is that the U.S. economy is less vulnerable to a modest crisis but more vulnerable to an extreme one.

### **INHERENTLY FRAGILE**

It's important to understand why financial systems are so vulnerable to crises. First, and most important, they are inherently prone to panics and runs. This results from a core function of banks called "maturity transformation," in which they accept deposits and lend those deposits out for long periods of time to finance homes and businesses. Maturity transformation is a valuable feature of the financial system, but it's also what makes it vulnerable to runs.

The danger is particularly acute in periods that see both large increases in wealth and optimistic beliefs about the economy—that the economy is safe, that risky assets will rise in value, that liquidity is freely available, and so on. This dynamic fuels demand for money-like short-term liabilities, such as bank deposits, and lowers the perceived risk of financing long-dated illiquid assets, such as bank loans. These short-term liabilities are dangerous because they are runnable, meaning that creditors can demand their money back at a moment's notice. And they account for trillions of dollars in modern economies. Runs present a sadly familiar set of perils when they happen to regulated and protected banks. They create more complicated perils when they happen to other types of financial institutions that are less regulated, as was the case in the United States before the 2008 crisis.

The second thing to understand is that systemic financial shocks, ones involving panics and runs, are fundamentally more dangerous than other types of financial shocks, such as the one-off failure of a single large bank, a stock market crash that is not accompanied by a broader fall in the value of risky assets, or the financial losses that

stem from a modest recession. Panics and runs are dangerous not so much because of the damage they do to individual financial institutions but because of their capacity to lead to a vicious spiral of fire sales and a contraction in credit that threatens the stability of the entire financial system and can push the economy into recession. The policies required to break panics and runs are fundamentally different from the ones that are appropriate in response to a typical idiosyncratic financial shock or a modest recession.

Panics, although scary and dangerous, don't inevitably end in economic crashes. Much of what determines the severity of the outcome is the quality of the policy choices made in the moment. When expected

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*Financial systems are inherently prone to panics and runs.*

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losses to the value of assets appear very large, there will be uncertainty about which party will bear those losses. This uncertainty can lead to a general reduction in funding for a broad range of financial institutions. That, in turn, can

force those institutions to liquidate assets at fire-sale prices, which, if used to measure the riskiness of assets across the system, will make large parts of the financial system appear to be insolvent. This dynamic is not self-correcting. Left unchecked, it will simply accelerate.

Nor are the dynamics of contagion fully knowable in advance. To paraphrase Ernest Hemingway, runs happen gradually, then suddenly. Their characteristics and severity depend on how things evolve in the event and on what policymakers do in response. What matters most are not the first-round effects of direct losses from the defaults of the weakest firms or even the linkages among those firms. Rather, what drives contagion is an increase in the perceived risk that a large number of firms could fail. Although the degree of exposure varies across financial institutions, all are exposed to the risk of runs and to the perils of losses in a deep recession. This is why fiscal and monetary policy, and actions by the government to provide or guarantee funding, are so important. Once a run starts and the risk of financial collapse grows, the challenge is to break the panic by reducing the incentives for individuals to run from financial institutions and for financial institutions to run from one another. Otherwise, a broader collapse in the financial system becomes almost inevitable.

The third thing worth knowing about crises is that there is no way to protect the economy from a failing financial system without deploying



*Geithner and Obama with financial leaders at the White House, December 2009*

public resources—in other words, without temporarily substituting sovereign credit for private credit. No financial institution can insure itself against the equivalent of a 100-year flood: the collapse of the financial system or a great depression. When the system is in the midst of a panic, no private source of funding can match the cost or the scale of what the state can provide.

Policymakers can choose to let the panic play out, the financial system collapse, and the economy fall into depression. But if they want to avoid that outcome, they must recognize that only the government has the ability to offset the drop in private demand and preserve the functioning of the credit system necessary for economic recovery. Policymakers can wish this were not so. They can reduce the probability that a rescue is ultimately necessary. But they cannot eliminate the inherent fragility of the financial system, and they cannot escape the reality that its survival requires extraordinary intervention on the part of the state.

The inevitability of government intervention, of course, creates a moral hazard, whereby firms may take excessive risks, knowing that the government will bail them out if anything goes wrong. That's why regulations exist to constrain risk. And it's why it is so hard to find a balance between establishing a credible backstop in case of

emergency and avoiding the expectation that investors will be fully protected against loss.

The inherent fragility of the system does not mean that it cannot be made safer. A lot can be done, has been done, and can still be done. But in designing reforms, it's important to choose the objective carefully. The goal should not be to eliminate the risk of the failure of individual banks or large institutions. Failure has its merits. It's important for creating the right incentives, spurring innovation, and promoting efficiency. Rather, policymakers should strive to enhance the resilience of the broader financial system. Even when the system is under extreme stress, it needs to remain able to perform its basic functions of providing payment, clearing, and settlement services; offering credit; and transferring risk.

In other words, policymakers should try to build a system in which an idiosyncratic event does not turn into a systemic crisis. This means seeking not only to reduce the probability of financial distress but also to increase the probability that the real economy remains insulated from it. Against that standard, how resilient is the U.S. financial system today?

### **THE DRY TINDER**

There is no way to accurately measure the fragility of the financial system at any given time, but the history of financial crises suggests that the risks are greatest after long periods of optimism in which credit has grown rapidly relative to income and banks have taken on more risk. Given the role of manias in sowing the seeds of crises, it is worth starting with the reality that today, the memory of the global financial crisis still looms large. In a way, this should be reassuring. A world worried about the approaching abyss is safer than a more sanguine one, such as in 2006.

A combination of scars from the crisis and new regulation has diminished the threat of runnable liabilities, reducing the amount of dry tinder in the U.S. financial system. These days, a greater share of banks' assets is funded by deposits, which the federal government insures, thus reassuring people that they won't lose their savings if their bank collapses, and a smaller share is funded by unsecured debt: deposits now represent 86 percent of U.S. banks' total liabilities, up from 72 percent in 2008, and the Federal Reserve estimates that runnable liabilities in the United States have fallen by roughly 20 percent of GDP since 2008.

Moreover, the duration of the liabilities that banks hold is longer. When it comes to repurchase agreements, or repos—whereby dealers sell government securities to investors and agree to buy them back after a short time—the size of the market is smaller, the collateral much safer, and the amount financed overnight much smaller. Whole classes of risky funding vehicles were washed out in the crisis and have not reemerged.

Further reducing the risk of catastrophe, the postcrisis reforms have produced much stricter requirements for how much capital banks must have on hand and more conservative approaches to measuring the risk of a bank's assets. Capital requirements in the United States have risen to five to ten times their amount before the crisis. The quality of the capital that banks hold, now predominantly common stock, has improved greatly in terms of its ability to absorb losses. Under a new Federal Reserve rule, the major global banks face additional capital requirements, in effect

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*Financial crises cannot be forecast. They happen because of inevitable failures of imagination and memory.*

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forcing them to themselves take on more of the greater risk they pose to the rest of the system in the event of their failure. As a result of such requirements, U.S. banks have raised roughly \$500 billion in common stock since the end of 2008, bringing the total amount of equity capital in the banking system to about \$1.7 trillion. Today, the major U.S. banks could probably sustain losses greater than those experienced in the Great Depression and still have enough capital to operate.

Perhaps as important as the fact that capital requirements have grown in size is that they now apply more widely. Before the crisis, limits on leverage applied only to banks and, somewhat less effectively, their affiliates, which together accounted for about 40 percent of credit to the household and corporate sectors. No effective limits on leverage applied to the rest of the financial system, including investment banks; government-sponsored entities, such as Fannie Mae and Freddie Mac; money-market funds; and other financial institutions, such as the insurance corporation AIG.

Today, the largest investment banks are regulated as bank holding companies, subjecting entire institutions to higher capital requirements. Fewer financial firms fall outside that regulatory framework. The government now fully backstops the government-sponsored entities.

Money-market funds are subject to more exacting regulatory requirements. And major insurance companies that sold protection to the financial system as a whole and required bailouts in the crisis are smaller now and subject to some form of supervision.

Finally, the government enjoys new powers that can help it contain sources of systemic risk that arise outside of banks. These include the authority to extend regulation to nonbank financial institutions by designating them as systemically important, to regulate additional classes of financial activities that might give rise to systemic risk, and to impose requirements that reduce risk in derivatives, repos, and securities lending. Together, these stronger shock absorbers have enhanced the ability of major financial institutions to absorb losses, thus reducing the risk of contagious runs.

### **THE LIMITS OF REGULATION**

There are, however, less reassuring features of the financial world today. Although the new capital requirements seem large relative to the losses experienced in the 2008 crisis, those losses were limited by the scale of the fiscal and monetary response and by the government's success in breaking the panic relatively early. Had policymakers not had as much room to maneuver, the losses would have been much higher.

Over time, the new capital requirements and other limitations on banks have caused some financial transactions to shift away from banks and toward less regulated institutions. So far, this process is not that advanced in the United States. But it is inevitable that capital requirements, when they exceed what the market considers a prudent level, will push more risk outside the regulated financial system. Banks are dangerous, of course, but they are easier to stabilize in a crisis, so shrinking the market share of banks through regulation can leave the financial system more fragile in an extreme event. It's worth remembering how much financial activity migrated away from banks in the United States in the decades before the 2008 crisis, even with much lower capital requirements in place then. In periods of relative economic calm, even small differences between the amount of capital that regulations require and the amount that the market believes is necessary can incentivize financial service providers to move into less regulated sectors. Regulation can adapt, but it will always be behind the curve.

History also offers little reassurance about the value of capital requirements alone as protection against panics. In the five or so decades before the Great Depression, U.S. banks possessed much higher levels of capital, and yet the United States still experienced an appalling number of enormously damaging banking panics. These predated the modern Federal Reserve and deposit insurance, but they still serve as a reminder that creditors to banks can run, even when capital cushions seem large.

One final note of caution: there is no reason to be more confident about policymakers' ability to defuse financial booms or head off financial shocks preemptively. Central banks and international financial institutions have made huge investments in producing sophisticated charts aimed at identifying early warning indicators of systemic risks. But financial crises cannot be forecast. They happen because of inevitable failures of imagination and memory. Financial reforms cannot protect against every conceivable bad event. So it is important to recognize that the overall safety of the financial system—and the health of the broader economy—hinges on more than just the strength of financial regulation.

### **THE SHRINKING SPACE FOR POLICY**

A country's ability to limit the intensity of a financial crisis also depends on how much room for maneuver its fiscal- and monetary-policy makers enjoy. Today, that room has shrunk in most of the major developed economies. Public debt as a share of GDP has soared. The overnight rates at which central banks lend money have fallen close to zero, and in some countries, they have dipped into the negative. The costs of long-term government borrowing have also fallen to record lows. And credit spreads—the difference between government and corporate borrowing costs—have narrowed. In terms of their ability to raise spending and lower interest rates, governments have less ammunition.

As far as monetary policy goes, the experience with negative rates so far is not that promising. Many central banks fear that negative rates have hurt rather than helped the economy, and even those that believe they have helped worry that rates cannot fall much further before they start to backfire. On the fiscal side, almost all the major economies have less room for stimulus than before the crisis. And where there is still room, the political constraints on using it may

prove hard to overcome. The only remaining untried tactic is the more coordinated deployment of expansionary fiscal and monetary policy. Perhaps that will prove possible, and if so, perhaps the impact will be powerful. But it's hard to say.

The Federal Reserve, for its part, still has more room for maneuver in terms of monetary policy than other major central banks do. It could push long-term interest rates lower in a crisis. But even in mild recessions, the Fed has typically had to lower borrowing rates by three to five percentage points, and it does not have that room today.

The United States also has less fiscal capacity than it did before the crisis. From 2007 to the end of 2009, the debt-to-GDP ratio increased from roughly 35 percent to 75 percent, where it remains today. Most

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*Recent reforms in the United States have substantially weakened policymakers' emergency authorities.*

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of this increase owed to lower tax revenues caused by the recession and to the jump in spending that occurred as automatic fiscal stabilizers, such as unemployment benefits, took effect. These costs would have soared even higher in the absence of the stimulus package and the financial rescue. In fact, rather than costing the five to ten per-

cent of GDP that many expected, the rescue earned a modest positive financial return for the public. The stimulus was designed to be temporary and was quickly wound down. The federal deficit fell from its peak of ten percent of GDP in 2009 to around three percent, where it has stayed since 2014. Still, the debt-to-GDP ratio remains close to its postcrisis peak, and absent changes in policy, it will rise in the coming years.

The bottom line is that even though policymakers still have some remaining room to maneuver, they have much less than they did on the eve of previous economic downturns. There is no reassuring precedent for the present diminished state of the U.S. fiscal and monetary arsenal. The Fed has no experience navigating through a substantial shock to private demand without the ability to lower interest rates substantially and quickly. Most of the burden in responding to a crisis would therefore fall on fiscal policy, where the political constraints on action still seem daunting. The same story has played out in most advanced economies, and the implications are troubling. A shock could cause greater damage, last longer, and spread wider.

## **IN CASE OF EMERGENCY**

During the 2008 crisis, governments undertook innovative emergency measures to prevent the collapse of their financial systems and protect their economies. In the United States, as in many other countries, the government acted well beyond the frontiers of historical precedent. The Fed expanded its role as the lender of last resort and provided huge currency swaps to foreign central banks. It purchased a broad range of mortgage-backed securities from government-sponsored entities. The government effectively guaranteed the liabilities of banks, bank holding companies, and government-sponsored entities, as well as the value of a large share of money-market funds. It helped boost the resources available to the International Monetary Fund and the multilateral development banks. The Federal Deposit Insurance Corporation (FDIC) closed hundreds of banks and helped restructure a number of large, complex financial institutions. The government provided a range of different types of capital and financial insurance to banks and other institutions.

A key lesson emerged: breaking the panic and preventing financial collapse ultimately required the government and the Fed not only to take on the role of lender of last resort but also to guarantee funding and inject capital into banks. The conventional arsenal, including the full use of the Fed's ability to lend against collateral and the FDIC's ability to wind down failing banks, was not enough.

To update the government's tool kit for the modern age, policy-makers need broad powers. They need the ability to provide funding across the financial system, wherever there are runnable liabilities on a scale that matters. They need the ability to guarantee liabilities at the core of the financial system and to recapitalize that system if necessary. They need the ability to manage the failure of large, complex financial institutions. And they need the ability to provide dollars to the world's central banks and lend to foreign financial firms that have large dollar-denominated liabilities. With this mix of authorities in place, policy-makers would have more freedom to allow bank failures without precipitating a panic, and they could recapitalize the core of the system before it was too late, at which point the only alternatives would be nationalization or financial collapse.

Recent reforms in the United States have substantially weakened policymakers' emergency authorities. Many of those that proved so critical in 2008 and 2009 Congress has let lapse, taken away, or subjected

to new constraints. Dodd-Frank included reforms designed to limit the discretion available to the Fed, the FDIC, and the Treasury to act without congressional approval. In particular, Congress has restricted the government's ability to act as a lender of last resort, guarantee liabilities, and safely unwind failing firms. Together, these constraints threaten to leave the United States even less prepared to deal with a crisis than it was in 2007.

### **THE FED UNDER FIRE**

The Fed has retained some of the instruments and authority that allow it to act as a lender of last resort, including the traditional discount window, where banks can borrow money from the Fed to cover temporary liquidity shortages. But because banks play a limited role in the U.S. financial system relative to other financial institutions, these conventional, bank-centric tools give the Fed less power compared with its counterparts in countries where banks play a larger role.

The result is that the U.S. financial system suffers from a large mismatch between the distribution of the risk of runnable liabilities and the reach of the accompanying safety net—deposit insurance, the discount window, and the Federal Home Loan Banks (a group of government-sponsored banks that provide lending facilities to banks similar to the discount window). The government's lender-of-last-resort facilities cover only banks, even though there are relatively important nonbank institutions that would need such help in a crisis.

Part of the problem is that although the Federal Reserve can lend freely to a solvent bank against essentially everything the bank has, it has very limited power to buy financial assets. It is allowed to purchase only U.S. Treasuries and securities issued by government-sponsored enterprises, whereas other central banks can typically buy a broader class of assets.

What's more, although the Federal Reserve has the authority to lend to nonbank financial institutions during a crisis, it can do so only when they are close to or past the point of no return. The Fed is required to find not only that the stability of the financial system is at risk but also that no alternative private source of funding is available. That requirement existed before the reforms, but new reforms restrict the Fed even further: the Fed is no longer allowed to lend to individual institutions and can instead lend only to a general class of institutions. The goal was to make it hard, if not impossible, for the

Fed to take the types of actions it did when it rescued AIG and helped JPMorgan Chase acquire Bear Stearns.

In addition, the reforms require the Fed to report to Congress if any individual institution is borrowing from it. Because banks rightly fear that this information could leak out and thus exacerbate any funding problems they face, they will likely be dissuaded from taking advantage of the Fed's lending facilities, at least in the early stages of a liquidity crisis. Although the stigma might diminish as a crisis intensifies and starts to affect a broad class of institutions, these disclosure requirements still limit the preemptive value of the Fed's lending tools.

Finally, the Fed is now subject to new limits on how much risk it can assume in its lending operations. In general, the Fed is allowed to lend only to solvent institutions, not insolvent ones. The Fed's emergency authority has long given it the power to judge which category an institution falls into, but new statutory language limits its discretion. Many within the Fed today believe that in a future crisis, these limits would deter, and perhaps prevent, the Fed from providing some of the most valuable lending facilities it offered in 2008 and 2009.

## **NO GUARANTEE**

In addition to these limitations on the Federal Reserve's authorities, the U.S. government faces other constraints on its ability to act in a crisis. Congress has left in place the expansions to deposit insurance (from \$100,000 to \$250,000) that were put in place in the fall of 2008, but it took away the FDIC's power to guarantee the broader liabilities of banks and bank holding companies. During the crisis, this authority proved critical to limiting the run on the U.S. banking system that accelerated with the failures of Lehman Brothers, the Reserve Primary Fund, and Washington Mutual. At that point in the crisis, even the exceptionally aggressive use of the Fed's discount window and other emergency authorities was not sufficient to arrest the run.

The problem was that when calculating the amount of collateral that borrowers had to put up to receive discount-window loans, the Fed, to protect itself against losses, had to apply so-called haircuts to the collateral, meaning that the value of the collateral had to exceed that of the loan. Creditors recognized that this lending ability was not the equivalent of a full guarantee on the part of the Fed and behaved accordingly. The fear of default was too great and collateral values too uncertain for them to continue lending to many banks.

The result was a dramatic intensification of the fire-sale dynamics in most asset markets, which pushed down the prices of financial assets and exacerbated concerns about the solvency of the entire system. In the case of Lehman Brothers and Washington Mutual, the losses experienced by their creditors caused the run to escalate dramatically in scope and intensity, ultimately requiring a much wider use of sovereign guarantees, a much larger fiscal stimulus, and a much more aggressive monetary policy.

The expanded guarantees amplified the power of the initial capital that the U.S. government injected into the financial system, which, although substantial, was not sufficient to fully address the fear of insolvency. Over the course of the fall of 2008 and into early 2009, the government provided more clarity about how it would treat various layers of the banks' liabilities and what conditions would accompany future injections of public capital. This proved critical in attracting private capital back into the U.S. financial system.

Ultimately, the government induced a greater restructuring and a more aggressive recapitalization of the financial system because it could make credible guarantees of the financial system's liabilities. With a powerful mix of funding and guarantees in place, it was able to recapitalize the U.S. financial system with just a fraction of the trillion-plus dollars that many had estimated would be necessary.

### **UNWINDING FAILING FIRMS**

At the same time as Congress imposed these limits on the government's emergency powers, it also expanded the FDIC's mandate to handle the failure of large, complex financial institutions. This so-called resolution authority used to apply only to banks, which is why in 2008 and 2009, the government had to adopt a messy patchwork of approaches for rescuing AIG and preventing the collapse of Citibank and Bank of America. But this power now extends beyond banks.

The FDIC has designed a framework for using this authority to wind down an individual major financial institution in an orderly manner. The approach is to impose losses on creditors (excluding depositors) up to a level that would be sufficient to cover a conservative estimate of the bank's potential losses, protect taxpayers from losses, and leave the entity with enough capital that it can be sold quickly.

This is a promising approach in the event that an individual firm faces a funding challenge for idiosyncratic reasons, such as massive fraud or an outsize exposure to a single risk. But it is not designed to

deal with a systemic crisis. In fact, if used as intended, this authority could make the crisis worse, intensifying the run on both individual institutions and the system as a whole.

Why is this so? If the government imposes losses on a broad class of creditors, then it risks exacerbating a run on a broader range of institutions, as investors rationally act to protect themselves against the possibility of incurring losses at other weak institutions. The risk of such a spiral is low when a single institution is vulnerable for idiosyncratic reasons and the overall economy is strong. But when there is widespread concern, this approach to winding down troubled firms could heighten the panic.

If the FDIC's resolution authority were combined with a standing ability to extend broad guarantees to the core of the financial system, then using it would be less likely to cause a collapse. But that ability does not exist today. And even if it did, it would be better to build more discretion into the resolution process itself, so that a failing institution could be unwound more safely. As things stand now, a strategy designed to reduce taxpayers' exposure to losses and limit moral hazard could end up exacerbating both risks. Since few governments will ultimately choose to let the entire system collapse, a strategy of applying haircuts in conditions vulnerable to panic can end up causing greater economic damage and costing taxpayers more.

## **THE POLITICS OF BAILOUTS**

The limits imposed on the government's emergency authorities reflect the tragic cycle of crisis intervention and political reaction. The cycle works like this: The crisis starts. Policymakers are initially slow to react. The crisis intensifies, exceeding the capacity of the existing arsenal. Legislatures grant greater authority to put out the fire. Policymakers use that authority for bailouts. The bailouts have unappealing direct beneficiaries, enraging the public, and it's hard for anyone to appreciate why the alternative would be worse. To make matters worse, the bailouts to the financial system tend to come well ahead of the trough in economic activity. Asset prices might recover as the systemic risk recedes, but the loss of wealth and the damage to confidence continue to hurt the real economy. As the economy appears to worsen despite the bailouts, the public's outrage at policymakers intensifies. Politicians then rescind the government and the central bank's discretion and promise never to grant it again. The cycle repeats.

Policymakers thus face a dilemma: if they use the authority they are given, it will likely be taken away, but if they don't use it, they will

be justly blamed for the ensuing damage. In the United States, Congress granted broad powers to the government during the crisis. The government used these necessary tools, and then Congress not only revoked them but also weakened the government's power further.

Elected legislators have made themselves the arbiters of whether to deploy the measures necessary to arrest a panic. As a result, the emergency response is more likely to be late and badly designed, and it will impose greater fiscal and economic costs, since runs happen faster than legislatures can act. A better model is town councils, which control overall spending but don't oversee how first responders react in an emergency. They try to ensure that the fire department has enough trucks and hoses at all times, rather than require it to seek approval to buy equipment after a fire starts.

Those who contend that the financial system should operate with limited emergency authority on the part of the government make two arguments: that such limits reduce moral hazard and that they are necessary for democratic accountability. Both arguments have merit, but there are better ways of addressing them that don't leave the country so vulnerable.

On the moral hazard concern, a paradox of financial crisis management is that if the government does not act swiftly to break a panic, then it might end up having to take on more risk and guarantee more liabilities, moves that create an even greater moral hazard. It's hard to solve a moral hazard problem in the midst of a crisis without dramatically intensifying it.

A more practical approach to limiting moral hazard involves a mix of things. To begin with, regulators have to bear most of the burden. If given the authority, they can decide how much leverage to permit and thus how much to force the financial system to insure itself. Such regulation will never protect against every eventuality, but it can offset much of the adverse effect that the safety net has on incentives.

Moreover, the emergency arsenal can be designed to achieve the right mix of incentives and reassurance. Preserving some uncertainty about how fast a government will escalate its support in a crisis and how far that support will extend should leave investors in and creditors of financial institutions with a healthy sense of fear, at least up to the edge of the abyss. That, in turn, should lessen the harmful incentives that a strong backstop creates.

The interventions themselves can also be designed to limit moral hazard. In order to reduce the risk of prolonged dependence, the

government can lend at rates that are below what prevails on the market in a panic but well above normal levels. It can limit this assistance to those institutions that fall within the scope of regulation and impose tougher conditions on access to emergency support for those on the outside. Politicians, for their part, can pass reforms after the crisis to widen the scope of regulation and force the system to operate with more insurance against future risk.

These efforts would limit the moral hazard created by a strong arsenal of standing emergency authorities, but they have to be done in advance. In the midst of a crisis, there is no way to resolve the fundamental conflict between the imperative of mitigating immediate damage and that of improving future incentives, because actions that seem sensible in terms of the latter tend to exacerbate the former. The alternative approach of severely restricting emergency authorities—in effect, locking the doors of the fire station—is dangerous if the limits to those authorities are credibly inviolable. And since they usually are not, it leaves policymakers with the worst of both worlds. In short, governments can't kill the moral hazard inherent in trying to run a functioning financial system, but they can wound it.

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*Legislatures should act like town councils: they control overall spending, but they don't oversee how first responders react in an emergency.*

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Compared with moral hazard arguments for limiting discretion, those that invoke accountability are more compelling. Financial rescues raise complicated questions of fairness in determining how losses are allocated and which institutions get saved. With such questions at play, it is only natural that the legislature has a say. But that involvement should come ahead of a crisis, in designing the framework for how the government responds, not during a crisis, in choosing how to act. The revealed, and perhaps rational, preference of a legislator during a crisis is to vote against a rescue as long as possible, until his or her vote is essential for passage—and then to blame someone else for the choices made in the moment.

There are many ways to constrain the government's discretion in a crisis without compromising speed and flexibility. Many democracies have required that committees' decisions pass by supermajorities, that emergency actions gain separate approval from both the central bank

and the finance ministry, that the government disclose the terms of its rescues, and that actions get reviewed after the fact. Many have passed laws that distinguish what is expected in normal conditions from what might be possible in extreme ones and that define broad goals policymakers must pursue. Central banks, for example, are mandated to pursue broad objectives on monetary policy yet can choose how best to achieve them.

The right regime should recognize that successful crisis management requires allowing the government and the central bank to take risks that the market will not take and absorb losses that the market cannot absorb. It should allow the government to act early, before a panic gains momentum. And it should establish an overarching goal of preserving the stability of the whole system and restoring its capacity to function—not avoiding the failure of individual firms.

The regime that exists in the United States today has an awkward asymmetry when it comes to discretion. The government enjoys more freedom in monetary policy than it does in fiscal policy, both in terms of the taxing and spending tools that remain in the hands of legislatures almost everywhere and in terms of emergency measures, such as guarantees and capital injections. The result is an excessive reliance on monetary policy. Policymakers may turn to fiscal policy later than is ideal and face greater constraints on the size and composition of a stimulus. Solvency problems become more likely to be treated as liquidity problems. The government delays action until the only remaining options are even less politically appealing. The United States can and should do better.

## **THE CRAFT OF CRISIS MANAGEMENT**

Just as important as the design of the tools and the authority that governs their use is the state of knowledge about how they should be employed. As a walk through the graveyard of past financial crises reveals, the variation in choices and outcomes is appallingly high. Given the amount of experience available among practitioners across the world, and the diversity of mistakes they have all made, governments should make the effort to learn what works and what doesn't.

Yet policymakers tend to underinvest in this process. In finance, there is no body akin to the National Transportation Safety Board, which investigates airplane crashes. Nor is there a standardized approach to looking at mistakes, such as the morbidity and mortality reviews

commonplace in medicine. And nor is there anything like the U.S. Army War College, where experts study how the military fought previous wars and make recommendations about how to fight future ones. In the field of financial stability, all the excitement surrounds prevention, driven by the idealistic impulse that policymakers can eliminate systemic risk. No one wants to be engaged in the business of planning for what could go wrong and how to clean up the mess. Some even fear that planning for disaster will make disaster more likely.

Policymakers accumulated a lot of valuable experience in the 2008 crisis. Compared with the early stages of the Great Depression, the recent shock caused a greater initial loss of wealth and a higher rise in the risk of default, but because of the forceful policy response, the outcomes proved much better. Unemployment peaked at ten percent, not 25 percent, and the economy started growing again in six months, rather than the years and years it took during the Great Depression. The various elements of the financial rescue yielded a substantial positive direct financial return; in effect, the government forced the financial system to pay for its own protection. The emergency supports were removed quickly. The government allowed a healthy amount of failure: compared with other major economies, the United States saw a much smaller fraction of its financial institutions emerge from the crisis as independent entities. For those entities that survived, the government forced more restructuring, and it recapitalized the financial system rapidly and largely with private capital. The government's more aggressive fiscal and monetary policy reinforced the power of the financial rescue, making both that policy and the rescue more powerful than either would have been on its own.

In a crisis, policymakers tend to follow one of two paths: either the liquidation of failing firms, ending in the collapse of the entire financial system, or the partial nationalization of that system. The U.S. government chose a third way, allowing a substantial amount of failure while rapidly recapitalizing the core of the system. And as a result, the United States suffered much less acute economic and fiscal costs. Still, had policymakers been granted more flexibility in advance, those costs would have been even lower. Congress ultimately provided the authority for the government to do what only it can do in a crisis, but that authority came late.

Financial crises are inevitable, and although governments can reduce their frequency and intensity through tighter regulation, they cannot

limit their damage without a powerful emergency arsenal. It is perhaps inevitable that governments and central banks will act late, partly because they will wish to inflict some pain and allow some adjustment. Sometimes, then, they will fall behind the curve of an evolving panic and end up having to act with greater force to prevent the whole system from collapsing. If legislation limits their capacity to escalate quickly, the risk of economic calamity will grow.

### **ARE WE SAFER?**

The postcrisis reforms have produced a more resilient financial system. Banks hold more capital and can thus absorb far more loss. They hold a smaller share of short-term liabilities and are thus less prone to runs. This better-capitalized financial system means that a given dose of fiscal and monetary policy will prove more powerful.

But these achievements need to be considered in the context of a weaker fiscal and monetary arsenal and weaker emergency powers. The former means that future economic shocks will likely do more damage. Although the overall reduction in financial leverage since the crisis should make the U.S. economy less fragile, it still faces many potential adverse shocks. The limitations on fiscal and monetary policy will likely make the economy less resilient to those shocks.

The new restrictions on emergency authorities make this challenge more acute. The reforms were designed for the wrong type of crisis—for idiosyncratic crises, rather than systemic ones. By limiting the ability of the government and the central bank to respond to panics, they leave the economy more vulnerable to the most dangerous type of crisis. And by forcing the government to impose losses on creditors when managing the failure of institutions, the new regime risks intensifying an ongoing crisis.

At some point, policymakers will have to revisit and refine the financial reforms. When they do, it will be important to restore room for discretion to the emergency tool kit, and keep that in reserve—not as a substitute for strong safeguards against risk but as a complement to them. Financial crises carry tragic economic costs. There is all the reason in the world to make sure policymakers have the freedom they need to manage them. 🌐

# Building Bridges

For decades, Mauritius has invested in building strong relations with African and international institutions, including the World Trade Organization, the Commonwealth of Nations, the African Union, the Southern African Development Community, and the Indian Ocean Commission. Mauritius also boasts strong connections with the United States and the European Union, but mainland Africa and Asia are becoming ever more important trading partners. “We have close links with the countries of our forebears, India, China, and many countries in Africa,” notes the country’s President, Ameenah Gurib-Fakim.

“We realize we have to diversify our markets in accordance with the changing global economic landscape,” says Seetanah Lutchmeenaraidoo, Minister of Foreign Affairs, Regional Integration and International Trade. Free Trade Agreements (FTAs) are crucial for a small export-oriented economy like Mauritius. “We consider FTAs to be important not only because they open up markets, but also because they lead to trade reforms and trade facilitation which then improves the overall competitiveness of the economy,” explains Sooroojdev Phokeer, the country’s Ambassador to the United States.

Relations with the United States are cordial and are expected to strengthen and expand. In 2015, the United States was the country’s third-largest export market with a share of more than 10 percent. Mauritian exports are eligible for preferential access to the United States under the African Growth and Opportunity Act (AGOA), while more than two hundred U.S. companies are represented in Mauritius. “Under AGOA, we benefit from duty free and quota free access for some 1,800 products, in addition to the normal U.S. generalized system of preferences scheme,” adds Ambassador Phokeer. Cooperation is not restricted to trade, but

extends to matters of security and education.

The EU accounted for more than 43 percent of the Mauritian export industry in 2015, with the United Kingdom and France being the largest export destinations. In a post-Brexit Europe, where activity is expected to remain subdued for years to come, Mauritius aspires to diversify into more markets.

“The emergence of BRICS [Brazil, Russia, India, China, and South Africa] countries as economic powerhouses means that our export industries, mainly manufacturing and tourism, are revisiting their business models,” explains Lutchmeenaraidoo. This is especially evident in tourism, where the government and tour operators are successfully opening up Mauritius to an increasing number of tourists from outside of Europe – particularly in Asia and mainland Africa. “We are concentrating on the markets which peak during our low season, from May to September, such as those of China, Russia, India, the Middle East, and Africa,” asserts Charles Gaëtan Xavier-Luc Duval, Deputy Prime Minister and Minister of Tourism and External Communication.

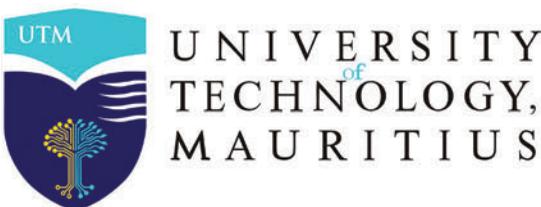
Fostering integration with mainland Africa is a top priority for Mauritius. “We need to have a more visible presence in Africa, make our membership in the African Union really count,” affirms President Gurib-Fakim. Special economic zones are being developed in Senegal, Ghana and Madagascar, while Mauritian expertise in the sugar industry is used in a number of African countries. The African Leadership University, launched in Mauritius last March, has huge ambitions, including building twenty-five campuses across the continent and training three million future African leaders in five decades. “A beautiful African story is unfolding and Mauritius has every reason to be an integral part of the narrative,” concludes Lutchmeenaraidoo. 🌍

## A Premier Investment Platform

In the past decade, Mauritius has attracted more than \$3 billion in foreign direct investment (FDI). France, South Africa, the United Arab Emirates, and the United States have been the main investors in important sectors such as real estate, tourism, and construction. FDI in Mauritius grew to \$222.65 million in the first half of 2016, a 69 percent increase compared to the same period in

2015. In 2016 the largest inflows came from developing economies, mainly from South Africa and China, and were focused on real estate, financial services, and the manufacturing sector. South African Eris Property Group recently launched the Business Gateway, a flagship industrial development located inside the Mon Trésor Free Trade Zone. In September 2016, the Bank of China opened a subsidiary in Mauritius to further facilitate investments in Africa.

The Board of Investment (BOI), tasked with attracting investment to Mauritius, currently operates foreign offices in Paris, Johannesburg, and New Delhi, and is looking to expand to Geneva, London, and Beijing. BOI’s Managing Director, Ken Poonosamy, points out that “the



country has been transitioning to a services platform. This is where our competitive edge lies. Education, financial services, and information technology are providing the services for Mauritius to become a gateway to Africa.”

“We have more than forty years of history in terms of economic diversification, which rests mainly on the education and talents of our human capital,” notes Gurib-Fakim, the country’s President. When insurer AXA Group launched a new venture in Africa this year, it chose Mauritius to process and issue policies, citing its educated population which is equally fluent in English and French as a core attraction.

In accordance with the country’s Economic Mission Statement – Vision 2030, the ocean economy, smart cities, and the maritime hub are all potential high-investment and high-employment areas. “We have big plans to generate new streams of economic activity and employment creation in the various fields of the ocean economy,” says Minister Lutchmeenaraidoo. “The government has also received significant interest from

the local private sector and from foreign investors to develop the smart cities.”

At the same time, more than \$265 million is earmarked to transform Port Louis harbor into a modern port over the next five years. “About 30,000 ships come from Asia across the Cape of Good Hope to the rest of the world. We aim to attract these ships to Mauritius for bunkering and supplies. We should also be able to attract more transshipments to the rest of Africa and create a special economic zone to be used for warehousing, breaking bulk, light transformation, and light assembly,” explains Deputy Prime Minister Duval.

Similarly, a new airport terminal will be joined by an air-cargo village for the export of goods and services. Duval states that the government “has been very active in encouraging new airlines to come to Mauritius and Air Mauritius is getting new planes next year.” These measures will strengthen Mauritius’ position as a regional logistics and transport hub and thereby invite additional investment. 🌍

## Energy: Renewable Future

The government’s energy policy encourages the use of renewable and clean energy to reduce the island’s dependence on fossil fuels and decrease greenhouse gas emissions. “Our long term target is to increase the use of renewable sources to 35 percent by 2025,” clarifies Vice Prime Minister and Minister of Energy and Public Utilities, Ivan Leslie Collendavelloo.

The Central Electricity Board is the sole agency for transmission, distribution, and sale of electricity in Mauritius. It generates 40 percent of the country’s total power requirement from four thermal power stations and eight hydroelectric plants; the remaining

60 percent is purchased from independent power producers, mainly private generators using sugarcane fiber waste and imported coal.

A Mauritius Renewable Energy Agency (MARENA) was established in March 2016. Its Chairman, Dr. Arjoon Suddhoo, explains that the agency’s philosophy is “not to limit ourselves to conventional forms of renewable energy, like solar and wind, but to include the ocean as well.” The agency plans to exploit the power of the ocean in three ways: to produce electricity and desalinated water using a wave energy device, to use the coldness of deep ocean water to replace conventional

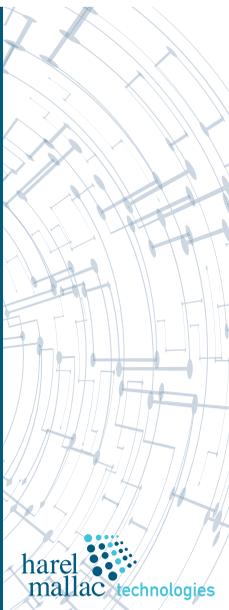
air-conditioning, and to take advantage of energy-rich sea winds in offshore wind farms. “Mauritius will become what we call an energy-positive island; we will have more energy than what we need,” predicts Suddhoo.

Synove Energy is a U.S. energy service company, with an operational focus in Africa, which chose to establish its business in Mauritius. It has been developing solar energy projects on the island since 2012, and is also pursuing thermal renewables. “One of the projects we have been involved with is Ecological Waste Management for Mauritius,” explains Chief Executive Officer Fred Sisson. “What we are trying to do is build a thermal power plant that meets the most stringent global emissions standards and provides a solution to waste disposal issues while reducing Mauritius’ reliance on imported fuel.” 🌍

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# Leading in Banking and Finance

Boasting an average growth of 3.5 percent over the last three years and a favorable tax status, Mauritius' highly competitive financial services sector has become a pillar of the country's economy. The island nation is home to some of the world's biggest and most reputable banks, which use Mauritius as a channel for investment in Africa.

"Mauritius is now home to world-class sophisticated service providers and offers a complete ecosystem of corporate services to prospective investors. The sector currently employs more than 12,500 professionals directly," says Pravind Kumar Jugnauth, Minister of Finance and Economic Development.

Establishing itself as one of Africa's leading economic reformers, Mauritius has benefitted from a politically stable and thriving business environment. "Mauritius has a stable and sound financial sector. The economy has a well-diversified structure and has a capable pool of multilingual professionals to support its position as a financial hub," observes Rameswurlall Basant Roi, Governor of the Bank of Mauritius. "Over the years,

Mauritius has established a robust regulatory framework for its financial sector in line with international norms."

Now Mauritius' challenge is to build on its success through a carefully thought out economic strategy and transform the country into a vibrant, attractive and sophisticated international financial services center.

"We at the Bank of Mauritius are conducting monetary policy in a way that helps maintain a stable and conducive macroeconomic environment and fosters financial stability," adds Governor Basant Roi.

"We will take the financial services sector to the next level by adding to the existing array of products and services, and by catering to the regional headquarters and treasury administrations of multinational corporations, while creating at the same time the best environment for international law firms and investment banks to operate and attract new talent in Mauritius," says Minister Jugnauth. "With more than two decades of expertise in the cross-border flow of capital and finance, Mauritius is poised to be the hub for Asian investment in Africa." 

## A History of Success

With over 935,000 individual and institutional customers, and with a market share of over 40 percent, Mauritius Commercial Bank (MCB) is by far the country's largest bank. It is also the oldest, having been active for almost 180 years. Success and longevity have meant that MCB has become a cornerstone in Mauritius' socio-economic development.

According to Chief Executive Antony Withers, "The bank has always been a very strong supporter of local business and is inextricably linked with the development of the economy and the growth in GDP [gross domestic product] per capita. We are now introducing new services and new products to our customers, and we have been the first bank to launch a mobile payments platform, which will be a digital platform not just for retail banking, but also for corporate banking."

The bank is the main entity of the MCB Group, an integrated banking and financial services player. In line with its strategy to diversify its markets, MCB Group has expanded into non-banking financial services, providing investor-related services such as stock broking, corporate finance advisory, investment management, as well as structuring and placing equity and debt instruments.

MCB is also dedicated to helping people with innovative ideas become entrepreneurs and to enabling their businesses to grow. Drawing on its local knowledge and business relations, it has supported agriculture, trade, and industry. In recent years, it has played a crucial role in ensuring the take-off of a

number of sectors, which at inception were considered either unfashionable or risky.

In this frame, MCB has funded projects in sectors ranging from tourism to textiles, local manufacturing to free port activities, and from information and communications technology (ICT) to seafood, turning fledgling businesses into pillars of the economy.

Following its leading position in the local market, MCB was inspired to expand overseas in the early 1990s and now has a presence in Madagascar, the Maldives, and Seychelles. The Group can also be found in Réunion and Mayotte through its associate BFCOI, as well as in Mozambique via its other associate Société Générale Moçambique.

MCB has opened representative offices in Paris, Johannesburg, and Nairobi, and is looking at Dubai. It is also actively involved in project and trade financing in sub-Saharan Africa and is engaged in other markets such as India. Antony Withers says, "MCB has a strong reputation for being an efficient and trusted partner. These qualities matter because banking in Africa is still very much relationship-driven."

In early 2016, the Bank of China (Mauritius) Limited—a locally incorporated wholly owned subsidiary of the Bank of China—received its license to conduct banking business and private banking business in Mauritius. Antony Withers explains, "It is not only the growing flow of foreign direct investment (FDI) into Africa, which is of interest, but also the

trade finance between China and Africa. There is a great deal of commodity-linked trade finance business, which requires financing, and not all of it is going to be financed by Chinese banks.”

“We have strong relationships with the African banks and we have state of the art technological platforms, which we can use to position ourselves

as a knowledgeable and efficient trade finance bank linking China and various African countries and thereby facilitate this growth of trade finance in direct foreign investment. Mauritius has a very interesting position and can become the financial hub in sub-Saharan Africa, similar to the financial hub Singapore had twenty years ago in South East Asia,” concludes Withers. 🌍

## Strength through Diversity

Banking came to Mauritius’ rural areas in the early 1970s when the government established the State Bank of Mauritius (SBM). Its current Chief Executive, Raj Dussoye, states, “SBM started business in 1973, helping people in the villages open a bank account, get a loan, and improve their standard of living. Now we are in an era where we offer ATMs and internet and phone banking.”

Today, SBM is the second-largest bank in Mauritius with a market share of about 25 percent in domestic banking assets. Owned by nearly 17,000 domestic and international shareholders, SBM has more than 1,000 employees and services over 450,000 customers through a network of 50 service units and counters in Mauritius, Madagascar, and India, as well as through a representative office in Myanmar.

Dussoye clarifies, “For SBM, banking is not about the local market now, but about the global market. For us, banking is a people business, so we are transforming our staff to become globally competitive to be able to go, for example, to East Africa or to be present in India. Our focus for the coming years is the mindset and the skills that go with all that.”

One of SBM’s self-professed strengths is its diversity, which challenges established practices and strives for the best in all it does. Diversity—in terms of customers, employees, business, and revenue streams—has helped the bank to grow into a stronger and more balanced organization. “There are hard skills which involve technology and business programs, and there are soft skills such as dealing with different cultures, with different issues and how you overcome them,” notes Dussoye.

Digital technology has been embraced by SBM, the first bank to do e-business in Mauritius. The Group is now changing its entire information technology infrastructure, “digitizing” all its services. “Banks are becoming more and more technology companies, so we are a technology company providing banking services. We have already started with mobile payments and mobile points of sale. We believe in technology as an enabler for enhancing the growth of this bank,” remarks Raj Dussoye.

SBM now provides an e-commerce platform and has introduced a number of e-business products. It was the first bank in Mauritius to introduce the Europay-MasterCard-Visa chip card technology, TopUp (mobile phone recharge), and Mobile Banking. Its “SBM eSecure” enhanced-security standard for internet transactions has helped to make SBM the preferred Visa partner in Mauritius.

SBM is no longer just banking and payment services. Clients, wishing to invest in the local stock market, as well as in locally-managed funds and government-issued products, can do so through the Group’s securities brokering arm, SBM Securities Limited.

“Financial services are going to be one of the engines of economic growth, as economic services are already contributing 7 percent of the GDP,” states Raj Dussoye. “Some of the new products that the government and the banks want to launch are related to private banking and wealth management, especially to those in Africa. So there is a lot of wealth to be generated in Africa, which will be an opportunity for Mauritius since we have the necessary knowledge here.” 🌍

## Supporting All-Inclusive Growth

An exciting new initiative to make small and medium-sized enterprises (SMEs) the backbone of the country’s economy and to transform Mauritius into a Nation d’Entrepreneurs is being spearheaded by newly established MauBank, the country’s fourth biggest bank. Incorporating the former Mauritius Post and Cooperative Bank (MPCB) and the National Commercial Bank (NCB), MauBank will provide financial support to local businesses through ten dedicated “smart SME branches.”

Sridhar Nagarajan, Chief Executive Officer of MauBank, says “40 percent of the bank’s business is with entities with a turnover of less than Rs 100 million, which is around \$3 million; so the bank already has the expertise and is already an SME bank. MauBank’s very strong clientele comes from its days as a postal savings and cooperative bank.”

The Mauritian government has mandated MauBank as the nodal agency for improving access to finance for SMEs as part of its drive to promote the development

# The Cyber Island

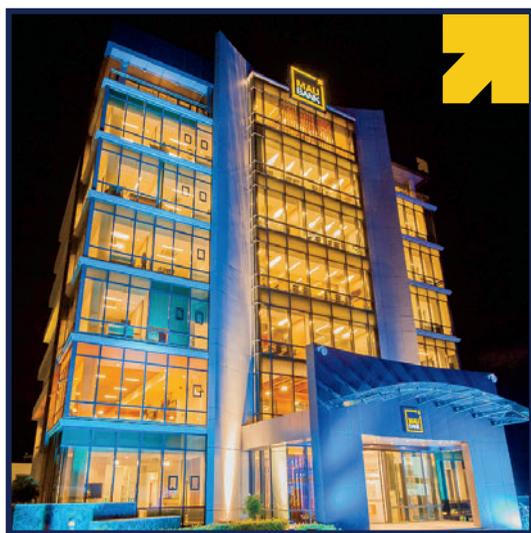
The information and communications technology (ICT) sector is an important engine of growth for Mauritius, contributing 5.6 percent of gross domestic product and currently employing over 21,500 professionals.

“Mauritius is leading all African countries on six international indices regarding the ICT and innovation sectors,” remarks Etienne Sinatambou, Minister of Technology, Communication and Innovation. “The adoption of innovative technologies across all spheres of activities will not only uplift those who are socially, culturally, and financially disadvantaged, but will also benefit the population as a whole.”

Some seven hundred ICT companies presently operate on the island in a wide range of industries, including

and support of SMEs. Since March 2016, the bank has started providing funding facilities to potential entrepreneurs to start a business in addition to its others services, which include retail banking, corporate banking and international banking.

Further enhancing its strong presence in the sector, the bank has introduced innovative and competitive financial planning for those eligible entrepreneurs who are keen to engage in priority sectors, such as agriculture, ICT, blue economy, innovation, research, and development.



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software and multimedia development, call-center operations, business process outsourcing, IT-enabled services, training, hardware assembly and sales, networking, disaster recovery, and other support services.

Prominent among them is Harel Mallac Technologies, with a track record of more than twenty-five years at the forefront of innovation in Mauritius. “We are focusing on advanced infrastructure, business automation, and cloud services,” asserts General Manager Shateeaum Sewpaul. “What we sell is not technology but business values like efficiency, productivity, agility, and automation.” Harel Mallac Technologies already has a presence in Madagascar, Rwanda, and Burundi, and plans to expand further into Africa in the next few years.

Nagarajan explains, “Our strategy is to accompany and transform businesses, so that over a three- to five-year period, 20 to 30 percent of microenterprises will turn into small enterprises, 10 to 15 percent of small enterprises will transform into medium enterprises, and 2 to 5 percent of medium enterprises will become large enterprises. Our vision is to transform the lives and businesses of our customers, as well as contributing to all-inclusive socioeconomic growth for our country.”

MauBank is now seeking a strategic partner to complement its know-how and share its vision to achieve even greater success. “I believe that Mauritius as a country is in a state of immense positive change and is establishing itself as an international financial center, with particular focus in being positioned as a hub for Africa,” says Nagarajan. “Hence, investing in the third largest domestic bank in Mauritius is an opportunity for any strategic partner to engage in this growth.”

**This quest for economic progress has been internationally applauded,** as Mauritius seeks to not only achieve its own strategic growth, but to also become a bridge between Africa and Asia, offering excellent opportunities to Asian entities that view Mauritius as the gateway to Africa’s ever growing markets.

Currently ranked as the most competitive economy in sub-Saharan Africa, Mauritius continues to transform itself and the lives of its citizens through initiatives such as the Vision 2030. These initiatives ensure that Mauritius will remain a leading global financial and banking center, as well as a country boasting prime business and investment opportunities in important sectors that have been prioritized by Mauritius’ leadership in order to create a strong and diversified economy. 

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# How to Build Middle East Peace

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## Why Bottom-Up Is Better Than Top-Down

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*Moshe Yaalon*

**L**ast May, I resigned from the Israeli government and parliament. I did so largely for reasons of domestic policy, including differences with Prime Minister Benjamin Netanyahu on issues such as respect for the rule of law and the independence of the Supreme Court. National policy toward the Palestinians was not central to my resignation, but it is no secret that I differed on that front as well with some in the government and the Knesset in which I served.

There are voices in Israel that favor a large-scale annexation of the West Bank and Gaza, perhaps even the dismantling of the current “political separation” between the two communities and the extension of Israeli citizenship to current Palestinian Authority (PA) voters. I believe such an approach would be a grave mistake, one that would needlessly imperil Israel’s Jewish and democratic character. Although I do not think the prime minister personally subscribes to these views, the mixed signals from within his government only encourage third parties to pursue problematic policies that harm Israel’s interests. On this issue—Israel’s unshakable commitment to the preservation of the country’s Jewish and democratic character—the government and its ministers should speak with one voice.

On a broader level, many in Israel and beyond remain convinced that the traditional model of the Middle East peace process has come very close to success in recent decades and that with some tweaks or twists, still further efforts along these lines might yield an acceptable outcome—if only both sides would make a few additional concessions. I disagree. The model of change embodied in the Oslo Accords failed, and if tried again,

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**MOSHE YAALON** is Rosenblatt Distinguished Visiting Fellow at the Washington Institute for Near East Policy. He served as Israel’s Minister of Defense from 2013 to 2016 and as Chief of the General Staff of the Israel Defense Forces from 2002 to 2005.

it will fail again. Only a fundamentally different approach to change—call it bottom-up rather than top-down—can end the underlying conflict.

When news first broke about the Oslo Accords, I supported the agreement and the “land for peace” formula on which it was based, because, both then and now, I revere the preservation of life more than the acquisition of land. Like many Israelis, I believed in the idea that territorial concessions might be the key to achieving peace. But over time, I became disillusioned.

My awakening came after I was appointed the head of Israel’s military intelligence in 1995, shortly before the signing of the Oslo II agreement. In that position, I had the opportunity to see all aspects of Palestinian politics up close. What I learned was shocking—and I learned it not by uncovering secret Palestine Liberation Organization (PLO) decisions but just by following Palestinian media, Palestinian educational curricula, and Palestinian leadership statements. The evidence was overwhelming: rather than preparing the younger generations of his community for a historic reconciliation with Israel, Palestinian leader Yasir Arafat was feeding his people a steady diet of hatred and vitriol toward Israel.

I remember the day I held one of my regular working meetings with Prime Minister Yitzhak Rabin, who served simultaneously as defense minister. In the course of that briefing, I gave him what I called “strategic early warning” that, in my view, the PLO leadership was planning to maintain the conflict against Israel regardless of Arafat’s signature on the White House lawn. Regrettably, more than two decades later, my assessment has not changed. From reading Palestinian schoolbooks, watching Palestinian television, and listening to speeches by Palestinian officials, it is clear that the leadership of the PA still fills the minds of Palestinian youth with talk of Israel as an alien cancer in the Middle East that must be replaced “from the river to the sea.” The vitriol from Gaza—what I call “Hamastan”—is even worse.

So long as the bulk of the Palestinian population remains unwilling to accept the reality of Israel’s permanent existence as a secure Jewish, democratic state, it will be difficult, if not impossible, to have a true peace. Rather than being imposed from the top down, in other words, the desire and the choice for peace have to rise from the bottom up, from the Palestinian people themselves. Until that happens, continued negotiations along traditional lines will never live up to the hopes many place in them. A bottom-up approach lacks the drama and romance of high-level summitry that many in the international community

prefer. It demands persistence, hard work, and a focus on details. And it offers little hope for a final resolution of the conflict in the near future. I am convinced, however, that it is the only way to avoid a strategic abyss and the only path to real progress toward eventual peace in the Middle East.

### **WHY OSLO FAILED**

Since the signing of the Oslo Accords just over 23 years ago, the international community—led by the United States—has repeatedly tried to facilitate a final-status agreement that would end the Israeli-Palestinian conflict. Every effort has ended in failure. The conventional wisdom attributes that failure to a lack of willingness by the local parties to make some relatively small concessions. If only this behavior were adjusted or that policy paused, the argument runs, things could have worked out in the past—and might still work out in the future, even absent dramatic movement on either side.

I think this conventional reading of recent history is naive and that the real reason for the failure of negotiations has been Palestinian reluctance to recognize Israel's right to exist as the nation-state of the Jewish people—in any boundaries. When that reluctance dissipates, peace will be possible; until then, it will not be. Israeli policy, and that of the international community, should thus be focused on trying to help Palestinians realize that the choice for peace lies in their hands.

The conventional wisdom is wrong because it is based on four misconceptions about the nature of the conflict—the first being that the core problem is Israel's occupation of territories gained in the Six-Day War, and so the key to peace must be an Israeli withdrawal to boundaries close to the pre-June 1967 lines.

In fact, a reluctance to accept Israel has been a consistent feature of Palestinian strategy from even before there was a state of Israel. It was reflected in the Arab rejection of the United Kingdom's 1937 Peel Commission proposal and the United Nation's 1947 partition plan, as well as the Palestinians' rejection of Israeli Prime Minister Ehud Barak's proposal at Camp David in 2000, U.S. President Bill Clinton's parameters later that same year, and Israeli Prime Minister Ehud Olmert's 2008 proposal. Most recently, the current Palestinian leadership continued this policy of rejection by failing even to respond to U.S. President Barack Obama's call to negotiate on the basis of U.S.-mediated terms in March 2014. Throughout this series of rejections, the Palestinian

leadership never stated that any particular Israeli territorial concession, even a full withdrawal to the 1967 lines, would end the conflict and terminate all claims the Palestinians had against the state of Israel.

It is true that the PLO recognized Israel in the Oslo Accords. But recognizing the fact of Israel's existence is not the same as recognizing its right to exist as the nation-state of the Jewish people. Rabin was

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*Only a fundamentally different approach—call it bottom-up rather than top-down—can end the underlying conflict.*

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aware of this hole in the agreement and refused to proceed with the Oslo signing until he received a side letter from Arafat committing the PLO to change its charter to reflect the recognition of Israel. Yet despite a lot of smoke and mirrors, including maneuvers that duped many in the international community, Arafat never did change the charter. One proof

of this is the impossibility of finding any amended charter ever published by the PLO since its alleged removal of the offending articles in 1996: a “cleansed” document simply does not exist.

Arafat's successor, Mahmoud Abbas, has maintained this policy, repeatedly refusing to accept the idea that the Jewish people have a right to statehood. Some say this is only a tactical maneuver by Abbas, who is described as holding back this card now so that he can play it later in exchange for a major Israeli concession. However, we heard the same about Arafat; it was wishful thinking then, just as it is now. The fact is that when Abbas says, “We will never recognize the Jewishness of the state of Israel,” as he did in November 2014, we should take him at his word.

It is true that Israel did not ask for this kind of recognition from Egypt and Jordan when it signed peace treaties with those countries in 1979 and 1994, respectively. But the Israeli-Palestinian conflict—which is, at its heart, a conflict over national identity, not a real estate dispute—is very different from those interstate conflicts. At no time did Egypt or Jordan ever make a claim to “all of Palestine,” as the PLO does. With those two states, peace was achieved with an exchange of territories and the restoration of recognized international borders. Neither Egypt nor Jordan considered the idea of carrying on the conflict with Israel after peace. In contrast, the Palestinians have chosen to resume hostilities against Israel—whether by launching rockets or launching terrorist attacks—precisely from territories they received from Israel. That was the case after both the signing of the Oslo Accords and Israel's disengagement from Gaza.



*No end in sight? A Palestinian protester in the West Bank, October 2015*

There are corollaries to the principle of refusing to recognize Israel as the nation-state of the Jewish people. Palestinian leaders also reject the slogan “two states for two peoples,” because the PLO doesn’t recognize the existence of a Jewish “people.” Its charter states: “Claims of historical or religious ties of Jews with Palestine are incompatible with the facts of history and the true conception of what constitutes statehood. Judaism, being a religion, is not an independent nationality. Nor do Jews constitute a single nation with an identity of its own; they are citizens of the states to which they belong.”

Rejecting Israel as the nation-state of the Jewish people means that the conflict is not about borders but about Israel’s very existence. As strange as it sounds, history has shown that the Palestinians have repeatedly refused to accept statehood and the responsibilities that would go with it—because their chief objective has been not to achieve their own national community but to deny Jews theirs.

Palestinian leaders rejected partition proposals made by the British colonial power and the United Nations before the establishment of Israel, took no steps toward independence when Egypt and Jordan ruled the territory in which the Palestinians lived, and have squandered the opportunity to build the institutions of statehood over the past two decades. With the exception of the two promising years from

2010 to 2012 under the leadership of Prime Minister Salam Fayyad, when the Palestinians began to build the infrastructure of a state, the Palestinians have regrettably preferred to concentrate on harming the state of Israel rather than establishing their own state.

In 2005, for example, Israel withdrew completely from the Gaza Strip, evacuating every Israeli civilian and soldier. The Palestinian leadership in Gaza—which, after 2006, was the Islamic Resistance Movement, or Hamas—had the opportunity to establish a statelike entity, to develop the strip for the benefit of its own people, and to prove to Israel and the international community that the formula “land for peace” really works. Indeed, nothing would have incentivized Israeli withdrawal from the West Bank (which many Israelis call Judea and Samaria) more than the emergence of a peaceful and successful Palestinian-governed entity in Gaza. Sadly, the opposite happened. Hamas turned Gaza into a terrorist base and a rocket-launching pad, in the process destroying the lives of millions of Palestinians.

### **WHY SETTLEMENTS AREN'T THE PROBLEM**

The second misconception underpinning the conventional wisdom is that Israeli settlements in the territories are a crucial obstacle to peace and that the removal of those settlements would pave the way for a resolution of the conflict. Once again, however, history has shown that this is simply not the case. The persistence of the Arab-Jewish conflict for more than 150 years is not because Jews have settled in a particular part of the land of Israel but because Arabs have rejected the Jewish right to settle anywhere in the land of Israel.

Gaza is a useful test case. If settlements were the main problem blocking peace, then the evacuation of all settlers from Gaza should have improved matters and led to further negotiations. In fact, it produced more terrorism. If there has been any quiet for Israeli communities near the Gaza border in the last two years, it is only because the punishment inflicted on Hamas by the Israel Defense Forces in Operation Protective Edge in 2014 has temporarily deterred it from launching further attacks.

The existence of Israeli settlements in the territories has never prevented the Israelis and the Palestinians from negotiating with each other or even reaching agreements. Since 1993, Israel and the PLO have reached numerous political, economic, and technical accords, even as Israeli governments—left, right, and center—continued investing in settlements in the territories.

Since 1967, no government of Israel, across the political spectrum, has questioned the legality of Jewish settlement in territories won during the war. Governments have taken different views on whether to build certain settlements, but all have recognized the fundamental right of Jews to live in the West Bank. (Of course, settlement activities must always be done lawfully, solely with the endorsement of the government of Israel. No government can turn a blind eye to illegal action and should use the tools of the state to prevent violations and correct them if they occur.) Even so, as part of the political process in the Oslo Accords, the government of Israel made a major concession by committing itself to negotiate the issue of settlements with the Palestinians.

Some argue that this commitment was disingenuous, given that the expansion of settlements prevents the establishment of a Palestinian state. However, the total combined land area of Israeli settlements in the West Bank is less than ten percent of the territory—hardly so much as to prevent the emergence of a Palestinian state. And although the Obama administration unilaterally renounced Washington's commitment to an April 2004 agreement between U.S. President George W. Bush and Israeli Prime Minister Ariel Sharon on settlement activity, the government of Israel has kept its part of that deal. Specifically, Israel has limited its construction in the West Bank to areas within the geographic boundaries of existing settlements in such a way as to allow for the natural growth of those communities.

Regrettably, for internal political reasons, the Israeli government has been shy about publicly affirming its continued commitment to this policy—a commitment that it has kept despite Washington's breaking its end of the deal. Israel should be clear about its policy, in the hope that the new administration in Washington might return to a more realistic approach to the issue of settlements and their connection to the broader dispute between Israel and the Palestinians.

### **WHY FULL SEPARATION WON'T WORK**

The third misconception underlying the conventional approach to the peace process is that until a diplomatic agreement resolving the conflict is reached, separation between the Israelis and the Palestinians is the best way to keep things peaceful and tranquil. Separation appeals to the idea that Israelis should not be captive to the Palestinian refusal to make peace, that they can be masters of their own fate. It also feeds on a certain paternalistic notion that if the Palestinians aren't going to

be responsible actors, the Israelis will have to be responsible for both parties. But a close examination shows that this is a mirage. Full separation now would be a disaster—most of all for the Palestinians.

No Palestinian entity could survive, for example, without a close connection to the Israeli economy. The center of gravity of the Palestinian economy is not Ramallah; it is Tel Aviv. About 100,000 Palestinians are employed inside pre-1967 Israel, both legally and in the gray economy. Another 60,000 are employed inside the West Bank in the settlements and in Israeli industrial zones. Thousands more are employed in the territories by Palestinian subcontractors of Israeli enterprises. More than 80 percent of Palestinian exports go to the Israeli market. Full separation between Israel and the Palestinians would trigger an economic and humanitarian crisis in the West Bank that would threaten the PA and pose a significant security risk to both Israel and Jordan.

Moreover, separating the Palestinians' critical infrastructure from Israel would lead immediately to a massive crisis. Even with Israel's disengagement from Gaza, Gazans still rely for their survival on Israeli-supplied water and electricity. For the Palestinians in the West Bank, the level of dependence is even greater. For Israel even to consider a policy that would deprive Palestinians of the basic necessities of life is inhumane and unthinkable. In theory, the Palestinians have the ability to develop their own desalination plants, power stations, and other infrastructural needs. But they have had this ability since the signing of the Oslo Accords, and, despite generous international funding, none of this has happened. It would be the victory of hope over experience to believe this situation would change in the event that Israel separated from the territories.

As for security, the limitations that would accompany full separation on the current freedom of the Israeli army and other Israeli agencies to operate in the territories would deprive Israel of assets needed to fight terrorism. But the most immediate impact of separation in the security realm would be on the survival of the PA.

From the implementation of the Oslo Accords in 1994 until Operation Defensive Shield in 2002, Israeli security forces did not operate in Area A in the West Bank, those urban areas defined by Israeli-Palestinian agreement as under full Palestinian security control. When Palestinians launched a wave of suicide bombings against Israeli cities in 2000, in what became known as "the second intifada," or "al Aqsa intifada," most of the perpetrators came from Area A. To suppress the uprising and bring an end to the terrorist attacks, Israel changed its rules of engagement

and began operating throughout all of the West Bank, which has remained the case ever since. Without this freedom of action, Israel has high confidence that it would again be faced with the kind of violence and terrorism of 2000–2002.

But terrorist organizations do not focus their energies only against Israel. Hamas, Palestinian Islamic Jihad, and the Islamic State (also known as ISIS) also view the PA and its ruling party, Fatah, as enemies. The resulting convergence of interests between Israel and the PA in fighting Palestinian terrorism is the basis for the security coordination between Israel and Palestinian security institutions. Such cooperation, originally enshrined in the Oslo II agreement, has become essential to PA security; although Palestinians do their part, the fact is that Israeli security forces are responsible for the majority of counterterrorism activities in the West Bank. Without Israeli military and security activity, the PA would collapse and Hamas would take control.

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*No Palestinian entity could survive without a close connection to the Israeli economy.*

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Of course, not all aspects of separation are bad for Israel and the Palestinians. Political separation, for example, serves the interests of both sides. Indeed, it is the one positive outcome of the Oslo process. Thanks to the agreements, the Palestinians enjoy substantial political independence, voting for their own parliament, president, and municipalities. This also benefits Israel, whose Jewish and democratic character would be threatened if Palestinians in the West Bank had no option but to vote within the Israeli political system. (On their own, the Palestinians decided to maintain two political entities—one ruled by Hamas, the other by the PA—but this was a Palestinian choice, not one imposed on them by Israel.)

Those of us who believe in political separation recognize that there needs to be an eventual agreement between the parties regarding the status of the territory in the West Bank—part of which will be under Palestinian sovereignty and part of which will be under Israeli sovereignty. This issue should be negotiated and resolved between the two sides, when the circumstances are ripe for agreement on critical and sensitive issues. In the meantime, pursuing other forms of separation would only worsen the situation.

The fourth misconception embodied in the conventional approach, finally, is that the Israeli-Palestinian conflict drives conflict in the Middle

East more generally and thus that regional stability depends on the conflict's resolution. No idea has done more damage to the modern Middle East than this false concept of linkage. For decades, it has freed Arab leaders from responsibility to their own peoples and has given Palestinians a stranglehold on the political fate of other, unrelated communities.

The reality is that the region's chronic instability was caused by the mistakes made by colonial powers a century ago in forcing a Western-inspired nation-state model on a local patchwork of competing religious, ethnic, and tribal loyalties. For decades, the region's dictators and autocrats were happy to resist change while hiding their sins behind the cover of the Israeli-Palestinian conflict, but the chaos spreading through the region over the last five years has given the game away. Nobody can say with a straight face that the civil war in Syria, the sectarian strife in Iraq, the tribal conflict in Libya, the state collapse in Yemen, or the revolution and counterrevolution in Egypt have anything to do with Israel or the Palestinians, so this canard might finally have been put to rest. (The irony is that, in its own modest way, Israel has played an important role over the years in support of regional stability, steadying the situation along its borders and maintaining security in the West Bank.)

### **WHAT IS TO BE DONE?**

Together, these misconceptions have yielded a fundamental misunderstanding of the nature of the Israeli-Palestinian conflict, the steps that need to be taken to solve it, and the consequences of alternative courses of action. A stubborn myth persists about how a final settlement of the conflict is almost within reach; everyone supposedly knows what it looks like and believes that the only thing required to get there is to press both parties for a few more concessions that would push the negotiations across the finish line.

But people have been kidding themselves. The gap between the two sides is not about a few square kilometers on a map, several dozen Israeli communities in the West Bank, or a few billion dollars in international funds to develop the Palestinian state. Sadly, it is more profound than that, and much more impervious to resolution.

Israel has no interest in governing Palestinians who are not already Israeli citizens and should do everything in its power to continue the process of political separation. But there is little chance of reaching a negotiated solution to the other aspects of the conflict in the foreseeable future, until Palestinian attitudes evolve. Nor is full separation an

acceptable alternative: it would consign millions of Palestinians to a terrible plight and create yet another failed political entity in the region (perhaps two, if Gaza and the West Bank stay divided).

So what is to be done? I favor a policy of bottom-up change and incremental progress, trying to build a durable structure of peace on solid foundations rather than sand. If Israelis proceed with determination and persistence, without rosy illusions or wishful thinking, we can improve the situation for both the Palestinians and ourselves and make real progress more likely down the road.

The first component of such an approach would be the promotion of Palestinian economic growth and infrastructure development. More Palestinian workers should be allowed into industrial zones and settlements in the West Bank, and more Israeli-Palestinian joint ventures should be encouraged. More Palestinian industrial zones should be developed, and Israeli natural gas should be delivered to the West Bank and Gaza. A Palestinian power station should be constructed near Jenin, the capacity of the power station in Gaza should be increased, and there should be a solar field installed adjacent to the Gaza Strip. There should be a desalination facility built in Gaza, and the agricultural sector should be promoted across the territories. And the success of Rawabi, the new planned city, should be replicated in other regions of the West Bank.

At the same time, Israel should do what it can—both directly and by enabling the efforts of others—to help improve Palestinian governance, anticorruption efforts, and institution building in general. At all times, however, Israel should be mindful to avoid patronizing the Palestinians; it is not Israel's business to impose its way of governing on the PA or to choose leaders for it; rather, the goal is to provide opportunities for the Palestinians to determine their own future.

All of this should be done against the backdrop of Israeli-Palestinian security cooperation under the heading of "One authority, one law, one weapon." This means that the PA, with Israel, needs to work to prevent the emergence of any independent armed groups and to maintain a monopoly on the use of force in the areas under its control. Within this framework, Israel should do everything in its power to train Palestinian police and security personnel to meet the PA's daunting security challenges. As long as it is necessary, however, Israel will need to retain its current freedom of operation for its own military and security forces throughout the West Bank.

Such a bottom-up approach should have a diplomatic component as well, ideally a regional initiative that would bring in Arab states interested in helping to manage and eventually solve the Israeli-Palestinian conflict—whether or not those states have formal relations with Israel.

Over time, these efforts could lay the groundwork for a true peace rooted in mutual recognition and responsible cooperation. The specific shape of plausible final settlements will become clear eventually, but only after both the Israelis and the Palestinians have learned to accept and work with each other over years of gradual, incremental development. The Palestinians can, should, and eventually will have their own political entity, but at least for the foreseeable future, it will lack certain attributes of full sovereignty, such as armed forces. Rabin put the matter well in the last speech he gave to the Knesset, presenting the Oslo II agreement for approval just a month before his tragic assassination:

We view the permanent solution [of the conflict] in the framework of the State of Israel, which will include most of the area of the Land of Israel as it was under the rule of the British Mandate, and alongside it a Palestinian entity which will be a home to most of the Palestinian residents living in the Gaza Strip and the West Bank. We would like this to be an entity which is less than a state and which will independently run the lives of the Palestinians under its authority. The borders of the State of Israel, during the permanent solution, will be beyond the lines which existed before the Six Day War. We will not return to the 4 June 1967 lines.

He went on to call for preserving a “united Jerusalem . . . under Israeli sovereignty,” establishing Israel’s “security border” in the Jordan Valley, and extending Israeli sovereignty to include large blocs of Jewish settlements across the Green Line, all of which continue to make sense today.

Achieving even this result will take patience, persistence, and years of practical effort. But it offers the chance for a real peace somewhere down the road, something that the conventional top-down approach will never produce. Any attempt by the new administration in Washington to plow the old furrows once again is destined to fail, just as such attempts by its predecessors did—with the costs borne by the local communities that will find themselves trapped in still more violence and misery, still further from the peace they deserve and may one day be able to share. 🌍



Photo: shutterstock - Gil.K

# Treasure Island Entices Investors

Madagascar has faced many challenges over the years, but now under a pro-business administration, the welcoming country is making socioeconomic development progress.

As a paradise island blessed with unique species of flora and fauna that has transformed the ambitious country of 23 million people into a popular tourist destination, Madagascar is truly making its mark on the international investment map. Scores of foreign partners are looking to take advantage of its rich potential.

Abundant natural resources have long made the republic a magnet for mining-related activities concentrated on large deposits of nickel, titanium, cobalt, iron ore, coal and uranium.

Above ground, fertile soil and a favorable climate mean the agricultural sector is a core ingredient of national economic growth through substantial exports of vanilla, sugar and coffee.

Annual GDP growth is forecast to remain in the mid-single digits in 2016 and 2017, while foreign direct investment (FDI) will advance as the business-friendly government of President Hery Rajaonarimampianina continues its comprehensive fiscal and social reforms programme.

Madagascar is a member of the African Union and Southern African Development Community (SADC), eligible for the African Growth Opportunity Act (AGOA) and is rolling out the welcome mat for foreign investors in modern special economic zones (SEZ) that offer various fiscal incentives.

“Our cooperation with AGOA is very encouraging,” underlined President Rajaonarimampianina. “Since our reintegration and the extension of the program over the last decade, exports to the US have increased significantly and we have created thousands of jobs within the AGOA framework.

“Our SEZ system constitutes a strategy to develop and work



**Hery  
Rajaonarimampianina**  
President of Madagascar

in a direct, coherent and structured way with foreign investors.

“Madagascar represents the breadbasket of the Indian Ocean, so good infrastructure is essential. A new hydro-agricultural dam irrigates 15,000 hectares, generates two crops a year and tripled productivity to 7-9 tons a hectare.”

President Rajaonarimampianina is particularly eager to expand the energy and tourism sectors. He continued: “Our 5,000km of coastline offer significant tourism potential and we want to develop ecotourism.

“Energy is another area of interest as we have wonderful energy resources in the hydroelectric, solar, wind and biomass spheres. The development of energy directly generates an industrial and economic development. Mines are also crucial. Madagascar is a land of many opportunities that is absolutely open to the world.”

## THE MINING BUSINESS CENTER (MBC)



Inaugurated in November, the MBC is “the mining display-case” of Madagascar, effectively a single shop window that facilitates every procedure with regards to investments that will vastly improve the visibility of the mining sector. The MBC’s purpose is two-fold: it is both commercial and communicative—it is the purchasing center of mining products and its goal is to fight against illegal trafficking and provide clients with an authenticity certificate. The MBC is also responsible for promoting and making known our natural resources to the Malagasy population so they too can enjoy the many benefits of working in this field.

# Precious Metals and Minerals Sparkle

Abundant natural resources are a great source of wealth that have attracted foreign firms for many years, while the petroleum industry is the focus of the latest race for black gold.

Madagascar is renowned for the wealth of its subsoil, geodiversity and mining potential, while international partners are taking advantage of substantial oil and gas reserves that will soon see the commercialization of “heavy oil”.

As the guardian of the mining and petroleum industry, Minister Ying Vah Zafilahy is well aware of the importance of the sustainable development of such resources with the help of foreign companies, hence why his department is putting in place legislation to guarantee stability for secure investments.

“The objective of the mining policy is to make the country, population and investors benefit from the positive impact of the exploitation of the subsoil wealth with the good governance, sustainable management and the win-win principle,” he explained. “The US has a significant experience in the field of exploration and exploitation of petroleum. Once the Petroleum Code is established, we hope American investors will come and we will strive to reinforce the cooperation between the two nations.”

**“Our new Petroleum and Mining Codes are legal texts that will be beneficial for win-win collaborations.”**

Bonaventure Rasoanaivo, GM, OMNIS

The spearhead for the island’s petroleum and mineral resources development, OMNIS (Office of National Mining and Strategic Resources) is responsible for all aspects of the well-being of associated industries and for fostering partnerships with international oil and mining companies.

Committed to maximizing returns on its petroleum and mining wealth, OMNIS works closely with ministers and international enterprises active in all areas of natural resource development.

Over a dozen oil companies currently occupy 17 exploration blocks and more than new 200 exploration blocks, onshore as well as offshore, will be made available from 2017.



**Bonaventure Rasoanaivo**  
GM, OMNIS

The jewel in the crown of the emerging petroleum industry is the Tsimiroro field in the Morondava basin that is estimated to contain around 1.7 billion barrels of oil.

According to Bonaventure Rasoanaivo, OMNIS General Manager, there is huge interest in the blocks and many companies wish to establish a shared production contract, but no deals will be struck until the Petroleum Code is agreed.

He said: “We work within the scope of the exploration of strategic mines such as oil, gas, coal and ilmenite. OMNIS aims to carry out the exploration work in the long term. We call on oil and mines companies to explore and ensure the development of Madagascar. To make Madagascar a prosperous nation with strong economic growth, we focus on the promotion of our extractive industries. Our new Petroleum and Mining Codes are legal texts that will be beneficial for win-win collaborations.”

With more than three million tons of proven reserves of chromite, Kraomita Malagasy’s (Kraoma) golden portfolio of mines mean the state-owned firm is the leading extractor and exporter of the precious mineral, making it a major employer and key generator of foreign earnings.

They invested at least \$7.5 million in improving its operation last year as part of a strategic growth plan and is increasingly looking to diversify its activities through the mining of other buried treasures like coltan and beryllium.

“In 2016, our goal is to export 140,000 tons: 59,000 tons of rock chromite and 80,000 tons of chrome concentrate,” revealed Arsène Rakotoarisoa, Kraoma Chairman of the Board and CEO. “We have to build relationships with investors with the necessary capital and for each type of mineral we have to establish public-private partnerships (PPPs) and create subsidiaries.

“Kraoma provides kits to schools, builds schools and hospitals and finances training courses as part of a ‘proximity policy.’”

## KRAOMA, THE MALAGASY PRIDE



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39th plenary session of the ICAO, Montreal: M. Olumuyiwa Benard, M. James Andrianalisoa, Mme. Fang Liu and M. Barry Kashambo



Tsimanampetsotsa National Park

## Adventure Island is Natural Paradise

Boasting amazing scenery with wonderful flora and fauna found nowhere else on Earth, Madagascar offers international visitors an insight into this incredible ecological haven.

Blending exceptional biodiversity with breathtaking landscapes of virgin tropical rainforests and stunning coastlines, Madagascar guarantees visitors a warm welcome, as increasing numbers of foreign travelers are discovering to their joy.

While the country still has a way to go to match the popularity of other Indian Ocean islands like the Maldives, Seychelles and Sri Lanka, 235,000 tourists generated revenues of nearly \$600 million last year in Madagascar.

Foreign airlines will soon be able to operate routes across the country with the introduction of an “Open Sky” policy, while a long-awaited restructuring of national airline Air Madagascar promises to deliver a more streamlined air transport provider.

“We need to spread the ‘Treasure Island’ message and highlight how welcoming and generous Malagasy people are,” said Roland Ratsiraka, Minister of Tourism. “We are the Indian Ocean’s breadbasket due to our healthy products and organic agriculture.”

Striving to protect these amazing natural assets is Madagascar National Parks (MNP). The organization aims to establish, conserve and sustainably manage a network of parks and nature reserves representative of the diversity and natural heritage.

The agency manages 43 protected areas, seven of which enjoy UNESCO World Heritage Site status, of more than two million hectares. “Ecotourism has always been the spearhead of the country and tourism promotion,” said MNP CEO, Guy Suzon Ramangason.



**Roland Ratsiraka**  
Minister of Tourism



**Guy Suzon Ramangason**  
CEO, MNP

With such a vast and diverse terrain sometimes proving a challenge for journeys by road, taking to the sky is the quickest way to traverse the island, albeit an option that is relatively expensive given the lack of competition. Thanks to the work of Aviation Civile de Madagascar (ACM)—the body responsible for facilitating the development of airports, airlines and civil aviation—flag carrier Air Madagascar was removed from the EU’s safety blacklist in 2016.

The milestone means the state-run airline can operate flights to and from the lucrative trade bloc and the breakthrough has boosted its search for a strategic partner.

“The principle of connectivity is essential,” stated James Andrianalisoa, ACM Chief Executive Officer, who travelled to Canada in September 2016 to collect a coveted Council President Certificate from the International Civil Aviation Organization (ICAO) in recognition of its great work. “Linking the major tourist

centers is crucial; we need airlines that attract tourists and have negotiated a number of bilateral agreements so we benefit from airlines’ power on the international network. We target tourists that have a real and tangible impact on the national economy.”



# Fusion of Tradition and Technology

Modern telecoms networks are backbone for activities like agri-business and real estate.

The merging of centuries of traditional living and farming with the demands of a society seeking more modern infrastructure and technology is a challenge not just facing Madagascar, but also many countries across Africa.

Major public and private sector investment in key infrastructure is improving national and international connectivity through better logistics platforms and telecommunications networks.

While the international perception of Madagascar has yet to match recent socioeconomic developments, local businesses and entrepreneurs are well aware of its rich potential and playing a pivotal part in its transformation to a thriving economic hub.

Heavily reliant on agricultural producers and associated agribusinesses, two thirds of the population live in rural areas and the agricultural sector employs 80% of the population. Comprised of 60 million arable hectares, only around a third are cultivated for produce like cereals, fruits, vegetables, tea and cocoa.

Established 70 years ago, Groupe Basan's rich history is based on an ingrained entrepreneurial spirit and an unshakable faith in the future and mankind.

Once focused on traditional sectors like tanning, the firm has blossomed into one of the largest distributors of food under the famous JB brand as part of a focus on agribusiness and organic produce range that meets international quality control standards.

The firm's presence is not just limited to commercial activities as a highly-respected initiative with a French firm called Nutriset is helping fight child malnutrition.

**“Through our division Lecofruit, we have started organic farming to support sustainable agriculture.”**

Karim Barday, CEO, Groupe Basan

“Through our division Lecofruit, we have started organic farming to support sustainable agriculture. We work hand in hand with 13,000 small producers,” said Karim Barday, Groupe Basan Chief Executive Officer.

Star Group was founded in 1953 and produces beers, sodas, water, energy drinks, juices and rum. The company is present in Europe and other areas of Africa, and enjoys an long term partnership with drinks giant Coca Cola dating back over 60 years.

“Training, political stability and real estate issues are crucial for the future and for Madagascar's sustainable development,” said Star Group Deputy CEO, Emmanuel De Tailly. “Then, we'll be able to create a middle class, mitigate poverty and ensure industrialization for a sustainable growth that won't be cyclic.”

The Group is one business benefiting from increased sales opportunities by a technology-based financial revolution that has improved financial inclusion for millions of people through rapid digital payment channels for various goods and services.

In late 2016, Madagascar became the second African market to launch mobile money inter-operability among the country's three mobile money providers—including industry pioneer Orange Madagascar—part of the flagship brand of France Telecom.

Launched in 2010, Orange Money allows clients to deposit, transfer and withdraw money anywhere and gives clients the option to pay for goods at thousands of merchants at just the touch of a button or swipe of a screen.

Orange Madagascar's Interim Chief Executive Officer, Benja Arson, said: “The inter-operability of Mobile Money will contribute to the economic growth and financial inclusion of the population. It allows small and medium-sized enterprises to take responsibility and self-govern in financial terms.

“We improve this way the daily life of users simplifying their financial operations and we allow Madagascar to start the digitalization of the economy.”

## ALWAYS ONE STEP AHEAD

Over the past 50 years, Groupe Filatex has evolved from being a traditional trader to becoming one of the most successful and respected companies in the country. Through hard work and professionalism, it has built a strong reputation in real estate development, energy production, hospitality and trading.

Since 2010, Groupe Filatex has been headed up by Hasnaine Yavarhoussen, a young business leader who inspired the major transformation into real estate. At the same time, through Enelec, Filatex has strengthened its presence on the energy market by producing 35% of the energy requirements of Madagascar.

In the future, the group's main objective is to conceive and build innovative eco-districts which can make a significant contribution to the economic growth of the country.

Groupe Filatex is also aiming to become a leader in sustainable development by increasing the renewable energy share in Madagascar's energy mix and putting the climate change issues at the center of the economic policy according to the Paris Agreement on Climate Change.

### Groupe Filatex SA

BP 1330 Route d'Antsirabe  
Ankandimbahoaka, Antananarivo 101  
Madagascar | [www.groupe-filatex.com](http://www.groupe-filatex.com)



# Golden Gateway on Crest of a Wave

Like any island, Madagascar relies on fast and efficient port operations to optimize trade flows with the government and private companies all playing a key part in this goal.

With so many of the country's natural resources and finished goods required by consumers across the world, Madagascar is making the most of its competitive advantages and enviable geographical position between Africa and Asia.

Ensuring the export process of such goods—especially time-sensitive agricultural produce—is accomplished quickly and efficiently and that no disruptions impact the supply chain is a major task, but it is one that private and public entities relish.

Such cargoes are shipped or flown to foreign markets every day of the week, with thousands of tons of valuable metals and minerals placed on vessels at the bustling port of Tamatave.

The transshipment hub on the east coast handles 75% of all port traffic to and from the island, serving the national economy and acting as an important economic tool for the country, regional and international environment.

The port is managed by state-owned Société du Port à gestion Autonome de Toamasina (SPAT), with the authority working hand in hand with Philippines-based industry experts ICTSI through a PPP called Madagascar International Container Terminal Services Limited (MICTSL).

"In the royal era, before colonization, royalty considered Tamatave as the lung of Madagascar and the sea as the fence of the Kingdom," revealed SPAT CEO, Christian Eddy Avellin, adding modernization and expansion work will enable the facility to handle larger vessels as well as cruise liners in the coming years.

"Kings considered the port the economic centre of the country, making the marine facility a political stake for people who led the country. However, we realized you can't mix the port with politics, as it has to be managed like a real business.

Douanes Malagasy is the national Customs authority, working round the clock to fight corruption, improve transparency and to streamline and Customs activities at all ports of entry and exit.



**Christian Eddy Avellin**  
CEO, SPAT

"We put in place procedures, human resources, and economic actions, to facilitate the arrival of investors' goods and the products they manufacture for export," explained Douanes Malagasy's CEO, Eric Narivony Rabenja.

"We're looking to establish a more stable organisation and administration so Customs can ensure an independent role away from the political situation. Madagascar has the potential to become a logistics and international trade hub."

Ensuring port users comply with national and international laws and regulations, GasyNet (Malagasy Community Network Services) is a PPP between the government and SGS (Société Générale de Surveillance).

GasyNet optimizes Customs procedures through the utilization of cutting edge equipment and highly-trained agents. "When GasyNet was created a decade ago, it took 22 days to arrange Customs clearance for a maritime container. Today, we need two days for the maritime procedure and only one day to for the aviation sector," stated GasyNet CEO, Cédric Catheline.

**Société du Port à gestion Autonome de Toamasina**

**Together towards a port of reference**

- International star for leadership in quality (June 2014, Paris)
- The New Era Award for technology, innovation & quality (June 2014, Rome)
- International award for leadership in quality (December 2014, Madrid)
- Best Quality leadership award (December 2014, Los Angeles)

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# Europe After Brexit

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## A Less Perfect Union

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*Matthias Matthijs*

**T**he United Kingdom's vote to leave the European Union has triggered the worst political crisis the EU has ever faced. Since the early 1950s, the EU has steadily expanded, but on June 23, 52 percent of British voters ignored the experts' warnings of economic misery and opted to leave the bloc. At the annual British Conservative Party conference in October, Prime Minister Theresa May promised to invoke Article 50, which formally begins negotiations and sets a two-year deadline for leaving the EU, by March 2017. Now, given her determination to regain control of immigration and the stiffening resolve of other EU leaders to make an example of the United Kingdom, a so-called hard Brexit—an exit from both the single market and the customs union—is looking increasingly likely. This prospect should lay to rest the once dominant idea that European integration is an irreversible process.

When the United Kingdom leaves, as it almost certainly will, the EU will lose its largest military power, one of its two nuclear weapons states, one of its two veto-wielding members of the UN Security Council, its second-largest economy (representing 18 percent of its GDP and 13 percent of its population), and its only truly global financial center. The United Kingdom stands to lose even more. Forty-four percent of British exports go to EU countries; just eight percent of the EU's exports head to the United Kingdom. The United Kingdom will also face much less favorable terms with the rest of the world when negotiating future trade and investment deals on its own, and British citizens will lose their automatic right to study, live, work, and retire in the 27 other EU member states. What's more, the process of disentangling the country

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from 44 years of membership will consume a mind-boggling amount of human and financial resources. But the British people have made their decision, and it would be hard, if not impossible, to reverse course.

For the EU, the timing could not be worse. More than seven years after the eurozone debt crisis hit, Europe's economies remain fragile. Russia continues its saber rattling on the eastern periphery. Two of the EU's member states, Hungary and Poland, are rapidly sliding toward illiberal democracy. The refugee crisis has exposed deep divisions across the continent over immigration. Europe seems to be in a perpetual state of crisis. Antiestablishment parties on both the right and the left that question the value of the EU have gained ground, mainly at the expense of centrist Christian democratic and social democratic parties, which have never wavered in their support for further European integration. In the 1957 Treaty of Rome, which established the EU's predecessor, Europe's leaders envisioned "an ever closer union among the peoples of Europe." Six decades on, that notion has never seemed more distant.

The roots of the EU's current crisis can be traced to the 1980s. In the first four decades after World War II, leaders saw the European project primarily as a means of restoring the political legitimacy of their war-torn nation-states. In the 1980s, however, Europe's elites set their sights on a loftier goal: forging a supranational economic regional order over which an enlightened technocracy would reign supreme. The creation of the single market in 1986 and then the introduction of a single currency a decade later seemed to herald a glorious new era of economic growth and political integration.

In reality, however, these steps sowed the seeds of Europe's current crisis. Leaders on the continent failed to set up the institutions that would be necessary to make both the single market and the single currency function properly. They brought about monetary union without fiscal and financial union, leaving countries such as Greece and Italy vulnerable after the Great Recession struck in 2008. Today, Greece's economy is 26 percent smaller than it was in 2007 and remains mired in debt. Youth unemployment there stands at just below 50 percent; in Spain, it remains above 45 percent, and in Italy, it hovers around 40 percent. Europe's leaders always assumed, incorrectly, that future shocks would lead to further integration. But the economic crisis, followed closely by an ongoing political crisis over immigration, has brought the EU to the brink of disintegration.



*Goodbye to all that: Theresa May at an EU summit in Brussels, October 2016*

If the EU is to survive, it must restore the original division of labor between Brussels and Europe's capitals, in which national governments retained discretion over key areas of economic policy, such as the ability to conduct fiscal stimulus and defend national champions. The nation-state is here to stay, and national policies still have far more democratic legitimacy than those imposed by technocrats in Brussels or Frankfurt. The EU needs to give Europe's national governments more, not less, freedom to act.

### **FROM THE ASHES**

The founders of the EU would be disheartened to see what their creation has morphed into. As the British historian Alan Milward argued in his 1992 book *The European Rescue of the Nation-State*, Europe's ruling elites established the European Economic Community (EEC) in the 1950s not to build a new supranational power but to rehabilitate the system of European nation-states after the horrors of World War II. They realized that if their countries were to survive, they would need some degree of continental coordination to help provide economic prosperity and political stability.

Milward argued that increased European cooperation required some surrender of sovereignty, but not the wholesale replacement of the

nation-state with a new form of supranational governance. Instead, the EEC was designed in keeping with the idea of “embedded liberalism”: the postwar consensus that sovereign countries would gradually liberalize their economies but maintain enough discretion over their economic policies to cope with hard domestic times. The EEC’s founding fathers left most political and economic powers with national governments, leaving the EEC to coordinate coal and steel production, agricultural support, and nuclear research, as well as internal trade relations and common foreign economic policies.

This political bargain ushered in three decades of successful European integration by guaranteeing peace and stability and fostering increased trade and prosperity. In the early 1990s, when Milward published his book, European integration had reached its zenith. In 1991, according to Eurobarometer polls, a record 71 percent of EU citizens considered their country’s membership in the union “a good thing”; just seven percent thought it was “a bad thing.”

Yet no sooner had Milward’s thesis appeared than it became outdated. Starting in the mid-1980s, Europe’s elites had begun to transform the nature of the European political project. Led by Jacques Delors, the president of the European Commission, and backed by French President François Mitterrand and German Chancellor Helmut Kohl, they set out to create a new form of supranational governance, rather than using European integration to strengthen the continent’s old system of nation-states. Pan-European rules would take precedence over national policy discretion. Economic integration would trump domestic democratic politics. Europe’s leaders would turn their countries “from nation-states to member states,” as the political scientist Chris Bickerton has put it, as they progressively dismantled the postwar national corporatist state. Delors’ federalist vision required the EU’s member states to surrender ever more sovereignty and gradually weaken the privileged bonds that had existed between national governments and their people. Membership in the EU would no longer entail reinvigorating the nation-state; it would mean caging it.

## **THE GREAT EXPERIMENT**

The first landmark in the transformation of the European political project came in 1986, when French socialists such as Delors and Mitterrand joined forces with conservatives such as Kohl and British Prime Minister Margaret Thatcher to sign the Single European Act. The

SEA represented a response to the “Eurosclerosis” of the 1970s and 1980s, Europe’s protracted disease of low growth, labor unrest, and high unemployment and inflation. The Treaty of Rome had already established a common market and enshrined “four freedoms” into European law: the free movement of people, services, goods, and capital. But countless national regulations still held back cross-border trade. Only through more deregulation and liberalization, European policymakers argued, could Europe escape its economic doldrums. And indeed, by 1992, the EEC would become a genuine single market.

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*The roots of the EU’s current crisis can be traced to the 1980s.*

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But as the Hungarian economic sociologist Karl Polanyi warned in the mid-twentieth century, there is nothing natural about the creation of markets. They require major acts of state power, so that activities that were once “embedded” in local social and political relationships become tradable commodities among anonymous participants. Exchanges need to become “disembedded” from their social context to become market transactions. The SEA was a major exercise in disembedding countries’ markets from their national protections, regulations, and traditions.

The SEA was extraordinarily ambitious. Most countries require people to hold national licenses when they provide services, whether they are designing a house, performing surgery, or offering financial advice. Many governments still monitor and restrict capital and financial flows into and out of their national jurisdictions. All kinds of nontariff barriers, such as national health, safety, and environmental standards, still hold back international trade in goods. But after the SEA, European citizens could move easily among national labor markets, capital could flow freely across European borders, and manufacturers no longer had to deal with a raft of conflicting product standards. A Portuguese pilot could fly for Air France, a Belgian bank could now invest in Greece, and a German driver could buy an Italian Lamborghini without having to worry if it complied with Germany’s technical and safety standards. Intra-EEC trade in goods soared. The single market remained incomplete—fatally, it lacked a unified system for supervising and resolving Europe’s most important banks and monitoring mechanisms to warn of sudden interruptions to international capital flows—but it went much further than any similar exercise in modern history.

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*The EU's experiment in creating a truly free market has come at a price.*

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Indeed, the political scientists Leif Hoffmann and Craig Parsons have observed that in many instances, the United States' single market has more rules than Europe's. In public procurement, for example, the state of California or the city of Chicago can give preference to state or local service providers. Member states of the EU cannot favor national companies. Similarly, the regulation of many services in the United States takes place at the state, rather than the federal, level. A licensed hairdresser who moves from Ohio to Pennsylvania must undergo 2,100 hours of training and pass written and practical exams to obtain a new license. A barber from Berlin, on the other hand, can set up shop in Paris the very next day.

But the EU's experiment in creating a truly free market has come at a price. The increased market competition that the SEA introduced brought widespread benefits, but it also created winners and losers, such as the local producers and service providers in France or the United Kingdom who now faced stronger competition from cheaper Slovakian manufacturers, Polish plumbers, and Romanian contractors. In the boom years, Europe's economies generated enough wealth to compensate the losers. As growth has stagnated, however, large swaths of national electorates have begun to clamor for more protection from the market that the EU built.

Yet because the SEA uprooted European markets from their nationally based democratic politics and social institutions, Europe's governments have given up much of their power to intervene in their countries' economies. To some extent, this process has happened everywhere due to globalization, but European countries embraced the primacy of international markets over domestic politics to a much greater extent than countries anywhere else in the advanced industrial world. As a result, they have found themselves with much less control over their domestic economies than any of their Western peers. And because regulations concerning the EU's single market require only a qualified majority of member states, rather than unanimity, to become law, they can sometimes directly conflict with national interests. For instance, in August 2016, the EU ordered the Irish government to collect \$14.5 billion in unpaid taxes from Apple, despite protestations by the Irish government that low corporate taxes were a key component of its economic model and a "fundamental matter of sovereignty."

### **“SOMEDAY THERE WILL BE A CRISIS”**

The creation of the euro in the Treaty of Maastricht in 1992 represented an even more serious loss of power for Europe’s national governments. Elites introduced the euro because they believed that a single market would function properly only with a single currency. They also argued that countries as open and integrated as the EU member states would benefit from ending exchange-rate fluctuations with one another. More quietly, they dreamed of building a common currency that could challenge the global supremacy of the U.S. dollar.

Federalists hailed the euro as another great leap forward toward European unification, but it took Europe even further away from the postwar embedded liberalism that had underpinned Milward’s grand bargain. That bargain had left nation-states in control of European integration and had presupposed that democracies needed leeway when times were tough to rebalance their economies toward higher growth or lower unemployment, even if that meant temporarily pausing further liberalization.

Yet the design of the euro gave Europe’s democracies no such freedom. The introduction of the common currency and the European Central Bank, which has a sole mandate to maintain price stability, prevented member states from pursuing their own monetary policies. Austere fiscal requirements, meanwhile, which Germany insisted on, made it much harder for governments to stimulate economic growth by boosting spending during a downturn. The 1997 Stability and Growth Pact mandated low public deficits and declining sovereign debt ratios, but the agreement’s name is a misnomer: the pact has undermined social stability and generated little growth. Although national governments often ignored the pact, especially in the early years of the single currency, the EU, at Germany’s behest, tightened the rules in response to the euro crisis and rendered any activist fiscal policy all but illegal.

Germany has been the biggest winner from the euro. Because Germany’s currency can’t appreciate in relation to the currencies of its European trading partners, Germany has held down the real cost of its exports, resulting in a massive trade surplus. But the euro has been a disaster for the rest of Europe. When they created the currency, Europe’s elites removed the economic shock absorbers that their countries had traditionally relied on without creating any new adjustment mechanisms. Europe’s leaders thought it unwise to establish a genuine fiscal, financial, and political union to complement the monetary

union. They rightly judged that their electorates would not accept it, and they assumed that future crises would propel the EU toward further integration. As Romano Prodi, a former prime minister of Italy and then president of the European Commission, observed in 2001, on the eve of the launch of the euro notes and coins, “I am sure the euro will oblige us to introduce a new set of economic policy instruments. It is politically impossible to propose that now. But someday there will be a crisis and new instruments will be created.”

But when the crisis struck, the European Central Bank initially refused to ease monetary policy and in fact raised interest rates; meanwhile, national governments could no longer devalue their currencies in relation to those of their main trading partners to boost exports, nor launch fiscal stimulus programs. That left harsh austerity measures as their only option. In the short term, this response only worsened the crisis. Since then, the EU has created some new instruments, including a banking union and a new fiscal compact, which have transferred responsibility for supervising the eurozone’s biggest banks from national authorities to the European Central Bank, created a single resolution board to wind up failing banks, and established more intrusive monitoring of national budgets. But the logic of European integration has remained the same: more supranational rules, less national discretion. The German government, for example, could not step in to rescue Deutsche Bank, once a symbol of Germany’s financial prowess, if Berlin judged it to be in the national interest to do so, nor can the Italian government run larger fiscal deficits to counter its chronic lack of economic growth.

## **INS AND OUTS**

It is the crisis over immigration, however, that threatens to trigger the union’s demise. The free movement of people within the single market used to be a minor political issue. Most people saw it as a chance for the young to study abroad through the EU’s Erasmus and Socrates programs and for the educated and upwardly mobile to get work experience in a different European country. Until the early years of this century, EU-wide migration remained very low.

But when the EU expanded its membership in 2004 to include the former communist countries of central and eastern Europe, intra-EU migration started to grow. EU enlargement to the east created “a Europe whole and free,” as U.S. President George H. W. Bush phrased

it in 1989, but it also made the union's membership much more economically unequal. In 2004, when Poland joined the EU, its GDP per capita stood at around \$6,600; in the United Kingdom, the figure was \$38,300. These vast differences in income levels encouraged millions of eastern Europeans to head westward. Between 2004 and 2014, for example, over two million people moved from Poland to Germany and the United Kingdom, and almost another two million moved from Romania to Italy and Spain. Such large movements of people have put pressure on the public services and safety nets of the countries receiving them.

Then, in 2015, more than one million migrants and refugees from Afghanistan, Iraq, Syria, and sub-Saharan Africa poured across Europe's borders. The single market had no mechanism to deal with sudden movements of people within it, nor did the EU have any common external migration policy to help absorb a large influx of refugees. National governments, constrained by EU rules over fiscal spending and unable to agree on how to share the burden, have struggled to respond. True, the overall migration numbers remain relatively low, and the net contribution of migrants to their host countries is mainly positive. But many citizens feel that their own governments are powerless and that the EU fails to represent their interests, and so anti-immigrant parties have surged across Europe. For the first time, the EU's commitment to the free movement of people has begun to waver.

Eastern European governments, such as those of Viktor Orban in Hungary and Beata Szydlo in Poland, have ferociously defended their citizens' rights to live and work across the EU while refusing EU requests to take in a quota of refugees. Many western European governments are prepared to begrudgingly accept EU quotas on refugees but increasingly question the unlimited nature of migration within the EU. Fears of unlimited emigration from countries such as Turkey, a candidate for EU membership, played a major role in the United Kingdom's decision to leave the EU, and the desire to regain control over immigration to the United Kingdom will likely result in that country's departure from the single market altogether.

## **TAKING BACK CONTROL**

So where does the EU go from here? Since the United Kingdom has always been its most reluctant member state, many Europhiles will be

tempted to argue that Brussels can now finally push forward with further integration. But that would be a misreading of the current mood in Europe's capitals and a misdiagnosis of Europe's ailment. More Europe is not the answer to the EU's problems.

Instead, Europe's leaders need to return to Milward's basic idea that Europe was meant not to cage its nation-states but to rescue them.

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*The EU does not need any more rules; it needs political leadership.*

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Democratic legitimacy, for better or worse, remains with Europe's national governments. There are no technocratic solutions to Europe's political problems. "I don't wish to suggest that there is something inherently superior about

national institutions over others," the historian Tony Judd observed in 1996. "But we should recognize the reality of nations and states, and note the risk that, when neglected, they become an electoral resource of virulent nationalists."

European integration has taken so many policy levers away from governments that many citizens have started to wonder what their governments are still there for. As the political economist Mark Blyth and I argue in *The Future of the Euro*, "Without developing a political process to legitimately embed [the eurozone's] economic and financial institutions, the future of the euro will be fragile at best." Restoring growth in the eurozone, fighting youth unemployment, and championing EU political reforms that return some economic power to member states should take precedence over austerity and one-size-fits-all structural reforms.

Distributive policies that create winners and losers need to be legitimized democratically through regular elections and should therefore remain the sole preserve of national governments. Such policies include setting budgetary priorities, determining the generosity of the welfare state, regulating labor markets, controlling immigration, and directing industrial policy. Permitting countries to occasionally break the rules of both the single market and the single currency—by temporarily letting them protect and financially support key industries, for instance, or institute an emergency break on immigration under certain strict conditions—would empower national elites to deal with specific national problems and respond to voters' legitimate concerns by giving them a democratic choice over policy.

The EU, meanwhile, should focus on the things that member states cannot do efficiently on their own and that create mutual gains: negotiating international trade deals, supervising systemically important banks and other financial institutions, responding to global warming, and coordinating foreign and security policy. In Eurobarometer polls, about two-thirds of European citizens surveyed consistently say that they support a common foreign policy for the EU. National governments could start with a much more effective pooling of their military resources to conduct joint peacekeeping and humanitarian missions overseas.

The EU does not need any more rules; it needs political leadership. Germany must give up its opposition to eurobonds, or jointly guaranteed eurozone debt instruments, and common deposit insurance, which would go a long way toward providing long-term financial stability in the eurozone by preventing future sovereign bond market contagion and bank runs. It must relax its insistence on tough fiscal rules to allow countries such as Italy and Portugal to engage in aggregate demand stimulus. And it must take the lead in setting up new mechanisms for promoting solidarity within the EU, such as a joint refugee and migration fund, which could make up the difference in temporary shortfalls in local funding and help member states more effectively share the burden of integrating new migrants across Europe.

Germany needs to finally embrace its leadership role. If Germany can overcome its parochialism and recognize that it is in its long-term interest to act as a benign hegemon for Europe—not unlike the role the United States played in the Western world after World War II—there is no reason why the EU cannot emerge stronger from its current malaise. The leaders of the other remaining large member states—especially France, Italy, Poland, and Spain—must reassure Berlin that they are committed to reforming their economies once growth returns, pledge to actively contribute to EU-wide solidarity, and reaffirm that the European project is in their national interests. Collectively, Europe's leaders need to reimagine what Europe is for and regain control of the process of European integration. Sixty years on from the signing of the foundational Treaty of Rome, Europe needs a new grand bargain, now more than ever. 🌐

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# Advice for Young Muslims

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## How to Survive in an Age of Extremism and Islamophobia

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*Omar Saif Ghobash*

**S**aif, the elder of my two sons, was born in December 2000. In the summer of 2001, my wife and I brought him with us on a visit to New York City. I remember carrying him around town in a sling on my chest. A few days after we got back home to Dubai, we watched the terrible events of 9/11 unfold on CNN. As it became clear that the attacks had been carried out by jihadist terrorists, I came to feel a new sense of responsibility toward my son, beyond the already intense demands of parenthood. I wanted to open up areas of thought, language, and imagination in order to show him—and to show myself and all my fellow Muslims—that the world offers so much more than the twisted fantasies of extremists. I've tried to do this for the past 15 years. The urgency of the task has seemed only to grow, as the world has become ever more enmeshed in a cycle of jihadist violence and Islamophobia.

Today, I am the ambassador of the United Arab Emirates to Russia, and I try to bring to my work an attitude of openness to ideas and possibilities. In that spirit, I have written a series of letters to Saif, with the intention of opening his eyes to some of the questions he is likely to face as he grows up, and to a range of possible answers. I want my sons and their generation of Muslims to understand how to be faithful to Islam and its deepest values while charting a course through a complex world. I want them to discover through observation and thought that there need be no conflict between Islam and the rest of the world. I want them to understand that even in matters of religion, there are many choices that we must make. I want my sons' generation of Muslims to

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**OMAR SAIF GHOBASH** is Ambassador of the United Arab Emirates to Russia. He is the author of *Letters to a Young Muslim* (Picador, 2017), from which this essay is adapted. Copyright © 2017 by Omar Saif Ghobash. All rights reserved.

realize that they have the right—and the obligation—to think about and to decide what is right and what is wrong, what is Islamic and what is peripheral to the faith.

## **RESPONSIBILITY**

Dear Saif,

How should you and I take responsibility for our lives as Muslims? Surely, the most important thing is to be a good person. And if we are good people, then what connection could there be between us and those who commit acts of terrorism, claiming to act in the name of Islam?

Many Muslims protest against and publicly condemn such crimes. Others say that the violent extremists who belong to groups such as the Islamic State (or ISIS) are not true Muslims. “Those people have nothing to do with Islam,” is their refrain. To my ears, this statement does not sound right. It seems like an easy way of not thinking through some difficult questions.

Although I loathe what the terrorists do, I realize that according to the minimal entry requirements for Islam, they are Muslims. Islam demands only that a believer affirm that there is no God but Allah and that Muhammad is his messenger. Violent jihadists certainly believe this. That is why major religious institutions in the Islamic world have rightly refused to label them as non-Muslims, even while condemning their actions. It is too easy to say that jihadist extremists have nothing to do with us. Even if their readings of Islamic Scripture seem warped and out of date, they have gained traction. What worries me is that as the extremists’ ideas have spread, the circle of Muslims clinging to other conceptions of Islam has begun to shrink. And as it has shrunk, it has become quieter and quieter, until only the extremists seem to speak and act in the name of Islam.

We need to speak out, but it is not enough to declare in public that Islam is not violent or radical or angry, that Islam is a religion of peace. We need to take responsibility for the Islam of peace. We need to demonstrate how it is expressed in our lives and the lives of those in our community.

I am not saying that Muslims such as you and I should accept blame for what terrorists do. I am saying that we can take responsibility by demanding a different understanding of Islam. We can make clear, to Muslims and non-Muslims, that another reading of Islam is possible and necessary. And we need to act in ways that make clear how we

understand Islam and its operation in our lives. I believe we owe that to all the innocent people, both Muslim and non-Muslim, who have suffered at the hands of our coreligionists in their misguided extremism.

Taking that sort of responsibility is hard, especially when many people outside the Muslim world have become committed Islamophobes, fearing and even hating people like you and me, sometimes

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with the encouragement of political leaders. When you feel unjustly singled out and attacked, it is not easy to look at your beliefs and think them through, especially in a public way. Words and ideas are slippery and can easily slide out of your control. You may be certain of your beliefs about something today, only to wake up with doubts tomorrow.

To admit this in today's environment is risky; many Muslims are leery of acknowledging any qualms about their own beliefs. But trust me: it is entirely normal to wonder whether you really got something right.

Some of the greatest scholars of Islam went through periods of confusion and doubt. Consider the philosopher and theologian Abu Hamid al-Ghazali, who was born in Persia in the eleventh century and has been hugely influential in Islamic thought. His works are treasured today, but during his own lifetime, he was so doubtful about many things that he withdrew from society for a decade. He seemed to have experienced a spiritual crisis. Although we don't know much about what troubled him, it's clear that he was unsure and even fearful. But the outcome of his period of doubt and self-imposed isolation was positive: Ghazali, who until then had been esteemed as a scholar of orthodox Islam, brought Sufism, a spiritual strain of Islam, into the mainstream. He opened up Islamic religious experience to spiritualism and poetry, which at that time many considered foreign to the faith.

Today, some of our fellow Muslims demand that we accept only ideas that are Muslim in origin—namely, ideas that appear in the Koran, the early dictionaries of the Arabic language, the sayings of the Prophet, and the biographies of the Prophet and his Companions. Meanwhile, we must reject foreign ideas such as democracy, they maintain. Confronted with more liberal views, which present discussion, debate, and consensus building as ancient Islamic traditions, they contend that democracy is a



*Keeping the faith: a schoolgirl in Sanaa, Yemen, July 2015*

sin against Allah’s power, against his will, and against his sovereignty. Some extremists are even willing to kill in defense of that position.

But do such people even know what democracy is? I don’t think so. In fact, from reading many of their statements, it is clear that they have little understanding of how people can come together to make communal decisions. The government that I represent is a monarchy, but I feel no need to condemn proponents of democratic reform as heretics. I might not always agree with them, but their ideas are not necessarily un-Islamic.

Another “foreign” practice that causes a great deal of concern to Muslims is the mixing of the sexes. Some Muslim-majority countries mandate the separation of the sexes in schools, universities, and the workplace. (In our own country, most public primary and secondary schools are single sex, as are some universities.) Authorities in these countries present such rules as being “truly Islamic” and argue that they solve the problem of illicit relationships outside of marriage. Perhaps that’s true. But research and study of such issues—which is often forbidden—might show that no such effect exists.

And even if rigorous sex separation has some benefits, what are the costs? Could it be that it leads to psychological confusion and turmoil for men and women alike? Could it lead to an inability to understand members of the opposite sex when one is finally allowed to interact with

them? Governments in much of the Muslim world have no satisfactory answers to those questions, because they often don't bother to ask them.

## **MEN AND WOMEN**

Dear Saif,

You have been brought up in a household where women—including your mother—are strong, educated, focused, and hard-working. If someone suggested to you that men are somehow more valuable or more talented than women, you would scratch your head. But when I was your age, the sermons that I heard at mosque taught that women were inherently inferior. Men were strong, intelligent, and emotionally stable—natural breadwinners. Women were appendages: objects to be cared for but not to be taken seriously.

That view of women persists in parts of the Muslim world—and, in fairness, in many other places, as well. It is certainly not the only possible view of women afforded by Islam, but it is a powerful belief, and one that enjoys a great deal of political, legal, and financial support.

I am proud that your mother and your aunts are all educated and work in professions that they chose. Doing so has hardly stopped any of them from raising families and taking care of their husbands—the roles demanded by conservative readings of Islamic texts. The women in your life defy the strict traditionalist view, which presents women as fundamentally passive creatures whom men must protect from the ravages of the world. That belief is sometimes self-fulfilling: in many Muslims communities, men insist that women are unable to face the big, wild world, all the while depriving women of the basic rights and skills they would need in order to do so.

Other traditionalists base their position on women on a different argument, one that is rarely discussed openly, especially in front of non-Muslims, because it is a bit of a taboo. It boils down to this: if women were mobile, and independent, and working with men who were not family members, then they might develop illicit romantic or even sexual relationships. Of course, that is a possibility. But such relationships also develop when a woman lives in a home where she is given little love and self-respect. And all too often, women are punished for such relationships, whereas the men involved escape censure—an unacceptable inconsistency.

This traditionalist position is based, ultimately, on a desire to control women. But women do not need to be controlled; they need to be trusted

and respected. We trust and respect our sisters, our mothers, our daughters, and our aunts; we must provide the same trust and respect to other women. If we did, perhaps we would not witness so many cases of sexual harassment and exploitation in the Muslim world.

Saif, I want you to see that there is nothing written in stone that places Muslim women below Muslim men. Treating women as inferior is not a religious duty; it is simply a practice of patriarchal societies. Within the Islamic tradition, there are many models of how Muslim women can live and be true to their faith. There are Muslim women, for example, who have looked into the origins of the hijab (the traditional veil that covers the head and hair) and have concluded that there is no hard-and-fast rule requiring them to wear it—let alone a rule requiring them to wear a burqa or a *niqab*, which both cover far more. Many men have come to the same conclusion. Islam calls on women to be modest in their appearance, but veiling is actually a pre-Islamic tradition.

The limits placed on women in conservative Muslim societies, such as mandatory veiling, or rules limiting their mobility, or restrictions on work and education, have their roots not in Islamic doctrine but rather in men's fear that they will not be able to control women—and their fear that women, if left uncontrolled, will overtake men by being more disciplined, more focused, more hard-working.

## **ISLAM AND THE STATE**

Dear Saif,

You will inevitably come across Muslims who shake their heads at the state of affairs in the Islamic world and mutter, “If only people were proper Muslims, then none of this would be happening.” I have heard this lament so many times. People say it when criticizing official corruption in Muslim countries and when pointing out the alleged spread of immorality. Others say it when promoting various forms of Islamic rule. The most famous iteration of this expression is the slogan “Islam Is the Solution,” which has been used by the Muslim Brotherhood and many other Islamist groups.

It's a brilliant slogan. Lots of people believe in it. (When I was younger, I believed in it wholeheartedly.) The slogan is a shorthand for the argument that all the most glorious achievements in Islamic history—the conquests, the empires, the knowledge production, the wealth—occurred under some system of religious rule. Therefore, if we want to revive this past glory in the modern era, we must reimpose such a system. This argument holds that if a little Islam is good, then more

Islam must be even better. And if more Islam is better, then complete Islam must be best.

The most influential proponent of that position today is ISIS, with its unbridled enthusiasm for an all-encompassing religious state, or caliphate. It can be difficult to argue against that position without seeming to dispute the nature of Islam's origins: the Prophet Muhammad was, after all, not only a religious leader but a political one, too. And the Islamist argument rests on the inexorable logic of extreme faith: if we declare that we are acting in Allah's name, and if we impose the laws of Islam, and if we ensure the correct mental state of the Muslim population living in a chosen territory, then Allah will intervene to solve all our problems. The genius of this proposition—whether it is articulated by the fanatical jihadists of ISIS or the more subtle theocrats of the Muslim Brotherhood—is that any difficulties or failures can be attributed to the people's lack of faith and piety. Leaders need not fault themselves or their policies; citizens need not question their values or customs.

But piety will take us only so far, and relying entirely on Allah to provide for us, to solve our problems, to feed and educate and clothe our children, is to take Allah for granted. The only way we can improve the lot of the Muslim world is by doing what people elsewhere have done, and what Muslims in earlier eras did, in order to succeed: educate ourselves and work hard and engage with life's difficult questions rather than retreat into religious obscurantism.

## THE MUSLIM INDIVIDUAL

Dear Saif,

At school, at the mosque, and in the news, you have probably heard a lot about the Arab nation, the Arab street, the rightly guided people, and the Islamic *ummah*. But have you ever heard people talk about the Muslim individual or about Muslim individualism? Probably not—and that is a problem.

The Prophet spoke about the *ummah*, or the Muslim community. In the seventh century, that made sense. Out of nothing, Muhammad had built a large group of followers; at some stage, it became big enough to be referred to as a distinct entity. But the concept of the *ummah* has allowed self-appointed religious authorities to speak in the name of all Muslims without ever asking the rest of us what we think. The idea of an *ummah* also makes it easier for extremists to depict Islam—and all of the world's Muslims—as standing in opposition to the West, or to capitalism,

or to any number of other things. In that conception of the Muslim world, the individual's voice comes second to the group's voice.

We have been trained over the years to put community ahead of individuality. That is why it sounds odd to even speak of “the Muslim individual.” The phrase itself sounds almost unnatural to me, as though it refers to a category that doesn't exist—at least in the worldview that Muslims have long been encouraged to embrace.

I don't want that to be the case for you and your generation. Dialogue and public debate about what it means to be an individual in the Muslim world would allow us to think more clearly about personal responsibility, ethical choices, and the respect and dignity that attaches to people rather than to families, tribes, or sects. It might lead us to stop insisting solely on our responsibilities to the *ummah* and start considering our responsibilities to ourselves and to others, whom we might come to see not as members of groups allegedly opposed to Islam but rather as individuals. Instead of asking one another about family names and bloodlines and sects, we might decide to respect one another as individuals regardless of our backgrounds. We might begin to more deeply acknowledge the outrageous number of people killed in the Muslim world in civil wars and in terrorist attacks carried out not by outsiders but by other Muslims. We might memorialize these people not as a group but as individuals with names and faces and life stories—not to deify the dead but rather to recognize our responsibility to preserve their honor and dignity, and the honor and dignity of those who survive them.

In this way, the idea of the Muslim individual might help us improve how we discuss politics, economics, and security. If you and other members of your generation start looking at yourselves as individuals first and foremost, perhaps you will build better societies. You might take hold of your fates and take hold of your lives in the here and now, recognizing that there is no need to return to a glorious past in order to build a glorious future. Our personal, individual interests might not align with those of the patriarch, the family, the tribe, the community, or the state. But the embrace of each Muslim's individuality will lead to a rebalancing in the Islamic world in favor of more compassion, more understanding, and more empathy. If you accept the individual diversity of your fellow Muslims, you are more likely to do the same for those of other faiths, as well.

Muslims can and should live in harmony with the diversity of humanity that exists outside of our faith. But we will struggle to do so until we truly embrace ourselves as individuals. 🌍

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# The Opening of the North Korean Mind

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## Pyongyang Versus the Digital Underground

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*Jieun Baek*

**O**n a cold, clear night in September 2014, a man I'll call Ahn walked up to the edge of the Tumen River on the Chinese side of the heavily guarded border between China and North Korea. At its narrowest points, the Tumen measures a little over 150 feet wide, and Ahn could easily see the North Korean side from where he stood. In two bags, he was carrying 100 USB drives filled with films, television shows, music, and e-books from around the world.

Almost anywhere else, such material would be considered completely innocuous. At this border, however, it constitutes highly illicit, dangerous contraband. In the totalitarian state of North Korea, citizens are allowed to see and hear only those media products created or sanctioned by the government. Pyongyang considers foreign information of any kind a threat and expends great effort keeping it out. The regime's primary fear is that exposure to words, images, and sounds from the outside world could make North Koreans disillusioned with the state of affairs in their own country, which could lead them to desire—or even demand—change.

Ahn is a defector who escaped from North Korea in 2004 and now lives in the South Korean capital, Seoul, where he runs a non-governmental organization that sends information into North Korea. He is one of the dozens of defectors from North Korea whom I have interviewed in the past ten years. Defectors' testimony is not always reliable, nor is it enough to piece together an accurate portrait of life

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inside the opaque and secretive country. But when combined with other information, defectors' stories offer invaluable insights.

At the edge of the river that night, Ahn knew precisely what to do; he had made this kind of trip to the border many times before. With his senses on high alert, he scanned the area for guards. Once he felt certain that he wasn't being watched, he placed his USB drives into a plastic bin, which he wrapped in a thick plastic bag. He then tied the

package to a sturdy wire, grabbed one end, and hurled the bin into the air. It landed in the water, close to the North Korean bank of the river. There, a North Korean man whom I will call Ku stealthily waded in and grabbed the bin.

Of the two men, Ku had the far more dangerous job: taking the goods into North Korea. Ahn's organization was paying him the equivalent of approximately \$100 to retrieve the USB drives, a sizable fee that would allow Ku to provide for his household for a month or

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*Many cracks have  
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two. But Ku was taking a huge risk: if North Korean border guards caught him, he could be beaten, sent to a prison camp, or even executed. Ku climbed out of the river and shed his incriminating wet clothes. He changed into a dry outfit and made his way back into the city where he lives. (I'm withholding

the location at the request of Ahn's organization.) There, Ku sold each drive for about \$1 on the black market to fellow citizens eager to get a glimpse of life on the outside.

Although North Korea is often referred to as "the hermit kingdom," over the past two decades, many cracks have appeared in the wall that the state has built around its people. Rudimentary media-smuggling operations such as Ahn's have helped North Koreans learn more about their country and the outside world, often at great risk to themselves.

Despite the threat of punishment by North Korea's brutal security forces, distributing foreign information has become a profitable business in North Korea. This is partly due to the ways in which the country's traditionally closed economy has changed in the past 20 years. From 1994 until 1998, an extraordinary famine swept North Korea, killing hundreds of thousands—perhaps even millions—of people. In response to its failure to feed its people, the government allowed small markets known as *jangmadang* to open so that people could buy basic goods from one another or barter. The *jangmadang* represented a rudimentary form of capitalism profoundly at odds with the hard-line communism and state control of the economy that the government had enforced for decades. But when the famine finally subsided, the regime decided to continue tolerating most of the *jangmadang*, possibly out of a recognition that the state alone could not reliably provide for the majority of its people. Since then, the small, informal markets have evolved into

sophisticated, large-scale operations, some of which feature hundreds of stalls selling a wide range of goods. The most reliable estimates put the number of large markets in the country at somewhere between 380 and 730. There are many more smaller ones. According to the most reliable estimates, around three-quarters of the North Korean population depends partly or solely on private market activity in order to survive.

In addition to these so-called gray markets, which have made it easier to distribute banned technologies and media, the more conventional black market has also aided the influx of outside information. North Korea currently derives much of its GDP from drug production and trafficking, currency counterfeiting, and money laundering. The illicit networks that support such activities have also created distribution opportunities for foreign media. Today, a motley crew of foreign nongovernmental organizations, defectors, smugglers, middlemen, businessmen, and bribable North Korean soldiers and officials have cobbled together a surprisingly robust network that links ordinary citizens to the outside world through contraband cell phones, laptops, tablet computers, and data drives.

These digital goods have come to play an important (although often invisible) role in North Korean society. Thanks to smuggled media, more North Koreans than ever before now fully perceive the gap between the rosy picture that the regime paints of their country and its leaders and the far grimmer reality. Just as important, many have come to understand that the outside world hardly resembles the wasteland of deprivation, immorality, and criminality that official propaganda depicts.

This burgeoning awareness poses little short-term danger for the regime of Kim Jong Un, which remains highly capable of repressing its people. But in a totalitarian society where the authorities' legitimacy and power depend to a large extent on their ability to delude the population, a growing digital underground might represent a long-term existential threat.

With its expanding nuclear arsenal and penchant for provocation, North Korea is sure to remain a potential source of regional (and even global) instability for a long time to come no matter what outsiders do. But governments, organizations, and individuals seeking ways to make North Korea a less repressive place and a less dangerous international actor should take heed of the power of information to change the country from the inside.

### COMBATING JUCHE

On June 11, 2012, a flash flood hit Sinhung County, in the North Korean province of South Hamgyong. A 14-year-old schoolgirl named Han Hyon Gyong desperately tried to keep her family's portraits of the country's founder, Kim Il Sung, and his son and successor, Kim Jong Il, above the floodwaters. She drowned trying to save the sacred images.

For her efforts, the government posthumously granted her the Kim Jong Il Youth Prize. Her parents, teacher, and Youth League leaders also received awards, for helping foster her patriotism. Han's school was renamed after her, and the country's official newspaper, *Rodong Sinmun*, praised the system that "nurtures such children."

Such extreme devotion to the regime reflects the power of *juche*, North Korea's official ideology, which emphasizes the country's self-sufficiency and venerates the rulers of the Kim dynasty as quasi deities whose judgment and wisdom may never be questioned. In 1974, Kim Jong Il sought to systematize *juche* by issuing a list called "Ten Principles for the Establishment of the One-Ideology System"; most of the principles involved acknowledging the absolute authority of the supreme leader and pledging total obedience to the state. Kim demanded that all North Korean citizens memorize the principles and adhere to them in their daily lives, an order enforced through weekly "self-criticism" sessions and peer surveillance. This practice continues today. During weekly meetings in classrooms, offices, and factories, citizens recite the ten principles and are called on to criticize themselves and one another for failing to live in perfect accordance with *juche*. North Koreans begin participating in these sessions around the time they enter first grade.

Having inculcated *juche* into its citizens from a very young age, the state does everything it can to ensure that as they grow older, they are exposed to as little contradictory information as possible. One of the most serious crimes that a North Korean can commit is to consume banned media. According to Freedom House, "listening to unauthorized foreign broadcasts and possessing dissident publications are considered 'crimes against the state'" in North Korea and "carry serious punishments, including hard labor, prison sentences, and the death penalty." On a single day in 2013, according to *JoongAng Ilbo*, a major South Korean newspaper, the government executed 80 people in seven cities for violating such laws.

Every North Korean household has a state-sanctioned radio that broadcasts official propaganda throughout the day. The volume of these radios can be adjusted, but they cannot be turned off entirely. The tuners are disabled. All news reports and broadcasts go through several rounds of internal censorship before they appear. Kim Jong Il's book *Guidance for Journalists* instructs reporters and editors "to carry articles in which they unfailingly hold the president in high esteem, adore him and praise him as the great revolutionary leader"—instructions that they faithfully follow.

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*Families huddle close  
together to watch illicit  
movies and TV shows.*

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With the exception of a few hundred or perhaps a few thousand elites, North Koreans have no Internet access. Schools, public libraries, and offices are served by a hived-off intranet system known as Kwangmyong. Trusted officials are tasked with scouring the Internet for material that they deem safe enough to add to the closed network, such as select scientific articles and health-related information.

All households have to register their electronic media equipment with local authorities. Occasionally, inspectors go door-to-door to see what's inside people's media players. If they find illegal content, they make arrests and seize the contraband, which they send to their superiors in Pyongyang. Prior to the spread of USB drives, forbidden movies and TV shows were often smuggled into the country on DVDs. To prevent people from quickly ejecting and hiding banned DVDs when a raid began, inspectors would shut off the electricity for an entire apartment building before entering it, trapping discs inside players. The inspectors would then confiscate all the DVD players, turn the electricity back on, plug them in, and press the eject buttons to find out what the residents had been watching.

Such efforts highlight just how nervous digital technologies make the regime. But they are a double-edged sword that also gives the government a tool to better surveil its people and inundate them with still more propaganda. Take mobile phones. North Korea, with an estimated population of around 25 million, now has around three million cell phone users. Almost all of them are limited to the state-run Koryolink provider and network and can make only domestic calls, which are subject to frequent monitoring. But some people now have illegal phones that have been smuggled into North Korea for use near the border, where they can connect to Chinese cellular networks. The

security services use detectors that can track down illicit calls that last longer than five minutes. So to avoid detection, one must make a brief call, relocate, then call again to continue the conversation.

Cell phones can carry content that authorities don't want people to see, but they are also easier to track than other conduits of illegal information. Data transfers are monitored tightly and can alert authorities to anyone who might be accessing banned material. Police officers often stop mobile phone users on the street to inspect their devices for sensitive content; the officers sometimes seize phones and mete out punishments on the spot. Koryolink has incrementally added features such as cameras to its devices and has slowly rolled out services such as text messaging and video calling. Users are now able to access approved intranet sites, including that of *Rodong Sinmun*; they can also receive text messages from the ruling Korean Workers' Party.

More problematic from the regime's perspective are portable media players, since they are harder to track than cell phones. Many North Koreans can now purchase black-market Chinese-made MP4 devices that play videos stored on smuggled memory cards. MP4 players are small, and their rechargeable batteries last for about two hours at a time, allowing people to watch movies without needing to plug in—a crucial feature, since most North Korean households lack uninterrupted access to electricity.

North Koreans have also embraced the Notetel, a portable device that can access media like a computer does—via USB drives, memory cards, and DVDs—but also functions like a television and a radio. These Chinese-made devices began appearing on the black market around 2005 and cost the equivalent of \$30–\$50, depending on the model. The regime cracked down on them at first but then legalized the popular devices in 2014 after requiring that all Notetels be registered with local authorities. Since last summer, however, defector-led news organizations have reported that the regime has reversed course and is back to prohibiting the possession of these devices.

Inspectors sometimes burst into a home and check to see if any media players are warm from use. To prepare for that event, many Notetel users keep a legal North Korean DVD in their device at all times so that during a raid they can pull out the USB drive holding the illegal media that they've actually been watching, conceal it, and pretend they'd been using the legal DVD all along. The power, and danger, of Notetels is that they overcome “the twin barriers to foreign media

consumption—surveillance and power outages,” Sokeel Park of Liberty in North Korea, a nongovernmental organization based in California, told Reuters in March 2015. “If you were to design the perfect device for North Koreans, it would be this.”

Of course, North Koreans don’t just have to worry about the authorities: their neighbors could also report them for suspicious activity. So North Koreans have developed various security protocols for watching banned media. Doors are locked, windows are closed, curtains are drawn. Some people hide under blankets with their devices. Families huddle close together to watch illicit movies and TV shows, sometimes sharing earbud headphones—which, if held in just the right position, produce enough sound for a few people to hear but not enough to leak through the walls.

### **THE JANGMADANG GENERATION**

The North Koreans most affected by the influx of digital technology are young people. They enjoy historically unprecedented access to foreign information—which, according to many defectors, is undermining the grip that *juche* has traditionally held on young North Korean minds.

Every young defector I have met had watched foreign films and shows, had read foreign books, and knew a decent amount about the world outside North Korea before escaping the country. Defectors say that they are not unrepresentative in this respect and that many young North Koreans with no interest in leaving their country nevertheless take the risk of obtaining and consuming foreign media. As Min Jun, a recent defector in his early 20s, told me, “In our generation, young people get together quietly in each other’s homes, put on South Korean K-pop, and have a little dance party. We have no idea if we’re doing it right, but we dance with the music on low.”

On its own, such exposure to foreign culture probably wouldn’t mean much. But a number of other factors also set young North Koreans apart from older generations and increase the salience of their access to outside media and digital technology. First, those younger than 35—about a quarter of the population—are known as the *jangmadang* generation because they came of age buying food and other goods at those small, semilegal markets. They have rarely, if ever, stood in lines to collect state-allotted rations, as their parents and grandparents did for decades. As a result, they are more capitalistic, more individualistic, and more likely to take risks. Black and gray markets offer young people

a very particular kind of education, and participating in them leads to a certain kind of savvy: in a society obsessed with rules, young North Koreans have learned how to skirt some of them.

Second, younger North Koreans see themselves as more self-reliant than their parents, because they don't feel as though they've received much of value from their government. Partly for this reason, some North Korea experts see this younger generation as far less loyal to the state and its leadership. "These people are, compared to their parents, much more pragmatic; they are cynical, individualistic; they do not believe in the official ideology," noted Andrei Lankov, a leading expert on North Korea, in a 2015 interview with the South Korean program *Arirang News*. "They mistrust the government. They are less fearful of the government compared to their parents." Although young North Koreans continue to obey the laws and publicly respect the regime, young defectors frequently claim that behind closed doors, their friends back home frequently mock the country's leadership.

### **SMUGGLING IN THE TRUTH**

As North Koreans have developed a more accurate perception of their country and the world, many have begun to feel a profound sense of betrayal. That feeling, in turn, has fed a sense of distrust—one that could prove corrosive in a totalitarian state built around a fanatical cult of personality.

For any real political change to take place, however, such distrust would need to spur collective action—a big challenge, given the government's ruthless prohibition of any group activity not expressly sanctioned by the authorities. The regime forbids the formation of unofficial student groups and sports teams. Without express permission, North Koreans are not allowed to host a social gathering late at night or stay overnight away from their hometown in another person's home. The regime has also made it extremely difficult for North Koreans to trust one another by developing a massive network of neighborhood-level informants and offering rewards for exposing anyone who criticizes the government. Finally, the authorities have vastly improved their ability to monitor digital communications, making it extraordinarily difficult to send sensitive messages, much less organize.

Despite these challenges, anyone with an interest in reducing the threat that the Kim regime poses to its own people and to the rest of the world should find ways to support the distribution of foreign

information and media in North Korea. Traditional diplomacy and sanctions have failed to push Kim toward political and economic reform and away from saber rattling and defiance. For decades, some of the world's most persistent and skilled negotiators have sought to engage, entice, and coerce him, his father, and his grandfather. But nothing has worked. If major powers have undertaken covert actions to encourage a coup, those too have failed. Meanwhile, Pyongyang's nuclear weapons now deter any overt attempts at regime change and the use of major military force.

If North Korea is going to change, it will have to change from within. Boosting the flow of outside information and cultural products may well be the single most sustainable and cost-effective way to encourage that. Governments, philanthropic groups, and individual donors interested in the future of North Korea should consider funding nongovernmental organizations in South Korea, the United States, and elsewhere that work to get digital technology and foreign media into the country. Especially important are efforts to get outside information into the hands of North Korean military officers, intellectuals, and political elites. Also of great value are projects by nongovernmental organizations to train North Korean defectors—who know the target audience quite well—to assist in collecting media products and getting them across the border.

Critics of such efforts claim that North Korean authorities will have little trouble cracking down if they come to believe that a line has been crossed and that too much illicit information is reaching the public. But this position is too dismissive of the intense thirst for foreign media that North Koreans have displayed. It is difficult to envision how the regime could sustainably ramp up its repression: if its harsh measures have not deterred people from seeking out and consuming banned media, it's hard to imagine what would. North Koreans have tasted forbidden fruit and have made it clear that they want more, risking severe punishment just to steal a glimpse of the outside world while hiding under the covers in a dark, locked room, hoping no one will find out. 🌐



## Megapolis aims to develop Colombo's future

\$40-billion project will transform Sri Lanka's commercial capital in 15 years

Sri Lanka's largest city, Colombo, is home to more than 2.3 million people in its metropolitan area, serves as the country's commercial capital which it has been for centuries, since the days of the Spice Trade, and possesses one of the busiest ports in South Asia. A clean, contemporary city, it is famed for its well-educated, welcoming people, and cosmopolitan atmosphere.



**“The objective is to uplift the living standards of all Sri Lanka's people.”**

**Maithripala Sirisena,**  
President of Sri Lanka

This is Colombo today, but what about the city of tomorrow? For the last 12 months, the coalition government led by President Maithripala Sirisena and Prime Minister Ranil Wickremesinghe has been rolling out its game-changing “Megapolis” project. The \$40-billion scheme seeks to transform the city and its surrounding area into a model for responsible urban regeneration over the next decade and a half.

The government's goal is nothing less than to build a creative, inclusive and innovation-driven metropolis, fueled by a knowledge-based, prosperous and sustainable economy. Their hope is that it will attract more international investment, foster long-term growth, and contribute to achieving the ambitious national development agenda that should see Sri Lanka become a high-income economy by 2030.

In addition to that ambitious target, the Megapolis project should facilitate Sri Lanka's transformation into an export-oriented, high-tech, knowledge-based and innovation-driven economy; develop smart city digital infrastructure and connectivity; help deliver on energy, food self-sufficiency

and green energy goals; ensure ‘Housing for All’ with urban utilities, water, and sanitation networks; reduce poverty and unemployment; promote environmental sustainability, and make the Megapolis one of the top 10 most livable cities in Asia.

Speaking at the launch of the Western Province Metropolis Development Plan in January 2016, President Maithripala Sirisena declared: “The objective of all these future development strategies is to create an environment which will uplift the living standards of Sri Lanka's people.”

The Western Regional Megapolis Planning Project, set up in April 2015 and headed up by Ajita de Costa, is responsible for the blueprint for the entire western region of Colombo. This includes such aspects as natural resources management, infrastructure development, socio-economic studies, and defining the institutional and legal frameworks needed to make the project a reality.

The zone-based Megapolis masterplan is made up of 150 individual projects, encompassing everything from urban



**“We want to create a South Asian hub for HNWIs to live, work and play.”**

**Ranil Wickremesinghe,**  
Prime Minister of Sri Lanka

and international transportation and logistics to technology parks and industry clusters. It envisions merging the Colombo, Gampaha, and Kalutara districts into a cohesive whole, as well as the creation of four new urban centers on the periphery of an area covering 3,600 square kilometers.

Once completed, a high-rise central business district will stand alongside the city's historic downtown area; a new science and technology city at Malabe to Homagama will become a

magnet for universities and R&D; and industrial townships in Horana and Mirigama will attract established players and act as a platform to launch small- and medium-sized enterprises.

In September, at the inauguration of the first phase of Techno City, which will be built between Malabe and Homagama, Prime Minister Ranil Wickremesinghe insisted: “The rapid development of Sri Lankan society is dependent on science and technology. Our aim is to now transform this country into a strong economic and technological hub and Techno City is our first step towards it.”

Created in September 2015, the Ministry of Megapolis and Western Development -led by Minister Patali Champika Ranawaka- is focusing on addressing many of the challenges that face Colombo as it develops today: environmental and waste management, insufficient power and water networks, unregulated land use, substandard housing, and traffic congestion.

“We hope that, within the next three years, 20,000 families will be relocated and that we will give them decent housing and a livelihood,” says Minister Ranawaka. “We now have six million vehicles, so we need to promote public transportation. Our middle class is growing very fast. We [need to] give them new cities based on new ideas.”

The first flagship project to break ground, on 252 hectares of land that will be reclaimed from the sea between the new Colombo South Harbour and the Fort Lighthouse, is Colombo Port City. Developed by China Harbour Engineering Company (CHEC), a subsidiary of China Communications Construction Company, it is forecast to generate in excess of 83,000 jobs and will eventually produce a projected economic impact of \$13 billion from FDI inflows.

In August 2016, CHEC signed a revised tripartite agreement with the Ministry of Megapolis and Western Development and the Urban Development Authority, after a year’s delay while additional environmental studies were being completed. Work on phase one of Port City, an estimated worth of \$1.4 billion, commenced soon after, with the first dredgers arriving in Colombo at the end of September to begin reclamation work in October.



**“Our middle class is growing fast. We need new cities based on new ideas.”**

**Patali Champika Ranawaka,**  
Minister of Megapolis and  
Western Development

Anchored around a marina and yacht club, the upmarket development looks set to appeal to aspirational middle class and affluent buyers, both from Sri Lanka and overseas, and features a sea-view apartment complex and a five-star hotel with leisure and shopping facilities and a host of other amenities.

Port City will also add 1.5 million square meters of new office buildings to the city’s current total of 220,000, more than enough space to house the banking and trading hub that is slated to develop over the next few years. Named ‘Colombo International Finance City’, it is primed to provide work for 15,000 people in its first stage and serve as a midpoint between Dubai and Singapore for big name financial institutions.

**THE CITY THAT EMERGES FROM THE SEA IS SRI LANKA'S PROSPERITY**

Making full use of its strategic location along the sea routes, Sri Lanka's full-throated efforts to inaugurate the work of Port City Colombo are well under way. Standing as equal partners among the community of economic giants in the region is no more a dream. It is a manifestly realistic goal. Port City Colombo will indeed be a living monument to that dream.

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# Make America Make Again

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## Training Workers for the New Economy

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*Katherine S. Newman and Hella Winston*

**D**espite their many differences, the major candidates in the 2016 U.S. presidential election managed to agree on at least one thing: manufacturing jobs must return to the United States. Last April, the Democratic contender Hillary Clinton told a crowd in Michigan, “We are builders, and we need to get back to building!” Her opponent in the Democratic primaries, Senator Bernie Sanders, said the manufacturing sector “must be rebuilt to expand the middle class.” And the Republican candidate Donald Trump bemoaned bad trade deals that he said had robbed the country of good jobs. “‘Made in America,’ remember?” he asked a rally in New Hampshire in September. “You’re seeing it less and less; we’re gonna bring it back.”

It’s true that many manufacturing jobs have left the United States, with the total number falling by about a third since 1980. But the news isn’t all bad. After decades of offshoring, U.S. manufacturing is undergoing something of a renaissance. Rising wages in developing countries, especially China, and increasing U.S. productivity have begun to make the United States much more attractive to manufacturers, who have added nearly half a million jobs since 2010.

But these jobs are not the same as the millions that have disappeared from the United States over the past four decades. Workers in contemporary manufacturing jobs are more likely to spend hours in front of a computer screen than in front of a hot furnace. To do so, they need to know simple programming, electrical engineering, and robotics. These

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are well-paying, middle-skill jobs that require technical qualifications—but not necessarily a four-year college degree. Between 2012 and 2022, these will account for half of all the new jobs created in the United States.

Yet the U.S. work force is woefully unprepared to take advantage of this opportunity. In New York State, for example, almost 25 percent of these jobs will likely go unfilled. According to a 2015 survey by the consulting firm Deloitte, 82 percent of manufacturing executives expect that they will be unable to hire enough people. The situation is all the more troubling when so many young people in the United States desperately need work.

There is a better way. In Germany, a “dual system” of vocational training that mixes classroom learning with work experience has helped drive the youth unemployment rate down to historic lows. The United States used to take a similar approach, but its commitment waned after decades of federal neglect and cultural antipathy to manual labor. It’s long past time to resurrect it.

### **NOT WHAT IT USED TO BE**

In the years following World War II, the United States embraced vocational education. High schools prepared students for highly sought-after blue-collar work by training them to become aircraft mechanics or automotive repair technicians. The United States had hundreds of vocational schools where students studied welding, construction, and electrical engineering alongside a standard high school curriculum. These schools helped create a thriving blue-collar middle class.

But by the 1960s, white-collar positions had started to outstrip blue-collar jobs in number and prestige as the service sector came to dominate the economy. In 1963, Congress passed the Vocational Education Act, which provided federal funds to train students who were at an academic or socioeconomic disadvantage. The legislation was well intentioned but had the unintended consequence of encouraging the public to associate vocational education with troubled youth. A decade later, in 1972, the sociologist Richard Sennett found that many young people were embarrassed by their parents’ working-class origins and that older people felt at an increasing distance from their children as those children entered more prestigious jobs than their own. The stigma has stuck: parents in even very poor neighborhoods today believe that attending college is essential for a well-paying career and that middle-skill jobs are an inferior choice for their children.

As a result, over the past four decades, the quality of technical education declined as investment in equipment and teacher training fell off, and private-sector interest has waned.

The move away from vocational education accelerated in the 1980s, when a 14-month-long recession triggered a crisis of confidence in U.S. education more generally. President Ronald Reagan's National Commission on Excellence in Education warned that the United States was falling behind countries such as Germany and Japan on international academic tests. Although the government enacted few concrete reforms at the time, the commission's emphasis on standardized assessment has endured. In 2001, it was formalized when, as

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*Vocational schools once helped create a thriving blue-collar middle class.*

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part of the No Child Left Behind Act, Congress made school participation in nationally recognized tests a condition of some federal education funding. The effects of this focus on academic results have been mixed. Although high school graduation rates have risen over the past

three decades, along with the proportion of students taking more rigorous math and science courses, the United States continues to lag on international tests. In the most recent rankings, published by the Organization for Economic Cooperation and Development in 2012, U.S. students came in 24th in reading, 28th in science, and 36th in mathematics.

At the same time as worries about academic results were coming to national prominence, scholars were also raising concerns about the nearly three-quarters of the nation's youth who entered the work force straight after high school. As their employment options shrank and their wages fell, they threatened to morph into an "urban underclass," in the words of the sociologist William Julius Wilson, of jobless, idle men plagued by social problems: single parenthood, unstable households, and children doomed to follow their parents into poverty.

Although the decreasing investment in vocational education was a natural reaction to an increasingly white-collar economy, policymakers went too far. In 1988, the William T. Grant Foundation, a nonprofit focused on youth development, pointed out that other advanced industrialized countries, such as Austria, Germany, and Switzerland, had maintained their vocational educational systems; U.S. high schools, on the other hand, were simply ignoring the subject.

*Vocation nation: an apprentice at a training center in Berlin, August 2012*

In 1994, concerned about the effects this neglect was having on poor children, U.S. President Bill Clinton and his labor secretary, Robert Reich, decided to take action. The administration proposed legislation, which Congress passed as the School-to-Work Opportunities Act, that provided federal funds to encourage states and counties to design joint programs between businesses and high schools and businesses and community colleges to allow students to add on-the-job experience to their classroom learning.

As with most large interventions, some elements of the program worked and some didn't. Among students less interested in academic study, school-to-work (as the programs fostered by the act came to be known) increased positive attitudes toward school, improved attendance, and decreased dropout rates. But the program failed to achieve its main goal: raising employment rates and wages for young people who didn't attend college. This failure was largely due to the fact that managers did not think of internships as serious tryouts for permanent employment. A 1997 survey of participating employers in Wisconsin found that the most common reason for taking part was a sense of civic duty to contribute to the community; only a small percentage said they thought the program would help them fill vacancies. When the act expired in 2001, neither President George W. Bush nor anyone in

Congress suggested extending it. Indeed, between 2006 and 2008, the Bush administration proposed reducing federal spending on vocational education by \$1.2 billion, claiming there was “little to no evidence of improved outcomes for students.” Although in the end Congress blocked the cut, that it was even proposed reveals how little faith the administration had in the potential of vocational education.

Today, thanks in part to these shortsighted decisions, millions of young Americans face a bleak future. Seven years after the end of the Great Recession, the national unemployment rate among Americans between the ages of 16 and 24 still stands above ten percent. And the problem is far worse in some areas than others. The Southeast has been particularly hard hit: in 2015, youth unemployment was a staggering 17.4 percent in West Virginia, 16.2 percent in South Carolina, and 14.6 percent in Georgia.

### **LEARN FROM THE MEISTER**

Unlike the United States, Germany never abandoned vocational education. About 55 percent of German students still choose to attend technical schools, where they pursue three years of paid apprenticeship and classroom learning simultaneously. Students then take national examinations in one of 350 occupations, from manufacturing to services, to certify their mastery of a specific set of technical skills. Once fully qualified, these students are able to walk into steady, well-paying jobs, often at the firms that trained them. As a consequence, Germany’s youth unemployment rate currently stands at just 6.9 percent, the lowest in the industrialized world. The system creates a labor force that is the envy of the world, enabling German firms to dominate the advanced manufacturing market in Asia and Europe.

German companies own more than 3,000 manufacturing subsidiaries based in the United States, but when they open production facilities there, they are often surprised by the dearth of talent they encounter. In a 2015 survey of these firms conducted by the German American Chambers of Commerce, 69 percent said that they faced worse skill shortages in the United States than in Germany.

Some of these companies have already taken matters into their own hands. For example, MTU, a subsidiary of Rolls-Royce Power Systems, opened a diesel engine factory in Aiken, South Carolina, in 2010. After an initial wave of hiring, the company found that it had exhausted the supply of nearby labor that was skilled enough to meet its requirements.

In Germany, MTU's managers would have had a large pool of apprentices to choose from. In Aiken, they had none. So they decided to start an apprenticeship program modeled on the German system. The firm intended not only to teach young people to build diesel engines but also to prepare them to pass the same rigorous tests as their German counterparts.

MTU had originally hoped to replicate the German examinations in the United States, but it found that South Carolina state law did not allow students to spend enough time in the factory to bring them up to the necessary standards. As a result, the company adopted a curriculum that was less in-depth than the German one. Nonetheless, MTU is happy with the workers it has hired and has continued the program, working closely with local high schools to recruit new apprentices each year. Other employers in the state have copied the MTU program, and South Carolina's legislature has created a system of tax breaks for companies that set up similar schemes.

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*Unlike the United States, Germany never abandoned vocational education.*

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Although Germany may have led the way on vocational education, it is not the only country to emphasize such training. Nearly 50 percent of high school graduates in the EU are currently enrolled in programs that are at least 25 percent vocational. Even in South Korea, which has a strong tradition of academically oriented schools, about a fifth of high school students take their largest share of courses in vocational education that meets international standards set by the Organization for Economic Cooperation and Development. In contrast, the proportion of U.S. students who take a large number of such high-standard courses has fallen from 18 percent in the early 1980s to just six percent today.

Despite the success of vocational education in Germany and elsewhere, it faces strong opposition from progressives in the United States who insist that every student should earn a college degree. Some critics, such as the National Education Policy Center, a research group, argue that it locks students into a lower-status track. Vocational education, they charge, reinforces class divisions, since poor children are disproportionately likely to attend technical schools. "Dead-end vocational classes," according to the National Education Policy Center, "prepare [students] for neither college nor a career."

But children from poor households are already trapped by educational and social disadvantages from an early age. And the legacy of

racial discrimination, highly unequal funding for schools, low teacher pay, and large class sizes in deprived areas are to blame for these disadvantages—not vocational education. As for the college-for-all movement, it pushes all students toward higher education despite the fact that many are unlikely to ever get there, or to prosper if they do. If instead they could take advantage of the kind of demanding technical education and state-of-the-art training that young people receive in other countries, it might set many of them up for reliable, stable incomes in the future.

It's also important to remember that the United States, unlike Germany, has a highly flexible educational system, which allows young people and adults multiple chances to enter college. So improving vocational options need not come at the expense of academic ones.

### **WORK TO BE DONE**

Over the past few decades, the U.S. government's approach to vocational education has been haphazard and confused. The government has pursued many initiatives halfheartedly and then abandoned them; policymakers often prefer to walk away from the entire problem.

But it would be foolish to give up on something that the country has not made a sustained attempt to do well. There have been some small efforts to replicate the success of companies such as MTU, but nothing on a scale that would create a chance of meaningful success. In 2015, for example, the U.S. Department of Labor awarded \$175 million to employers to train more than 34,000 new apprentices. This was a step in the right direction, but the investment was woefully small relative to the size of the U.S. labor market. In total, less than five percent of young Americans are currently training as apprentices, mostly in the construction industry. Yet hundreds of thousands more could benefit from such programs.

To have a real impact, the federal government needs to significantly boost its investment in vocational training. At the same time, states should increase tax credits to encourage firms to create apprenticeship programs like the one at MTU. South Carolina has taken the lead. There, employers primarily fund apprenticeships, but to encourage sustained investment in training, eligible businesses receive a \$1,000 annual state tax credit for up to four years for each apprentice they hire.

Doing these things nationwide would help, but it will not be enough. For technical education to work, the government must provide more

than funding. Well-defined standards, assistance—and respect—for teachers, and genuine cooperation between government and industry are necessary. Since teachers cannot prepare a work force at arm's length from the firms that will employ their students, state governments should pay teachers to get updated industry experience during summer holidays and reward them with promotions when their students succeed.

Community colleges also need to be part of the solution, since they can provide expensive equipment to more students than any individual high school can. Springfield Technical Community College, in Massachusetts, shows what can be done. In 2016, the state provided grants so that the college could train students and workers to craft computer-aided designs and to use high-speed lathes and computer-controlled machine tools. To teach these courses, the college hired staffers from major manufacturing firms, such as Pratt & Whitney, so that students could learn from experienced professionals and develop personal connections that would help during their job searches.

Manufacturing may be the most obvious candidate for training schemes, but there is no reason why it should be the only one. As in Germany, students should apprentice with nurses, plumbers, pipe fitters, steam-fitters, and medical and clinical laboratory technicians—professionals whose median annual salaries range from \$55,000 to \$80,000.

The benefits of such education extend beyond the chance to earn higher salaries. Serious, well-designed, and well-implemented training has been shown to improve not just students' career prospects but also their ability to diagnose, analyze, and solve complex problems. According to the sociologist Nicole Deterding, those who attend institutions such as Aviation High School, in New York City, score higher on standardized tests, on average, and perform better on measures of persistence than their counterparts in ordinary schools.

For too long, the profile of vocational education has picked up during downturns, only to fall when the economy recovers. The result has been schools with inadequate equipment, teachers without high-level experience, and few shared standards to measure students' skills. Fixing these problems will require investing public money over a sustained period, breaking down the barriers between businesses and schools, and setting rigorous national and state-level standards. Building a real system of technical education will restore Americans' belief in the dignity of blue-collar labor and give young people in the United States the same opportunities their counterparts abroad enjoy. 🌐

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# Getting Out of the Gulf

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## Oil and U.S. Military Strategy

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*Charles L. Glaser and Rosemary A. Kelanic*

**I**n January 1980, U.S. President Jimmy Carter used his State of the Union address to announce that in order to protect “the free movement of Middle East oil,” the United States would repel “an attempt by any outside force to gain control of the Persian Gulf.” Carter and his successors made good on that pledge, ramping up U.S. military capabilities in the region and even fighting the Gulf War to prevent Saddam Hussein’s Iraq from dominating the region’s oil supplies. Although Washington has had a number of interests in the Persian Gulf over the years, including preventing nuclear proliferation, fighting terrorism, and spreading democracy, the main rationale for its involvement has always been to keep the oil flowing.

For decades, this commitment has stirred remarkably little controversy. Even those who criticize U.S. alliances in Europe and Asia as too costly usually concede that Washington must defend the Persian Gulf, given that it accounts for roughly a third of global oil production. But the world has changed dramatically since the United States adopted this posture in the region. During the Cold War, the biggest threat to U.S. interests there was the Soviet Union. U.S. policymakers worried that if Moscow cut off the flow of oil, the gas-guzzling U.S. military might not be able to win a major war in Europe. But since the demise of the Soviet Union, the nature of U.S. interests in the reliable flow of oil has shifted. Where once both national security and prosperity were at stake, now only prosperity is.

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This article is adapted from their contributions to *Crude Strategy: Rethinking the US Military Commitment to Defend Persian Gulf Oil* (Georgetown University Press, 2016), which they co-edited.

That has stark implications for U.S. policy. For one thing, the lack of a national security imperative raises the threshold for military involvement in the Persian Gulf, since most Americans would find it less palatable to put U.S. soldiers in harm's way to defend economic interests. For another thing, since it is hard to put a value on security, it becomes easier to assess the tradeoffs of a U.S. military commitment to the Persian Gulf when only economic risks are at play. So one must ask: Is Persian Gulf oil still worth defending with American military might?

Answering that question requires grappling with four others. First, if the United States ended its commitment, how much likelier would a major disruption of Gulf oil be? Second, how much damage would such a disruption inflict on the U.S. economy? Third, how much does the United States currently spend on defending the flow of Gulf oil with its military? Finally, what nonmilitary alternatives exist to safeguard against a disruption, and at what price? Answering these questions reveals that the costs of preventing a major disruption of Gulf oil are, at the very least, coming close to exceeding the expected benefits of the policy. So it's time for the United States to give itself the option of ending its military commitment to protecting Gulf oil, by increasing its investment in measures that would further cushion the U.S. economy from major oil disruptions. And in a decade or so, unless the region becomes far more dangerous, the United States should be in a position to actually end its commitment.

### **THREATS TO GULF OIL**

Before one can accurately assess the current policy, a common misconception must be put to rest. Politicians and pundits often contend that in order to reduce its vulnerability to oil disruptions, the United States needs to escape its reliance on imported oil by producing more domestically, thus becoming "energy independent." But this argument fundamentally misunderstands how the global oil market works. In fact, independence is a meaningless concept when it comes to a fungible commodity. Because oil is sold on a global market, its price in the United States is inextricably linked to its price everywhere else. Picture the global oil market as a bathtub with many spigots (producers) and many drains (consumers). It doesn't matter how much oil from a particular spigot flows into a particular drain. What matters is the global oil price, which depends on worldwide supply and demand.

Any disruption that sharply reduces supply—lowers the level in the bathtub—hurts all consumers drawing from the tub. So even if U.S. oil imports from the Persian Gulf fell to zero, the United States would still be affected by disruptions there that influenced the global price of oil.

If the United States withdrew from the region, it's possible to imagine how such a disruption might occur, but none of the scenarios seems likely. Consider the prospect that a Gulf country might consolidate control over enough of the region's oil to manipulate the global price, perhaps by conquering its neighbors. Theoretically, doing

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*Is Persian Gulf oil still  
worth defending with  
American military might?*

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so could give a hostile power enough leverage to coerce oil consumers such as the United States and its allies. The problem with this scenario is that there is no such regional hegemon on the horizon. Iraq has been devastated by

the U.S. invasion and the ensuing chaos. Iran has been weakened by Western sanctions, and its leaders remain fixated on internal threats. Saudi Arabia, for all its meddling in Yemen's civil war, has shown no interest in territorial conquest.

A second hypothetical risk is that an extended war for regional dominance could disrupt the supply of oil by damaging the Gulf's oil infrastructure and making shipping too risky, even if no hegemon emerged. But many of the factors that make the previous scenario unlikely also apply to this one. Because none of the region's powers has a reasonable shot at establishing hegemony, all are likely to be reluctant to start a large war with the goal of dominating the region. One of them might try to conquer another major power, but even that would prove difficult. Iran and Saudi Arabia do not make easy targets for each other, separated as they are by the Gulf. Iraq is more vulnerable, given its internal divisions and border with Iran, but Iran faces its own challenges and has likely learned from the American example how difficult conquering Iraq would be. Besides, the region's oil infrastructure might survive even a massive war in reasonably good shape; the combatants continued to export oil all through the bloody Iran-Iraq War in the 1980s, for example, albeit at reduced levels. After a brief spike at the war's onset, prices returned to prewar levels, and the war didn't prevent an oil glut in the mid-1980s that generated a dramatic drop in prices.



*No blood for oil: a U.S. soldier walks toward a burning oil well in Iraq, March 2003*

A third possible danger is that Iran might disrupt the flow of oil through the Strait of Hormuz in order to coerce the United States and its allies. Just 21 miles wide at its narrowest point, the strait is a critical chokepoint through which 17 million barrels of oil pass every day—roughly 20 percent of global production. Although Iran almost certainly lacks the military capabilities to close the strait completely, it does have some ability to interrupt tanker traffic through the strait—by laying mines and firing antiship missiles, for example—although experts disagree on how much.

What's far less clear is whether Iran would actually choose to close the strait. After all, doing so would damage its own oil revenues and generate fierce opposition from neighboring states. Indeed, Iran has shown little inclination in the past to make such a move—even during its war with Iraq. Admittedly, terminating the U.S. military commitment would so upend the regional environment that Tehran might rethink its past reluctance. It is conceivable that, in a post-American Gulf, Iran might violate the nuclear deal and then, if the West attacked or reimposed sanctions, try to cut the flow of tanker traffic through the strait. Such a scenario is not likely, but its probability would increase if the United States abandoned its pledge to protect the strait.

The final major risk to the flow of oil from the Gulf is that a major oil-exporting country might fall victim to massive internal instability that interfered with its oil production. Saudi Arabia represents the nightmare scenario. Not only does the country produce more than ten percent of global output, but it also possesses spare capacity that could be used to offset disruptions elsewhere. For the time being, however, Saudi exports appear safe. Saudi security forces protect critical nodes in the country's oil infrastructure, and the other components of the system can be repaired quickly, so sabotage by a terrorist group would likely fail. Although Saudi Arabia faces many difficulties, there is little prospect of the types of events that would cause massive disruptions for an extended period, such as a civil war or a revolution. The Saudi royal family is widely perceived as legitimate, much of the population benefits from the country's oil wealth, and the regime's security forces are highly capable—all of which explains why Saudi Arabia managed to skate through the Arab Spring. Moreover, in the unlikely event of a civil war or revolution, any new regime would almost certainly continue to sell the country's oil, given how heavily the economy depends on it. And even if the United States did end its direct military commitment to the Gulf, it could still continue to discreetly shore up Saudi domestic security, by training the country's internal security forces, sharing intelligence, and selling the government weapons and equipment.

In short, if the United States did decide to abandon its military commitment to the Gulf, the probability of a major disruption of oil from the region would increase somewhat, chiefly in the Strait of Hormuz, but would remain small. But how costly would such a disruption prove?

### **THE COST OF A CUTOFF**

Experts' predictions about the economic losses an oil disruption would cause vary widely, but the best current estimates suggest that a one percent reduction in supply would result in an eight percent increase in the global price of oil. Using that math, a disruption on the magnitude of roughly ten million barrels per day—which would represent a complete loss of Saudi exports or about a 60 percent drop in exports through the Strait of Hormuz—would cause the price of oil to roughly double. The world has never experienced such a massive disruption, however, so the actual impact on prices from such an event is difficult to gauge, and there is the risk it could be larger.

Assessments of the U.S. economy's sensitivity to oil prices also vary widely, but a reasonable estimate is that a doubling of the price of oil would shrink U.S. GDP by three percent—or approximately \$550 billion. Of course, smaller disruptions would result in smaller economic losses, and the most catastrophic disruption—a long, complete closing of the Strait of Hormuz—would cause larger ones.

But the actual costs to the United States would be far smaller, because Washington could draw on the Strategic Petroleum Reserve, its emergency underground oil stockpile, to relieve the pressure on prices. The roughly 700 million barrels currently stored in the SPR form part of the more than four billion barrels held by members of the International Energy Agency (IEA), an organization founded in 1974 to coordinate collective responses to major oil disruptions. Those four billion barrels are enough to replace the oil that would be lost during a complete, eight-month-long closure of the Strait of Hormuz. During the first months of a crisis, the United States could release some 4.4 million barrels per day from the SPR, and the other countries in the IEA could release an additional 8.5 million barrels per day from their reserves. China, which is not a member of the IEA, could tap into the strategic petroleum reserve that it is building, which is expected to have the capacity to replace 90 days' worth of China's oil imports.

What all of this means is that if the world experienced a massive disruption of oil from the Persian Gulf, a coordinated international release of various reserves could initially replace the vast majority of the daily loss. In all but the worst-case scenarios—far more severe than anything seen before—the impact of a severe disruption would be greatly cushioned.

### **CARRYING COSTS**

To complete the economic cost-benefit calculation of ending the U.S. military commitment to protect Persian Gulf oil, one must also tally the costs of keeping it. Much of those costs come from buying and operating the forces that support U.S. war plans. Since the end of the Cold War, Pentagon force requirements have called for the U.S. military to have the ability to deter, defeat, and deny two regional aggressors in different theaters at nearly the same time, one of which is typically planned as the Persian Gulf. The idea behind the two-war standard is to rule out the possibility that the United

States could become so tied up fighting a war in one region that it could not confront an opportunistic aggressor in a second.

If the United States stopped preparing for a war in the Gulf, it would have two broad options. The first would be to maintain its current approach, continuing to plan to prevail against two aggressors but elevating a new regional theater to replace the Gulf. The second would be to shift to a one-war requirement. Given that for now, no other region poses a sufficient threat to dislodge the Persian Gulf from the two-war construct, the United States should find itself able to adopt the latter option if it ended its commitment to protecting the flow of Gulf oil.

Estimating the cost of meeting U.S. military requirements for the Persian Gulf is complicated because many of the forces that would be used for contingencies there can also be used elsewhere. Although experts have offered a range of figures, the best estimate—arrived at by considering the forces the United States deployed in the Gulf War and changes in regional powers' militaries since then—is that if the United States moved to a one-war requirement, it would save roughly \$75 billion a year, or about 15 percent of the U.S. defense budget. The savings would be achieved by moving toward a smaller force, down by two aircraft carrier strike groups, two army divisions, and a few hundred air force fighter jets and bombers.

But the costs of the commitment to the Persian Gulf go beyond mere force requirements; the United States has also fought expensive wars that were either directly or indirectly related to protecting U.S. oil interests in the region. The United States launched the Gulf War primarily to protect the flow of oil. And although the 2003 Iraq war wasn't fought for oil, the presence of oil explains why policymakers thought it was so important to bring stability and democracy to the region and why they worried so much about a nuclear-armed Iraq. Ending the military commitment to the Gulf would thus yield still larger savings, in both dollars and American lives.

### **A BETTER WAY?**

Finally, it's worth asking what alternatives to relying on the military to protect Gulf oil are available. If a military commitment to the Persian Gulf were the only way to reduce the economic risks of an oil disruption, then there would be a stronger case for maintaining the current policy. In reality, however, the United States could

pursue a wide range of nonmilitary options for increasing supply and reducing demand, which would enhance its ability to weather a major disruption.

On the supply side, the United States could improve its ability to replace blocked oil by increasing the size of the SPR. If, for example, the United States expanded the SPR by 50 percent, it would be able to offset its share of global demand during a major oil disruption for several more months. Assuming prices stayed in the range they have been in during the past decade, from \$35 to \$115 per barrel, this expansion would cost anywhere between \$10 billion and \$40 billion.

On the demand side, the key is to further reduce how much oil the U.S. economy consumes, thereby insulating it from price increases. The transportation sector accounts for roughly 70 percent of U.S. oil consumption, so this is the natural place to look for reductions. Dating back to George W. Bush's presidency and continuing through Barack Obama's, the U.S. government has repeatedly raised fuel-efficiency standards for cars and light trucks, but it could do more to reduce consumption. Increasing taxes on gasoline would encourage people to drive less and spur manufacturers to develop still more efficient vehicles. The government could also offer additional incentives for consumers to purchase vehicles powered by electricity or natural gas and subsidize the construction of the infrastructure for fueling them. And it could invest more in research and development in such areas as hydrogen-powered cars.

Some of these demand-side investments—especially those in research and development—offer uncertain returns, but taken together, they would do much to reduce the damage inflicted by a large disruption of Gulf oil supplies. If the United States spent between \$100 billion and \$200 billion on a mix of these efforts, it could cut its oil consumption in half by 2035. An investment at the upper end of this range—roughly \$10 billion per year—although certainly a great deal of money, would represent just a fraction of the approximately \$75 billion that Washington spends annually to defend the Gulf.

The United States could also pursue a variety of international efforts to further reduce the economic effects of oil disruptions. In addition

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*The United States should position itself to end its military commitment to the Gulf eventually.*

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to expanding the SPR, the country should work to convince its IEA partners and other major oil-consuming countries to make comparable increases in their reserves. Otherwise, in the event of a massive disruption in supply, the United States would be left trying to provide more than its fair share of the cushion, reducing the effectiveness of its own investments. Washington should also pressure Gulf states—above all, Saudi Arabia—to reduce their vulnerability to a closure of the Strait of Hormuz by increasing the capacity of their pipelines bypassing the strait. Although some such capacity already exists, these states can afford to add more.

### **THE BEGINNING OF THE END**

An accounting of the costs and benefits of the U.S. military commitment to the Persian Gulf shows that the current policy is not drastically misguided: it is often appropriate to hedge against low-probability, high-cost events. Nevertheless, the case for ending that commitment is far stronger than the conventional wisdom assumes. In terms of national security, a cutoff of Gulf oil no longer poses a serious threat to the United States. And economically speaking, the country is well cushioned against all but the worst oil disruptions and has options for further reducing its vulnerability.

For now, therefore, the United States should maintain its military commitment to the Gulf but take steps to position itself to end that commitment eventually. Over the next couple of decades, the United States should invest in further reducing its vulnerability to oil shocks on both the supply and the demand side. Taken together, some combination of a larger SPR, improvements in fuel efficiency, and additional pipelines that bypass the Strait of Hormuz would yield substantial gains within a decade.

Once its greater resilience to oil disruptions is in place, the United States should be prepared to adjust its commitment to the Gulf in accordance with the threats in the region, particularly those posed by Iran. The nuclear deal raises the possibility that the Iranian threat will diminish down the road. With sanctions on its oil exports lifted, Iran has more reason not to act aggressively and to keep Gulf oil flowing, since it has more revenue to lose from a disruption. Moreover, because the country is now less likely to acquire a nuclear deterrent, the prospect that it would feel emboldened to menace the Strait of Hormuz has diminished. If Iran indeed becomes less threatening, and if U.S.

investments in nonmilitary alternatives significantly reduce the U.S. economy's vulnerability to an oil disruption, then Washington will be well positioned to end its military commitment to protect the flow of Gulf oil.

But if Iran grows more threatening, or if another significant danger in the region emerges, then the United States will face a harder choice. On the one hand, it could decide to end its military commitment despite the increased probability of oil disruptions, taking comfort in its improved resilience and directing the savings toward other priorities. On the other hand, it might decide that its best option is to maintain its military commitment to the Gulf, benefiting from a reduced sensitivity to large disruptions but nevertheless continuing to spend large sums to protect the flow of Gulf oil. Of course, the decision would also depend on the other factors behind the U.S. military commitment to the Gulf, nuclear proliferation chief among them.

What is striking, however, is that decision-makers have for decades refused to question the necessity of protecting Persian Gulf oil, even as the foundation for this commitment has weakened considerably. Failing to make further investments in resilience and failing to rethink that commitment would be serious mistakes, guaranteeing that the United States will forgo hundreds of billions of dollars in potential savings and run the risk of sending its forces into the region for an unnecessary fight. 🌐

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# Congress and War

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## How the House and the Senate Can Reclaim Their Role

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*Stephen R. Weissman*

**I**t is easy to conclude that the U.S. Congress is simply incapable of playing a constructive role in matters of war and peace. Paralyzed by gridlock, the hyperpartisan body regularly betrays its constitutional responsibility to act as a serious check on the executive branch, often preferring instead to launch ideological crusades aimed at scoring political points. Congress has spent thousands of hours on deeply partisan investigations of the murders of four U.S. officials and contractors in Benghazi, Libya, but refrained from making any decision on the military intervention that brought them to that chaotic city in the first place. Although the Obama administration began arming and training rebels in Syria over three years ago, neither chamber of Congress has held a debate over the U.S. policy in the civil war there. And two years after the administration started sending U.S. forces into Iraq and Syria to fight the Islamic State, or ISIS, Congress hasn't bothered to hold a vote on whether to authorize the use of force for the campaign.

It doesn't have to be this way, and indeed, it wasn't always. Most recently, from the late 1960s to the early 1990s, Congress weighed in responsibly on conflicts in Southeast Asia, Central America, the Middle East, and southern Africa. Sometimes, it blocked arguably misguided action on the part of the executive branch, while at other times, it partnered with it to improve outcomes. The congressional foreign affairs committees took steps to develop independent perspectives on U.S. policy, and party leaders assembled political coalitions to process clear, binding legislation on the use of force. When Congress encountered

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large, formally covert CIA paramilitary operations, it subjected them to the same open debate and legislative supervision as other war policies.

All these tools remain available today. The arrival of President Donald Trump could revive Congress' political will to use them. Trump lacks diplomatic experience, possesses ill-defined views on military intervention, and confronts a public disillusioned with recent engagements. It's the perfect time for congressional leaders to breathe new life into an essential component of American democracy.

### **FROM INFLUENCE TO IRRELEVANCE**

The U.S. Constitution gives Congress the power to declare war, while assigning no such responsibility to the president. In terms of military authority, it refers only to the president's "executive Power" and position as "Commander in Chief of the Army and Navy." As records from the 1787 Constitutional Convention show, the authors of the Constitution envisioned that the president would act alone only in emergencies, to repel sudden attacks. Overall, the document calls for the legislative and executive branches to share power, and when it comes to authorizing hostilities against foreign nations, it envisions Congress playing a major, if not dominant, role.

During the country's first century, practice largely conformed to this principle. To be sure, presidents sometimes acted alone to dispatch the military to deal with Native Americans, pirates, and smugglers. But these operations fell under the powers of the executive because they were motivated principally by a desire to protect U.S. citizens from enemies that were deemed to be nongovernmental groups, and they never lasted long. Things began to change after 1900, when presidents unilaterally dispatched forces to China, Central America, and the Caribbean for broader foreign policy objectives, such as fostering U.S. economic interests and preventing European countries from gaining footholds in the Western Hemisphere. Yet Congress remained a vital actor in foreign policy, debating and deciding on the United States' entry into World War I, passing extensive legislation on neutrality in the 1930s in a vain effort to avoid a new war, backing military aid to the United Kingdom under the lend-lease policy to fight Nazi Germany, and declaring war against Japan after it attacked Pearl Harbor.

Then came the Cold War. As worldwide conflict between the Western and Soviet blocs took shape, presidents managed to acquire greater military, diplomatic, and intelligence resources and invoked the need

to act quickly in a dangerous world. From Korea to the Dominican Republic to Vietnam, Congress yielded the decision to use force to the executive branch. Out of public view, meanwhile, the CIA launched major covert paramilitary operations in Cuba, Congo, and Laos. Congress looked the other way.

But as the casualties piled up in Vietnam, leading members of Congress and much of the public began to question the competence of “the best and the brightest” in the executive branch who were running

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*As with Libya, Congress has largely absented itself from the debate over intervention in Syria.*

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the war. From 1969 to 1973, Congress passed a series of laws banning the introduction or reintroduction of U.S. forces into Southeast Asia. It halted CIA paramilitary aid to rebels in Angola in 1976, repeatedly limited or blocked similar aid to the contras in Nicaragua throughout the 1980s, and imposed con-

ditions on renewed support for the Angolan rebels and counterinsurgency assistance to El Salvador’s military in the early 1990s. In 1991, it debated and voted in favor of the Persian Gulf War. When a nation-building mission in Somalia went bad in 1993, killing 18 U.S. soldiers, Congress voted to withdraw U.S. forces.

These initiatives usually had a partisan frame. Often, it was one or two Democratic-controlled chambers challenging a Republican president. Yet partisanship was never decisive: efforts tended to succeed only when one party could win over allies on the opposite side of the aisle. Sometimes, Congress partnered with the administration or some of its key officials. In 1989, for example, it struck a bipartisan accord on Nicaragua policy with the George H. W. Bush administration, a deal in which the governing junta would agree to hold elections in return for the phasing out of U.S. military aid to the contra rebels. Legislation on Angola and El Salvador helped empower those in the same administration who were trying to move those conflicts to the negotiating table.

Congress started backsliding in the early 1990s, when the Clinton administration sent forces to Haiti, Bosnia, and Kosovo without congressional authorization. But after 9/11, it abdicated responsibility almost entirely. In 2002, it granted President George W. Bush’s request for authorization to use force in Iraq in a rushed process. Within a week, three of the four party leaders in Congress signed on; moreover,

members ignored a crucial, late-arriving National Intelligence Estimate on Iraq's supposed weapons of mass destruction program. In 2009, Congress declined to vote on Barack Obama's decision to double the number of U.S. forces in Afghanistan. Instead, members accepted the administration's argument that the eight-year-old law authorizing force against those who "planned, authorized, committed or aided" the 9/11 attacks somehow permitted the president to send tens of thousands more troops to Afghanistan on a nation-building mission.

Most recently, it has been on Libya and Syria that Congress has failed most egregiously to play its constitutional role. The interventions in both countries have had disappointing, if not disastrous, results, underlining the need for broader and deeper deliberation. By looking closely at what Congress did and didn't do in these difficult cases, one can understand how it can improve its performance in the future.

### **ABSENT IN LIBYA**

In late February 2011, as the Obama administration contemplated a response to the uprising against Muammar al-Qaddafi's regime in Libya, Congress failed to weigh in. Part of the blame lies with the White House: it held substantial discussions with its NATO and Arab partners, rebel leaders, and outside foreign policy experts, but not with members of Congress. Yet leaders of the Republican-controlled House and the Democratic-controlled Senate made no attempts to participate in the policymaking.

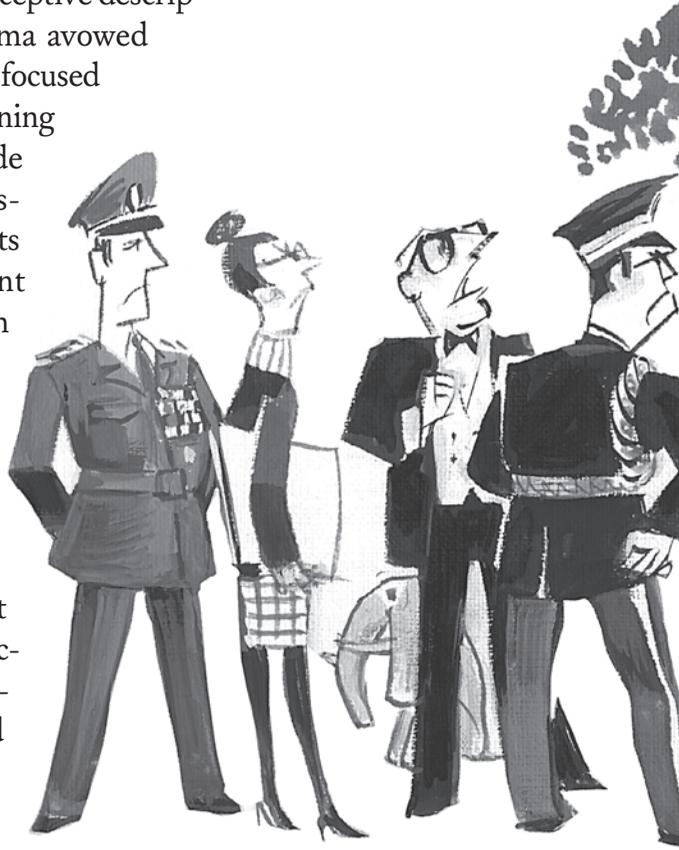
The passivity continued after the conflict began. On March 17, as Qaddafi's troops advanced toward the city of Benghazi, the UN Security Council passed Resolution 1973, which authorized the use of force to "protect civilians . . . threatened with attack." Two days later, the Americans, the British, and the French launched what would rapidly become a NATO-led air war against the Qaddafi regime. Yet it was not until March 31 that the Senate Foreign Relations Committee and the House Foreign Affairs Committee held their first hearings on the crisis. For the House committee, this would be its only hearing on the intervention.

Over the seven months of the operation, the Senate committee, chaired by the Democrat John Kerry, held just four substantive hearings. Only one of them featured witnesses who were not administration officials. Not once did the committee hear public testimony from Defense Department officials or outside military analysts, who might

have offered insights into the administration's military strategy and its likely consequences. The committee's less public efforts to seek information proved equally unbalanced. Members met with Mahmoud Jibril, the leader of the rebel government, but not with officials from the Libyan government or the African Union, the regional organization that was conducting a serious effort to mediate the conflict.

Most troubling was the committee's failure to penetrate the administration's deceptive description of its goals in Libya. Obama avowed that the campaign was "narrowly focused on saving lives" and that "broadening our military mission to include regime change would be a mistake." In reality, however, from its early days, the intervention went beyond humanitarian protection and contravened Resolution 1973, which backed UN and African Union negotiations among the warring parties to achieve a cease-fire and a democratic political transition. Leon Panetta later admitted that in July 2011, just after he succeeded Robert Gates as secretary of defense, he had "said what everyone in Washington knew but we couldn't officially acknowledge: that our goal in Libya was regime change."

During the Senate committee's hearings, some Republicans evinced concern about mission creep. But no one pursued Gates' little-noticed testimony during a March 31 hearing of the Senate Armed Services Committee, that the operation might "degrade" the Libyan military to the point where Qaddafi might be overthrown. Nor did any member follow up on press reports in which Western officials acknowledged that the mission was designed to compel Qaddafi to step down. The Senate committee did not explore the implications of NATO's strategy





of targeting all of the regime's military assets or question its concentration of firepower on the Tripoli area—including Qaddafi's offices and residence—which the regime controlled and where civilians faced little threat.

Senators also failed to raise questions about the United States' and NATO's nonnegotiable demands that Qaddafi unilaterally suspend hostilities and turn contested areas containing up to one million people over to the rebels. These demands were also at odds with Resolution

1973, which encouraged a mutual cease-fire and did not mention unilateral government withdrawals. Nor did anyone bring up the inconsistency between the declared mission of protecting civilians and the military aid that U.S. partners were supplying to the rebels. And since it largely ignored the elephant in the room—violent regime change—the committee expressed little sense of urgency about how a country with little civic or democratic tradition might fare after its strongman was ousted.

It was not until the end of June that the committee passed an authorization for use of force, which mainly repeated the administration's public rationale. Democrats voted in favor, while Republicans were split. No matter: Harry Reid of Nevada, the leader of the Democrats in the Senate, declined to take up the bill. The committee did not publicly complain.

The House also failed to act on Libya, but at least it finally debated the war, for more than six hours, in June and July. It did so, however, only after Dennis Kucinich, an Ohio Democrat, invoked a procedure under the War Powers Act to force John Boehner, the Republican Speaker of the House, also from Ohio, to take up the issue. Boehner arranged votes on three very different resolutions: one that would authorize the use of force in Libya, one that would defund U.S. drones' participation in the operation while leaving other U.S. air assets in place, and one (Kucinich's) that would mandate an immediate U.S. withdrawal. None passed, leaving the impression that the House had no coherent position on the intervention. But it's conceivable that a more carefully crafted compromise would have garnered a majority. As some members pointed out, the House Foreign Affairs Committee's failure to bring a piece of bipartisan legislation to the floor left them to choose among unsatisfactory alternatives. Moreover, many felt constricted by the lateness of the debate: with the mission in Libya begun long ago, legislators feared that congressional action might jeopardize the United States' relationship with its NATO partners.

The intervention ended on October 20, when rebels murdered Qaddafi after a U.S. drone and two French jets struck his convoy. But the costs continue to this day. Hundreds of lawless militias vie for power in Libya. A new branch of ISIS has arisen there. Arms and extremists have spread beyond the country's borders, destabilizing Mali and bolstering jihadists across Africa and the Middle East. The

chaos has collapsed coastal controls over migration into Europe. U.S. relations with the African Union and Russia have suffered.

Given this outcome, it is useful to explore a counterfactual: what would have happened if Congress had engaged early in the decision-making process on Libya, exposed the inconsistency between U.S. aims and Resolution 1973, and raised concerns about postwar chaos? Most likely, energetic congressional probing would have weakened both international and domestic support for the intervention. Even support within Obama's party would likely have dropped, given that in the absence of such inquests, a full third of House Democrats voted for Kucinich's resolution. So internally divided was the administration that it might well have reconsidered its options. Perhaps it would have pursued its avowed policy of protecting civilians through limited military means while applying only political and economic pressure to bolster the rebels' position. Or maybe it would have combined humanitarian protection with support for the African Union's credible negotiations to end the conflict. Arguably, either option would have served the underlying U.S. policy of aligning the United States with the Arab Spring and preventing mass atrocities, while alleviating the destabilizing consequences of the intervention.

### **ASLEEP IN SYRIA**

As with Libya, Congress has largely absented itself from the debate over intervention in Syria. Since March 2011, when the revolt against President Bashar al-Assad's government began, neither chamber of Congress has passed any legislation dealing with the conflict. That has remained the case even as the U.S. government has steadily increased its involvement, furnishing rebels first with nonlethal aid and then with arms and training.

Over the course of 2012 and 2013, both congressional foreign affairs committees did hold a number of public hearings on Syria featuring administration figures and outside experts. But the latter constituted a rather narrow group; they tended to be former officials from Washington-based think tanks, nearly all of whom called for greater U.S. military support for the rebels. Moreover, although committee members journeyed to Syria's borders to visit refugee camps and meet with rebel leaders and officials from neighboring countries such as Jordan and Turkey, they never appear to have arranged similar meetings with representatives of the Syrian government or its principal backers, Iran and Russia.

When Congress did attempt to shape U.S. policy toward the Syrian civil war, it acted meekly and quickly retreated. In May 2013, the Senate Foreign Relations Committee overwhelmingly adopted the Syria Transition Support Act, which authorized economic sanctions against the regime, support for democratic structures, humanitarian assistance to the Syrian people, and military aid to rigorously vetted rebels. But the bipartisan senators who voted for it appeared strikingly uncertain about the adequacy of the weapons that would be provided and the trustworthiness of the rebels receiving them. One of the backers of the legislation, Barbara Boxer, a California Democrat, tepidly endorsed it, saying, “we’re trying to shape [the conflict] just a little bit.” “We all have trepidation,” she confessed, but the bill “gives the administration the wind at their back if they want to move forward.” This was hardly the kind of congressional leadership the founders had in mind.

Less than a month later, the administration effectively preempted the committee’s proposal for overt, controlled military aid by rolling out a program of its own, a covert CIA effort to arm and train the rebels. Reid never brought the committee’s bill to the floor for a vote, and the committee never pressed him to. Bob Corker of Tennessee, its ranking Republican, complained that the administration’s resort to covert methods was “leaving the public and most of Congress in the dark” and “effectively prevents any real debate about U.S. policy.” He was right.

There was one exception to this pattern, a fleeting moment of bipartisan congressional influence. In August 2013, Assad’s regime attacked civilians with chemical weapons, thus crossing what Obama had called a “redline” a year earlier. After preparing to unleash retaliatory air strikes, the administration made an about-face and sought congressional approval for an attack. Leaders of both parties indicated that they would support one, and the Senate Foreign Relations Committee held a hearing on the question that exclusively featured administration witnesses. But the public was not on board, and over the course of two weeks, constituents deluged their representatives with phone calls and letters opposing the attack. Then, just as the Republican-led House appeared on the verge of rejecting the president’s plan (possibly along with the Democratic-led Senate), Russia swooped in with a diplomatic initiative for the disposal of Syria’s chemical arsenal, and the administration accepted the offer.

Yet this episode was not an unambiguous assertion of congressional power. It was the president who kicked the decision about intervention to Congress, forcing it to take a stand. Obama's reluctance to act alone stemmed in part from his awareness that, unlike in Libya, there was no UN or NATO backing, and no imminent massacres. And Congress was following the public's fear of a wider war more than leading an informed public debate.

Since then, Congress has reverted to acting as a bystander. As the CIA ramped up its covert program—by June 2015, the agency had armed and trained 10,000 rebels at a cost approaching \$1 billion a year—Congress confined its discussion of the program to secret sessions of the intelligence committees, which have a history of getting co-opted by presidents undertaking covert action. To this day, the House and the Senate have held no public debate over the CIA program. Nor have they held any such debate on other policy options, even as the administration has flitted between contemplating the establishment of no-fly zones and safe zones and launching negotiations for a political settlement that would eventually displace Assad. The foreign affairs committees, meanwhile, have paid declining attention to the civil war as their attention has shifted to the separate but related fight against ISIS in Iraq and Syria.

What could a more energetic Congress have done? Above all, it could have made clear, through public discussion and serious legislative proposals, that incremental doses of aid to Syria's fractious insurgents were unlikely to break the military stalemate. They would inevitably be counterbalanced by additional support to Assad by his foreign backers. Congress could have debated the two basic options that the United States and its allies have in Syria: use overwhelming military force to occupy the country and install supposed moderates in Damascus or employ diplomacy to push most of the Syrian parties and their foreign allies toward a gradual political transition. The former course appears politically infeasible, leaving patient diplomacy (perhaps buttressed by limited, temporary military operations that do not derail negotiations) to de-escalate a damaging civil war.

### **A TO-DO LIST FOR CONGRESS**

Congress can do better. It possesses a number of proven instruments it can employ to handle tough foreign policy questions. First, it should use its foreign affairs committees to lead the way in formulating independent

assessments of vexing policy choices. Public hearings should be timely, balanced, and aimed at promoting dialogue. The classic model is the Fulbright Hearings, the Senate Foreign Relations Committee's rigorous inquiries into the Vietnam War policies of the Johnson and Nixon administrations, convened by its chair, William Fulbright. The most formidable non-administration witnesses were of the type that rarely appears in today's hearings: the master Cold War strategist George Kennan, the dissenting lieutenant general James Gavin, the renowned Asia correspondent Robert Shaplen, the world-class Vietnam expert John Lewis, and a young Kerry, then a navy lieutenant representing a new constituency, Vietnam Veterans Against the War. Fulbright's hearings, well covered by the media, galvanized the antiwar movement and spurred legislation to limit American involvement in Vietnam.

Today's committees need to modernize to maintain the interest of their busy members and a distracted public. It boggles the mind that despite technology that can bring relevant foreign voices and scenes into the room in real time, the panels hear almost exclusively from Washington insiders. It's also disturbing that members allot so much time to introductory posturing at the expense of genuine questioning.

Congress' committees and ad hoc entities can also learn from well-focused international travel. In 1984, as the longtime Philippine dictator Ferdinand Marcos refused to undertake reforms amid rising democratic opposition and a communist insurgency, Richard Lugar, the Indiana Republican who chaired the Senate Foreign Relations Committee, dispatched a bipartisan staff study team to the country for three weeks. Their public analysis of the political crisis helped convince Congress to promote a democratic transition. In 1989, a special House task force headed by Joe Moakley, a Massachusetts Democrat, undertook an on-the-ground investigation of the murder of six Jesuit priests in El Salvador. The group not only solved the crime—fingering top officials in the Salvadoran military—but also proved instrumental in getting Congress to limit U.S. military assistance to the country and thus helped bring about a political settlement ending the long civil war there.

Given the value of congressional travel, it was disappointing when, in 2009, legislators meekly accepted stringent Defense Department restrictions on congressional delegations in Afghanistan just as the administration was contemplating a troop surge there. Limited to a single overnight stay in the country per trip, congressional members

and staff tended to spend one day meeting with U.S. and Afghan officials in Kabul and a second with U.S. troops outside the capital. Virtually no time was left to hear from anyone who could have offered competing perspectives: Afghans who didn't work for the government, journalists, or researchers.

Second, foreign policy leaders in Congress should take advantage of their positions to fight back against deception on the part of the executive branch. These days, legislators often sense that the administration is not telling them the whole truth but do nothing to call it out—except in stirring postmortems.

In contrast, back in 1975, Dick Clark, the Iowa Democrat who chaired the Senate Foreign Relations Subcommittee on Africa, juxtaposed conflicting closed-door testimony by State Department and CIA witnesses over the Ford administration's covert aid to paramilitary groups in Angola to convince his colleagues that

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*Legislators often sense that the administration is not telling them the whole truth but do nothing to call it out.*

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the State Department was concealing from them an unsavory operation that the CIA was conducting alongside South Africa. As a result, Congress killed the program.

In 2002, the congressional foreign relations and intelligence committees muffed a golden opportunity to raise questions about the administration's dubious case for war in Iraq. After receiving the National Intelligence Estimate on Iraq's weapons of mass destruction, including a declassified version, they failed to point out the yawning gap between the document's conclusions and the evidence adduced to support them.

The committees have powerful legal tools to help them fight back against the executive branch's penchant for secrecy, but they almost never use them. In 1990, Moakley's task force looking into the murders in El Salvador dangled the threat of a subpoena to persuade the Defense Department to allow it to interview a U.S. major who possessed critical information about the Salvadoran military's involvement.

Third, party leaders should take the initiative to build political coalitions that enable Congress to speak with one voice. A good illustration comes from Congress' struggle with the Reagan administration over aid to the contra rebels in Nicaragua: a leading role was played by Jim Wright, a Texas Democrat who was then Speaker of the House.

Tapping into his deep knowledge of Central America, this powerful leader was often able to strike compromises among both liberal and conservative Democrats and moderate Republicans to limit aid to the contras. Another example comes from 1995, when Bob Dole, the Senate majority leader and a Kansas Republican, co-authored a measure lifting a UN-sanctioned arms embargo against Bosnia, which was under attack from separatists. Partly because the measure passed both houses with veto-proof margins, President Bill Clinton became more engaged in ending the war.

Finally, Congress must make clear and binding law. The ultimate test of Congress' determination to live up to its constitutional role is whether it enacts such legislation to authorize or regulate a war—a standard Congress often met from the late 1960s to the early 1990s. There is thus no good reason why large CIA paramilitary ventures—which inevitably become public—should be sheltered from congressional debate. These can and do lead to larger military interventions, which is why Congress subjected the CIA programs in Angola and Nicaragua to public votes. It should do the same for the Syrian program today.

### **CONGRESS' CHALLENGE**

None of this will happen, of course, without the requisite political will. It is encouraging, then, that members of both parties have increasingly expressed their dissatisfaction with Congress' post-9/11 deference to the executive branch. Foreign policy luminaries in the Senate—such as Corker and the Virginia Democrats Tim Kaine and Jim Webb—have called for reforms. During the House debate on Libya in 2011, politicians from both sides of the aisle rebuked the Obama administration for evading the time limits that the War Powers Act imposes on the president's deployment of U.S. forces. The Democratic-controlled Senate Foreign Relations Committee even formally repudiated the Democratic administration's legal rationale. And in 2013, as the Obama administration contemplated striking Syria, 192 House members (119 Republicans and 73 Democrats) demanded that Congress vote on the use of force.

Politically, the current era echoes the post-Vietnam War one, the last period of congressional activism. Opinion polls confirm the public's widespread disillusionment with the wars in Afghanistan as Iraq, as well as its fear that limited interventions, as in Syria, could metastasize into major ones. Now, as before, partisan divisions help

frame the issues, but the boundaries have become much more fluid. Opposition to intervention in both Libya and Syria made strange bedfellows, with left-wing Democrats such as Kucinich voting the same way as libertarian Republicans such as Justin Amash, a representative from Michigan. It would be wrong to assume that the new Congress will remain passive because it is controlled by the president's party. Trump's reluctance to pursue regime change in the Middle East, for example, may create conflict with Republican hawks and earn support from Democratic doves.

The missing ingredient from the previous era is leadership. In the decades during and after Vietnam, the committee chairs, party leaders, and other members who upheld the Constitution were not reflexively following opinion polls. They were thoughtful, committed, sometimes courageous individuals who took real political risks to better U.S. foreign policy. Their actions energized the rest of Congress, galvanized political constituencies, and cajoled presidents into unexpected partnerships.

Today, a new generation of congressional foreign policy leaders has the opportunity to make its own mark. Some of them may find it tempting to remain passive, whether because they remain more interested in tearing down their political opponents or because they fear looking weak in the face of a foreign adversary. But they owe it to their country to take a more active role. As the great historian Arthur Schlesinger, Jr., wrote, looking back in 1973, "History had shown that neither the Presidency nor the Congress was infallible, and that each needed the other—which may well be what the Founding Fathers were trying to tell us." 🌐

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# The Lawyers' War

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## Counterterrorism From Bush to Obama to Trump

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*Dawn Johnsen*

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*Power Wars: Inside Obama's Post-9/11 Presidency*

BY CHARLIE SAVAGE. Little, Brown, 2015, 784 pp.

*Rogue Justice: The Making of the Security State*

BY KAREN GREENBERG. Crown, 2016, 320 pp.

**T**he election of Donald Trump as president of the United States has stunned the nation and the world and raised a number of critically important issues about the future of U.S. government policy. Among these are hotly contested aspects of national security law, including the extent of government surveillance and secrecy, the use of drones for targeted killings, the detention and interrogation of suspected terrorists, immigration and refugee policies, and the deployment of U.S. forces in various roles across the Middle East. The stakes could not be higher: in the balance hang national security, democratic accountability, the rule of law, civil liberties, and the very nature of the republic.

Two recent books can help navigate these vital issues. Charlie Savage's

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**DAWN JOHNSEN** is Walter W. Foskett Professor of Law at Indiana University's Maurer School of Law.

*Power Wars* and Karen Greenberg's *Rogue Justice* both analyze the U.S. government's handling of national security since 9/11. Their thoughtful examinations of the counterterrorism policies of the administrations of George W. Bush and Obama deserve to be widely read, by the public at large and by those who will staff the next administration. So, too, does Savage's detailed assessment of the Bush administration in his previous book, *Takeover: The Return of the Imperial Presidency and the Subversion of American Democracy*. Taken together, Savage's *Power Wars* and *Takeover* will stand among the definitive accounts of the United States' approach to national security and law over the past decade and a half. Greenberg's less detailed but clear and engaging book will be accessible to broader audiences and serve as an important reminder of the Bush administration's excesses.

At the heart of both books lies the question of whether Obama fulfilled the expectation that he would change the national security policies and executive-power claims of his predecessor. Greenberg finds Obama's performance deficient; Savage's assessment is more balanced. Both authors are at times too harsh in their judgments, especially Greenberg, whose accusations of "hypocrisy" and "betrayal" are imprecise and exaggerated. In fact, Obama rejected Bush's ideology of expansive executive authority and has done much to restore the rule of law to the U.S. government. True, Obama did not accomplish all that he attempted, and some of his actions deserve criticism. But his inability to do more stemmed largely from obstacles that Savage addresses: the mess Obama inherited, the intractability of

the underlying problems, virulent partisan opposition, and extreme congressional dysfunction.

### **LAW GOES TO WAR**

Five days after the 9/11 attacks, U.S. Vice President Dick Cheney appeared on Meet the Press and promised that the United States would use “any means at its disposal” to fight terrorism. In the days and weeks following an unprecedented mass killing on U.S. soil, some excesses, although regrettable, were understandable. But in the years that followed, the Bush administration sanctioned torture; held “enemy combatants” indefinitely without legal due process at secret prisons around the world and at the detention facility in Guantánamo Bay, Cuba; began warrantless domestic surveillance on a massive scale; and ordered military commissions to conduct trials of detainees—proceedings that the Supreme Court later declared unlawful as designed. The Bush administration largely built these policies in secret and on shaky, sometimes rotten legal foundations.

In 2008, Obama ran for president emphasizing the ways in which he would reverse course: he promised to end the practice of torture, close Guantánamo, work with Congress, reduce secrecy, and put U.S. counterterrorism on a solid legal footing. But just how different has Obama’s use of executive power been from Bush’s? For Greenberg, the answer is not very. Greenberg brings to bear the valuable expertise she has gained as the director of Fordham Law School’s Center on National Security. Even those steeped in the subject will learn from her narration of terrorism-related judicial proceedings, for example,

and the persistent efforts by the American Civil Liberties Union (ACLU) to secure judicial review to force the government to release information vital to the proper functioning of U.S. democracy.

Greenberg’s criticism of both the Bush and the Obama administrations is scathing. She is on the mark regarding the Bush administration’s well-publicized shortcomings. She emphasizes that Obama failed to close Guantánamo, continued military commissions and mass surveillance, maintained high levels of government secrecy, held no one accountable for the torture committed under Bush, and ramped up targeted killings using drones. Many disappointed progressives agree with Greenberg’s emphasis on the continuities between the two administrations—as do some former Bush administration officials and others who are cheered, rather than discomforted, by the thought.

Greenberg makes some strong arguments, but others are incomplete or ultimately unpersuasive. For example, she highlights a speech that Eric Holder delivered at the American Constitution Society during the 2008 presidential campaign, when he was in private practice, in which he said that “we owe the American people a reckoning.” She then criticizes Holder for flip-flopping when he decided, as Obama’s attorney general, not to prosecute for torture those who “acted reasonably and relied in good faith” on the government’s authoritative legal advice (bad as that advice may have been). But Greenberg ignores the serious obstacle that the constitutional guarantee of due process presents to this particular form of accountability: How can it be fair or just for the U.S. Department of Justice to advise that

an action would be lawful and then later prosecute those who relied on that advice? The reckoning Holder called for came in more appropriate (although incomplete) forms, such as the Obama administration's prompt public release and repudiation of many of the Bush administration's legal opinions and the less prompt, partial release of the U.S. Senate Select Committee on Intelligence's report on the Bush administration's detention and interrogation program.

Greenberg's charges that many Obama administration officials were guilty of hypocrisy and worse are excessive. "For every Cheney mongering fear and nurturing paranoia," she writes, "there are many officials quietly going about their business . . . thinking they are doing the right thing but failing to grasp that in their wish to protect the country, they are in fact betraying it." Her assessment helpfully identifies influential institutional pressures that tend to receive inadequate attention, but she does not fully account for the critical roles that the president and the vice president play in setting the direction of policies or the impediments that those further down the chain face if they seek to buck choices made at the top.

#### **CHANGE YOU CAN BELIEVE IN?**

Savage covers more ground and tells a more nuanced story. Drawing on his extensive access to government sources and his experience in covering these issues for more than a decade for *The New York Times* and *The Boston Globe*, he provides a rare window into the Obama administration's internal executive-branch decision-making. He gives the Obama administration relatively high

marks when it comes to restoring and upholding the rule of law, emphasizing Obama's rejection of extreme interrogation methods, black sites, and indefinite detention. He also details Obama's struggles in the face of powerful opposition and new congressional restrictions—explaining, for example, that reforming, rather than eliminating, military commissions was part of the effort to close Guantánamo while adhering to a congressionally imposed prohibition on transferring any detainees from Guantánamo to the United States.

Savage's careful reporting and analysis enable readers to make their own judgments about the degree of continuity between the two administrations. One of Savage's greatest contributions is a distinction early in the book that clarifies a sharp, puzzling divide among progressives. Some critics on the left have castigated the Obama administration for continuing Bush's approach to executive power and national security. Greenberg, for example, describes a 2010 ACLU advertisement that portrayed Obama's face morphing into Bush's. Other progressives, including numerous lawyers with experience in recent Democratic administrations, strongly disagree. (This is a group with which I identify: I served as the acting head of the Department of Justice's Office of Legal Counsel under Bill Clinton and on Obama's transition team, and in 2009, Obama nominated me to head the Office of Legal Counsel. But for more than a year, Senate Republicans blocked a vote on my nomination, and I ultimately withdrew my name from consideration.)

Savage explains the split by noting that there were in fact two strands of criticism of the Bush administration,

although they were often interwoven. One strand opposed Bush's policies fundamentally because they harmed civil liberties. The other condemned his administration for undermining the rule of law. Obama's adherence to legal constraints and his rejection of Bush's extreme view of executive power substantially addressed the rule-of-law critique. But Obama's decision to continue many of the actual policies in question even if in modified, legal forms frustrated the expectations of those who had hoped for a much fuller restoration of civil liberties. Savage also explains that these expectations were artificially high; on close inspection, some of Obama's own rule-of-law criticisms were misinterpreted as promises that he would expand civil liberties.

### NO COMPARISON

To understand just how stark the difference is between Bush's and Obama's approach to the rule of law, one must understand a crucial Supreme Court precedent. In April 1952, in the middle of the Korean War, the United Steelworkers of America planned to go on strike. Just before the strike began, President Harry Truman seized control of the nation's steel mills, on the grounds that such a disruption would damage the United States' ability to wage war. The steel companies sued, and, in *Youngstown Sheet & Tube Company v. Sawyer*, the Supreme Court ruled that Truman's actions exceeded his constitutional and statutory authorities.

It was an unusual instance in which the Supreme Court rejected a president's assertion of wartime authority. In his concurring opinion, Supreme Court Justice Robert Jackson laid out how to

judge whether a president possesses the authority to conduct a particular executive action. Among legal scholars, the courts, and government lawyers, his framework has become a touchstone. But *Youngstown* has never earned its deserved place in mainstream debates the way *Brown v. Board of Education* and *Roe v. Wade* have. And neither Greenberg nor Savage evaluates the Bush and Obama administrations in Jackson's terms, which is unfortunate.

Jackson's core insight was simple: to assess whether an executive action is legal, one must consider what Congress has said on the subject. Jackson rejected the claim that presidents possess general emergency powers to act in ways that would otherwise be beyond the law, yet he allowed relatively broad presidential authority to act when Congress has not spoken to the contrary. More specifically, he delineated a framework of three essential zones of executive power that vary based on congressional action. The president's power is at its "lowest ebb," Jackson held, when he acts in defiance of Congress' expressed will, and it is at its maximum when he acts with congressional approval. In between these poles is what Jackson called "the zone of twilight," when the president acts in the absence of congressional direction; there, the president typically may act, but only as long as Congress does not disagree.

The Bush administration repeatedly asserted that as commander in chief, the president had the power to act contrary to federal statutes (or to interpret them in such a way that they did not constrain his sweeping view of executive power)—most notoriously, to avoid limits on interrogations and surveillance. Its

legal analyses typically failed to even cite, much less properly apply, *Youngstown*. Savage won a Pulitzer Prize for his coverage in *The Boston Globe* of the unprecedented number of “signing statements” that Bush issued to challenge laws that conflicted with his expansive views of his constitutional authorities. Many presidents, Obama among them, have asserted limited authority to disregard or otherwise avoid statutory commands that their administrations deemed unconstitutional. But in an exhaustive historical review, the legal scholars David Barron and Martin Lederman documented that Bush was a historical outlier in his assertions of “lowest ebb” commander-in-chief authority to wage war in ways contrary to Congress’ direction. And even when Congress would have supported Bush’s policies through new legislation, the Bush administration preferred to bypass Congress, because, Savage writes, Bush and Cheney were “in the business of creating executive-power precedents” to license future unilateral executive action.

As is evident from Savage’s account, this is where the Obama administration sharply changed direction. It rejected the Bush administration’s disregard for the rule of law and disavowed extreme notions of commander-in-chief powers that would override Congress’ clearly expressed will. Obama also announced that he preferred to work with Congress, and he sought its support repeatedly, even in the face of extraordinary congressional dysfunction. With Congress paralyzed, Obama often did resort to executive action, but typically by asserting authority that Congress had already granted him or that fell in Jackson’s “zone of twilight.” The *Youngstown* analysis shows how Obama’s critics err when

they equate these actions with Bush’s “lowest ebb” claims of ultimate presidential power to override Congress.

Some critics of Obama have argued, for example, that he acted unlawfully by ordering certain targeted killings with drones and, in the domestic context, by ordering the suspension of deportations of children whose parents brought them to the United States illegally. But it is crucial to note that in neither case did Obama assert executive authority to overrule Congress; Congress had not legislated on those precise questions, and Obama never suggested that he would refuse to follow any constitutional statute that Congress might enact contrary to his policies. To take another example: Obama did not assert overriding executive authority to fulfill his commitment to close Guantánamo. He has instead complied with a congressional ban on bringing detainees to the United States, which has proved devastating to his ability to close the camp. Critics can mount legitimate and, at times, strong arguments against Obama’s national security policies and even some of his legal interpretations, but it is wrong to claim that he shared Bush and Cheney’s beliefs about expansive executive power.

In particular, Greenberg errs when she equates the legal opinion that informed the Obama administration’s targeted killing, in September 2011, of Anwar al-Awlaki, a U.S. citizen and al Qaeda member in Yemen, with the 2002 opinion that the Bush administration relied on to support torture. She denigrates the lawyers in both cases by describing them as following “marching orders.” In fact, the opinions stand in stark contrast: the Obama administration’s was a model of

careful legal analysis in the best traditions of the Office of Legal Counsel; the Bush administration's was an ends-driven, extreme piece of advocacy—after it was leaked, it earned bipartisan condemnation and was withdrawn, and replaced, by the Bush administration itself. The Harvard law professor Jack Goldsmith has described reading “deeply flawed” and “sloppily reasoned” opinions when he joined the Bush administration as head of the Office of Legal Counsel in 2003. The Obama administration's opinion on targeted killing made no argument comparable to the Bush administration's erroneous claim that the commander in chief had the authority to disregard or misinterpret Congress' ban on torture. Instead, Congress' post-9/11 Authorization for Use of Military Force had conferred on Obama the requisite power to wage war, and Obama faced no statute that specifically sought to ban or restrict such targeted killings.

Savage raises important questions about a few of the Obama administration's legal interpretations. Most significant, Savage makes the case that the Obama administration erred when it concluded that U.S. air strikes in Libya did not constitute “hostilities” under the War Powers Resolution and thus were not subject to a 60-day deadline after which the president must get approval from Congress. Yet even here, Obama explicitly acknowledged the limits of executive authority: he accepted the law's constitutionality, never questioned Congress' authority to end the operation, and provided a detailed public explanation of his interpretation.

It is on the issue of secrecy that Savage and Greenberg make the strongest case that there has been too much

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continuity between Bush and Obama, although even there, fundamental differences exist. The Bush administration subverted democracy by secretly acting contrary to law, based on a body of undisclosed internal legal justifications. Only when leaks brought to light torture, surveillance, extraordinary renditions, and the underlying flimsy legal justifications could the appropriate democratic processes commence.

Nothing suggests that the Obama administration has secretly violated any laws or otherwise come close to the Bush administration's unprecedented secrecy. But the Obama administration has, at times, struck the wrong balance and kept from the public information that it could have shared without endangering national security. Its prolonged failure to disclose the details of major targeted-killing and surveillance programs undermined vital democratic debate and safeguards. And the administration made a serious error in withholding from the public its legal analysis behind targeted killing, which it could have shared—as it ultimately did—by omitting details that could have harmed national security. Excessive secrecy poses a direct threat to the delicate balance between executive and congressional powers and to the public's ultimate ability and duty to check government. Reasonable minds may differ on legal interpretations, but secrecy destroys the possibility of democratic engagement.

### **A NATION OF LAWS?**

Savage and Greenberg both sound hopeful notes in assessing where the nation stands as Obama's presidency nears its end. Greenberg writes, "As Barack Obama's presidency draws to a close, the flames of the counterterrorism

frenzy that were ignited fifteen years ago have begun to die down. Neither civil liberties nor the rule of law was consumed." But during his presidential campaign, Trump relentlessly fanned those flames, and his victory casts an ominous light on Savage's prediction that Obama's legacy will ultimately "be determined by his successor, future Congresses and the world as it is rather than as one might want it to be."

In fact, Trump threatens far more than Obama's legacy. Many of the most extreme proposals Trump has put forward would require an expansion of presidential power fundamentally at odds with the constitutional order. Of course, it is possible that Trump's calls for unlawful actions will prove to have been little more than campaign hyperbole. And much will depend on the cabinet members and advisers he appoints. Trump may come to recognize—as the vast majority of people do when they assume positions of significant authority in government—that he will need to rely on the counsel of experts who have dedicated their lives to public service. In her concession speech, Hillary Clinton called on her supporters to grant Trump "an open mind and a chance to lead." But she also emphasized the continued need for public engagement and singled out the importance of defending foundational constitutional values: "the rule of law, the principle that we are all equal in rights and dignity, freedom of worship and expression."

If Trump seeks to disregard the legal barriers for which he expressed so much disdain during the campaign, Savage's and Greenberg's books will help point the way for those looking to constrain him. They chronicle

numerous instances of resistance to excessive executive power, particularly in the early Bush administration, by the press, domestic and international nongovernmental organizations, state and local governments, and foreign nations, and also by the federal courts, Congress, and some within the executive branch itself. Each of these vital institutions played an important role—for example, in building broad bipartisan opposition to the Bush administration's use of torture (although Republican leaders remain split on the issue).

The Supreme Court played a central role in rejecting the Bush administration's most egregious abuses, just as in *Youngstown*, it rejected Truman's seizure of the steel mills. If Trump overreaches, the courts should step up once again. Congress, meanwhile, should consider how during the Bush administration, individual senators from both parties—notably Republican Senator John McCain and Democratic Senator Sheldon Whitehouse—helped force public disclosures and spark change.

Finally, during the Bush administration, many executive-branch officials and employees resisted unlawful policies and actions. Government employees should be prepared to push back, even at the risk of losing their jobs, if the Trump administration directs them to take part in wrongdoing. Leaks of classified information played a significant role in informing the public of torture and surveillance programs that should not have been kept secret from the American people. But leaks come at a very high cost, are rarely justified, and should never be necessary if strong systems exist to protect whistle-blowing. In its final months, the Obama administration

should strengthen such systems. It should also release any information on policies and legal analyses that it can publicize without jeopardizing national security and that might help constrain the Trump administration.

Trump and his supporters may defend aggressive, even unlawful uses of executive power by claiming that he is following in the footsteps not only of Bush but also of Obama. In this, they will find support from some commentators who have embraced the mistaken idea that Obama adopted Bush's expansive view of executive authority. This idea is not only wrong; it is now also dangerous. Yes, Obama continued some controversial national security policies, arguably to the detriment of civil liberties, but he restored respect for the rule of law and unequivocally rejected Bush's assertions of "lowest ebb" executive authority to act unlawfully. The sooner observers understand this distinction, the better they will be able to hold Trump to account.

Ultimately, however, it will be up to the electorate to hold Trump accountable should he fail to respect constitutional limits on his authority as president. As Jackson wrote in *Youngstown*, "With all its defects, delays and inconveniences, men have discovered no technique for long preserving free government except that the Executive be under the law, and that the law be made by parliamentary deliberations." 🌐

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## Recent Books

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### Political and Legal

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*G. John Ikenberry*

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*A World in Disarray: American Foreign Policy and the Crisis of the Old Order*  
BY RICHARD HAASS. Penguin Press, 2017, 352 pp.

**I**n this world-weary *tour d'horizon*, Haass paints a bleak portrait of a failing global order. The American-led system of alliances has become unstable as power has shifted away from the West, transnational dangers have proliferated, and regional orders have crumbled in Europe, the Middle East, and East Asia. And Haass detects an even deeper crisis: the breakdown of the four-centuries-old Westphalian system built around sovereign states. Since the seventeenth century, global order has rested on states, great powers, and the balance of power. But those old building blocks are now giving way as states lose influence and power diffuses to nonstate actors. Looking into the future, Haass sees a world where no one is in control even as nuclear proliferation, migrant flows, collapsing states, and dysfunctional democracies generate a growing spiral of chaos. To ward off disaster, he calls for “World Order 2.0,” a new “operating system” that would update the traditional norms regarding sovereignty and great-power accommodation. Haass wants states to focus not only on their rights as sovereigns but also on their

obligations. Doing so, he avers, would produce less interventionism than Wilsonian liberals might wish for but more collective organization than realists would expect. The precise architecture of Haass’ new world order is a bit elusive, but his call for a more pragmatic, inclusive multilateralism represents sensible guidance for the difficult road ahead.

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*Cheap Threats: Why the United States Struggles to Coerce Weak States*  
BY DIANNE PFUNDSTEIN  
CHAMBERLAIN. Georgetown  
University Press, 2016, 288 pp.

Since 1945, the United States has repeatedly used the threat of military force to persuade weaker states to change their behavior. But these coercive threats have often failed; many times, the leaders of weaker states have stood fast. In this fascinating and carefully argued study, Pfundstein Chamberlain puts forward a “costly compellence theory” to explain this pattern of resistance. After examining the Cuban missile crisis, the confrontations that led to U.S. military action against Iraq in 1990 and 2003, and the 2011 conflict with Libya, she argues that the leaders of weaker states do not doubt that the United States will use force when it threatens to; they do, however, doubt its willingness to stay committed to effecting change over the long term, after the bombs have fallen. The United States was successful during the crisis over Cuba precisely because the conditions of the Cold War made its threats more “costly” to execute—and so its threats

then were more convincing than they were during the post–Cold War cases. Pfundstein Chamberlain does not miss the irony of this finding: it is precisely the United States’ position as an unchallenged global hegemon that makes its coercive threats less effective.

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*Once Within Borders: Territories of Power, Wealth, and Belonging Since 1500*

BY CHARLES S. MAIER. Harvard University Press, 2016, 416 pp.

Territorial boundaries, as Maier writes, are what “transforms geography into history.” In this brilliant and sweeping narrative, Maier shows how, beginning in the seventeenth century, sovereignty and territory became intertwined as states built borders, reorganized systems of labor and capital, and forged domains of law and authority. In the nineteenth century, the Industrial Revolution and the development of the railroad, the steamship, and the telegraph allowed modern states to organize and control ever-larger expanses of territory. Territory soon became increasingly tied to geopolitics, as the rise and fall of great powers depended on their grand imperial projects, whose goal was to control large landmasses. The book goes on to trace how the Cold War led to the territorialization of ideology and to examine shifts in the scientific and philosophical conceptions of space. Maier finds today’s world awash in fast-changing and deeply conflicting ideas about territory. The interdependence of economies and the emergence of cyberspace seem to have

reduced the salience of physical territorial control and weakened traditional notions of sovereignty and citizenship. But if Maier is correct, territory will continue to claim an important place in the human imagination.

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*How Population Change Will Transform Our World*

BY SARAH HARPER. Oxford University Press, 2016, 160 pp.

In this data-rich but concise book, Harper examines the unprecedented global demographic shifts currently under way and considers what they portend in various parts of the world. Japan and Europe reached “maturity” at the end of the twentieth century, with more people over the age of 60 than under 15. The rest of Asia will reach that milestone in the middle of this century, as will the overall population of the world. By midcentury, Asia will account for 54 percent of the world’s population, down from around 60 percent today, and Europe’s share will decline from around 12 percent to around seven percent. Meanwhile, Africa will remain mostly young as its population more than doubles in the coming decades. Harper is less interested in the ramifications of these shifts for global politics than in identifying the shifts’ sources in particular countries and exploring their social effects. But her work provides a powerful reminder that debates over immigration, social welfare, and inequality will intensify in the decades ahead in a world increasingly divided between older, richer people and younger, poorer ones.

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## Economic, Social, and Environmental

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*Richard N. Cooper*

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*Capital Offenses: Business Crime and Punishment in America's Corporate Age*  
BY SAMUEL W. BUELL. Norton, 2016, 320 pp.

**M**any Americans were frustrated by the fact that few bankers and financiers were charged with criminal activity following the calamitous financial crisis of 2007–8. Buell, who previously helped investigate and prosecute the Enron case, skillfully explains the conundrums of applying criminal law to corporations and their officers. The standards of proof for a guilty verdict in U.S. criminal law are demanding, and the modern corporation, although a great engine of growth, also represents an ingenious contrivance for avoiding liability and even responsibility. Corporate employees can be criminally prosecuted for harmfully deceiving others but cannot be held legally responsible for bad business judgment. Buell urges a rethinking of the modern corporation, suggesting, among other things, that the United States should federalize the process of incorporation (to prevent states from competing for business by offering lax regulatory regimes) and that the “duty of care” required of corporate management, directors, and shareholders should be extended to other significant stakeholders. Buell focuses on U.S. law and the American economy, but his insights apply to other democracies as well.

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## *Shadow Courts: The Tribunals That Rule Global Trade*

BY HALEY SWEETLAND EDWARDS.  
Columbia Global Reports, 2016, 144 pp.

One of the controversial features of the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership (which is still being negotiated) is a provision called the Investor-State Dispute Settlement (ISDS), whereby a private party can sue a government for violating a trade or investment agreement. Such suits are judged by private arbitration panels whose decisions cannot be appealed. ISDS provisions have existed for many years, but they have rarely been put to use—and when they have been, it has usually been in cases in which a government has destroyed or confiscated a foreigner’s property without adequate compensation. In recent years, however, the number of suits has risen sharply as lawyers have rediscovered the ISDS and expanded its application to the loss of expected future profits. Last year, the energy infrastructure firm TransCanada sued the Obama administration, claiming that the U.S. president had violated North American Free Trade Agreement rules by prohibiting the company from completing the Keystone XL oil pipeline. This slim, timely book discusses the history of the provision and the effects that ISDS litigation—a tactic not available to domestic firms—has had on social and environmental legislation and regulation. The version of the ISDS system that has evolved is not likely to withstand close scrutiny.

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*Citizens' Wealth: Why (and How) Sovereign Funds Should Be Managed by the People for the People*

BY ANGELA CUMMINE. Yale University Press, 2016, 296 pp.

Sovereign wealth funds (swfs) are proliferating; 35 were established during the past decade alone, roughly doubling the overall number. SWFs invest government funds (other than central bank reserves) in stocks, bonds, and other assets, usually but not always abroad. They also involve setting aside some government revenue—often from oil or gas sales—for future use. Such funds were pioneered by Kuwait and Saudi Arabia in the 1950s but only gained prominence with the sharp oil price increases of the 1970s, when oil-producing countries were suddenly flooded with revenues. This informative book explores both the conceptual and the practical aspects of swfs, providing insights into who owns them (publics or governments), who governs them, who determines the ethics guiding their investments, how they should distribute their earnings, how they might help reduce income inequality, and what unforeseen adverse contingencies should permit governments to draw them down.

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*The Great Convergence: Information Technology and the New Globalization*

BY RICHARD BALDWIN. Harvard University Press, 2016, 344 pp.

The first part of this book offers a breathtaking overview of the four phases of globalization that Baldwin argues have taken place during the

past 200,000 years. Baldwin then focuses on the third phase, which lasted from 1820 until 1990, and the fourth one, which is still ongoing. The third phase began with the steam engine and other significant improvements in transportation, which led to increased trade in goods among different parts of the world. The fourth phase has involved the transfer of rich-country technologies to workers in poor countries, which has raised productivity in those places and enabled them to industrialize—sometimes at the expense of unskilled workers in rich countries. This outcome, Baldwin argues, calls for a reorientation of strategy and policy in both rich and poor countries. Rich countries need to craft better rules governing foreign investment and intellectual property rights, and they should focus on the training and well-being of workers rather than the preservation of particular jobs. Poor countries should pursue industrialization by first importing technology and attracting investment and then building up capacity at the local level, all the while remaining open to trade rather than pursuing protectionist policies.

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*The Industries of the Future*

BY ALEC ROSS. Simon & Schuster, 2016, 320 pp.

Many observers marvel at the pace of technological change these days. Some see it as troubling and destructive. Ross puts a positive spin on it: new technologies have disrupted outdated practices and will offer huge potential gains in the future. He divides the major changes

likely to emerge in the coming decades into five broad categories: robotics and artificial intelligence; genetic discoveries and gene manipulation; the increasing digitization of economic transactions, which is producing new kinds of businesses and new forms of money; the weaponization of digital code, which will transform adversarial relations among nations; and the continuing growth of “big data.” He regards the United States as a major source of innovation, but one that will soon have to compete with other countries where cultural conditions encourage creative thinking and entrepreneurship. Rapid change in many places might allow for development to skip technological “generations” and those places to catch up quite quickly. A final chapter addresses how the United States should prepare its young people for this brave new world; educators, Ross argues, should focus on improving knowledge of foreign languages and cultures and on inculcating the habits of scientific thinking.

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## Military, Scientific, and Technological

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*Lawrence D. Freedman*

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*How Everything Became War and the Military Became Everything: Tales From the Pentagon*

BY ROSA BROOKS. Simon & Schuster, 2016, 448 pp.

**T**he great strength of this book is that it manages to be thought-provoking and entertaining at

the same time, challenging the way readers think about war but doing so with a light touch. Brooks is a law professor who worked as an adviser to a U.S. undersecretary of defense from 2009 to 2011, a position in which she witnessed how technological change and the nature of contemporary warfare have blurred boundaries that once divided war from peace, the military sphere from the civilian one, and armed forces from police departments. This blurring has made it harder to tell when normally criminal acts, such as forceful detention and killing, become lawful and acceptable acts of war. Blurred lines have also drawn the U.S. military, a generously resourced and usually competent arm of the government, into pursuits for which it is not well suited, such as postconflict reconstruction. Brooks is generous toward her former colleagues, portraying their failures as the results of contradictory pressures and imperfect organizations. She writes with knowledge and wit as she tries to identify best practices for a world in which war and peace exist on a complex continuum.

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*The Cold War They Made: The Strategic Legacy of Roberta and Albert Wohlstetter*  
BY RON ROBIN. Harvard University Press, 2016, 376 pp.

A persistent pattern of thought in U.S. security policy presents the country as permanently on the edge of danger, forever vulnerable to sneaky enemies, and requiring vigilance at all times. This view was built on the trauma of Pearl Harbor and reinforced by the 9/11 attacks, and it is kept alive by a policy

community obliged to constantly scour the world for threats. Roberta and Albert Wohlstetter, spouses who made their names at the RAND Corporation during the early years of the Cold War, did more than almost anyone else to foster this grim mindset. Robin demonstrates that this was a team effort, with Roberta's early literary work on *Hamlet* providing a model for thinking about the effects of indecision and her later historical work on Pearl Harbor illuminating the dangers of surprise attack. Albert's main contribution was a series of studies that demonstrated how the developing nuclear balance might be far more delicate than many believed. Although critical of the Wohlstetter's policy agenda, Robin reveals that they possessed more intellectual depth than their many detractors recognize and traces the ways in which their legacy has been sustained by disciples such as Zalmay Khalilzad, Richard Perle, and Paul Wolfowitz.

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*The Evolution of Modern Grand Strategic Thought*

BY LUKAS MILEVSKI. Oxford University Press, 2016, 160 pp.

Far from evolving into a clear concept, grand strategy has never been properly pinned down. In a tight, terse piece of analysis, Milevski laments that grand strategy remains "a standardless, incoherent concept, whose popularity surge after the end of the Cold War multiplied the lack of rigour with which it was employed." He traces the concept's history, examining the major thinkers who have shaped it, beginning with the nineteenth-century maritime strategists

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Alfred Thayer Mahan and Julian Corbett and then moving on to the interwar British school of thought led by J. F. C. Fuller and Basil Liddell Hart. He then shifts to prominent figures in U.S. strategic history—including some familiar names usually associated with nuclear strategy but also shining a welcome light on the often overlooked Edward Mead Earle—before concluding with appraisals of contemporary American theorists such as Edward Luttwak and John Lewis Gaddis. This is an accomplished contribution to the literature on the history of strategic theory, precisely because it illuminates how policy debates and changing geopolitical circumstances have altered the meaning of a concept. This seems to bother Milevski, but I am not sure that it should.

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*A Savage War: A Military History of the Civil War*

BY WILLIAMSON MURRAY AND WAYNE WEI-SIANG HSIEH.  
Princeton University Press, 2016, 616 pp.

Some might be disappointed with a one-volume history of the American Civil War that is less than comprehensive in its coverage of famous battles and that eschews the recent trend in military history toward concentrating on the effects of war on all levels of society. But for those who want to understand the key decisions that determined the outcome of the war, the organization of the opposing armies and their deployments, the role of logistics and intelligence, and the moments of inspired generalship (and missed opportunities), it is hard to imagine a better book than this. The authors reveal how the two

sides stumbled into the first war of the modern era and then struggled to come to terms with the conflict's strategic implications. The Union's victory was by no means inevitable; leadership was the key, and the authors give high marks to President Abraham Lincoln for recognizing just how long and painful the war would be and how vital it would be to empower the right generals. In the east, Confederate generals displayed their tactical brilliance while hoping for a decisive battle. But the war was won, the authors argue, in the west, where the Union general Ulysses S. Grant made his name.

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*What Do We Know About Civil Wars?*

EDITED BY T. DAVID MASON AND SARA MCLAUGHLIN MITCHELL.  
Rowman & Littlefield, 2016, 364 pp.

For those who wonder whether all the effort that goes into political science really yields much benefit, Mason and Mitchell provide some reassurance by bringing together leading experts on civil wars for a substantial stock-taking exercise. Because wars within states are so much more common than wars between states, there is a rich amount of material available on their origins, incidence, duration, and effects. One can always doubt whether scholars can actually generate meaningful theories by comparing disparate cases, but this book shows how a combination of methodologies allows analysts to identify and explore a number of important issues, including the role of ethnicity, the importance of state capacity (or lack thereof), and the problems of bringing civil wars to definitive conclusions.

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## The United States

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*Walter Russell Mead*

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*The Tragedy of U.S. Foreign Policy: How America's Civil Religion Betrayed the National Interest*

BY WALTER A. McDOUGALL. Yale University Press, 2016, 424 pp.

**M**cdougall advanced an important national conversation in 1997 with his book *Promised Land, Crusader State*, which illuminated the history of U.S. foreign policy by placing it in the context of the broader evolution of intellectual and political traditions. In 2006, the historian Robert Kagan followed McDougall's lead with an influential book titled *Dangerous Nation*, which interpreted U.S. foreign policy as oscillating between two schools of thought: an "expansionist" school that included presidents such as Abraham Lincoln, Theodore Roosevelt, and Franklin Roosevelt and that had its roots in classic American thought and a "realist" school that sought to limit the United States' role in the world and had its origins among southern slaveholders and segregationists. McDougall's latest book, which deserves and rewards a careful reading, is partly a belated riposte to Kagan's book. Kagan, McDougall maintains, missed both the expansionism of the slaveholders and the foreign policy restraint of their opponents. *The Tragedy of U.S. Foreign Policy* argues that an American "civil religion," an evolving set of ideas, began by conceiving of the U.S. role in the world as setting an

example of democratic and Christian values. Over time, McDougall maintains, that civil religion has become more interventionist and progressive. As a result, U.S. foreign policy has become more ambitious and less realistic.

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*This Vast Southern Empire: Slaveholders at the Helm of American Foreign Policy*

BY MATTHEW KARP. Harvard University Press, 2016, 368 pp.

Some years ago, I wrote a book titled *Special Providence*, which identified the four schools of thought that, in my view, have shaped debates about U.S. foreign policy: the Hamiltonian, the Wilsonian, the Jeffersonian, and the Jacksonian. The book mentioned but did little to describe a fifth major school that vanished after the Civil War: the Davisonian school, named for Jefferson Davis, the Confederate president, and promoted by southern slaveholders who saw the defense of slavery as the most important goal of U.S. foreign policy. Karp has written a comprehensive history of the Davisonians that shows how a pro-slavery foreign policy dominated the executive branch from the presidency of John Tyler (1841–45) through the Buchanan administration, which ended in 1861. Once the United Kingdom abolished slavery in the British Empire in 1833 and set about opposing the slave trade and promoting abolition globally, southern slaveholders sought to protect other outposts of slavery (including Brazil, Cuba, the Republic of Texas, and French colonial possessions in the Caribbean) from British pressure and orient U.S. diplomacy around the needs of the South's "peculiar institution." Combining immense erudition

with an engaging style, Karp sheds light on an important but poorly understood era in American foreign policy and provides much food for thought about the ways in which the Davisonian legacy continued to influence the United States long after slavery died.

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*American Power and Liberal Order: A Conservative Internationalist Grand Strategy*

BY PAUL D. MILLER. Georgetown University Press, 2016, 336 pp.

Miller builds on the work of the political scientist Henry Nau to advance an alternative to liberal internationalism and realism, the two dominant strands of thought in American foreign policy. “Conservative internationalism” holds that a flexible and pragmatic pursuit of a liberal world order remains the best choice for Washington, even though the Clinton, George W. Bush, and Obama administrations all pursued that agenda without the necessary prudence and discretion. Miller stresses the importance of prioritizing: not all causes and not all regions are of equal importance to U.S. foreign policy. Africa, he argues, has historically been “the least important region strategically to the United States,” and “its relative unimportance to the United States remains the same.” As a burgeoning supply of unconventional hydrocarbons makes Middle East oil less globally important, Miller says, the United States should “repudiate the Carter Doctrine,” the commitment that President Jimmy Carter made in 1980 to ensure the security of the Persian Gulf’s monarchies. Neoconservatism has lost whatever appeal it once had to many

voters, so Miller’s vision of conservative internationalism might get a hearing. But to judge from Donald Trump’s victory in the U.S. presidential election, it may be conservative nationalists who now have the upper hand on the political right.

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*Making the Unipolar Moment: U.S. Foreign Policy and the Rise of the Post-Cold War Order*

BY HAL BRANDS. Cornell University Press, 2016, 480 pp.

In his most ambitious and accomplished book yet, Brands upends the conventional wisdom on both the right and the left with an insightful perspective on the ways in which U.S. foreign policy in the 1970s and 1980s helped create the vaunted “unipolar moment” of the 1990s. For Brands, the collapse of the Soviet Union was only one facet of a broader transformation brought about by globalization, democratization, and technological change; the Soviet demise was catalyzed but not caused by the policies of the Reagan administration. The broader shifts began well before the Reagan presidency, and the Ford and Carter administrations had already begun to reposition U.S. policy in ways that responded to those changes. Brands emphasizes that the unipolar moment was neither as overwhelming nor as dramatic as many analysts believed in the 1990s, and he does a good job of showing how the same trends that created the halcyon atmosphere at that time would later complicate the work of U.S. strategic planners. *Making the Unipolar Moment* is both important and engaging; specialists and general-

interest readers alike will find it a pleasure to read.

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## Western Europe

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*Andrew Moravcsik*

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*The Global Chancellor: Helmut Schmidt and the Reshaping of the International Order*

BY KRISTINA SPOHR. Oxford University Press, 2016, 240 pp.

**H**elmut Schmidt served as chancellor of West Germany from 1974 to 1982. He earned near-universal respect for his unique combination of working-class directness, practical intelligence, and artistic ability. (He was a talented pianist who once performed and recorded a Mozart concerto.) Yet he is not generally considered a successful politician. Schmidt lacked the personal charisma of his predecessor, Willy Brandt, and never enjoyed the comfortable parliamentary majorities and unique diplomatic opportunities that later benefited his successor, Helmut Kohl. But Spohr makes the case that Schmidt's chancellorship was defined by foreign policy successes. Schmidt was a pragmatist who joined French President Valéry Giscard d'Estaing in creating the European Monetary System and helped implement NATO's "dual-track decision," which combined an increased deployment of ballistic missiles to Europe and an offer to negotiate with the Soviet Union. The Soviets saw the deployment as a provocation and

rejected the offer, bringing down Schmidt's government and ushering in the end of détente—but probably hastening the Soviet collapse, as well. Although Spohr sometimes exaggerates the impact of Schmidt's achievements, she has done readers a service by crafting a well-documented English-language treatment of this leading twentieth-century statesman.

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*From Convergence to Crisis: Labor Markets and the Instability of the Euro*

BY ALISON JOHNSTON. Cornell University Press, 2016, 248 pp.

This book analyzes the ongoing euro-zone crisis on the basis of a simple but penetrating insight about the domestic politics of the currency union's member states. Johnston rejects the flawed notion that the crisis is the result solely of government overspending or a one-time financial shock. Instead, she borrows the "varieties of capitalism" theory, which maintains that each European state has institutions for regulating economic activity that differ fundamentally from those of its neighbors. For example, the powerful, centralized unions of northern European countries such as Germany have long tended to eschew wage increases in the interest of maintaining export competitiveness. Prior to adopting the euro, southern European countries with less centralized labor-market institutions tended to offset wage increases by depreciating their currencies or tightening monetary policy. After the introduction of the euro, northern countries could continue to use their preferred strategy. But the single

currency made it impossible for southern countries to do so. This explains why the crisis has damaged even those European countries that maintain sound fiscal policies and why the extended application of austerity measures has not restored the continent to economic health.

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*Primo Levi's Resistance: Rebels and Collaborators in Occupied Italy*

BY SERGIO LUZZATTO.

TRANSLATED BY FREDERIKA RANDALL. Metropolitan Books, 2016, 304 pp.

Primo Levi may well be the most celebrated chronicler of the experience of European Jews in the middle of the last century. His first masterpiece, *If This Is a Man* (known in the United States as *Survival in Auschwitz*), was first published in Italian in 1947 and described in horrifying detail how Auschwitz turned inmates into beasts—an insight based on his own experience as a prisoner there. His subsequent writings examined how memories of the Holocaust placed barriers between survivors and those who never experienced the camps. He committed suicide in 1987 by throwing himself down a stairwell. This book tells the little-known story of Levi's brief time as a member of the Italian antifascist resistance. He faced complex moral dilemmas, notably the decision to murder fellow partisans so that the group as a whole could survive—a step that eventually led to Levi's internment at Auschwitz. Luzzatto, an award-winning Italian historian, writes in a sensitive and

insightful manner about times and troubles no one should forget.

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*Corbyn: The Strange Rebirth of Radical Politics*

BY RICHARD SEYMOUR. Verso, 2016, 256 pp.

Jeremy Corbyn is perhaps the most radical politician to head the British Labour Party in half a century. He lacks personal charisma, a significant record of legislative achievement, and any realistic prospect of leading his party to victory over the Tories in a parliamentary election. His views on world politics—a mix of praise for the UN, support for disarmament, opposition to global capitalism, and a tepid attitude toward the EU—appeal to an archaic version of British leftism. This book by a Marxist British journalist seeks to explain and justify the enthusiastic support that Corbyn has gained from many Labour Party members. Corbyn, Seymour argues, is a spokesman for those left behind by the twenty-first-century economy, similar in that respect to Marine Le Pen, Bernie Sanders, and Donald Trump. Corbyn may sometimes seem diffident and even hapless, but the United Kingdom needs a “movement politician” who can make use of social media and assemble large rallies of the faithful. Seymour's book is by turns inspiring and implausible. Yet it is required reading for those trying to puzzle through the rebirth of more extreme parties in Western democracies.

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## Western Hemisphere

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*Richard Feinberg*

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*The Harper Era in Canadian Foreign Policy: Parliament, Politics, and Canada's Global Posture*

EDITED BY ADAM CHAPNICK AND CHRISTOPHER J. KUKUCHA. UBC Press, 2016, 300 pp.

*Beyond Afghanistan: An International Security Agenda for Canada*

EDITED BY JAMES G. FERGUSSON AND FRANCIS FURTADO. UBC Press, 2016, 326 pp.

**T**he United States is extraordinarily fortunate to have friendly neighbors to both the north and the south. Relations with Mexico can sometimes become fraught, owing in part to the politics of immigration in the United States and to lingering resentment in Mexico over the nineteenth-century U.S. annexation of Mexican territory. In contrast, Canada is a staunch U.S. ally and a committed member of NATO. Indeed, *The Harper Era in Canadian Foreign Policy* asks whether who is in power in Ottawa even matters much for Canadian foreign policy, given the depth of Canada's collaboration with its far more powerful partner to the south. Not surprisingly, the contributing authors find more continuity than change in Canadian foreign policy, regardless of who serves as prime minister and whether he or she leads a majority or a minority government. Even so, Stephen Harper of the

Conservative Party, who held the office from 2006 to 2015, had an impact on Canadian political culture: he mimicked U.S. neoconservatism by advocating military interventions, de-emphasized North American trilateralism, reduced public funding for his ideological opponents in academia and the nonprofit sector, narrowed the range of Canada's human rights advocacy, and sought to separate the issue of reproductive rights from the broader issue of gender equality. Despite Harper's aggressive language, however, defense spending as a percentage of GDP declined during his tenure. Interestingly, in a convergence with long-standing U.S. political practice, Harper more closely aligned Canadian foreign policy with the interests of certain immigrant and ethnic groups.

In *Beyond Afghanistan*, Canadian security experts review their nation's participation in NATO and in the war in Afghanistan. They take pride in the performance of Canada's flexible, mobile, combat-ready forces, which boast particularly strong airlift capacity. Yet they find that the Canadian public—facing no proximate security threats and more inclined to tend to domestic needs than to foreign causes—has grown wary of military adventures. Canada has developed an informed community of security specialists in government, academia, and the nonprofit sector but needs to get better at long-term strategic planning. Canada benefits from the protective umbrella of the United States and has the luxury of a largely discretionary foreign policy. The authors call for an informed public

debate to better identify Canada's national interests, a conversation that would be enriched by realistic assessments of national capabilities and international security challenges.

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*Viva la Revolución: Hobsbawm on Latin America*

BY ERIC HOBSBAWM. Little, Brown, 2016, 480 pp.

Hobsbawm, an eminent historian who passed away in 2012, was one of the United Kingdom's leading public intellectuals, widely respected for his erudition and literary productivity and for his enduring faith, leavened with a reasoned skepticism, in the forward march of human history. The bulk of his work was devoted to modern Europe, but he traveled to Latin America during the 1960s and early 1970s and witnessed a diverse continent in social upheaval—developments that appealed to his Marxian perspective. This collection of essays and reviews he wrote during that period, although reflective of the times, holds up remarkably well. It is refreshing to be reminded throughout that even for a person blessed with Hobsbawm's intellectual powers, it is immensely difficult to foresee the future. Although his political sympathies are clear, he avoids the sarcastic bombast characteristic of some left-wing commentary. And he calls it like he sees it: writing in 1971, he chastised the ill-fated Allende government in Chile for lacking a long-term vision; in another essay, he wrote that Ernesto "Che" Guevara more closely resembled the hard-nosed Lenin than the romantic Lord Byron.

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*Toussaint Louverture: A Revolutionary Life*

BY PHILIPPE GIRARD. Basic Books, 2016, 352 pp.

Toussaint Louverture was born a slave in 1743, but at the zenith of his power, he ruled all of Hispaniola, the Caribbean island that consists of present-day Haiti and the Dominican Republic. In this deeply researched and highly sophisticated biography, Girard walks the reader through the bewildering series of maneuvers through which the wily Louverture rose to power during history's only major successful slave rebellion. But his legacy is contested: to resurrect the sugar plantations, which he considered the island's only viable source of wealth, Louverture deployed his professionalized military to impose labor conditions that were almost as bad as slavery. Eventually, Louverture overreached, when he challenged the authority of the early nineteenth century's most powerful autocrat, France's Napoleon Bonaparte. Imperial and spiteful, Napoleon sent an overwhelming expeditionary force to capture Louverture, a move that backfired by empowering Louverture's far more radical and violent deputy, Jean-Jacques Dessalines, who formally declared Haitian independence and consolidated his power by ordering the slaughter of the remaining white population. The roots of modern-day Haiti's maladies—strongman rule, violent racial strife, economic disorganization, and oppressive poverty—can be traced to these apocalyptic events.

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*Peru: Staying the Course of Economic Success*

EDITED BY ALEJANDRO SANTOS AND ALEJANDRO WERNER. International Monetary Fund, 2015, 458 pp.

Ever since recovering from the miserable, debt-laden 1980s, the Peruvian economy has performed remarkably well. From 1993 to 2014, Peru's annual GDP growth averaged over five percent, poverty levels declined by more than half, and the middle class swelled. High global prices for commodities and massive Chinese spending and investment helped, but the International Monetary Fund claims some credit as well. In this comprehensive volume, rich with detailed technical analysis, notable Peruvian economists and IMF officials assess the many structural reforms that allowed Peru's economy to become more efficient, stable, and resilient. Some of those reforms, such as liberalizing trade rules and making it easier to fire workers, fit the neoliberal paradigm. But others, such as strengthening tax authorities and regulatory institutions and promoting public-private partnerships in infrastructure projects, show the more pragmatic side of the IMF. Nonetheless, even smart policymaking can have negative unintended consequences: for example, reallocating mineral revenues to source communities has widened inequalities between the country's regions. The authors recognize that, despite stellar progress, much more remains to be accomplished, notably in the areas of education, health, and gender equality and in extending governmental authority into the more remote rural zones.

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Eastern Europe and Former Soviet Republics

*Robert Legvold*

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*The Discovery of Chance: The Life and Thought of Alexander Herzen*

BY AILEEN M. KELLY. Harvard University Press, 2016, 608 pp.

If you read only one book related to Russia this year, this should be it. Kelly's magisterial intellectual biography of Alexander Herzen not only creates a complete image of the remarkable nineteenth-century Russian philosopher and revolutionary but also reveals the roiling intellectual currents that engulfed Russia's intelligentsia during each stage of Herzen's life. In many ways, he was a man of our times as much as his own. The philosophical problems that he struggled with (the essence of freedom, the role of providence in human affairs), his dramatic intellectual evolution, and his final embrace of chance and contingency as the core of his political thought: all have resonance today, when power is often wielded by people who embrace teleological certainties. Kelly masterfully traces the intellectual currents to which Herzen contributed, alongside Montesquieu, Francis Bacon, and dozens of lesser-known eighteenth-century thinkers, and reveals the influence that figures such as Ludwig Feuerbach, Pierre-Joseph Proudhon, and Saint-Simon had on Herzen. Above all, in elegant detail, Kelly establishes how central science was to Herzen's life and thought. Herzen did more than anyone else—certainly more

than the social Darwinists or the Leninists—to fuse Darwin’s insights into a philosophy of history.

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*Putin Country: A Journey Into the Real Russia*

BY ANNE GARRELS. Farrar, Straus and Giroux, 2016, 240 pp.

Garrels, knowing that Moscow is not Russia, chose the city of Chelyabinsk as her portal into “Putin country.” Located east of the Urals, the city was once closed to nonresidents owing to the sensitive military facilities it housed. Garrels first visited it in 1993, when the city was in the midst of a chaotic transition from the old system to a new one. Her impressions from that year serve as a water line against which she measures the dramatic changes she encountered on return visits that began in 2012. Garrels met people from every corner of the city: young professionals, the parents of disabled children, single mothers, LGBT residents, doctors, religious fundamentalists, drug addicts, schoolteachers, and more. She tells their stories with sensitivity, and her reporting is driven by a highly intelligent curiosity. In the end, one comes away with a portrait of contemporary Russian society that is deeper and more vivid than the ones often presented by data-laden sociological studies.

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*The House of the Dead: Siberian Exile Under the Tsars*

BY DANIEL BEER. Knopf, 2017, 464 pp.

Beer gracefully brings to life the immensely rich and tragic history of Siberia since the territory’s colonization began

in the sixteenth century. His focus is on the period from 1801 to 1917, when this “prison without a roof,” where tsars and serf-owning lords sent undesirables—brigands, murderers, prostitutes, and those who simply annoyed the powerful—swelled with growing numbers of political dissidents and revolutionaries. In this lush mosaic laced together with fluent prose, Beer profiles prisoners of all sorts, narrating their ordeals and the stomach-turning punishments they endured. He gives special attention, however, to the exiled instigators of the Decembrist revolution of 1825. After they arrived, Siberia became an unlikely crucible of rebellion. Siberian exiles never accounted for more than five percent of the Russian population, but that still added up to a million people over the course of a century. For the sake of comparison, consider that the United Kingdom shipped only around 160,000 criminals to penal colonies in Australia over the course of 80 years.

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*Opposing Forces: Plotting the New Russia*

BY ALEXEI NAVALNY AND ADAM MICHNIK. EDITED BY JEREMY NOBLE. TRANSLATED BY LEO SHTUTIN. Egret Press, 2016, 224 pp.

For three days in April 2015, Michnik, the lion of Polish revolutions from 1968 to 1989, and Navalny, the Russian opposition figure and anticorruption crusader, discussed a wide array of topics: the merits and drawbacks of lustration after a revolution; how to deal with corruption; their views of Mikhail Gorbachev, Boris Yeltsin, and Vladimir Putin; nationalism; the Russian Orthodox Church; and Russia’s troubled

relations with the West. The conversation flows naturally and yields valuable insights. Navalny comes across as an impatient and frustrated but thoughtful insurgent. Michnik emerges as a steely, principled democrat who has been through it all, including dozens of arrests and time spent in prison. He is remarkable for his tolerance, his willingness to forgive those with whom he has fought, and his deep commitment to dialogue. Over the course of the book, those qualities seem to rub off on Navalny, who displays more nuance than observers usually attribute to him, especially when it comes to what critics often claim to be his crude nationalist views.

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*The Last Days of Stalin*

BY JOSHUA RUBENSTEIN. Yale University Press, 2016, 288 pp.

Most students of the Soviet Union think they know the story of Stalin's death in 1953 and the confusion that followed it, but in most cases, they likely do not—or at least they don't know many of the details that Rubenstein here unearths. Unlike most accounts of Stalin's demise, Rubenstein's book makes clear how the episode was excruciatingly drawn out over weeks and how it produced a great deal of drama in foreign capitals. Rubenstein also reveals the likely lethal (although ultimately unrealized) plots that Stalin had developed against some of the longest-surviving members of his entourage and his designs for a vast crusade against Russian Jews that, had Stalin lived to see it through, would have gone beyond the anti-Semitic

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horrors he had already unleashed. Rubenstein skillfully narrates the tale of the political maneuvering among shaken successors in the months after Stalin's death and carefully recounts the newly installed Eisenhower administration's confused response to the tyrant's passing. Washington, Rubenstein argues, squandered an opportunity to engage productively with the new leadership in Moscow in the narrow window that opened between Stalin's death in March and the Berlin uprising three months later.

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*Making Uzbekistan: Nation, Empire, and Revolution in the Early USSR*

BY ADEEB KHALID. Cornell University Press, 2015, 440 pp.

Uzbekistan, Central Asia's most populous state, entered a critical moment in its history last fall, after the death of Islam Karimov, who had been in power since even before the collapse of the Soviet Union. Khalid's lucid, rich history of the country's origins will add considerable depth to readers' understandings of the array of forces that shaped this important part of Central Asia in the 1920s. In particular, Khalid demonstrates how much more complicated the Soviet Union's formation appears when viewed from the perspective of the regions, rather than exclusively through the prism of the aims and actions of those in the Russian center. In Uzbekistan, the process was indeed intricate. Some Uzbeks bought into the Bolshevik agenda but not its premises, and there was as much friction among key Uzbek factions as there was between the Uzbeks collectively and their new

Soviet colonizers. Khalid focuses on the relationship between the Bolshevik vanguards sent from Moscow in the early years after the revolution and the progressive Muslim intelligentsia known as the Jadids, who were already an established force at that point. The two groups shared a commitment to modernizing Uzbek society, but the Jadids sought to transform a nation rather than to wage a revolution built around class struggle. Although Stalin eventually silenced the Jadids, Khalid argues that the dynamic tension between these contending forces during these early years produced a golden age in Uzbek culture and the foundations of the Uzbek state.

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## Middle East

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*John Waterbury*

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*A Path to Peace: A Brief History of Israeli-Palestinian Negotiations and a Way Forward in the Middle East*

BY GEORGE J. MITCHELL AND ALON SACHAR. Simon & Schuster, 2016, 192 pp.

**T**his important but uneven book retells the well-known story of the Israeli-Palestinian dispute and the failed efforts to end it. The authors reject a one-state solution, arguing that it would inevitably disintegrate into a violent and uncontrolled partition. They call on U.S. President Barack Obama, as he approaches the end of his time in office, to emulate his predecessors Bill Clinton and George W. Bush

by issuing a comprehensive but purposefully imprecise declaration of principles on how to resolve the conflict. Obama's successor in the White House, they write, should build on that declaration to relaunch negotiations—but only if the antagonists accept the general validity of the U.S. principles. The authors should have put more flesh on the bones of their account of the two years (2009–11) that Mitchell spent as Obama's special envoy for Middle East peace. They also make scant mention of Mitchell's long career in the U.S. Senate and refer only briefly to the lessons Mitchell learned as one of the architects of the 1998 peace agreement in Northern Ireland.

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*The Land Is Full: Addressing Overpopulation in Israel*

BY ALON TAL. Yale University Press, 2016, 408 pp.

Tal, one of Israel's leading environmentalists, unabashedly embraces a Malthusian vision of contemporary Israel: there are too many Jews and too many Arabs. In its zeal to reverse the legacy of the Holocaust, the state has pursued disastrous pro-natal policies, such as providing financial awards to couples who bear children and housing subsidies to large families. Israel's carrying capacity has been greatly outstripped; the country is heavily dependent on imports for food. Nevertheless, voices such as Tal's are dismissed as unpatriotic, even anti-Semitic. Tal's book occasionally wanders as it uses the theme of overpopulation to explore a wide range of topics, such as Israeli society's patriarchal values and the status of women in

the country. Other topics, such as agricultural self-sufficiency, are left dangling. Despite Israel's pro-natal agenda, total fertility is trending down in all sectors of society. Tal urges the government to reverse course and try to accelerate that trend, but he doesn't say whether or not he favors a suspension of Jewish immigration. He implies, however, that the country is unlikely to witness future influxes on the scale of the nearly one million Jews who arrived from the Soviet Union and the post-Soviet states between 1989 and 2006.

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*The Rope*

BY KANAN MAKIYA. Pantheon, 2016, 336 pp.

"I am the distillation of 5,000 years of your history," the deposed Iraqi leader Saddam Hussein, a Sunni, declares to two Shiite guards as he awaits his execution by hanging in 2006, in Makiya's fictionalized account of what took place at the gallows. One of those guards is the protagonist of Makiya's novel, a beautifully written *cri de coeur* that takes place in the years following the U.S. invasion in 2003, of which Makiya was an early and vocal proponent. The book's young hero, a follower of the Shiite cleric Muqtada al-Sadr, witnesses the wreckage wreaked by every group of Iraqis, but particularly by his fellow Shiites, many of whom had a chance to build a different Iraq but succumbed to deceit, greed, and treachery. (The occupying Americans were doubtless guilty of stupidity but not of masterminding the debacle that followed the invasion.) At the novel's heart are the deaths of a father and a son. The revered

Ayatollah Abul Qasim al-Khoei died in 1992 while imprisoned by Saddam; his son Abdul Majid al-Khoei was murdered in 2003, allegedly at the behest of Sadr, who saw him as a rival. Their specters haunt the lives of the protagonist's family and close friends, one of whom becomes a killer of Sunnis whose preferred weapon is a power drill.

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*The Iran Wars: Spy Games, Bank Battles, and the Secret Deals That Reshaped the Middle East*

BY JAY SOLOMON. Random House, 2016, 352 pp.

For four years, Solomon reported for *The Wall Street Journal* on the negotiations that ultimately led to the 2015 nuclear deal between the world's major powers and Iran, an agreement that indisputably represents the most important foreign policy achievement of the Obama years. This book offers little new information. Its strongest sections chronicle the long and successful battle of the U.S. Treasury Department to inflict crippling financial controls and sanctions on Iran. Solomon stresses, however, that Congress had to push the Obama administration hard to get it to apply the maximum pressure. He suggests that a desire to negotiate successfully with Iran came to dominate the administration's Middle East policy. Solomon argues that in order to get to yes with Iran, Barack Obama declined to support the Iranian demonstrations protesting the results of the 2009 election; chose not to respond with military force when Iran's ally, Syria, used chemical weapons in the summer of 2013; and did not challenge Iran's meddling

in Iraqi politics. And Solomon points out that the final nuclear agreement required major U.S. concessions regarding Iran's centrifuges, enrichment facilities, and heavy-water facility. In about ten years, when the deal's main terms expire, we will know whether Obama gave away too much.

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*Vanguard of the Imam: Religion, Politics, and Iran's Revolutionary Guards*

BY AFSHON OSTOVAR. Oxford University Press, 2016, 320 pp.

Iran's Islamic Revolutionary Guard Corps was born in the first weeks of the Iranian Revolution, in February 1979, and has arguably become the Islamic Republic's most powerful institution. It spearheaded all of Iran's engagements during the Iran-Iraq War. The IRGC's Quds Force, commanded by the redoubtable Qasem Soleimani, has internationalized the Iranian Revolution by involving itself in conflicts in Lebanon, Iraq, Syria, and Yemen. And the IRGC's domestic feeder organization, the Basij militia, has been a bulwark of internal support for Iran's supreme leader, Ali Khamenei. Ostovar provides a careful and dispassionate history of the organization and its domestic and foreign exploits. The IRGC cannot be reduced to a vanguard of impassioned religious warriors, although that aspect of it is important. It has economic interests to protect and is closely allied with Khamenei. Ostovar asks but does not answer the question of whether the next supreme leader will follow Khamenei's example and ally himself closely with the IRGC or align himself more with the preferences of Iranian civil society.

Whatever course he chooses, the IRGC will rely on its proven survival instincts. Donald Trump will be the seventh U.S. president it has confronted.

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## Asia and Pacific

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*Andrew J. Nathan*

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*Strategic Coupling: East Asian Industrial Transformation in the New Global Economy*

BY HENRY WAI-CHUNG YEUNG.  
Cornell University Press, 2016, 312 pp.

**T**he theory of the “developmental state” has shaped understandings of how the East Asian “tiger economies” flourished from the 1960s through the 1980s. It attributed their successes to wise interventions by government technocrats. But starting in the early 1990s, states began to be less effective and global markets started becoming more complex, forcing East Asian companies to find ways to compete on their own. Those who succeeded linked up (or, as Yeung says, “coupled”) with ever-larger and more elaborate global supply chains in one of three ways. Some provided cutting-edge design and manufacturing services to leading brands (as Taiwan’s Foxconn did for Apple). Others, including big shipbuilding firms in South Korea and Singapore, learned to specialize. And still others broke out as global brand names, such as Acer in Taiwan and Samsung, LG, and Hyundai in South Korea. This is a fascinating and richly informative contribution to the field of business history and to the study

of the political economy of advanced industrial development.

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*Dictators and Their Secret Police: Coercive Institutions and State Violence*

BY SHEENA CHESTNUT GREITENS.  
Cambridge University Press, 2016, 240 pp.

The “third wave” of democratization in the 1980s and 1990s was followed by what some have called “the authoritarian resurgence,” leading scholars to renew their attention to the workings of repressive regimes. But few have studied one of the most important institutions in any authoritarian system: the political police. Greitens’ original and well-researched analysis uses case studies—Taiwan under Chiang Kai-shek and Chiang Ching-kuo, the Philippines under Ferdinand Marcos, and South Korea under Park Chung-hee and Chun Doo-hwan—to explore the different ways that dictators organize this coercive apparatus. She finds that they tend to fragment it into multiple competing organizations when they want to guard against coups, but they integrate and streamline it when they are worried about popular resistance. She also finds that better-organized and more penetrative coercive systems tend to use less violence than fragmented ones, since they do a better job of spying on citizens and deterring dissent.

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*Park Chung Hee and Modern Korea: The Roots of Militarism, 1866–1945*

BY CARTER J. ECKERT. Harvard University Press, 2016, 512 pp.

This pathbreaking book contributes to both modern Korean history and

Japanese colonial history by exploring the instruction that Park Chung-hee (who went on to lead South Korea from 1961 to 1979) and others of his generation received when they were officer trainees in the Japanese colonial army in the 1940s. The selective and demanding Manchurian Military Academy and Japanese Military Academy instilled in their cadets a firm belief in willpower, discipline, total mobilization, and risk taking. Park displayed these characteristics in spearheading South Korea's explosive industrial development while also ruling as a ruthless dictator. The book is not a biography, but it uses Park's early career as a window onto Japanese militarism, which shaped the ethos of the men who later guided the first decades of an independent South Korea.

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*Philippine Politics: Possibilities and Problems in a Localist Democracy*

BY LYNN T. WHITE III. Routledge, 2015, 280 pp.

The Philippines is a large country (its population exceeds 100 million) divided into many small parts (over 7,000 islands and 42,000 administrative villages), which are often further split into clans controlled by rival oligarchs—and then fractured yet again by feuds within those clans. Although the country's national institutions are strong on paper, White finds that the local trumps the national, as clientelism and violence work their way up to the very top of the system. Money, undue influence, and violence permeate the executive branch, Congress, and the judicial system, leading to stagnation and polarization in the country's economy and politics. An

active civil society and occasional eruptions of “people power” have done little to change the Philippine way of politics. White's analysis of these problems is comprehensive. Writing before the election of Rodrigo Duterte to the presidency last year, White correctly predicted that the modest reforms introduced by the previous president, Benigno Aquino III, were unlikely to last.

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*Defeat Is an Orphan: How Pakistan Lost the Great South Asian War*

BY MYRA MACDONALD. Oxford University Press, 2017, 320 pp.

This is a slashing indictment of Pakistani strategy by a journalist who has covered South Asia for decades. After Pakistan carried out a nuclear test in 1998 in response to tests conducted by India, its intelligence and military leaders believed that the nuclear umbrella would give them the cover to conduct a proxy war against India built around undeclared armed operations, hijackings, terrorist incidents, and the destabilization of Afghanistan. They were right. But MacDonald shows in dramatic detail how this obsession with India (and in particular the problem of a divided Kashmir) undermined Pakistan's democracy and economy, how peace opportunities were lost, and how Islamabad lost control of militant groups that it had initially fostered. Meanwhile, India has pulled ahead in the economic and diplomatic competition between the two countries. MacDonald also criticizes U.S. policy in the region, which has tilted toward India but not as far as she believes it should.

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*Migrants, Refugees, and the Stateless in South Asia*

BY PARTHA S. GHOSH. SAGE, 2016, 384 pp.

The heightened global attention paid to migrants has largely bypassed South Asia, yet the problem there is as longstanding and severe as anywhere else. In this informative survey, Ghosh estimates that there are 50 million migrants, refugees, and stateless people in the region, among them populations transferred during wartime among Bangladesh, India, and Pakistan; caste and religious groups fleeing persecution; and Afghans, Chinese, Nepalese, Rohingyas, Sri Lankan Tamils, Tibetans, and others who have fled violence or repression during the past seven decades. These population movements have added to the already daunting complexity of societies in the region, intensifying political volatility and sharpening security issues. With the exception of Afghanistan, no South Asian states are party to the UN Refugee Convention. Still, compared with other regions, South Asia has treated its refugees relatively well, partly through assistance programs and partly through benign neglect. Most migrants have gotten jobs, and many have even become citizens of their countries of refuge.

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*Force and Contention in Contemporary China: Memory and Resistance in the Long Shadow of the Catastrophic Past*

BY RALPH A. THAXTON, JR. Cambridge University Press, 2016, 488 pp.

Thaxton has been visiting a cluster of villages in a poor area of rural China for decades. Here, he reports that post-Mao

reforms have only extended the official abuse that characterized life under Mao. The peasants' view of local government is shaped by their memories of suffering during the famine of 1958–61, when local cadres forced them to comply with disastrous policies set by Beijing. Now they see a new generation of cadres exploiting ostensible reform policies to oppress them yet again, this time with unfair taxes, corruption, police abuse, inflated electricity prices, and election manipulation. The villagers fight back, ineffectively, with small acts of resistance and by petitioning to higher levels. But the problems are so deep that Thaxton discerns a "total loss of trust" in government, which could someday lead to armed rebellion, if the government showed signs of weakness. Whether things are this bad all over China is an open question. But Thaxton's research casts a dark shadow over the sunny conventional wisdom about China's rural reforms.

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*Chinese Politics in the Xi Jinping Era: Reassessing Collective Leadership*

BY CHENG LI. Brookings Institution Press, 2016, 528 pp.

Li has produced one of the most in-depth studies of Chinese politics in recent years. Combining a comprehensive database of information about Chinese elites with exhaustive qualitative research, he maps the groups of officials who helped President Xi Jinping rise to power and whose careers have prospered under Xi. He identifies two main factions that tend to compete for influence: a "populist" coalition whose leaders mostly emerged from the ranks of the Chinese Communist Party's Youth

League and an “elitist” coalition dominated by the children of high-ranking officials from earlier eras and their allies in the business and entrepreneurial class. This is a helpful framework, but it does not always persuasively explain recent developments in Chinese politics or lead to convincing forecasts of the future. For example, the elitist coalition leaders Jiang Zemin and Zeng Qinghong helped pave Xi’s path to power, but since then, Xi has hardly repaid their kindness: he vilified and purged Jiang’s protégé General Xu Caihou and Xu’s followers, which suggests that Xi was more interested in dominating the military than in cooperating with Jiang. Li also argues that if Xi were to establish a dictatorship without sharing power, he would risk “robust resistance” from parts of the populist coalition. But Xi has placed trusted followers in key positions, which has presumably increased the costs and risks of defying him. Despite these problems with Li’s analysis, his book stands as a definitive study of Xi’s reign to date.

VICTOR SHIH

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## Africa

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### *Nicolas van de Walle*

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*Spies in the Congo: America’s Atomic Mission in World War II*

BY SUSAN WILLIAMS. PublicAffairs, 2016, 432 pp.

**T**he uranium used to build the first U.S. atomic bombs came from the Shinkolobwe mine in Katanga Province in what was then the

Belgian Congo. The mine was attractive because it yielded an especially fine grade of uranium, and it would serve as a main source of material for the U.S. nuclear arms program well into the 1950s. The focus of Williams’ engaging book is the challenge posed by transporting thousands of tons of uranium 1,500 miles, by rail and truck, from the mine to the Atlantic coast, and then moving it by ship and airplane to the United States—all in the middle of World War II. After Belgium’s defeat and occupation by Germany, the Belgian Congo formally sided with the Allies. But the colony was not without its Nazi sympathizers, particularly when it seemed as though Germany might win the war. So the Americans also had to make sure that the Nazis did not find a way to tap into the area’s uranium mines for their own nuclear efforts. The story’s main players sometimes seem like stock characters: the handsome young American spy from Idaho; the mean-spirited, racist Belgian colonial official. But plenty of intrigue livens up the narrative, and Williams also offers a useful discussion of the strategic issues both sides faced.

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*This Present Darkness: A History of Nigerian Organized Crime*

BY STEPHEN ELLIS. Oxford University Press, 2016, 256 pp.

Ellis, a British journalist and an accomplished historian of African affairs, passed away in 2015. This was his final work, and it characteristically combines mastery of the subject with elegant, lively writing. Despite its title, the book is not really about “organized crime,” at

least in the usual sense of that term, which denotes large, well-structured, hierarchical organizations engaged in illicit business. Instead, Ellis analyzes the fraud, political corruption, and general criminality that has plagued Nigeria for the last century, most of which stems from small, flexible networks of individuals. Emblematic of this kind of activity are the Internet-based scams that Nigerians perfected in the early years of this century, in which a con artist would promise someone a large sum of money if only the target would provide a much smaller amount up-front. Ellis reveals that Nigerians were at the forefront of such gambits as far back as 1920. More substantively, he skewers the culture of self-enrichment and brazen corruption that has plagued Nigerian politics since the country gained its independence.

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*Beyond Timbuktu: An Intellectual History of Muslim West Africa*

BY OUSMANE OUMAR KANE.  
Harvard University Press, 2016, 296 pp.

Medieval Timbuktu was a wealthy city whose great libraries allowed it to flourish as a center of learning and scholarship. Kane's compelling intellectual history of West Africa places Timbuktu within a much broader tradition of Islamic learning in the region, which was home to other medieval knowledge centers and which continues to advance the study of Arabic philology even today. Kane wants to show that West Africa has been much more central to Islam than has been typically understood. His wide-ranging book focuses on the intellectual traditions of the region and its role in the production

and circulation of key Arabic-language texts regarding religion, law, and ethics. Kane is far less interested in the political and economic history of the area, making only passing references to the trans-Saharan slave and gold trades that enriched it and to its colonization by France and the United Kingdom.

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*The Paradox of Traditional Chiefs in Democratic Africa*

BY KATE BALDWIN. Cambridge University Press, 2015, 253 pp.

Across contemporary Africa, modern states coexist with traditional institutions such as chiefdoms and kingdoms. Some of these predate colonialism, such as the kingdom of Buganda in Uganda. In other cases, colonial powers looking for clients to help them assert control, particularly in rural areas, elevated the status of existing traditional authorities or even simply invented new ones. Post-independence governments initially promised to eliminate what they viewed as retrograde, antidemocratic institutions. But most chiefdoms have survived, and in many cases, they have even gained in stature and legitimacy. As Baldwin notes in her exceptional new book, the region's democratization in the last two decades has paradoxically strengthened unelected traditional chiefs. With her creative use of different types of evidence, Baldwin argues convincingly that voters have come to appreciate how traditional chiefs serve as "development brokers" who lobby politicians for more social services and better infrastructure. For their part, politicians rely on chiefs for help in carrying out development

projects. Baldwin is a bit vague on the motivations of the chiefs themselves but argues that they generally avoid self-dealing out of a sense of commitment to their communities.

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*Omar al-Bashir and Africa's Longest War*  
BY PAUL MOORCRAFT. Pen and  
Sword Books, 2015, 232 pp.

Omar al-Bashir has ruthlessly ruled Sudan since 1989. In 2009, his alleged role in orchestrating mass violence against civilians in Darfur earned him the distinction of being the first sitting head of state to be indicted by the International Criminal Court for crimes against humanity. Moorcraft was granted a remarkable amount of access to Bashir and his closest advisers and presents the Sudanese president as a leader treated unfairly by the West and as an often reluctant actor in the terrible events that have marked his reign. It's an unpersuasive portrait and one that oddly makes Bashir seem not particularly interesting. Prior to the coup that brought him to power, Bashir was a career army officer, and the book focuses on military tactics and campaigns. More about Bashir's legendary skills as a political tactician and Machiavellian wielder of power—the keys to his remarkable longevity—might have made for a more valuable and credible book.

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#### FOR THE RECORD

“Rethinking Nuclear Policy” (September/October 2016) mistakenly stated that no civilian officials had scrutinized the U.S. nuclear war plan since the early 1990s. In fact, such a review was carried out under President Barack Obama.

“The Crisis in U.S.-Israeli Relations” (November/December 2016) misidentified the university where Dov Waxman is a political scientist. It is Northeastern University, not Northwestern University. 🌐

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