



America's Role in the World

Foreign Policy Choices for the Next President

Thomas R. Pickering
Chester A. Crocker
Project Co-Chairs

Casimir A. Yost
Project Director

A Working Group Report of the
Institute for the Study of Diplomacy
Walsh School of Foreign Service
Georgetown University

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Preface

Presidential leadership in America is about making choices. In our democracy, however, choices are a shared responsibility. The Constitution divides power among the three branches of government. Ultimate power resides with the American people. They have the opportunity in regular elections to register their views and renew or replace their leaders. Every four years their collective decisions in polling booths across America have particular consequence not just for America but also for a world deeply affected by choices made in the White House and the Congress. Presently, 2008 is such a year of consequence.

This working group report seeks to identify the foreign policy choices that will face the next president of the United States. These choices, however, will not be taken in a vacuum, and so this report examines the geopolitical and domestic American environment in which decisions will be made. The report is divided into five parts. Part I examines the contemporary, dynamic, and fast-changing geopolitical environment, focusing particular attention on “drivers” of change. Part II anticipates the range of foreign policy and related domestic challenges that will confront America’s next president. Part

III assesses America's "capacity" to provide global leadership—constraints on America's decision-making that will constrict presidential choices. Part IV discusses the spectrum of potential debate about the "lessons" of the Iraq War for America's future decisions. Part V identifies fundamental choices that will help determine America's role in the world in the early decades of the twenty-first century.

This report draws on the deliberations of a working group established under the auspices of the Institute for the Study of Diplomacy (ISD)—a program of the Edmund A. Walsh School of Foreign Service at Georgetown University. Participants in the working group were drawn from the institute's board of directors; its Schlesinger Working Group on Strategic Surprise, which has been meeting regularly since 1999; Georgetown University faculty; and other policy analysts and foreign affairs practitioners. Many of the participants served in Republican and Democratic administrations or held important positions in the private sector. The working group met four times between the fall of 2006 and the summer of 2007. A draft report, drawing on the deliberations of the working group as summarized by Sara Thannhauser on the institute's staff, was prepared by a steering committee of the two co-chairs; the project director; Paul Frandano, Central Intelligence Agency (CIA) officer in residence at ISD; and James Seevers, ISD director of research. This draft report was reviewed and revised in three subsequent meetings—an October 2007 discussion with a distinguished international group meeting at the Georgetown School of Foreign Service campus in Doha, Qatar; a November 2007 meeting of the institute's board of directors; and a final meeting of the America's Role Working Group in December 2007.

The membership of these groups is appended to this report, but the members are not signatories to the analyses and findings in the report. This report seeks to capture central observations made during seven very substantive meetings, but this is not a consensus document representing the views of the more than one hundred individuals who have participated in this project.

As discussed more fully in the report, we find that America in 2008 is not as secure, influential, or dominant as it was in the years immediately following the Cold War. While the horror of 9/11 had a significant impact on U.S. decision-making, America's poorly executed war of choice in Iraq has undermined confidence in American leadership around the world. The diminution of America's relative power should not obscure the fact that the United States remains the world's only truly global power—with enormous economic strength; the unique ability to project military power anywhere on the globe;

and a continuing, if diminished, ability to mobilize other nations for a common purpose.

There are at least three key determinants of whether America will regain lost influence abroad and become once again a respected leader and catalyst for others:

First—the impact of the forces of globalization on the economies and politics of America and the world, to include a redistribution of global power, the rise of new state and nonstate actors, and the environmental costs and health consequences of growing global prosperity.

Second—the impact of the unfolding situation in Iraq on the power dynamics of the Middle East and on America’s authority and influence around the world, to include the lessons for future policy that the American people and U.S. policy elites draw from the Iraq conflict.

Third—the ability of the U.S. political system to resurrect a bipartisan political center that effectively diminishes the contemporary tendency to make every foreign policy decision a partisan struggle. This raises the question of the willingness of the American people and their elected representatives to support and finance the rebuilding of all elements of U.S. national power at a time of rising, legitimate domestic requirements for resources.

This report will address all three of these “determinants.” Indeed, they inform much of the discussion in it. Restoration of American leadership abroad can only come with the support and backing of the American people. They, too, will have to choose.

Casimir A. Yost
Director, Institute for the Study of Diplomacy
Project Director

Introduction

Thomas R. Pickering Chester A. Crocker Casimir A. Yost
Co-Chairman *Co-Chairman* *Project Director*

A CHALLENGING INHERITANCE

This report is about the central foreign policy choices the next president of the United States, the Congress, and the American people will face in 2009 and beyond.

The next U.S. president will not inherit the geopolitical advantages initially available to the last two. President Clinton came to office in the wake of the collapse of the Soviet Union. President Bush took office at a time of relative peace and national prosperity, with declining U.S. budget deficits.

The winner of the 2008 elections will command U.S. forces still at war in Iraq, Afghanistan, and against elusive terrorists with a global reach. The U.S. economy will remain burdened by turbulence in the credit markets, a weak housing market, trade and budget deficits, and the impending retirement of seventy-eight million baby boomers. America's moral leadership and decision-making competence will continue to be questioned at home and abroad, despite the arrival of new leadership in Washington. Restored respect will come only with fresh demonstrations of competence.

The world is in a highly volatile and fluid geopolitical period. When this project began in November 2006, the average price of oil was \$53 per barrel, and U.S. economic prospects appeared positive. On the other hand, seventy U.S. troops died that month in Iraq, and the sectarian conflict seemed to be escalating out of control. One year later, the security—if not the political situation—has improved in Iraq. Thirty-seven Americans died in Iraq in November 2007—still too many but fewer than a year earlier. The price of oil, however, has almost doubled over the last year, the value of the dollar against the euro has dropped, and the U.S. economy is perched on the cusp of a recession, thanks to a sharp reversal in the housing sector and subsequent credit concerns.

America's problems should not suggest that America's best days are behind her. Far from it. America remains a land of promise and hope for those who seek entry. The United States produces a quarter of the world's goods and services, and its military might is unchallenged by any other nation or potential coalition of nations. The United States demonstrated its capacity to act rapidly and decisively for the common good in its response to the 2004 Asian tsunami disaster. The world wants and needs active American participation in addressing some of the most troubling issues of our time—global warming, proliferation of weapons of mass destruction (WMD), and sustaining economic growth and prosperity.

However, the margin for error for U.S. policymakers has narrowed. No longer is the United States largely secure and self-sufficient behind two oceans. Our dependencies—on imports and exports, on foreign finance and energy—are too pronounced. The necessity for effective American statecraft is all too evident. Yet as this is written, the United States is in a period of transitional uncertainty as a change in administration approaches. Americans cannot easily afford to indulge in an extended holiday from international responsibility as new leaders are selected and a new administration is installed. Americans cannot afford gaps between government rhetoric and performance, whether in pursuit of values or of interests. The world yearns for competence and steadiness in the U.S.'s conduct of its domestic and foreign affairs.

That is why signs of a new American maturity in dealing with North Korea and in addressing the Palestinian-Israeli issue are encouraging. But, ultimately, these are tactical moves by an administration that is watching power slip from its grasp and has diminishing time to perform. Critical choices await 2009 and a new U.S. administration.

Americans have had powerful lessons in recent years about the necessity for choice and about not letting our decisions be imposed on us by our national excesses—imported energy dependency being only the most obvious excess. Americans have experienced the ability of relatively few individuals to cause dramatic overreaction by our government. How, indeed, did nineteen hijackers propel the American people into two wars and trillion dollar expenditures? How have we permitted bad policies and misguided rhetoric to create huge barriers between America and its natural allies around the world? We have made bad choices. We need to make better ones in the future.

STRUCTURE OF THE REPORT

In short order, the next president of the United States must comprehend and address the **driving forces** transforming the world, the **geopolitical challenges** facing America, the **constraints on American capacity** to conduct an effective foreign policy, and the **fundamental choices** that will confront America in 2009. This is the analytic sequencing that has been followed in this report.

- ◆ **Drivers of Change:** There are a fundamental shifts in process, in economic power and weight from developed to developing economies and from commodity consumers to commodity producers. Technology is accelerating this shift. Youthful populations in developing countries and aging populations in developed countries are contributing as well. The former are producing, while the latter are consuming. There are regional implications—Asia is the big winner from contemporary forces. But, there are other implications as well—environmental costs are rising, income disparities are becoming more pronounced, and the “authority” of national governments over their citizens is diminishing. The Westphalian state system confronts growing pressures.
- ◆ **Geopolitical Challenges:** The challenges posed for the United States by these and other forces of change are huge—state fragility in parts of the world present enormous challenges for U.S. policymakers. A one-dimensional U.S. focus on the Middle East risks lost opportunities in more dynamic regions. For example, less presidential attention to the Middle East could open the opportunity to engage China more fully on the panoply of issues on which our interests intersect. The impact of individuals and groups empowered by technology will both enhance and endanger America’s security. The capacity of countries, groups, and individuals to block our policies and preferences is rising.

- ◆ **Constraints on Capacity:** A critical lesson from the last decade is that presidential policy choices must not exceed the capacity of the U.S. government to deliver. U.S. government public servants have been learning—magnificently in many cases—on the job in Afghanistan and Iraq. But America’s performance has been hampered by ideologically driven leadership choices; by rhetoric designed for domestic, not foreign, audiences; and by the inability or unwillingness of the agencies of the U.S. government to cooperate with each other as well as the seeming incapacity of leadership to require that they do so. For much of this time, the Congress has been complicit in creating rather than resolving problems. The capacity and resources available to the next administration are partly a question of leadership priorities, but they will also be shaped in part by the “lessons” the American people draw from this country’s Iraq experience. Either they will demand U.S. retrenchment from international responsibility, or they will demand that we learn lessons from that bitter experience while staying engaged abroad.

CHOICES FOR THE FUTURE

Many choices will confront the next administration. The starting place is the need to plan a successful transition from running for office to governing. This is not easy in the best of times. Staffing a new administration and getting its members on a common policy page traditionally take a long time, and learning curves for new appointees can be steep. Institutional memory is often lost, as the contributions of career professionals are rejected. America cannot afford another “business as usual” transition in which as much as fifteen months are wasted while a new administration’s transition is carried out.

America lacks strategic purpose. The Bush administration’s Global War on Terror is not a substitute for a guiding principle. Nor is it helpful for U.S. leaders to assert that America’s primary goal is the maintenance of its unique power position in the world. Many foreigners will not accept—and indeed will resist—such a formulation. They will understand, however, the necessity for the next president of the United States to pledge to safeguard the security and prosperity of the American people. They will appreciate a commitment by a new administration to work cooperatively with others on the great challenges of the contemporary period. Words, concepts, and ideas make a difference. It is time for the U.S.

government to deploy them in a manner likely to attract support at home and abroad.

America's new leaders need to approach the future with confidence in the inherent strengths of this country and its people. It is this country's historic commitment to the rule of law and to creative uses of both diplomacy and power that helps set the United States apart. We have been leaders because we have been builders of things many nations want and because of our values. Refusing to negotiate with those with whom we differ and ignoring or skirting international legal norms diminish rather than enhance America's influence.

This report identifies thirteen foreign policy choices that will face the next president of the United States and the American people. Thirteen choices are, of course, too many for any president to take on all at once, although experience has shown that success in one area can contribute to success in others. Setting priorities and establishing realistic criteria for policy choices are the essence of strategic decision-making and presidential leadership. The alternative to having a strategic direction is a foreign policy driven by wishful thinking on the one hand and the latest "surprise" that comes along, on the other. The urgent must not crowd out the important. Moreover, U.S. foreign policy cannot merely be a collection of domestic interest group preferences. Nor can it focus only on dangers posed by high-impact, relatively low-probability threats such as terrorists armed with weapons of mass destruction—however critical addressing such a danger must be.

The transition period from running for office to taking the oath of office will provide the president-elect with the opportunity to lay out his or her vision for America's role in the world going forward. Part V of this report identifies the opportunities and challenges during this transition period and the first year of the new presidency. Signals are important, and none more so than those that will be given by the incoming president beginning after election day 2008.

The United States must regain the initiative at home and abroad, and only then can America once again provide true global leadership.

Getting our own house in order begins by the president-elect laying out to America and the world his or her vision of America's future global role. But, it must also include staffing the administration with qualified and competent people, not financial contributors; organizing decision-making; engaging Congress at the outset in the search for bipartisan support; and signaling budgetary priorities. Incompetence or ideological rigidity in high office, an ineffective inter-agency decision-making process, trench warfare with Congress, or

insufficient or misdirected resources can doom the best intentions. Good people need to be able to ask tough questions without having their loyalties questioned. A failure to combat protectionism at home or a refusal to address U.S. dependence on imported energy will diminish America's credibility around the world. None of this will be easy. The next president will operate with budgetary constraints and with the necessity to address the policy costs of the Iraq War—whatever the gains of that conflict.

Seeking the initiative abroad will include diminishing the gap between rhetoric and policy in the promotion of U.S. values. The United States needs to recommit itself to upholding the rule of law—for others and for ourselves. But, it is also about leveraging U.S. influence through institutions, alliances, and coalitions. By definition, this means joining with others to improve the performance of existing organizations—where possible—and finding new partnerships where necessary. The next president may also be confronted with the dilemma of what to do if others do not step forward in response to crisis. Acting solo is rarely preferable but sometimes necessary.

Regaining global leadership is about the United States once again playing a leadership role in addressing the pressing challenges of the contemporary period. Successive U.S. presidents, for example, have focused attention on Arab-Israeli peace late in their terms in office and have literally run out of time. But, regaining global leadership will, for the next president, also be about rebalancing America's attention away from an excessive preoccupation with one region of the world—however important—and giving appropriate attention to other regions and issues.

This report examines the complex geopolitical landscape that is likely to confront the United States after January 2009. While the choices themselves can only be made by the incoming leadership, most of the critical ones are arrayed in the following box. The core ingredient will be to devise strategies that get America off the defensive and that restore and build the legitimacy of U.S. leadership. This can only be done by addressing critical issues of global importance—to allies, friends, partners, and others—building incrementally to leverage progress in one arena that can be applied to the next. Sequence and timing will be vitally important, and major attention must be given to how issues are framed to attract those we wish to follow our lead.

THIRTEEN CHOICES

Getting Our Own House In Order

1. Foreign Policy Tools and American Capacity
2. Globalization and America
3. Energy Consumption and America

Seeking the Initiative Abroad

4. Values and American Foreign Policy
5. Institutions, Alliances, and Coalitions

Regaining Global Leadership

6. Iraq
7. Iran
8. Arab-Israeli Conflicts
9. Fragile States
10. Major Power Relations
11. International Terrorism
12. Nuclear Proliferation
13. Environmental Challenges

21st Century Drivers of Change (Partial List)

- ◆ Science and technology: information, biology, genetics, and nanotechnology
- ◆ Global production networks
- ◆ Job outsourcing from developed to developing countries
- ◆ American consumers
- ◆ Chinese suppliers
- ◆ Asian commodity importers
- ◆ Developing country youth bulges
- ◆ Aging populations in developed countries
- ◆ Global warming leading to soil erosion, species extinction, and climatic upheavals
- ◆ Scarcity of clean water for growing urban populations
- ◆ Health pandemics
- ◆ Salafist terrorists and other technologically empowered individuals
- ◆ Nongovernmental organizations
- ◆ Religious revivalism
- ◆ Nationalism

One hundred years ago, the world was on the cusp of dramatic, convulsive, and largely unanticipated change. The twentieth century brought two world wars, a flu epidemic that killed millions, the collapse of empires, the rise and fall of fascism and communism, and the dawn of the nuclear age. Three pivotal twentieth century figures were unknown in 1908 beyond their tight circles or families. In 1908, Vladimir Lenin was thirty-eight years old, Adolf Hitler was nineteen, and Mao Tse Tung was fifteen. The convulsions of the twentieth century resulted largely from choices made by these and other leaders. Today, the world is once again undergoing fundamental, wrenching change. The next president of the United States should anticipate few certainties at home or abroad.

I

From Order to Disorder

BACKGROUND

The first decade of the twenty-first century is witnessing simultaneous forces of integration and fragmentation at work. Former British Prime Minister Tony Blair observed that there is a stark and disturbing contrast between integrating global economies and fragmenting, dysfunctional global politics. The forces of globalization are tying the world together in the social, economic, communications, and technology spheres but also are facilitating religious and political polarization. Moreover, fragile states are fragmenting under the weight of youthful populations; environmental and health crises; poor governance; corruption; and political, religious, and ethnic extremism.

This section focuses on the forces shaping and buffeting the world as Americans elect their next president. It begins with forces of integration—globalization, with its economic benefits and its environmental, health, and other costs. It turns next to the fragmenting forces, which have few benefits. Finally, it examines the shifts in state power that have only begun to become evident and whose trajectories remain unclear.

GLOBALIZING INTEGRATION AND ITS COSTS

The forces of globalization are transforming the world. The exponential growth in international economic activity over the past twenty years has raised the standard of living for billions of people across the globe, while, at the same time, sharpening disparities between “haves” and “have-nots” and between skilled and unskilled workers. Globalization also has accelerated revolutions in information technology, biotechnology, neuroscience, nanotechnology, material sciences, and robotics—all with major military and intelligence applications—that offer the hope of an unprecedented improvement in the quality of human life but also the worrisome prospect of adversaries gaining access to “dual-use” capabilities to do the world catastrophic harm.

The barriers to the movement of goods, services, information, and people around the world have been dropping, thanks to enormous technical innovations in communications and information technology data processing. Today, there are estimated to be three billion cell phone and one billion Internet users. Both statistics need to be continuously revised upward. Communications technology is knitting the world together, facilitating instant cross-cultural and intracultural communication as well as complex global production supply chains. Capital markets, too, are becoming integrated. For example, German banks hold paper backed by American home mortgages. Globalization is lifting millions of people out of poverty. Former U.S. Treasury Secretary Larry Summers maintains that there has been more economic growth in the last five years than in any comparable period in human history.

The impact on peoples’ lives of innovations in the field of communications technology may shortly be eclipsed by discoveries in other scientific fields such as biotechnology, to include but not be limited to genetic engineering. Politicians will be hard pressed to keep pace with what is coming out of the laboratories of scientists around the world. Globalization will ensure that what is developed in one country will not be kept in that country.

The forces of integration, because they operate across state boundaries, also diminish the power and authority of national governments—both for good and for ill. Civil society is networking around the globe to ban land mines, preserve the environment, combat trafficking in persons, and expand the rights of women and minorities. Access to information is contributing to political awakening in the most remote corners of the globe. Today, virtually no government (North Korea is an exception) can successfully control a citizen’s access to information. The world literally watched as soldiers rounded up Buddhist monks in Myanmar (Burma) in the fall of 2007.

Globalization is fueling an important and fundamental shift in economic weight to developing economies. Asia has become a huge production platform for the goods and services the rest of the world wants. Rising Asian demand for imported energy and other raw materials is helping drive up commodity prices and gross domestic products (GDPs) in Africa and Latin America and petroleum prices worldwide. The price of oil has risen from an average of \$28 per barrel of oil in 2003 to close to \$100 a barrel in 2007. Petrodollar-enhanced players—Russia, Iran, Venezuela, and Saudi Arabia—are throwing their weight around in subtle and not-so-subtle ways. Russia, for example, has temporarily closed its gas pipelines to customers to bolster its negotiating positions. More generally, the accelerating growth in imports from developing countries by higher-income countries has, according to the World Bank, risen from 15 percent in the 1970s to almost 40 percent today, and the bank projects that this figure could reach more than 65 percent by 2020. Developing world economies—including China, India, and Brazil—will see a fundamental shift in economic power in their direction in the coming decades. However, the benefits of globalization fall unevenly, exacerbating disparities in wealth, creating jobs in some countries, and destroying those same jobs in other countries as they are “outsourced abroad.” The uneven impact of new technologies widens the gaps between the skilled and the unskilled and the well educated and the undereducated.

There are mixed or potential downsides to globalization beyond the loss of jobs as some industries move from developed to developing countries: for example, the impact of so-called technologically superempowered individuals, supply vulnerabilities, environmental costs, and the rising prospect of health pandemics.

***Technologically
Superempowered
Individuals and Groups***

This phrase is a characterization put forward by *New York Times* columnist Tom Friedman that can be applied to individuals ranging from Bill Gates, Warren Buffet, and George Soros on the one hand to Osama bin Laden and Colombian drug dealers on the other. These individuals have been empowered by technology and operate largely apart from government control. Mr. Soros has used wealth gained from global financial markets to promote democratic change around the world—including in the United States. Bill Gates and Warren Buffet have combined their earnings to address global health problems. Each is in a position, because of globalization and personal wealth, to have a significant impact on addressing global challenges.

But globalization has been a boon as well for terrorists and drug kingpins, weapons traffickers, and other transnational criminal networks. The Internet, cell phones, and automated teller machines (ATMs) have facilitated global crime and terror. More worrisome, of course, would be if a successful link were made between weapons of mass destruction and international terrorists facilitated by the improved flow of information, goods, and services at the heart of the globalization phenomenon. The capacity of individuals to disrupt an interdependent world is huge—witness the impact and costs of the 9/11 attacks.

Supply Vulnerabilities

Globalization results in rising global interdependencies and potential vulnerabilities. At present, for example, more than forty million barrels of oil a day travel by tankers. Daniel Yergin, chairman of Cambridge Energy Research Associates, estimates that this figure will rise to seventy million by 2025. A great deal of this tanker traffic must go through vulnerable choke points—the Straits of Hormuz at the mouth of the Persian Gulf and the Straits of Malacca off Indonesia, where terrorism, piracy, or war could disrupt supply. Vulnerable production and refining facilities are subject to disruption by terror or, as in the case of Hurricane Katrina, by natural disaster. More than 20 percent of the world's petroleum reserves are held by Saudi Arabia, and a quarter of the world's gas reserves belong to Russia. These are vulnerabilities for a world dependent on fossil fuels in an era of tight markets.

Environmental Costs

Globalization and the rising prosperity around the world may also lead to significant environmental costs. The World Bank estimates that economic growth will increase the world's middle class from 400 million to 1.2 billion over the next twenty years, with most of that growth coming in the developing world. This is good news, but the rising middle class's demand for the world's natural resources and its environmental impact will be huge.

Deforestation contributes to rising levels of CO₂ in the atmosphere. Coal provides 70 percent of China's energy needs, and this country continues to build high-pollution, coal-fired power plants. China today has sixteen of the world's twenty most polluted cities and is now the world's largest producer of greenhouse gas. Moreover, the scarcity of clean water is a growing problem for China's rising urban population. Beyond China, marine fisheries around the world are collapsing, rivers are drying up, and Arctic ice caps are melting. Global warming is a reality that cannot be stopped in the foreseeable future.

It will take decades to reverse or stabilize the warming trends, and adequate steps necessary to stimulate such stabilization have not yet begun.

Health Pandemics

Life expectancy has risen dramatically around the world, driven by technological progress that includes remarkable advances in medical science. But a world in which millions of people travel daily across borders and oceans is a world more susceptible to a rapidly spreading pandemic. UN reports make the connection between global warming and the rise of diseases carried by mosquitoes, ticks, and fleas. Malaria, for example, kills more than a million people a year. Tuberculosis and HIV/AIDS continue to take millions in the prime of life. (Of course, millions of people also die from malnutrition, dirty water, and other factors that contribute to high child and maternal mortality.)

FRAGMENTATION AND ITS COSTS

The forces of globalization ignore national borders and sweep changes across continents. Within countries there are also forces undermining and weakening states. Failing states are risks not only to themselves but also to their neighbors—for example, Sudan or Afghanistan. They are homes to civil wars such as in Iraq and the Democratic Republic of the Congo. The impact of two factors—nationalism and demographics—deserves special mention.

Nationalism

This driver of contemporary geopolitical change is not new—it speaks to the power of group identity and the desire for national identity. Its power is magnified in the absence of commanding ideologies, following the demise of communism and before that fascism. The superpower rivalry of the Cold War kept a lid on some national aspirations after the decolonization process ran its course in the 1940s, 1950s, and 1960s. But, since the early 1990s, state breakup into smaller national pieces has become common, beginning with the unraveling of the former Soviet Union and Yugoslavia. Today, Tamils, Kurds, Palestinians, South Sudanese, and Kosovars seek states of their own.

Wars within states continue to flare up. Indeed, in some places states have been at war with their own civilian populations—for example, in Sudan, and Myanmar (Burma). In extreme cases, massive human rights abuses risk degenerating into genocide as it did in Rwanda.

Some regions, countries, and peoples are prepared to submerge nation/state identity into a larger whole—a European Union or an Islamic Caliphate. But there are also rising tensions within multieth-

nic, multisectarian, multilinguistic “empire” states. This is Iraq’s challenge, but also one that affects the Middle East more generally. In Iraq, as elsewhere in the region, there are multiple rivalries—between failed secularists and Islamists, between sects and tribes, between Shias and Sunnis, and between Kurds and Turks. Iraq’s grim possibilities offer a metaphor for other states lacking a coherent national identity—Lebanon, Pakistan, Sri Lanka, and so on. In the contemporary Middle East in particular, allegiance to religion, ethnicity, or tribe is superseding allegiance to the state in some countries. This is, after all, an incredibly diverse region. These problems are also familiar in other regions where nationalist sentiment and authoritarian politics prevail, as in Myanmar, Ethiopia, Nigeria, Kenya, and the Philippines.

Demography

The world’s population is above 6.7 billion—up 34 percent from five billion two decades ago. This figure will rise to eight billion by 2030, with most of the increase coming in the developing world, which is being transformed by globalization. Fifty percent of the world’s population lives in cities and towns. More than 50 percent of the world’s population lives near coasts and so are at risk from rising sea levels. Millions depend on summer snow melt for fresh water and so will be adversely affected by diminishing glaciers and snow packs in the Andes, the Himalayas, the Sierra Nevadas, and the Alps.

The rapid and sizable movement of people to escape conflict, to flee from environmental disaster, or to seek economic opportunity can be deeply destabilizing for the refugees and migrants and for the host countries. The United Nations estimates that worldwide migration in 2005 was 191 million people, with eighty-two million of these going from developing to developed countries.

We know from a comprehensive 2003 study undertaken by Population Action International that three factors are closely correlated with the outbreak of civil or internal conflict—a high proportion (40 percent or more) of young adults (aged fifteen to twenty-nine years), a rapid rate of urban population growth, and a low availability of cropland and/or renewable freshwater. The report notes that in 2000, young adults comprised 49 percent of all adults in the Palestinian Territories. Roughly ninety-five countries have “youth bulges in excess of 40 percent.” Most are located in Sub-Saharan Africa and the Middle East. In the Middle East and South Asia, as much as 70 percent of the population is under the age of thirty.

The flip side of these “youth bulges” is also important. Europe, Japan, and soon China have aging populations. Some countries, including Russia, already have absolute declines in their populations.

This means that many developed countries, including the United States, are facing declines in their working populations and rapidly rising public pension and health care costs, which will divert financial resources from other national priorities. Moreover, developed countries in Europe and elsewhere are attracting immigrants who can both contribute and destabilize.

SHIFTS IN STATE POWER

In a little over a decade, geopolitics has moved from the bipolar era of the Cold War, through America's "unipolar moment"—Charles Krauthammer's memorable phrase of the 1990s—and has entered the twenty-first century, which is likely to see the distribution of economic and political power and eventually military capabilities spread across a broader range of national "actors." The United States retains preponderant military and economic power but is facing international, national, and individual pushback, hedging, and avoidance. What it is not (yet) facing are hostile coalitions arranged against it.

There is anger and jealousy that America, with 4.6 percent of the world's population, consumes 25 percent of the world's petroleum, absorbs much of the world's savings, and emits 21 percent of the world's greenhouse gases. (Others note that the United States also produces 25 percent of the world's GDP.) Specific policies, including U.S. opposition to the Kyoto Global Climate Agreement, perceived unconditional support of Israeli positions on Palestine, and the Iraq War have all helped fuel broad international criticism of America. Majorities in many Muslim and Latin American countries as well as Russia and China view the United States as a threat to world peace and stability and also to their national aspirations.

The United States has been a destabilizing force through the impact of its culture, its technology, its removal of Saddam Hussein—a regional buffer against Iran—and its values-driven agenda. American consumers have had a transformational impact on the world economy. It has been American consumer demand, heavily financed by debt, that has been a key factor in fueling global economic growth in recent decades.

A critical distinction, of course, needs to be made between policies pursued by other nations without particular reference to the United States and those undertaken specifically in response to what America says and does.

Other powers are "rising"—petrodollar-enhanced states like Russia, Saudi Arabia, and Iran, as well as new, globalizing powerhouses like China and India. Even in Europe, a new generation of leaders (Sarkozy, Brown, Merkel) are striking out on their own. The United

States is viewed as a less central factor in their decision-making and politics.

Some governments are using their growing economic clout to expand geopolitical influence. Russia, as noted above, is using “pipeline diplomacy” in dealing with its neighbors. China is building commercial and political relationships in Asia, the Middle East, Africa, and Latin America without the political conditionality sometimes attached to ties with the United States. In addition, “sovereign investment funds” are being created by the governments of newly rich nations to buy assets abroad.

In fact, a fundamental financial liquidity shift is in process to formerly nonrelevant economic players. Government-owned and -directed sovereign funds now total in excess of \$2 trillion. Central Bank reserves worldwide exceed \$9 trillion. This represents a growing pool of government funds available for investment not just in U.S. Treasury bills but also in companies, industries, and infrastructure. Many will view this as good news, but for others the prospect of foreign governments taking equity positions in important corporations may be viewed as threatening.

The membership and leadership responsibilities of key international bodies appear anachronistic—for instance, the UN Security Council with France and Britain as permanent members but not Japan, India, or Brazil, or the G-8 (Group of Eight) without India and China. What remains unclear, as global U.S. influence wanes, is: What will replace America’s leadership role, and what possibility is there to adapt and restructure key global institutions? The relatively recent creation of the G-20 (Group of Twenty), comprised of nineteen of the world’s largest economies and the European Union, and the East Asia Summit are new forms of association with considerable potential.

FINALLY This then is the emerging geopolitical and economic landscape in which the next president of the United States must operate. Some challenges he or she will face are structural in nature, requiring structural “fixes”—such as the reform of the United Nations. Some are global in their impact—such as climate change. To address these global challenges, cooperation with others will be essential. Some are internal to other states, however, and may be impervious to external solutions. Finally, some challenges may arise as a direct or indirect response to U.S. actions. This report now turns to what are likely to be central foreign policy challenges for the next president of the United States.

The winner of the 2008 U.S. presidential election will come off the campaign trail having spent two or more years focused on running for and winning the national election—not governing. The distance between running for office and leading a powerful nation is huge. Governing requires knowledge and skills not easily acquired on the campaign trail. On November 5, 2008, the president-elect must turn his or her attention to the full range of domestic and foreign challenges confronting America. Perhaps at no time since 1941 has an American president faced such an array of issues of comparable complexity.

II

Challenges for the Next President

We must face the fact that the United States is neither omnipotent nor omniscient, that we are only 6 percent of the world's population, that we cannot impose our will on the other 94% of mankind, that we cannot right every wrong, or reverse each adversary and that there cannot be an American solution to every world problem.

President John F. Kennedy
University of Washington, November 16, 1963

BACKGROUND

Presidents since John Kennedy have had to learn—sometimes painfully—the enduring wisdom of his observation made days before his assassination. Every president has had imposed upon him the absolute necessity for choice and the discipline of limits. Those who have exceeded those limits have come to grief. For better or worse, presidents inherit the consequences of policies they had no role in shaping or events over which they had no control. The negative consequences of unwise policy choices and unresolved issues are passed on to successor administrations. Efforts to achieve a comprehensive Arab-Israeli peace began in the Truman administration and will not be

concluded in the Bush administration. The Nixon administration “inherited” the Vietnam War, the Reagan administration struggled with the consequences of the 1979 Soviet occupation of Afghanistan and the fall of the shah of Iran, and the Clinton administration took on a trans-Atlantic mess over the Balkan wars. Choices will abound—what policies to keep, what policies to change, and what to adjust.

The next president of the United States will take office in January 2009 and will assume burdens arising from his or her predecessor’s decisions and the dynamic changes outlined in part I of this report. It is possible and even probable that President Bush’s Middle East legacy to his successor will include an Iraq still struggling, Afghanistan and Pakistan in political jeopardy, Iran possibly on a path to nuclear weapons, a faltering Israeli/Palestinian peace process, and a continuing terrorist threat emanating from, but not confined to, the region.

The United States in the twenty-first century is linked to the world. The air Californians breathe is polluted by Chinese coal dust. The U.S. economy runs on imported energy, finance, and labor. Many U.S. corporations depend on earnings abroad for their profitability and survival. Roughly three hundred thousand U.S. troops are stationed around the world, and many of them are in harm’s way.

As the foregoing makes clear, the presidential “inheritance” in 2009 will be a globalizing world that is shifting power to new state actors, is engaging publics everywhere in politics, and is empowering individuals and groups. Some states are clinging to their sovereignty—sometimes with great difficulty—but others, in Europe, and in some Islamic circles, are looking for other forms of association. Everywhere the pressures of globalization, demographics, environmental damage, and failures of governance are eroding state structures at the same time that economic performance, driven by private sector innovations, is lifting millions out of poverty.

Many Americans are benefiting from global economic growth. Some are not, particularly those lacking the education and skills to compete. More than 50 percent of American voters anticipate that their children will be worse off financially than they are. Only about a quarter of the American public thinks that the United States is on the “right track.”

A number of factors, beyond the objective nature of the global challenges confronting the next president, could conspire to limit his or her flexibility. These may include the consequences of a major new terrorist attack on American soil, the pressure of campaign commitments, the role of domestic public opinion, the makeup of the next

Congress, and the limitations of fiscal constraints. This report will have more to say about these issues.

Below, the report draws attention to some of the central challenges that are likely to confront the new president. The goal is not to be comprehensive but rather to highlight issues that will require presidential attention. Succeeding sections of this report will come back to a number of these in greater depth.

This section begins with the issue of leadership—which is fundamental—and the deficit in global leadership that currently exists. It turns next to regional challenges and then to three “functional challenges” that will confront America’s next president.

CHALLENGES

Leadership

The United States experienced a brief, unipolar moment in the years following the collapse of the Berlin Wall. This was a period when the United States exercised effective statecraft using all elements of its power, including diplomacy, to facilitate the reunification of Germany and build a coalition to oust Saddam Hussein from Kuwait.

Today, the United States is discredited and distracted but not disarmed or impoverished. There is no logical or persuasive successor on the horizon, whether a single state, a concert of powers, or a multilateral organization. Other major powers have limited leadership capacities outside of their own regions. European nations, either individually or collectively, have made important contributions to addressing global concerns but they lack global reach and authority. Russia and China have too often hindered rather than augmented conflict resolution efforts. They have exhibited little inclination for global leadership, preferring instead to indulge in soft balancing against the United States. (An obvious exception has been constructive Chinese leadership in the Six Party Talks on North Korea’s nuclear program.)

Just as worrisome is the multilateral institutional decay in process, demonstrated by the weakening of the nuclear Non-Proliferation Treaty (NPT) regime. The United Nations remains critically important. It is estimated that thirty million people depend on the United Nations for their survival or security—refugees and other displaced and impoverished people. The United Nations has more than one hundred thousand peacekeepers in the field, making it the second-largest, forward-deployed military organization in the world after the United States. However, on security challenges it faces a pressing and unresolved governance issue. The permanent five Security Council

membership does not reflect the current and emerging power makeup. Moreover, many in the U.S. Congress remain skeptics, pointing to corruption and mismanagement in some U.N. operations.

Beyond the United Nations, other international organizations and alliances are under strain. The North Atlantic Treaty Organization's (NATO) "out of area" mission in Afghanistan is exposing NATO's limits. German and other European publics have put pressure on their leaders to opt out of or severely constrain their Afghan-related missions. Asian nations are establishing or reinforcing existing regional organizations, but their authority remains limited. The African Union has undertaken some robust initiatives but is critically dependent on a few key leaders and on capacity-building programs sponsored by the European Union and the United States. The G-8 is looked to for leadership in diverse fields but lacks a number of key state participants and has no capacity for implementation beyond the efforts of individual members. The failure thus far of the Doha Round of trade talks and rising protectionism, especially in the United States, has diminished the World Trade Organization. The international financial institutions (the International Monetary Fund and World Bank) also face continuing internal strains over missions and governance challenges. In sum, there are plenty of existing international organizations, but in key areas they add up to less than the sum of their parts and are often incapable of acting in a coherent, concerted fashion to cope with global challenges.

In the circumstances, fundamental challenges facing the next U.S. president include how to work effectively with existing organizations and alliances, how to increase their institutional capacities, and how to reflect new global power dynamics in prudent revisions in the governance of these organizations.

Ad hoc coalitions of the willing both for war-fighting and for peacemaking have sprung up. The Six Party Talks on North Korea is an example. Indeed, many countries only want to be associated with the United States on an issue-by-issue basis. But, such patched-together efforts have their limitations. There have been suggestions that existing organizations should be augmented by reinforcing the existing Community of Democracies. The next U.S. president will be asked to explore that possibility. Indeed, the next president will have to decide how to balance the U.S.'s traditional commitments to stability with the transformative nature of a values-driven agenda. What role will democracy promotion play in American foreign policy after 2008?

The central challenge facing the next president will be whether and how the United States works with others to address the world's problems.

Regional and then “functional” challenges will also confront America's next president.

***The Middle East and
South Asia***

It is in the geography between Casablanca and Lahore that western materialistic, secular, and individual values and eastern religious and communal values clash most dramatically. This is, of course, a very diverse region—very modern in some quarters and very traditional in others. The United States confronts the consequences of fissures in the Muslim world where secular leadership, frequently supported by the United States, has failed to deliver good governance, and political Islam has become widely attractive as an alternative source of authority. U.S. policies in fighting terror and supporting Israel put the United States on a collision course with this new wave. Demographic imbalances, refugee flows, and state weakness exacerbate the situation. Pakistan, Afghanistan, Lebanon, and/or Jordan could collapse under these pressures. Iran, newly empowered by oil wealth, further complicates the challenge. There is a continuing risk that U.S. differences with Iran could end in a new war, triggered perhaps by Israeli action or an unforeseen incident. At a minimum, there is new energy and danger in the emerging Shia/Sunni split in the Middle East. That split may provide a defining tension in the region for decades to come.

U.S. policies are widely disliked throughout the Islamic world. According to the Pew Research Center, 86 percent of Palestinians, 83 percent of Turks, 78 percent of Egyptians, 68 percent of Pakistanis, and 66 percent of Indonesians have an unfavorable view of the United States. The United States has a particular problem among Arab Muslims (roughly 18 percent of the world's 1.2 billion Muslims). Among Arabs, the United States is broadly viewed as an occupier of Muslim land and the major source of Muslim humiliation. The continuing failure of Palestinians and Israelis to make peace with each other is blamed on America's “unconditional” support of Israel and for America's not acting in an even-handed way. The American “ideal” retains appeal, but many in the Islamic world feel that a yawning gap has opened between this ideal and U.S. policy practice. President Bush's democracy agenda is widely viewed as inconsistent and hypocritical.

Iraq Barring a raft of significant military and political successes and a decisive strategic turnabout, Iraq is most likely to be the most prominent inherited challenge for the next president. The 2007 “surge” of U.S. forces in Iraq, coupled with other factors including the decision of some Sunnis to work with American forces, brought a relative respite from uncontrolled violence but little concrete internal political progress at the central government level. The risk remains that contributing factors to the decline in violence—a truce with certain Shia elements and the “relative” restraint of Syria and Iran—could be reversed. The additional danger is that Sunnis and Shias are biding their time until U.S. force levels decline later in 2008.

Whatever the gains from America’s intervention in Iraq, the next president will be saddled with the costs, including an empowered Iran and a depleted U.S. military. The U.S.’s role in Iraq has complicated America’s relations with Iraq’s neighbors—none more so than with Turkey—a NATO ally where the U.S.’s approval rating remains low. Managing and in time reversing these costs, especially in the political sphere in Iraq and the region around it, will be a primary challenge for the next president.

Palestine/Israel This is not the place to rehearse the many factors going into the failure to achieve a comprehensive peace over the last sixty years. The Bush administration initiated yet another effort in 2007. The combination of weak leaders in Israel and Palestine; energized, polarized, and fractured Israeli and Palestinian publics; and firmly entrenched Israeli settlements on the West Bank and a Hamas leadership committed, at least rhetorically, to Israel’s destruction could mean that “a two-state” solution is a receding policy option. That, indeed, would present a challenge of significant consequence, because it is only such a solution that would give Palestinians and Israelis secure and enduring national identities.

Iran Iran may pose the greatest long-term regional challenge to the next administration, however, because it is leading a regional Shia revival which, at present, threatens U.S. interests in Lebanon, Iraq, and the Persian Gulf. Iran is fueled by oil income and may become the broader region’s next nuclear weapons state. Iranian leaders simultaneously feel threatened by the presence of U.S. military forces on three sides and by U.S.-generated sanctions. Yet they were empowered by the convenient U.S. removal of Saddam Hussein and the facilitation of a Shia leadership in Baghdad. Ever since 1979, U.S. and Iranian leaders have failed to open and sustain a productive and broad dialogue.

South Asia Pakistan's internal politics are in turmoil, particularly following the assassination of former Prime Minister Benazir Bhutto. The writ of the central government does not extend over large sections of the country. More than 60 percent of Pakistan's population of one hundred sixty million is under the age of twenty-five. Pakistan matters for the United States because it has nuclear weapons; because it is a safe haven for terrorists; and because, if state failure can be avoided, Pakistan could become a stabilizing factor in the region. But, Pakistan's failures place in jeopardy Afghanistan's future. The resurgence of the Taliban and al-Qaeda, operating from Pakistan and fueled with drug money from Afghanistan's poppy production, confronts NATO and the United States with a serious challenge, which will not be resolved by January 2009. India, meanwhile, with all of its economic promise, must weigh the implications of this regional chaos for its national security. The next president will face severe challenges and some opportunities in South Asia. The U.S.-India relationship remains complex by virtue of a history of mutual antagonism but has promise.

Other regions will and should command U.S. interest and attention. The United States is the world's sole global power and therefore subject to both widespread resentment and, simultaneously, turned to disproportionately as a primary responder to vexing global problems. During the Cold War, the Soviet Union stood as an organizing adversary, and our alliance structure in Europe and Asia provided the cohesion of special relationships. America's Cold War enemy is no more, and U.S. special relationships are fraying.

Asia The Bush administration can take credit for maintaining generally positive relations with both sides of traditional rivalries—China/Japan and Russia/China. The United States has relatively good ties with all of these countries simultaneously. Each will present challenges to the next U.S. president, however. China and Russia are demanding more “say” in world affairs and are exhibiting a diminishing interest in playing by U.S.-preferred rules. Each country poses complex challenges for the United States. Russia, which stretches from Europe to Asia, is returning to its authoritarian roots, and China has yet to define what is meant by “comprehensive national power.” Japan truly has a special relationship with the United States, but Japan's transition to a more “normal” global role is in process and will require special attention.

Asia's economic future appears bright, which argues for a sophisticated American engagement with the region. Traditionally, U.S. ties in the region have been grounded in its alliance relationships. With the rise of China and India, treaty-based ties to Asia may not suffice.

Europe Europe has dynamic, new national leaders in national office. A number are well disposed toward the United States while disagreeing with specific American policies. However, according to a recent poll commissioned by the German Marshall Fund, 58 percent of Europeans view U.S. leadership as "undesirable." European leaders cannot get out too far ahead of their publics in their association with U.S. policies. This said, trans-Atlantic relationships—bilateral and treaty based—have been at the heart of American foreign policy since World War II. The challenges to maintaining those ties are greater than ever.

Latin America Prospects in Mexico and Brazil are hopeful despite problems of social exclusion similar to those that bedevil the Andean region except for Chile. In 2005 our neighbors (Latin America and Canada) bought ten times more from us than did China, yet U.S. responsiveness to the region on trade, drugs, and immigration has been inhibited by American domestic policies, creating an impression of U.S. inattention and indifference. Post-Castro Cuba may present America's next president with challenges and opportunities.

Africa Africa's economic prospects are improving, fueled by rising commodity prices and, in a number of countries, sound policies. Disastrous policies in Zimbabwe, conflict in Somalia and Sudan, instability in the eastern Democratic Republic of the Congo, and corruption in Nigeria are blemishes on a more hopeful regional future. Moreover, Kenya's postelection violence underlines the continuing challenges posed by personalized tribal fissures in Africa. The Bush administration has acted positively on HIV/AIDS in Africa, but the next administration could offer real assistance to the continent by reducing U.S. domestic subsidies on sugar and cotton.

The next president of the United States will also face "functional" challenges.

**Economic/
Environmental
Challenges** Global economic relations, like political/security ties, are very dynamic. World economic growth has been robust, and the U.S. business community was, until recently, bullish about the future. The U.S. credit crunch and the 2007 meltdown of the secondary mortgage

market in the United States, however, has raised fears of financial turbulence with global effects. U.S. labor and, increasingly, white collar workers express rising concern about job security and a failure of wages to keep up with increases in productivity. Professor Alan Blinder at Princeton University maintains that from thirty to forty million American jobs are potentially “off-shorable.” The U.S. economy, over time, has moved with difficult adjustments from being agricultural, to industrial, to service centered. The current period places a premium on science and math education, where the United States lags behind the standards of many other developed nations. This is a true vulnerability.

International economic growth has over the last decade been powered by U.S. consumer demand. Now major exporting countries are diversifying their exports. Intra-Asian trade is growing, and global dependency on the U.S. market is diminishing. China, for example, sells more to Europe than to the United States. The United States, however, remains the world’s leading exporter of goods and services, and the world economy is not yet decoupled from U.S. consumer demand.

Why the unease in some circles? The U.S. economy is both strong and vulnerable. The U.S. current account deficit in 2006 was a record \$857 billion, or 6.5 percent of GDP, twice the record set in the 1980s, when there was a sharp drop in the value of the dollar. The United States continues to run significant budget deficits, though last year the deficit was roughly half the peak of \$413 billion hit in 2004. The deficit is likely to rise again in 2008 with declining tax receipts, the costs of the wars in Iraq and Afghanistan, and a stimulus package adding to expenditures.

U.S. deficits—budget and trade—have been financed offshore. The United States absorbs a majority of net capital outflows around the world. U.S. net foreign debt is approaching \$3 trillion. China holds \$1.2 trillion and Japan \$900 billion in reserves, much of it in U.S. Treasuries. According to the Congressional Research Service, foreign investors have more than 50 percent of publicly held and traded U.S. Treasury securities. Foreign governments—including China—are now taking equity positions in companies through their sovereign wealth funds and have the cash to do a great deal more. The world is witnessing a shift in liquidity to previously relatively marginal players.

There is, it should be noted, a body of informed opinion that argues that the dangers posed by current account deficits and federal budget deficits have been exaggerated in the popular press and political circles. These analysts argue that the size of the deficits must be

related to the size of the economy—the bigger the economy, the more debt that can be safely accommodated. Second, the dollar remains the world's largest reserve currency in effect meaning that holders of dollars have little choice but to stay in dollar assets. Moreover, world savers look around the globe and conclude that the safety, liquidity, and return available in the U.S. capital markets are much more attractive than anywhere else.

At least four factors could upset this analysis. First, the Federal Reserve could face competing imperatives. A rapid, global sell-off of dollars could force the Fed to raise interest rates to prop up the economy at a time when a heightened risk of recession in the United States would argue for lower rates to stimulate domestic demand. Second, politically driven protectionism and restrictions on purchases by sovereign wealth funds in the United States could interfere with the attractiveness of investing in the United States. Third, interest costs in the federal budget, now the third-largest budget item after entitlement and defense expenditures, must be funded by taxes or more debt and therefore help to crowd out other federal expenditures. Fourth, and perhaps most important, the impending retirement of seventy-eight million baby boomers will put huge upward pressures on federal entitlement programs. The Germans have a saying, “Trees can't grow to the sky.” So, too, correctives to U.S. deficits will come, and the speed and impact of these corrections could present challenges for the next president.

A second broad and challenging vulnerability is the continuing U.S. dependence on imported energy. The United States consumes 25 percent of the world's oil and imports 60 percent of its consumption. Huge U.S. (and growing Chinese) demand is good news for Venezuela, Russia, Nigeria, Angola, Iran, Saudi Arabia, and other producer countries but leaves the U.S. economy very vulnerable to disruption.

A third vulnerability, which the United States shares with other countries, is the growing environmental cost of its (and increasingly China's) profligate ways. Apart from the U.S. contribution to greenhouse gas emissions (more than 20 percent of the world's total), strains on our water supplies are rising. The Colorado River, which helps sustain states from Colorado to California, is at its lowest level since measurements were begun eighty-five years ago. Our fisheries are collapsing. These issues will pose tough challenges for the next U.S. president. Solutions will have differing economic benefits and costs to different consumer and producer groups, posing tough political challenges for the next president. Moreover he or she will have to argue to developing countries that if environmental challenges are to

be met, they will have to play by different rules than those under which America grew rich—just when countries like China and India are achieving relative prosperity and have middle classes with aspirations for the good life.

Nuclear Challenges

In retrospect, the decisions of India and Pakistan to test nuclear weapons in 1998 were decisive events in the contemporary erosion of the nuclear nonproliferation regime. True, Libya abandoned its nuclear weapons program, and North Korea has once again entered into substantive negotiations. However, too much fissile material is loosely guarded around the world, and a growing number of countries, including Iran, may see nuclear weapons as a ticket to security or attention. Terrorists, too, would like to acquire the capacity to do damage that weapons of mass destruction provide. This issue has acquired particular salience as Pakistan descended into political turmoil at the end of 2007, and uncertainty rose over the security of that country's nuclear weapons.

The unwillingness of major nuclear powers to drastically cut their arsenals (a NPT commitment), the weakening of the nuclear Non-Proliferation Treaty regime, and the U.S. application of more empathetic standards to India and Israel are all undercutting previous non-proliferation measures. It seems very possible that the next president will confront an expanded and expanding nuclear club. To the extent that high oil and gas prices encourage a switch to civilian nuclear power, this trend will only increase.

Terrorist Challenge

Terror is a tactic, and the Bush administration has argued that it is fighting a global war on terror. But, this designation lumps nationalist movements, with geographically focused groups (Hezbollah and Hamas), with broader movements like al-Qaeda. Regardless of how it is characterized, the al-Qaeda threat is spreading, fueled by the Iraq War and the U.S.'s failure to deal a decisive blow to its leadership in 2001 and 2002 in Afghanistan. Terrorists with sanctuary in the Federally Administered Tribal Areas of Pakistan have trained and been motivated in Iraq and are spreading to Asia, Africa, and Europe. Indeed, to the degree that the al-Qaeda threat is reduced in Iraq, it is likely to rise elsewhere including, of course, in Afghanistan and Pakistan. The U.S. intelligence community believes that the al-Qaeda threat to the U.S. homeland is real and growing. This issue requires that agencies of government work effectively and cooperatively together. However, a networked government remains an elusive goal.

Senator Arthur H. Vandenberg famously said, “Politics stops at the water’s edge” in American foreign policy. It never has, however, and given the deeply partisan divisions in contemporary U.S. politics, it is unlikely to do so in the foreseeable future. However, our domestic divisions, if unaddressed, will constrain U.S. global leadership going forward, as will the antiquated and cumbersome nature of our executive and legislative decision-making processes. The next president will have to be mindful of the capacity constraints on American leadership and either work within them or seek to adjust or transform them.

III

America’s “Capacity” to Conduct Foreign Policy

WHAT IS MEANT BY CAPACITY?

The issue is: Can the United States conduct an effective foreign policy in a complex era? Our nation mobilized all elements of national power during the Cold War to meet the Soviet challenge. But in the contemporary period, the United States is challenged on multiple fronts, making national priority-setting, decision-making, and policy implementation much more difficult.

There is no question that by any measure the United States is the most powerful nation in the world. The United States produces roughly a quarter of global output. U.S. military expenditures are roughly 45 percent of the world’s total. And American military forces eclipse the combination of the next eight largest national militaries in size, quality, and capability. The essence of statecraft is to bring all elements of state power together in the pursuit of national goals, however. There, the United States falls short. Moreover, Americans have a track record of failing to understand the political effects of our global military and diplomatic actions.

The very structure of the U.S. government works against any unity of effort. The Founding Fathers sought a balance of power in government, not efficiency. Indeed, as political scientist Edward Corwin has observed, "The Constitution is an invitation to struggle over the conduct of American foreign policy." Throughout American history, the legislative and executive branches of our government have pursued this "struggle." The contemporary period has not been exceptional in this regard. In March 1999, President Clinton initiated a massive bombing of Serbian forces in the former Yugoslavia without congressional support (or for that matter UN Security Council authority). In the current administration, executive branch dominance was facilitated by Republican control of both houses of Congress, but the struggle was renewed after the 2006 elections. The country's shocked reaction to the 9/11 attacks dissipated slowly and contributed to support for the incumbents. A complaint during the initial years of the Bush presidency was that unchecked executive power permitted abuses of power. In the administration's last two years, divided government has stymied action on domestic and foreign issues.

"Capacity" also can refer to the actual functioning of government—the ability of the executive branch to make and effectively implement decisions and of the Congress to provide effective oversight while carrying out its responsibilities to authorize and appropriate the funds necessary for the performance of government.

Geopolitical complexity and antiquated and cumbersome governmental structures together work to thwart effective decision-making. The expanding scope of challenges facing America around the world and the corresponding growth of U.S. responsibilities over the last decade have not been matched by an evolution in foreign policy decision-making processes and in the effectiveness of agencies of government in implementing decisions.

WHY CAPACITY MATTERS

U.S. power and global influence depend on foreign policy choices our leaders make, on this country's ability to deliver on its commitments, and on America's "standing" abroad, to include not simply U.S. standing in international polls but also popular and elite judgments on the wisdom and legitimacy of U.S. foreign policy decisions. Foreigners make judgments—fairly or unfairly—about whether the United States is acting only in its narrow interests or is incorporating the interests of other countries into its policies. The United States is being judged continually on its tangible commitment to participating in and sustaining institutional and multilateral responses to global problems

from climate change to HIV/AIDS and to world hunger. Specifically, the United States is judged on

- ◆ the soundness of our policy choices;
- ◆ our competence; that is, our capacity to know what we are doing, to understand the effects that our actions will have, and our ability to follow up and implement our initiatives in a manner that leads to positive outcomes—for our friends and for ourselves;
- ◆ the credibility of our military as a deterrent to attacks and as a potential instrument for use against our enemies and the effectiveness of our diplomatic representation abroad—the official “face” of America;
- ◆ the openness of our markets and borders to foreign investment and visitors and the availability of our aid, capital, and technology to assist the economic growth of other nations. By extension, of course, others are constantly evaluating the health of the American economy and the attractiveness of holding dollar assets;
- ◆ the effectiveness of our legislative and executive decision-making processes as seen from foreign capitals. Foreigners find particularly troubling the apparent inability of the executive branch to commit to and sustain initiatives (unless of course they disagree with those initiatives);
- ◆ the visible commitment of the American people to a significant and positive international role for the United States. Such a commitment is a function of the realism and awareness of Americans about the complex challenges we face and our understanding of the uses and limits of our varied resources of power and influence; and
- ◆ our genuine “interest” in the problems of others as opposed to what we believe others should be interested in.

This is not an exhaustive list—it leaves out the soft power “allure” of American culture—but it captures the range of factors that help determine this country’s standing in the world and our ability to transform raw power into influence.

By many, or most, measures the United States is not doing well. One answer, of course, is broad international unhappiness with American policies—notably on Iraq. (A recent Pew Research Center poll found that 89 percent of French, 83 percent of Canadian, and 74 percent of British polled believed that “the United States does not take

into account the interests of other countries in formulating its policies.") Both in the United States and abroad there exists the conviction that government and society in America are simply not functioning well and that this is affecting the capacity of the United States to conduct an effective foreign policy. Because unaddressed failures of national decision-making will undercut and limit the ability of the next U.S. president to make and implement national security decisions effectively, this paper now turns to a more intensive review of America's "capacity" to conduct foreign policy.

CHALLENGES TO U.S. DECISION- MAKING

Executive Branch

The U.S. government was unprepared to take on the challenges thrust on it by post-9/11 threats and presidential choices in response to those threats. Failure in Iraq and Afghanistan and failure to deal a decisive blow against al-Qaeda demonstrated our unpreparedness. In addition, the colossal governmental failure to respond effectively to Hurricane Katrina sent a negative message around the world about American competence.

In the Bush administration, the interagency decision-making process failed in overseeing the effective implementation of policy and in anticipating and preparing for possible consequences. In Iraq, U.S. armed forces were worn down by a debilitating and inconclusive war. Civilian agencies largely failed to meet the new challenges of postconflict reconstruction in both Iraq and Afghanistan, and the intelligence community (IC) continued to be too cumbersome and bureaucratic to understand and confront agile enemies.

The U.S. government does neither vertical coordination within agencies nor horizontal coordination between agencies well. Friends from other nations observe that little gets decided or fully coordinated in Washington. Funding streams are not focused effectively on national priorities. The United States lacks rapidly deployable civilian foreign affairs capacity to confront crises, though the U.S. military stepped forward magnificently to respond to natural disasters such as the 2004 tsunami in Southeast and South Asia and the recent earthquake in Pakistan.

Interagency

Presidents have wide latitude on how they organize their foreign policy/national security decision-making processes. Some have vested enormous authority in their National Security Council (NSC) staff,

some have relied heavily on strong cabinet secretaries, and still others have been attentive to the effective meshing of NSC staff and cabinets.

The Bush administration, both in the first and second terms, had strong figures in cabinet posts and a weak NSC-coordinated inter-agency process. Moreover, Vice President Dick Cheney and his staff constituted a powerful, if unpredictable, bureaucratic factor accountable only to the president. The result was to present decisions for President Bush in a manner that seemed to suit his preferences, but in practice did not ensure effective implementation of those decisions and frequently excluded careful consideration of alternative appraisals and proposals.

The then Vice Chairman of the Joint Chiefs of Staff, General Peter Pace, observed that the system did “a great job of teeing up the issues of the day for the President . . . but once the President decides to do something, then our government goes back into the stovepipes for execution.” The essential missing factor was the successful integration both of policy formulation and policy execution.

Deficiencies of implementation are not unique to the contemporary period. During the Vietnam War—as has been the case in Iraq—integrating civilian and military efforts was a frequently unmet challenge. Moreover, coordinating government today is more complex than ever before given the intermixing of foreign and domestic issues, the proliferation of federal and state agencies involved in foreign activities, and the rising importance and impact of influential non-state actors.

The U.S. government is consumed by what is going on in Washington—the protracted internal struggle to make policy “sausage”—as opposed to the actual effective pursuit of the national interest abroad. Foreign negotiators observe that too often most negotiations occur within the U.S. government, and that they are then presented with “take it or leave it” proposals by their American counterparts.

During the Bush presidency, there have been a series of bureaucratic fixes to perceived problems, some driven by congressional action. These included the reorganization of twenty-two federal agencies into the Department of Homeland Security (DHS); the creation of the Office of the Director of National Intelligence (DNI) to better coordinate intelligence collection and analysis; and the creation of the post of director of U.S. foreign assistance at the level of deputy secretary of State, who concurrently serves as the administrator of the U.S. Agency for International Development (USAID). The administration also established fusion centers to focus on particular issues that cut

across national and fundamental boundaries—the National Counter-Terrorism Center, for example. These efforts remain works in progress. DHS is widely viewed as dysfunctional, and U.S. foreign assistance efforts remain housed in different agencies and uncoordinated.

Part of the dilemma behind the ineffective implementation of policy decisions has been that they were taken without sufficient attention either to their budgetary or their implementation requirements. The Department of Defense (DOD) is forced, by the scale of its budgets and the long lead times of its equipment purchases, to be good at planning for the conduct of and the implementation of policy. Civilian agencies, such as the State Department, do not have a planning culture and are not geared to the conduct of operational programs abroad. Further, the uneven bureaucratic and financial weight of the different agencies has policy consequences. Three examples follow: the Department of Defense, the Department of State, and the Intelligence Community.

Department of Defense

Prophetically, the then army Chief of Staff, General Eric Shinseki, warned in 2003 to “[B]eware of a 12-division strategy for a 10-division Army.” Since then, of course, army and marine units have been deployed repeatedly to Iraq and Afghanistan. Tours have been extended. Unprecedented calls have been made on National Guard and reserve units. The human costs of these demands on U.S. forces are mounting. Fred Kaplan, writing in the *New York Times*, stated that when the mandatory five years in service period of the 2001 West Point class was reached in 2006, 44 percent resigned—a thirty-year high. Moreover, equipment has been chewed up—the substantial quantities now in Iraq will take time and considerable expenditures to restore or replace.

President Bush ordered U.S. troops into Iraq to fight one war—a set piece ground campaign against mainline Iraqi forces—and they have ended up spending almost five years fighting an insurgency for which U.S. forces were not trained or prepared. All experts agree that fighting a counterinsurgency requires a careful meshing of military and civilian activities, with the weight falling on the latter. However, America's civilian capacities in Iraq and Afghanistan have been so weak and underfunded that nation-building burdens in these countries have fallen on U.S. armed forces. Indeed, the natural tendency has been to utilize military instruments of power in Iraq and Afghanistan because that was where the money and organizational expertise lay. This invariably has led to the stretching of Department of Defense assets and expertise.

There is now a program in place to expand the army and marines by ninety-two thousand over five years. The clarity of mission, however, remains uncertain. Given the demands of Iraq and Afghanistan, the army is not training adequately for possible high-intensity conflicts.

Department of State

In contrast to the Department of Defense, the State Department has a negligible domestic constituency and faces congressional resistance to augmenting its limited human and financial resources significantly. Traditionally, American secretaries of State have been drawn from the academic and legal professions—neither renowned for their management capacities nor for their attention to training and building effective workforces. (Secretaries Colin Powell and George Shultz were the exceptions.) Roughly 6,500 career Foreign Service Officers (FSOs) and 5,000 Foreign Service specialists occupy 265 U.S. posts abroad and, with civil service employees, the State Department bureaucracy in Washington.

The USAID has under three thousand U.S. employees worldwide versus fifteen thousand in the Vietnam era. Moreover, the U.S. Information Agency (USIA) was folded into the State Department during the Clinton administration in a way that effectively diminished the U.S.'s public diplomacy capacity.

American embassies abroad house representatives from as many as thirty U.S. government agencies. Frequently, FSOs are outnumbered in these embassies. In large posts, State Department representatives may occupy less than a third of the positions filled by U.S. personnel. Diplomatic challenges have escalated in a security-conscious era. In more than twenty countries, officers must leave their families at home and receive danger pay. In many—one could say most—posts abroad, entry and exit from the embassy has become so onerous that the ability of American diplomats to interact comfortably and easily with host nationals is circumscribed. Officers in most embassies complain that much of their time is occupied in researching and filling out reports—human rights, trafficking in women and children, etc.—many mandated by Congress, rather than in pursuing their diplomatic missions.

Ambassadors, who are supposed to have charge of “country teams,” lack authority. Many are, in any case, inadequately trained for the complex duties of managing a modern embassy. Roughly a third, in both Republican and Democratic administrations, are “political” appointees selected for their campaign contributions more often than for their foreign policy expertise.

Iraq is today listed as the department's top priority in terms of placing officers abroad. Officers are being asked to serve in Provincial Reconstruction Teams made up of civilian and military personnel in the conflict areas of Iraq and Afghanistan. As with other assignments in the region, FSOs are being sent into harm's way without training comparable to that received by their military and intelligence colleagues.

Emblematic of the State Department's challenges have been the sad travails of State's Office of the Coordinator for Stability Operations, set up in 2004 to help organize and coordinate U.S. postconflict activities abroad. Three years later, this office has a relatively small staff and meager funding at a time when experts maintain successful counterinsurgency must be 80 percent "political" and 20 percent "military." There is resistance within the State Department to the Foreign Service becoming too "operational," while formerly "operational" entities like USIA and USAID have been eliminated or had their career expertise emasculated.

Intelligence Community

The IC can be a significant asset for U.S. policymakers, as demonstrated by the critical and successful role played by the intelligence community in closing down both Libya's nuclear program and Pakistan's A.Q. Khan—a proliferator of nuclear weapons technology.

Since 9/11, the U.S. intelligence community has undergone the most sweeping reform since the passage of the National Security Act of 1947. Yet the reform remains a work in progress. The United States still lacks a capable domestic intelligence capability six years after 9/11. Interagency coordination—including coordination on information-sharing and exploitation of open-source data—and international collaboration have improved but still lag behind stated congressional and DNI goals. The community is way behind the curve on the science and technology revolution, which may well spawn the next major intelligence surprise or failure. Homeland security strategy is unfocused, and spending on it remains undisciplined. The continued operation of detention facilities at Guantanamo, the damaging revelations about Central Intelligence Agency (CIA) renditions, and the public—domestic and international—debate about the U.S.'s use of torture have complicated intelligence cooperation abroad, have hampered our diplomatic efforts with long-standing allies, and have tarnished the international image of the United States as a nation committed to the rule of law.

The IC is still feeling the sting of the failure to anticipate 9/11 and misjudgments on Iraqi weapons of mass destruction. Moreover,

despite vast expenditures, what we know about hard “targets”—Iran, al-Qaeda, North Korea, China—remains inadequate at best. Today, with the huge post-9/11 hiring in the IC, U.S. intelligence services have, in the words of one official, “the youngest analytic workforce in history and the highest demand for analytic quality.” Managerial turnover in some intelligence agencies is so high that “time on target” is insufficient to build genuine, needed expertise. Significant resources and effort have been devoted to supporting war fighters in Iraq and Afghanistan. Invariably, IC attention to the rest of the world and to other issues has suffered. The DNI structure has added a bureaucratic layer, but it remains unclear that it has added significant value.

The IC continues to struggle with fundamental issues such as balancing protection of civil liberties versus safeguarding national security and the “need to know” versus the “need to share,” and instilling rigor into analytic tradecraft.

Impact **To an important extent, these bureaucratic problems are Washington problems. In embassies and missions abroad, U.S. government agencies frequently collaborate and reinforce each other’s efforts in ways that appear impossible in Washington. Further, in conflict areas around the world, American diplomats, military officers, and intelligence operatives are gaining valuable “on the job” experience.**

But across the U.S. government, challenges abound that will be passed on to the next president: the smallest army since World War II, stretched and asked to undertake tasks for which it is not trained; and an overextended civilian government workforce, inadequately staffed, prepared, and motivated for new tasks.

Added to these challenges are two governmentwide issues that promise new problems. First, across government, tasks have been contracted out to private agencies. A separate and less accountable contractor workforce has sprung up to provide vital defense, security, intelligence, and other support. This has raised a host of practical issues, including pay differentials that make it more lucrative for government employees to retire and do the same or similar work in the private sector. Second, the U.S. government is on the cusp of significant workforce retirements as the baby boom generation steps down. Vast expertise will shortly be lost. Moreover, because of hiring freezes in the 1990s, the next generation of government managers will be smaller, and more reliance will have to be placed on contractors or on relatively junior people brought in during the post-9/11 hiring surge.

*Legislative Branch and
American Politics*

Even granting that the Founding Fathers did not prize efficiency in government, it is difficult to imagine an institutional body less efficient or effective than the U.S. Congress. The Congress's overlapping committees and subcommittees and arcane procedures hinder action without improving performance. Indeed, the very missions that Congress is required by law to carry out are undermined by contemporary practice. Power has shifted internally to the appropriations committees and to congressional leadership, marginalizing the oversight historically provided by the authorizing committees. The congressional record of providing oversight of the intelligence community has been abysmal in recent years. Escalating personal and fund-raising demands distract members of Congress from their official duties. It is perhaps not surprising that at the end of 2007 less than 28 percent of Americans believed Congress was doing a good job. The failure of the Congress to carry out basic duties—passing appropriations bills on time, for example—suggests that popular criticism has merit.

In important respects, turmoil in Congress mirrors turmoil in American politics more generally.

During the Cold War, a broad national consensus developed around the nature of the geopolitical threat confronting America. Debates, which could be heated and nasty, were over how best to respond to Soviet power, not over whether there was a basic need to do so. For most of the era, a sizable political center existed, made up of Republicans and Democrats committed to a progressive international agenda. Without the support of Republican Senator Vandenberg, for instance, the Marshall Plan never would have passed the Congress during the Democratic Truman administration. Periodically this cooperation was disrupted—by Senator Joseph McCarthy in the 1950s and the Vietnam War in the 1960s and 1970s, for example—but generally it provided stability. Cross-aisle coalitions on foreign policy issues were the norm.

Much has changed in Congress, if not necessarily in the country. Gerrymandering has increased the number of "safe" districts in the House, encouraging members in both parties to appeal to their most extreme bases. The Democratic Party has become more liberal, the Republican Party more conservative, widening the ideological gulf between the parties. Politicians are most attuned to their most energized voters, and vindictive "gotcha" politics have become the norm.

Iraq, immigration, abortion, taxes, and trade issues have created significant differences between the parties, which have been played out in Congress. For example, the failure to achieve consensus on

immigration reform has complicated our relations with Mexico. Mounting differences over trade issues have raised the specter of renewed American protectionism—a source of worry all over the world. The “debate” in America on trade and immigration issues has been carried on as if these were purely internal issues without serious foreign policy ramifications. Just the opposite is true. U.S. domestic decisions have international ramifications. Differences in America have been exacerbated by the focused efforts of interest groups and ideologically driven think tanks. The media, with its twenty-four-hour news cycle, have added to the pressures on elected officials.

Budgetary Challenges

The nub of the budget problem is that the costs of federal guaranteed retirement and health programs, defense, and the interest on the national debt are all growing, squeezing discretionary programs. These budgetary pressures will place at risk foreign affairs spending essential to the effective conduct of American foreign policy.

Ultimately, government is about spending money to further the public good. The United States produces a quarter of the world’s GDP. Even with the costs in Iraq, the United States spends only about 4.2 percent annually of its GDP on defense. During the Vietnam War, the United States spent in excess of 9 percent of its GDP on defense. The United States spends a fraction of 1 percent of GDP on all of its other international programs, from its State Department budget to all of its contributions to foreign assistance. Why worry? Here is why:

The imbalance between defense and civilian expenditures for national security pushes the United States to “defense-based” foreign policy solutions that do not lead to lasting political gains. Moreover, defense expenditures are rising and will rise further. For fiscal year 2008, the base defense request and supplementals total in excess of \$700 billion. Future budgets must cover projected increases in U.S. force levels, recapitalizing the force after the huge drawdowns of equipment inventories to fight in Iraq and the escalation of veterans’ costs. Therefore, increases in defense needs are likely to put additional pressures on civilian foreign policy expenditures. But, in fact, both are at risk.

The United States has been running annual budget deficits ranging from \$200 billion to \$400 billion a year. The trend line has been down, but in 2008 seventy-eight million baby boomers start turning sixty-two and are eligible for Social Security. In 2007, Social Security, Medicare, and Medicaid consumed 44 percent of a \$2.7 trillion budget, or roughly 8.5 percent of GDP. The Congressional Budget Office estimates that this figure will rise to 10.5 percent of GDP by 2015 and

15 percent of GDP by 2030. Entitlements spending and mandatory interest costs, which annually total close to half a trillion dollars, will increasingly compete for tax dollars with defense and foreign policy expenditures.

The looming constraints on American activism abroad are budgetary and, by extension, driven by popular opinion. If the American people and their elected representatives are asked to make choices between financing a robust U.S. engagement with the world and fully servicing the demands of our elderly and other domestic imperatives, how will they (we) choose? Much depends on the "lessons" the American people draw from the Iraq War experience. Part IV of this report discusses possible lessons.

Finally, what does this discussion mean for America's "capacity" to pursue its foreign policy objectives? In brief, this country operates with a dysfunctional government. Our government prefers to add layers and complexity rather than streamlining and becoming more efficient. It is worth recalling that of the companies on the first Fortune 500 list issued in 1955, only seventy-one are still on the list. Government is incapable of pursuing the fundamental change that the market demands of the private sector. As a result, government (in)capacity will be a constraining factor on America's next president's pursuit of legitimate and important goals, unless he or she is prepared to seek genuine changes in how our government makes and implements decisions.

The “lessons” the American people draw from America’s Iraq experience since 2003 will have a fundamental impact on the future direction, capabilities, and resourcing of American foreign policy.

IV

Lessons and Legacies of Iraq

We are all captives of the pictures in our head—our belief that the world we experience is the world that really exists.

Walter Lippmann

You can always rely on America to do the right thing after it has exhausted all other options.

Winston Churchill

In retrospect, America went to war with Iraq without a strategic vision or plan, only with naïve aspirations and ideological convictions. Lippmann was right, the “pictures in our head” bore little relationship to Iraq’s reality. Americans can only speculate in early 2008 what the situation in and around Iraq will look like a year from now.

The Center for Global Affairs at New York University last year offered three plausible scenarios for Iraq post-2010: national unity under a dictatorship, a civil war effectively “contained” within Iraq’s boundaries, and “contagion” as Iraq’s problems spread to the region. A combination of factors, including the “surge” of U.S. forces in Iraq in

2007 and better tactics, significantly improved the security situation in 2007—at least temporarily. But, the central government of Prime Minister al-Malaki remains corrupt and ineffective, and security gains remain tentative.

There seems little doubt that the American military footprint in Iraq will be smaller and different in January 2009. It also seems likely that the U.S. capacity to influence the security equation in Iraq will diminish as its military withdrawal proceeds. Indeed, as U.S. force levels decline, the U.S.'s ability to conduct robust anti-insurgency, anti-terrorist operations will decline. The attendant risks to Americans remaining in Iraq are likely to increase, absent successful Iraqi political transformation and reconciliation. It also seems possible that as U.S. influence and presence recede in Iraq, that of Iran and other neighbors will increase.

Moreover, Iraqi nationalists can be excused for wondering about American intentions as they see the United States construct the largest U.S. embassy in the world in Baghdad and reinforce massive military bases around the country.

The American people are likely to draw one of two broad lessons from this bitter experience—"never again," or "do it better/differently." (The "it" in this case can be defined as regime change and/or nation building.) These lessons are introduced here as a way to anticipate policy choices that will confront the next president, though more detached observers may argue that Americans should draw no lessons from an effort as misdirected and mismanaged as was the aftermath of the defeat of Saddam Hussein.

NEVER AGAIN

America's overseas presence began in 1898 with the acquisition of the Philippines and other Pacific and Caribbean islands from Spain. Today, in excess of three hundred thousand U.S. forces are forward deployed on land and sea. Lieutenant General (Ret.) William Odom has referred to this far-flung military presence as "America's Inadvertent Empire," a consequence of America's overseas alliance and base structure, significant overseas investments and trade, and U.S. dependence on imported energy, together with potential threats to all these interests from state and nonstate actors.

Our overseas base structure gives the United States unique capabilities, and our global military presence can deter potential foes. But, the U.S. military presence also generates negative local reactions, such as those that forced our withdrawal from our Philippine bases in the 1980s and Saudi bases after 2003, and these negative reactions are clearly putting pressure on the U.S.'s presence in Iraq.

International relations realists such as John Mersheimer and Stephen Walt have urged that the United States become an “off-shore balancer” in the style of Great Britain in earlier centuries. They would have the United States abandon much of its military presence in the Middle East while retaining the ability to intervene when necessary to safeguard our interests.

The “never again” lesson, in the view of its adherents, would be that the United States was sucked into a substantial military involvement in the Middle East largely in response to the actions of a few misguided individuals (from Osama to Saddam)—the ultimate terrorist “success”—and by unwise policy choices made in Washington. U.S. policymakers have found themselves since 2003 wading in the internal politics and differences of a region they neither understand nor with which they are equipped, by training or temperament, to deal.

Such a “lesson” might yield a convergence of popular and elite opinion in America around the proposition that America must in the future limit its direct involvement in the internal affairs of other nations, especially in an era where most armed conflicts are civil wars, not interstate wars. By definition, this would drive a new administration to a systematic review, and a downward revision, of our global presence. A repositioning or diminution of American forces abroad could have financial and potentially political benefits, in that a lower American “footprint” would diminish the United States as a target of nationalist ire. Alternatively, of course, U.S. withdrawal could also embolden America’s enemies to attack American friends abroad and hit the American homeland again.

DO IT BETTER/ DIFFERENTLY

The ineptness of initial U.S. efforts in Iraq and Afghanistan, after military victory over the Iraqi army was achieved, indicates that the United States was unprepared to play the lead role in rebuilding two failed states. Yet, the 2002 National Security Strategy of the United States argues that “America is now threatened less by conquering states than by failing ones.” This means that to safeguard its interests, the United States must learn to do better all the things it did poorly in Iraq and Afghanistan—meshing civilian and military instruments of national power, pursuing effective counterinsurgency strategies, engaging in effective national reconstruction policies, and working effectively with nongovernmental, bilateral, and multilateral partners in a wide range of economic, social, security, and legal/governance fields. It must, in the jargon of the specialists, learn to “conduct complex operations in zones of conflict.”

By definition, this approach—and the lessons learned—would be significantly more challenging and expensive for the United States than withdrawal. Enhanced capacity is fundamental to “doing it better.” Reforms would have to occur in the way that the U.S. government makes and implements national security decisions. This suggests undertaking fundamental changes to the interagency process to streamline decision-making and to ensure better operational implementation of presidential decisions.

Beyond this, agencies of government will have to define or redefine their roles. The U.S. Army, for example, remains perched between two missions—fighting the next big enemy in a high-intensity conflict or battling irregular forces in low-intensity, counterinsurgency operations of the Iraq/Afghanistan variety. It needs to be able to do both, but to what degree?

Neither the Department of Defense, nor the State Department, nor the Agency for International Development has the capacity to launch new, large-scale conflict prevention and stabilization programs. Such programs could be critical not only in the Middle East and Central Asia but also in parts of Africa, a tinderbox for political upheaval and military conflict. At a time when DOD has created a unified military command for Africa—AFRICOM—it would become paramount to develop a postconflict stabilization capacity. This would require new levels of integration, linking tightly together such entities as DOD’s Defense Threat Reduction Agency, the State Department’s Bureau for Reconstruction and Stabilization, and USAID’s Bureau for Conflict and Humanitarian Assistance.

The State Department—presuming adequate funding—a big assumption—must determine whether within its confines there should be housed the modern equivalent of a colonial service capable of playing the critical management and leadership role in countries going through the experience of postconflict stabilization and reconstruction. During the Vietnam War, the Agency for International Development had one thousand six hundred officers in Vietnam alone; today there are only roughly three thousand American USAID employees worldwide. USAID, like the Defense Department and the intelligence community, does much of its work through contractors. Does the United States want instead to set up a civilian reserve corps, as some have suggested and the Bush administration is seeking, that could be called on for rapid deployment in a crisis? Should the Foreign Service have a “core” of officers prepared to be deployed to danger zones and trained for such duties as judicial system and police reform, infrastructural rehabilitation, democracy and governance

training, religious reconciliation, and the like? For the IC, does it really make sense to have sixteen different entities reporting to multiple masters with huge redundancies? Will the National Clandestine Service develop the expertise to penetrate “hard” Chinese and terrorist targets? These are tough issues but fundamental to “doing it better.”

For the Congress, basic decisions about organization and focus would have to be addressed. It is difficult to argue—unless you are a committee chair facing a loss of power—that the proliferation of committees and subcommittees serves the national interest. The question remains, moreover, whether Congress will provide the resources necessary to equip the country with the civilian and military capacity essential to confronting the security and nation-building challenges of the twenty-first century. Granted, presidential leadership will be required to build America’s capacity for global leadership, but congressional approval and commitment would also be essential to a successful effort. The Congress will take its guidance from the electorate—an electorate that largely has not been asked to sacrifice in the national interest since 9/11.

In keeping with accepted historic practice, on January 20, 2009, the next president of the United States will enter a White House whose file cabinets and computers will have been swept of all evidence of George W. Bush's eight years in office. The Bush "papers" will have gone to storage, awaiting the construction of the Bush library. In a very practical sense, the new president will be required to make policy on a blank slate.

V

Foreign Policy Choices for the Next President

There is a homely old adage which runs: "Speak softly and carry a big stick; you will go far."

Theodore Roosevelt, 1903

THE CONTEXT

As this is written in early 2008, two broad assumptions are current—the United States continues to risk a strategic reversal in the Middle East, and the U.S.'s global economic position remains generally positive. In the coming months, leading up to the 2008 presidential elections, one or both of these assumptions could be substantially modified or reversed. Continued security improvement in Iraq, significant Iraqi political reconciliation, fruitful U.S. negotiations with Iran, and productive Palestinian/Israeli talks could reverse the slide in the American position in the Middle East, particularly if these successes are accompanied by a halt in the deteriorating situations in Pakistan and Afghanistan and effective new limits on the Taliban/al-Qaeda resurgence on Afghanistan's border with Pakistan.

Alternatively, a severe worsening in the aftershocks from the housing slump in America, diminished American consumer demand, rising protectionism in Washington and/or a significant loss of international confidence in the American economy, and a slide in international financial markets could fundamentally transform the U.S. economic outlook and that of the rest of the world.

Realistically, the U.S.'s position in the Middle East is likely to remain challenging, and U.S. economic growth will not be robust in 2008.

The most likely outlook, absent a horrendous terrorist incident in America, is for continuing unease in the United States and the world about the broad U.S. geopolitical position, as Americans and foreigners await new leadership in Washington and the possibility of a return to the combination of competence and realistic vision that characterized U.S. policy-making at critical junctures in the past.

The continuing failure of political reconciliation in Iraq, the political instability in Pakistan and Afghanistan, the trouble on Turkey's border with Iraq, and the economic turmoil in credit markets are all reminders that the world will not freeze in place while America elects and installs new leadership.

The winning presidential candidate must move rapidly from campaigning to governing. The skills required for the latter are very different than those for the former. Rhetoric must be translated into policy. Conceptualization must move to implementation, theory to practice.

Transition teams representing the president-elect will fan out to government agencies as the handoff of power and issue management begins the day after the election. These teams will be briefed by outgoing political and career officials on the state of play, issue by issue, as President Bush leaves office. The teams will draft initial position papers for the incoming administration. Their recommendations may or may not endure as the new National Security Council staff takes over, cabinet and subcabinet officials are confirmed, and most importantly the president-elect sorts out his or her thinking on the issues of the day.

That thinking will be affected by many factors: the exact nature of the challenges confronting the new administration, the size of the election victory, the party makeup of the Congress, and the commitments made during the campaign. These factors will all enter into the calculus.

Whatever the particulars, the pressures will be enormous to send signals about the future direction of policy. Some signals will be trans-

mitted by decisions on key foreign policy appointments. A fundamental early choice that the president-elect will make will be where the locus of foreign policy power will be—in the White House or with the cabinet secretaries. The responsibilities given to the vice president-elect will send an important signal about the authority that will be vested in that office. Personnel choices will help clarify the president's disposition.

This analysis is divided into two sections. Section I suggests a structure for presidential decision-making in the year following the November 2008 elections. Section II discusses thirteen central choices that are likely to confront the next president.

SECTION I— ORGANIZING PRESIDENTIAL DECISIONS

There is a natural rhythm or sequencing to presidential foreign policy decision-making in the first year of a new administration. This does not mean a fixed time line (there will invariably be a policy surprise or failed nomination to throw it off), but rather a way to structure the decisions that will face the next president of the United States in his or her first year in office so as to approximate (but only approximate) reality.

Opening Decisions—Setting a strategic direction and announcing initial priorities.

In-box Decisions—Issues inherited from the previous administration or previously scheduled meetings requiring U.S. participation and decision.

Framing Decisions—Issues on which a president seeks to make his or her mark.

Long-term Decisions—Issues on which an administration may initiate action without any significant hope of resolution in one or two presidential terms.

OPENING DECISIONS

Practical decisions, including tasking transition teams and selecting key personnel, will necessarily be critical following the election, but there are two other categories of choice of critical importance to the new administration: **setting a strategic direction for the administration**, and **identifying and announcing first-order priorities**. Both

entail framing early messages to the world of reassurance, purpose, and direction. These priorities should flow from a statement of strategic purpose.

Strategic Direction

The United States is awash in elite recommendations for the strategic future of American foreign policy. It is unlikely that any one of these will provide a blueprint for the next president, but they do frame the strategic choices available:

Some argue for the use of American power, unilaterally if necessary, in defense of American hegemony; the maintenance of a strong military instrument; the robust promotion of American values of democracy and free trade; the necessity to finish the job in Iraq; the need to prevent Iran's completion of its nuclear weapons program by force if necessary; and the need for skepticism about North Korea's giving up its nuclear weapons program.

Others share many of the goals outlined above, including agreement on the promotion of democracy, but argue for a more collaborative approach (with allies and institutions) to achieve these goals, mixing hard and soft power in the interest of effective statecraft.

Still others focus attention primarily on large powers and less on weak and failing states and devote more attention to pursuing interests defined in terms of direct security threats to national power rather than on pressing a values agenda or pursuing humanitarian objectives. They are less concerned about threats coming from a breakdown or absence of governance or challenges in the global "commons" such as climate change. This group is split between those who favor pressing for a positive outcome in Iraq and those who argue for a substantial U.S. disengagement from the Middle East and for America to assume an "offshore" balancing posture.

Others argue for a refocused agenda concentrated on free markets and economic opportunity and on the challenges flowing from new vulnerabilities in a globalizing world.

Finally, there remains a strain in the American body politic that believes the costs of American political and economic engagement

abroad are mounting and that America can diminish risk and cost to itself by substantial withdrawal from most global commitments.

The “lesson” the American people and their elected representatives draw from the Iraq War will be a powerful and practical driver of strategic choices. If the lesson is “never again,” the new president will probably incline toward abandoning a lead American role in removing odious or potentially dangerous regimes and attempting to rebuild failed or failing states. By definition, those who argue that the United States should adopt a position of offshore balancer point us in this direction.

Alternatively, if the lesson of Iraq (and Afghanistan) is “do it better/do it differently,” then the message to the American people, the Congress, and the world will be about building capacity—civilian capacity in the State Department and military capacity in the Department of Defense—to address state failure. Of necessity, this will entail a changed approach to working with others, from multilateral organizations to nongovernmental organizations, and reviewing U.S. options for revitalizing international institutions.

At a minimum, in thinking strategically, the president-elect should carefully review his or her approaches to regime stability versus regime change, the use of force, the importance of alliances and institutions, and his or her commitment to free trade versus fair trade.

These are not abstract questions, or at a minimum they have practical application in how the new administration will engage or confront Syria and Iran, maintain or reduce the U.S. military presence in the Middle East, approach the United Nations and NATO, and expand or negotiate new trade agreements.

In the transition from campaigning to governing, the new president will have to imagine consequences—both first order and indirect—of policy judgments; imagine the consequences of the consequences; think about the resource implications of policy decisions and how decisions will be implemented; and consider the necessity and feasibility of mobilizing all of our national resources and those of other nations to achieve policy goals. It would be well to remember that the president of the United States is always talking to multiple audiences; what is said and how it is said have consequences beyond cable news at home. In short, a president must be strategic in thought, word, and deed.

***Announcing
First-order Priorities***

Establishing a strategic direction may initially be a largely internal exercise. Announcing first-order priorities, should, however, be the

public articulation of change and emphasis. Dwight Eisenhower announced in the 1952 presidential campaign during the Korean War that he would “go to Korea.” Richard Nixon maintained in the 1968 campaign that he had a “plan for Vietnam.”

An incoming president should be prepared publicly to signal, in a dramatic way, early priorities. These should flow from a strategic view of the future. These might address fundamental questions about securing America at home, redefining America’s relations with Islam, reducing America’s dependence on imported energy, adjusting America’s relations with big powers, reconsidering how the United States will deal with the terrorism challenge, resolving America’s commitment to open markets, or clarifying the U.S.’s willingness to partner with others in confronting global warming. It is important to note that the timing of the “signal”—which should be early—will differ from the timing of the ensuing action and certainly any likely results. But action should begin promptly.

This is the president-elect’s bully pulpit opportunity, and the choices identified in this moment will be critically important in setting the tone and the agenda for the coming year.

THE IN-BOX DECISIONS

Officials in the outgoing administration are vested in stressing the importance of the issues they have identified as priorities. The incoming people have been criticizing if not the priorities then the policies of the outgoing administration for an entire election cycle—sometimes doing so even if they are members of the same political party.

In every transition from one administration to the next, there is a clash of cultures between the old administration and the new, with career officials caught in between. Career officials should know that their input is valued—even if they worked loyally in support of the policies of the last administration—and that their willingness to speak hard truths to their politically appointed superiors will not be penalized as disloyal.

Three challenges will drive the “in-box” period of the new administration. First, how to make policy in the early months before the new administration team is in place and confirmed. Second, what early signals to send to alliance partners and potential adversaries before full policy reviews. And third, what policies to keep and what to change early in the administration. There will be particular challenges at early international meetings (the United Nations, NATO, and the Association of Southeast Asian Nations [ASEAN]), where the United States will be expected to adopt positions on many and varied issues.

The urgent—though not necessarily the most important—choices will be in the Middle East and South Asia. The president is very likely to confront a region in turmoil, with the consequences of U.S. failure (or at least stalemate) in Iraq continuing to spill into the rest of the region. The Nixon administration could not avoid Vietnam, and the successor to the George W. Bush administration will not be able to avoid painful choices in the Middle East and South Asia.

Absent a major terrorist attack in the United States, a significant economic reversal, or a health pandemic, it seems unlikely that any other region or set of issues will or should drive the transition agenda or the early emphasis of the incoming administration. Three exceptions to this general rule might be with Mexico, China, and North Korea.

Mexico needs special, prompt reassurance of U.S. interest and commitment, given that its citizens are so integral to the domestic immigration debate in America, which will continue with a new administration in office. China may have been pummeled in the election debate over trade and other issues and will need an early signal about the new administration's intentions. Finally, the North Korean negotiations are unlikely to be fully completed on President Bush's watch, and so a signal about continuity in policy will be particularly important to transmit.

FRAMING DECISIONS

Beginning before the inauguration, but realistically maturing and solidifying as the administration's senior officials take office, will come those choices that will form the core of the new administration's foreign policy.

Campaign rhetoric—"It's the economy, stupid"—and presidential preferences drove the Clinton administration's emphasis on international economic issues, which resulted in the creation of the World Trade Organization and the ratification of the North American Free Trade Agreement. By contrast, the events of 9/11 transformed and fundamentally refocused the Bush administration's foreign policy toward combating terrorism and eventually taking on Saddam Hussein.

It may be possible that challenges in the Middle East and South Asia, coupled with continuing imported energy dependence, could mean that President Bush's successor will remain consumed by the Middle East. Certainly if a major terrorist attack emanates from there, that will be very likely. The Bush administration was accused—properly on some issues—of adopting an "anything but Clinton" approach to foreign policy-making. In fact, on a number of issues, the Bush

administration chose continuity: maintaining a stable relationship with China and improving relations with India are two examples.

Like President Nixon's opening to China during the Vietnam War, the next American president can, within the context of a new strategic framework, reshape American foreign policy. It is worth recalling that Nixon opened negotiations with a nuclear-armed China, which sought to defeat and absorb our ally Taiwan and was a major supplier of our North Vietnamese enemy, which was holding large numbers of Americans as prisoners. Are there lessons here for U.S. relations with so-called "Axis of Evil" states?

LONG-TERM DECISIONS

Finally, there is a category of choices that involve issues from which significant payback is unlikely to come during the next administration but where immediate, hard effort is necessary to limit future pain. The next American president's legacy may well be judged on how well he or she deals with the following: Social Security and Medicare, imported energy dependencies, and global warming.

A new partnership is necessary between political parties and branches of the federal government and with the American people. If the next president of the United States governs from a narrow political base, tough choices cannot be made and sustained.

In 1943 Walter Lippmann wrote, "In foreign relations as in all other relations, a policy has been formed only when commitments and power have been brought into balance."

In the first decade of the twenty-first century, American power and commitments are not in balance. We are rhetorically committed to exercising global leadership; to maintaining free and open markets; to ending tyranny and promoting democracy; to bringing successful conclusions to wars in Iraq, Afghanistan; and to fighting against global terrorism. However, neither alone nor in partnership with others are we succeeding or indeed making effective downpayments on these commitments.

The range and complexity of the challenges confronting America and the world make easy or rapid progress difficult. However, we cannot hope to achieve substantial progress without either being more selective in our commitments or expanding the attention and resources we are prepared to devote to fulfilling them. We must, in short, seek and find a new balance between our nation's commitments and its power. To do so, fundamental choices will have to be made and pursued.

SECTION II

THIRTEEN CHOICES FOR THE NEXT PRESIDENT OF THE UNITED STATES AND THE AMERICAN PEOPLE

These choices are grouped under three headings: (1) **Getting our own house in order**, which addresses the necessity for the next president of the United States to improve America's capacity to conduct foreign policy; (2) **seeking the initiative abroad**, which focuses on how the United States pursues its global interests; and (3) **regaining global leadership**, which describes central, issue-driven choices that will confront the next president.

These thirteen choices are unranked. For example, there will be unavoidable presidential choices in the early days of the new administration not only on number 1 (Foreign Policy Tools and American Capacity) and number 11 (International Terrorism). However, as this report has argued, if America does not improve its **capacity** to conduct foreign policy at home, it cannot expect to regain global leadership.

A. GETTING OUR OWN HOUSE IN ORDER

1. FOREIGN POLICY TOOLS AND AMERICAN CAPACITY

Challenges

It remains to be seen what "lessons" the American people will draw from the U.S.'s Iraq experience. One lesson may be to "never again" become involved in regime change and nation-building endeavors—certainly not unilaterally and only in limited ways by contributing to multilateral projects. Alternatively, the lesson may be to "do it better, do it differently." The challenges of pursuing the latter course are huge.

One of the unintended consequences of the Iraq War has been both to underscore and in some respects to reinforce the comparative strengths of the U.S. military instrument of power and the glaring weaknesses of U.S. civilian foreign affairs agencies. The U.S. military has stepped forward to take on the new missions imposed on it by Iraq and Afghanistan. In the process, the army and the marines have been torn between training and equipping for two possible military "futures"—conventional and unconventional. The former requires big-ticket weapons systems attractive to members of Congress as job generators. The latter requires specialized skills and training. The State Department has only about six thousand five hundred FSOs for its worldwide mission and a total workforce with foreign hires of fifty-eight thousand, and they are not trained for nation-building missions.

(One U.S. corporation, Citigroup, with a worldwide network, by contrast, has three hundred thousand employees.) USAID has lost much of the capacity that it had in Vietnam to work in zones of conflict. Today, roughly 22 percent of American foreign assistance flows through the Pentagon. This makes sense, because civilian agency monies are so restricted that rapidly deployable civilian operators and funds do not exist. DOD's regional combatant commands play a growing role in U.S. "diplomacy." Former Defense Department personnel increasingly lead the complex U.S. intelligence community. The IC meanwhile continues to struggle in penetrating "hard" targets—in Iran, in China, and with regard to al-Qaeda.

Beyond agency capacities, there are broader issues about inter-agency decision-making, barriers to communication across agencies, and the effectiveness of relying on individual lead agencies to implement policy directives. The U.S. government is, in short, not well prepared for the challenges it confronts.

Beyond government effectiveness there is, of course, the issue of budget. The growth in entitlement spending and the payment of interest on the national debt mean that an era of severe budgetary stringency for foreign affairs agencies is about to begin.

Choices

The next president of the United States faces a fundamental choice about whether to build civilian capacity in the U.S. government for the types of tasks the U.S. government has been undertaking since the fall of the Berlin Wall—in Somalia, in Haiti, in the Balkans, in Afghanistan, and in Iraq. She or he can continue shifting the responsibility for nation-building to the Department of Defense, with the attendant diminution of U.S. military capability to fight and win conventional wars, or he or she can redirect a measure of authority, interagency leadership, and resources to the State Department and other civilian agencies. More generally, the next president will have to attend to failures that have been exposed in the way the United States makes and implements policy. Ultimately, the executive branch cannot pursue enduring foreign policy goals without congressional support. The decision actively to seek such support is a choice that must inevitably be weighed against other priorities.

Discussion

Clearly these issues relate largely to internal U.S. decision-making and implementation. Cultural changes will be required to make the

State Department and USAID more “operational.” This, however, does not mean that the next president will have broad latitude to decide—far from it. Central to executive branch dysfunctionality are severe congressionally imposed limitations. These include a resistance on Capitol Hill to significantly building up the capacity of the civilian—nonintelligence—agencies of the government. Successful reform involves not only enhancing the performance of individual agencies but also facilitating cross-agency integration, increasing contingency funds, and creating rapidly deployable civilian capacity. Congressional roadblocks to all of these ideas are significant.

Bush administration policies exceeded the capacities of the U.S. agencies to deliver. The IC was and is unable to provide sufficient actionable intelligence with respect to an elusive enemy. The State Department also resisted changing a culture seeped in diplomatic reporting, analysis, and government-to-government negotiation. The Department of Defense wanted to get back to its core war-fighting mission. If America is to play a substantial role in the world, the capacities of U.S. agencies will have to be addressed, horizontal collaboration improved, and funding needs secured. Alternatively, America will need to cut back on its geopolitical commitments, bringing them in better alignment to deliver on U.S. pledges. This, in a nutshell, is the choice.

2. GLOBALIZATION AND AMERICA

Challenges

A significant source of U.S. global influence has been U.S. open markets and consumer demand. The U.S. economy has gained tremendously from foreign trade and investment. Inflationary pressures have been reduced and customer choice expanded by less expensive imports. Technology and trade have contributed to profound—and wrenching—changes in the U.S. economy. Today, 80 percent of U.S. jobs are in the service sector and only 12 percent in the manufacturing sector. To cope with change and to enhance lifestyles, American households have gone from single bread-earner families to two bread-earners per family. More recently, adding to personal debt through home equity loans and credit cards has become a coping mechanism. In the process, whole American industries have disappeared even as new ones have been created. The emerging result from these wrenching changes is a rising level of uncertainty and fear among American workers, exacerbated by particular concern among white collar workers who are seeing their once secure jobs now becoming “offshoreable” or threatened by lower-cost immigrants. The latest perceived “threat” to the U.S. economy comes in the form of sovereign wealth

funds—foreign government-owned and -managed funds buying up U.S. assets. (They are, of course, also injecting much-needed investment into the U.S. economy!) One immediate result of all these pressures is a rising protectionist sentiment, which is now jumping from Democratic Party voters to Republican voters.

Choices

The next president of the United States will have to make—in cooperation with Congress—fundamental choices about keeping America open to international trade and investment. Scapegoating others for U.S. failures—poor corporate leadership, excessive debt and consumption, and a faltering education system—will be politically easy but substantively dangerous. The United States is, after all, the world's biggest exporter of goods and services and is therefore vulnerable to retaliation. There is also the legacy of the failure to grapple effectively with a widely perceived “immigration crisis,” another challenge to America's self-definition as an open society. Politicians can argue about ensuring open markets abroad, pressing for adjustments in the valuation of other currencies (China), controlling immigration, or attaching labor and environmental “conditions” to trade agreements. But, it is the role of the president to safeguard the broad interests of the country and call it to larger purposes. This means making choices with respect to maintaining the openness of the U.S. economy and addressing fundamental internal reasons for U.S. failures to grapple effectively with the forces of globalization.

Discussion

The United States is the largest economy in the world. Most economists will return to a fundamental point—Americans consume too much and save too little. Granted, if Americans consumed less this would not be good news for the export-driven economies of Asia, but it would positively affect the U.S. trade and current account imbalances, which are growing. More broadly, U.S. leadership is necessary in the World Trade Organization's Doha Round of negotiations but less essential in regional forums as Asia and other regions move on bilateral and regional free trade agreements. Here the United States risks losing advantages.

Coping with the costs of globalization will be a consuming challenge for the next president of the United States. Unlike many other foreign policy issues, domestic factors and congressional preferences will have a substantial impact on the viability of presidential choices.

It remains to be seen how big an economic hole will have been dug by the excesses of the Bush years and the unwillingness of politicians of all political persuasions to address fundamental issues. The next American president may be confronted with the consequences of unaddressed issues of recent years.

3. ENERGY CONSUMPTION AND AMERICA

Challenges

America consumes the world's energy resources well beyond the size of its population. U.S. foreign policy flexibility and autonomy are circumscribed by the need to ensure reliable supplies. The United States consumes 25 percent of the world's petroleum production. Rising U.S. and Asian demand is driving petroleum prices toward historic "real" levels. Chinese oil consumption, for example, has grown from 4 percent of world consumption in 1992 to 9 percent in 2007. The International Energy Agency is predicting that world energy demand will rise from the current eighty-five million barrels a day to about 116 million barrels a day in 2030. The environmental costs of the use of fossil fuels are mounting. U.S. and Asian energy demand is underwriting Russian, Iranian, Saudi Arabian, Angolan, and Venezuelan foreign policies. American and Asian consumers are literally empowering rivals and emerging regional players. There is a global shift of wealth in process.

Choices

Successive U.S. presidents have largely dealt with energy problems solely as a supply problem, pressing for diversification rather than by restricting U.S. demand through raising taxes and imposing tough mileage standards on cars in America. Energy legislation passed by the Congress and signed into law by the president in December 2007 may stabilize U.S. demand but will still leave the next administration with continuing challenges. There are alternative supply options such as nuclear power and pumping more oil from Alaska, but fundamental to addressing U.S. energy problems is diminishing U.S. demand. This is a choice.

Discussion

Given the size of the U.S. global energy role, U.S. leadership and example are essential to addressing global energy questions and related environmental issues. However, the huge growth in global energy consumption going forward will come in the developing world and especially in India and China. They too will have to be part of a solution.

U.S. energy requirements and extensive involvement in the Middle East cannot be separated. Oil ties us to Saudi Arabia, which holds more than 20 percent of the world's energy reserves. Oil is a factor in the U.S. presence in Iraq. The rising energy needs of China complicate our relations with Beijing on Iran and Sudan. Another problem with energy issues is that there are severe tradeoffs with other national interests. For example, increased use of coal could cut U.S. petroleum imports but would raise greenhouse gas emissions.

B. SEEKING THE INITIATIVE ABROAD

4. VALUES AND AMERICAN FOREIGN POLICY

Challenges

President Bush pronounced, in his second inaugural address, that “[I]t is the policy of the United States to seek and support the growth of democratic movements and institutions.” He is not, of course, the first American president to put a values agenda at the center of his foreign policy. His Middle East “transformational agenda” was perhaps more ambitious than many or most of his predecessors, but promotion of values has been part of the American foreign policy DNA since the founding of the republic. However, the Bush administration has also been widely perceived as allowing the gap between rhetoric and action to widen unacceptably. Abu Ghraib and Guantanamo have undermined America's moral authority. Many are convinced that the United States has abandoned its commitment to the rule of law. Continuing U.S. support to strong authoritarian regimes has brought charges of hypocrisy. Many around the world see our democracy promotion and human rights policies as veiled attacks on national sovereignty, while they may be more comfortable with U.S. efforts to promote the rule of law in their countries. The real debate in the United States and abroad has been less about ends and more about means. Should the United States promote its values agenda by example, by government action or international programs, or by the work of civil society organizations?

The Bush administration has given democracy promotion a bad name through its attempt to impose it by force in Iraq, its disregard for international norms of human rights in the treatment of prisoners, its hypocrisy in favoring elections in Palestine but rejecting their outcome, and its support of “good” autocrats like President Hosni Mubarak of Egypt.

Choices

The next administration faces the challenge of narrowing the gap between American rhetoric on human rights and democracy

with U.S. actions in the Middle East and elsewhere. Symbolic steps such as closing the Guantanamo prison would send a message. But, fundamental choices will remain between the U.S. commitment to the rule of law and to safeguarding the national security. Further, tradeoffs will continue between maintaining ties to (seemingly) stable authoritarian regimes and pressing shifts in the behavior of our friends as well as our enemies in the promotion of democratic principles. Moreover, the next president is likely to be asked whether the United States can live with democratic outcomes. Realists will say that the United States should stop exporting its values by government action. That too is a choice.

Discussion

America, for the time being at least, has lost legitimacy in the global values debate. It is unclear whether the next administration can successfully regain the high ground or indeed that it should, since fighting terrorists and securing oil involve working with unsavory regimes. Alternative governance models are beginning to compete with ours. These alternatives are economically open but politically closed.

Issues of governance are ultimately issues for the internal policies of nations. Outsiders—particularly those operating in multilateral forums—can assist but not decide. Further, in many cases realist, power-driven interests will trump values-driven interests. Any administration must be careful that rhetoric not open too big a gap between what is desirable and what is possible.

America's future role as a democratic model will depend, in large part, on how Americans conduct themselves at home. The world is watching. It is, therefore, good news that the number of international students studying in the United States is again rising. But, the messiness of contemporary American politics and the harsh American debate on immigration and certain legal issues—including the use of waterboarding, the treatment of detainees, and the employment of wiretapping—do not transmit attractive images of the United States to the world.

5. INSTITUTIONS, ALLIANCES, AND COALITIONS

Challenges

The U.S.'s unipolar moment has passed, which is not the same as saying that the United States does not retain the capacity to act unilaterally. Despite huge U.S. international dependencies—on imported oil, finance, and labor—Americans remain prickly about any infringement on their sovereign rights. The Bush administration has demonstrated a strong preference for “coalitions of the willing” in addressing

global problems—from the invasion of Iraq, to the Six Party Talks on North Korea, to working with the European Union on Iran. Many countries may want to work with the United States but not be party to an alliance relationship. It has not been the considered policy of the United States in successive administrations to give significant attention to multilateral institutional reform and renewal. The Clinton administration did so as regards NATO and the World Trade Organization but then circumvented the United Nations during the Kosovo crisis. The Bush administration has systematically undercut the United Nations, and the International Atomic Energy Agency (IAEA), ironically while supporting a continued expansion of UN peace operations funded in significant part by American taxpayers. The dilemma, of course, is that in the absence of clear and committed U.S. leadership in international organizations, it is uncertain whether other players will step up. One notable exception seems to be in Asia, where multilateral regional cooperation seems to be expanding—in America's absence. The risk of alliance decay is ever present as NATO is tested in Afghanistan by the refusal of some Europeans to put their troops at risk, by escalating U.S.-Turkish differences, and by a U.S.-Japan alliance that is limited by Japanese hesitancy to assume global security responsibilities.

Choices

The next administration can take significant steps to redirect American policies toward the building of international organizational capacity. In some cases, such efforts will face domestic political resistance. Success in a renewed Doha Round of trade negotiations will mean cutting subsidies to American farmers. Reviving the International Atomic Energy Agency could require U.S. leadership on issues like the Comprehensive Test Ban Treaty (CTBT). Building UN capacity could mean many things but certainly includes adding resources and enhanced U.S. support for and cooperation with UN peacekeeping efforts. Reviving alliance relationships means resolving policy differences with Turkey and other alliance partners. The alternative, of course, is to continue constructing ad hoc coalitions of the willing around issues. This too is a choice.

Discussion

The American role is essential in many forums—though not all—as Europe grapples with expanding European Union responsibilities and Asia evolves new regional institutions. Nonetheless, the absence

of true U.S. leadership in some—but not all—international organizations has diminished their capacities.

An overwhelming lesson of recent years is that there are limits to U.S. power, as evidenced by conflicts without resolution in Iraq and Afghanistan. Nonetheless, on issue after issue addressed in this report—reform of international institutions; consideration of global challenges such as climate change, terrorism, and proliferation—U.S. leadership remains essential. The logic driving the United States toward expanding cooperative approaches to global problem-solving seems persuasive. Working with partners in the pursuit of mutual interests means leveraging American power and enhancing the perceived legitimacy of these efforts.

The dilemma is that U.S. domestic processes may be out of sync with geopolitical imperatives. Polling data make clear that there is strong support in the American public for the United States operating with partners abroad and sharing burdens. Regrettably, this support does not necessarily translate into congressional support for the institutional mechanisms for achieving these partnerships.

C. REGAINING GLOBAL LEADERSHIP

6. IRAQ Challenges

Dealing with Iraq will be one unavoidable imperative for the next president of the United States. In all likelihood, America's capacity to influence Iraq's future peaked as long ago as the fall of Baghdad in 2003 and has been in relative decline since then. U.S. authority has not been replaced by a strong central government in Baghdad. In fact, at the end of 2007 this government was unwilling or unprepared to take political advantage of military success. Instead, "authority" has become increasingly dispersed to insurgents, militias, provinces, religious leaders, and neighbors. Iraqis themselves are dispersing. By 2007, 2.5 million had left Iraq and 2.2 million more are internally displaced. Twenty percent of Iraq's population have left their homes, though some are now returning. Thousands have been killed or wounded. The rationale for the continuing U.S. presence in Iraq has shifted from removing Saddam Hussein, to finding weapons of mass destruction, to transforming Iraq into a democracy, to combating terrorists, to countering Iranian influence, and now to restoring stability in a yet-to-be-defined polity.

America's future role in Iraq depends on the new president's disposition toward two narratives—the costs of staying in Iraq versus the costs of leaving Iraq. The former addresses the drain on American

military capabilities, U.S. global prestige and influence, and U.S. inattention to other regions and issues. The latter narrative focuses on possible escalating chaos in Iraq resulting from a precipitous U.S. withdrawal and the conclusions drawn by terrorists and others about America's unwillingness to persevere in the face of resistance. The first narrative was reinforced in 2007 by the continuing corruption and failure of the al-Malaki government in Baghdad and the failures of Iraqis to move toward political reconciliation. The second narrative was strengthened by the recent military successes achieved in Iraq.

Choices

The ability to “surge” U.S. forces again will largely be gone. The choice facing the next president of the United States will be between maintaining a substantial residual military presence in-country or largely withdrawing U.S. forces from Iraq—if not from the region. The existing, robust U.S. base presence in Iraq and neighboring states gives the United States the structural capacity to continue, but Iraqi nationalism, across sectarian lines, raises serious questions about the wisdom of doing so. Apart from military choices, the real issue may be what kind of “political surge” the United States should mount in order to salvage what it can from the Iraq War.

Discussion

As the U.S. military presence in Iraq winds down, U.S. capacity to have a decisive influence on Iraqi decision-making will continue to diminish. Correspondingly, other actors—internal and external—will play larger roles in Iraqi internal affairs. Empowering, training, and arming Sunni tribes raises the possibility that U.S. policies are rebuilding a more robust alternative to the Shia-dominated central government. For Americans, and certainly for Iraqis, Iran's future role in Iraq will be a consequential issue.

Successful internal resistance to al-Qaeda in Iraq removes one of the rationales for America's military presence in Iraq. Iran's expanding influence in Iraq offers an alternative rationale. Turkey's tense relations with Iraqi-based Kurds throws into stark relief the volatility of the situation, made worse by millions of Iraqi refugees. Even if a measure of “victory” is achieved, there will be enduring costs to the United States from the U.S. focus on Iraq that will confront the next administration—an Iran empowered with the diminished status of its main regional rival, the eroding political and security situation in

Afghanistan, and the necessity to rebuild a U.S. Army weakened by more than six years of war.

7. IRAN Challenges

America's "Iran challenge" is multifaceted. Iran has nuclear weapons ambitions, supports terrorism, and opposes Arab-Israeli peace. Iran's "America challenge" has U.S. military forces on three borders, the imposition of American-led sanctions against Iran, and the declaration of bellicose threats from Washington. Neither Tehran nor Washington understands whether what the United States truly seeks is a change in regime or a change in Iranian behavior. The possibility of a "grand bargain" has not been explored.

Iran's economy is roughly the size of that of Finland and is experiencing inflationary and other problems, but Iran is a major player in the growing Sunni/Shia divide in the Middle East. It is exerting influence in Iraq, Lebanon, and the Persian Gulf. Iran's nuclear program raises the stakes for the United States and the region, while the release of the December 2007 National Intelligence Estimate (NIE) on this program extends the date when Iran could be weaponized but makes clear Iran could produce enough fissile material for nuclear weapons through its continuing "civilian" centrifuge enrichment program. The NIE has fostered confusion and uncertainty among U.S. friends and allies in the Middle East about the direction of U.S. policies toward Iran. Israeli apprehensions have been raised, and many Arab states are adopting hedging strategies toward Iran.

Choices

The next U.S. administration must begin with clarity about objectives—regime change in Tehran, or behavior changes. On the latter, is an Iran with nuclear weapons unacceptable? Depending on the answer to these questions, the next administration has three broad choices with respect to Iran: First, increase pressure, up to and including the use of force; second, engagement, with the goal of achieving a "grand bargain" with Iran on many, or most, outstanding issues; and third, a mixed approach, utilizing targeted diplomatic negotiations and pressure short of the use of force.

Discussion

Since 1979, U.S. policymakers have had an imperfect understanding of how to affect Iranian behavior but have generally relied on sanctions. Fractured decision-making in Iran and the checkered

history of U.S.-Iranian relations are complicating factors. America's clumsy efforts at promoting democratic change in Iran, coupled with U.S. sanctions, have contributed to mounting restrictions on Iranian citizens. The gap between pressure from the United States and the European states on the one hand, and expanding economic and other ties between Iran and China, Russia, and India on the other, means that Iranian leaders perceive that they have options. Iran's economic vulnerabilities can be exploited or relieved, depending on the direction and preferences of U.S. policies.

The risk of a sharp deterioration and an escalating conflict remain high, because the United States and Iran are now intersecting negatively on so many issues. The unintended consequences of an incident or an accident spiraling out of control could be severe. One implication of shifting global economic power—to petroleum states and to developing nations—is to diminish the impact of sanctions when major trading partners opt out. Ironically, this may increase pressures to use military force to change behavior, in Iran's case.

8. ARAB-ISRAELI CONFLICTS

Challenges

Perhaps on no major issue (with the exception of Iraq) have circumstances deteriorated so much since 1992 (after the Gulf War) and 2001 (before the second intifada), as has the Israeli-Arab conflict. Palestinian leadership has fractured between Hamas and Fatah, Palestinian terrorism has diminished Israel's appetite for deal-making, and Israeli settlements and the political muscle of Israel's settler population have all contributed to making a two-state solution more difficult to conceive and implement. Chaos in Gaza (discrediting the Sharon-Olmert strategy of disengagement), Israel's failed efforts in Lebanon against Hezbollah, and the 2007 Israeli attack on a possible Syrian nuclear facility all underline the fragility of the moment. The gap between the Israeli demand for security and the Palestinian requirement for a viable state free from occupation is growing. The hard issues between Israelis and Palestinians—Jerusalem, borders, refugees, and security—remain unresolved. There is also a school of thought that argues that the parties are too fractured and the differences too deep to permit a viable settlement to emerge from negotiations. At a minimum, these trends argue for urgency.

Choices

As this is written, the Bush administration is giving the “two-state solution” approach one more push. The obstacles to success are significant, and a final resolution to this sixty-year conflict is

unlikely to come on George Bush's watch. Much will depend on President Bush's Middle East legacy—collapsed talks or ongoing negotiations. The next administration faces multiple choices—pursuing a step-by-step negotiating process or pressing for a rapid, comprehensive settlement; fully backing the Israeli position or balancing pressure on Palestinians to address Israel's security concerns with pressure on Israel to reverse the expansion of West Bank settlements; or, indeed, stepping back from involvement all together. Alternatively, a Syrian/Israeli agreement may appear to be a more attractive option. Israel recently gave Syria a reminder of its power. Syria—governed by Alawites—may be coming to fear having to choose between Sunni and Shia terrorists backed by al-Qaeda and/or Iran. The Bush administration opened the door to dialogue by inviting Syrian participation in the 2007 Annapolis meeting. However, for a successful approach, the United States would have to promote and accommodate what it has resisted—a genuine opening to Syria and support for movement on Israel-Syria talks.

Discussion

Ironically, while U.S. influence has diminished on many or most issues in the Middle East, it remains high on Arab-Israeli questions precisely because only the United States enjoys the confidence (with caveats) of Israeli decisionmakers, and because most Arab interlocutors continue to crave U.S. leadership as the only viable key to Israel decision-making. This said, U.S. preconditions on direct dealings with Iran, Syria, Hamas, and Hezbollah have imposed limits on U.S. effectiveness. The risk is that too many parties have too much incentive to use terror to disrupt diplomatic progress.

The failure to achieve a comprehensive peace between Israel and its neighbors remains a significant drag on American interests in the region and a thorn in the side of American efforts to achieve rapprochement with Muslims, from the Philippines to Morocco. The failure to achieve a lasting settlement of this issue undermines Arab moderates and leaves Israel facing a demographic time bomb. (There will shortly be more Arabs than Jews living between the Jordan River and the Mediterranean.) Syria, meanwhile, finds itself in Iran's embrace—not necessarily a desirable position for Syrian leaders. Regrettably, weak states and weak leaders do not have the capacity to make tough decisions. In the circumstances, radicals have an enormous ability to disrupt, raising the question of whether peace can be

made without the participation in the process of Hamas, Hezbollah, and Iran.

9. FRAGILE STATES

Challenges

In the 1990s, analysts pointed to a diminishing risk of cross-border conflict and, given state fragility, to the challenges posed by conflicts within states. We know, however, that intrastate conflict can pose problems for neighboring countries. Pakistani instability is a problem for Afghanistan, and the Kurdistan Workers Party (PKK) attacks Turkey from Iraq.

Building state capacity to secure its territory and address the needs of its citizens has become a defining challenge of the contemporary period as forces of globalization, religion, health pandemics, and sectarianism conspire to diminish the authority and reach of governments. For some, insufficient government authority is the problem; for others, instability comes from citizens left out of the political process.

After Iraq, probably the most pressing “fragile” state problem the United States faces is between Pakistan and Afghanistan. The former is a nuclear power with diminished political cohesion. The latter is a unified state in name only, with a corrupt and ineffective central government and drug production that underwrites instability.

More broadly, the United States has traditionally struggled with many aid and development choices—bilateral versus multilateral assistance, private versus public, the reliance to be placed on trade versus aid, and the wisdom of government-directed democracy promotion.

Choices

The United States does not have a good track record for building state capacity, given its recent experience in Iraq and Afghanistan. The next administration will face fundamental choices about what attention to devote to the world’s most fragile states, the nature of the assistance to provide bilaterally and multilaterally, and the political conditionality to attach to U.S. support of authoritarian regimes. By definition, building state capacity is a long-term effort and therefore not furthered by America’s traditionally short attention span. To be effective, the next administration will have to review and revise its programs directed at fragile states. To not do so is a choice.

Discussion

Addressing issues of state capacity is, in the first instance, a state-by-state endeavor. Some states are inevitably going to be more important (Pakistan, Afghanistan, Indonesia) than others to U.S. interests. Moreover, allies in Europe and elsewhere will have a comparative advantage in assisting some states in need—in Africa, for example. This said, a higher-level and more visible U.S. national commitment to assist fragile states would require broad public support in the United States for efforts that will be protracted.

Foreign assistance, in whatever form, remains controversial in America. Nevertheless, President Bush demonstrated, with his successful effort to obtain massive funds to combat HIV/AIDS and his major support for the Millennium Challenge Corporation, that presidential leadership can make a difference in obtaining congressional support. More broadly, a decision to expand U.S. attention to the issue of state capacity would require the United States to address deficiencies in our own civilian capacities to contribute to the challenges of nation-building. There has, for example, been the suggestion to put all U.S. development efforts in one cabinet-level agency.

U.S. failings in Afghanistan and Pakistan have been symptomatic, however, of larger U.S. problems. Afghanistan is bigger and more populous than Iraq but has received comparatively less U.S. attention and support than Iraq. There are, for example, roughly twenty-five thousand U.S. forces in Afghanistan versus one hundred sixty thousand in Iraq. Pakistan, on the other hand, has received in excess of \$10 billion in assistance since 9/11, but relatively little of this has gone for nonmilitary purposes like education. Both of these countries are candidates for failure that could haunt the next administration.

10. MAJOR POWERS**Challenges**

After a post-Cold War hiatus, great power politics is starting again. America's "unipolar moment" has passed, and now economic and political power and, in time, military power are becoming more widely distributed. At present, "challenges" come from China, Russia, and India, with other states waiting in the wings, including a relatively new category of state—petrodollar-enhanced nations such as Iran and Venezuela. The contemporary era is more complex than the Cold War era, because U.S. relations with major and rising powers typically involve a mix of competitive and cooperative features. Nuclear weapons and oil production can complicate U.S. decision-making.

- ◆ China: China's future is one of the greatest variables in world affairs today. China seeks "comprehensive national power." What does this mean? Internal vulnerabilities (inflation, income disparities, and corruption) could affect China's future. An export-driven economy is particularly vulnerable to external economic downturns. China's economic requirements and exports are having profound effects on the world economy. China's "soft power" diplomacy is spreading its influence regionally and is contributing positively on issues ranging from the North Korean nuclear program to Darfur. Moreover, the rise of Chinese military power has potential implications for the ultimate resolution of Taiwan's future. China's economy depends on the U.S. market (though Europe has become China's biggest export market). China, in turn, is a significant holder of U.S. public debt. Interdependence is a fact.
- ◆ Russia: The decisive turn of Russia to authoritarianism, the willingness of Russian authorities to wield oil and gas weapons against neighbors, and Russia's increasingly prickly relations with the United States suggest that U.S.-Russia relations face a tense future. Yet, Russia stretches from Asia to Europe and has political influence in all regions on which it borders and therefore cannot be ignored or isolated.
- ◆ India: The hopeful trajectory of U.S.-India relations, symbolized by the U.S.-India nuclear deal, has been complicated by resistance to that deal both in India and the United States—in Delhi from nationalists and communists, and in Washington out of concern that the agreement undercuts global nonproliferation efforts. The bipartisan support in Washington for good relations with India suggests a positive outlook. This said, an independent Indian course on issues like relations with Iran and Myanmar (Burma) could complicate U.S.-Indian relations in the future.
- ◆ Japan: Turbulent Japanese domestic politics and a dysfunctional foreign policy continue to hamper a bilateral relationship that remains at the core of U.S. policy in the Pacific. The future challenge remains what sort of role a "normal" Japan will play in world affairs.

Choices

Many bilateral "choices" with respect to major states will confront the incoming administration, including choices to be made

with those that are permanent members of the UN Security Council (China, Russia, the United Kingdom, France) and those that are not—Japan, Brazil, India, and Germany. The Bush administration entered office in 2001 philosophically determined to focus on major power relationships and, incidentally, on U.S.-Mexico relations. After 9/11, U.S. foreign policy attention was diverted to the Middle East and to a cluster of fragile states. The next administration can revisit these choices. Going forward, the question arises of whether trans-Atlantic ties will form the central core of American foreign policy as it has in the past or whether a redefined relationship with Asia—the most economically dynamic region of the world—is called for. If the latter, will bilateral treaty relationships in Asia remain central to U.S. security ties to Asia, or will new forms of association be considered?

Discussion

By definition, America's capacity to influence choices made by Russia, China, India, Japan, and others has diminished. Treaty-based ties are shifting, including those with Turkey and South Korea, and rising powers are charting their own courses. The complexity of U.S. diplomatic tasks has expanded tremendously in an era when major powers are "with us" on some important issues and "against us" on others.

The conduct of American foreign policy will become progressively more complicated in the future, with more substantial "players" in the mix. A cohesive European Union has the potential to be a major "player," for example. This is not all bad news. The opportunities for creative problem-solving can be enhanced if other major powers are prepared to be stakeholders in strengthening the international system. Alternatively, their capacity to disrupt is enhanced by greater wealth and diminished fear of and respect for the United States.

The nature of great power political relations depends in part on what the United States does, what kind of leadership it provides, how arrogant or unilateral it is, and how insensitive or thoughtful it is in exercising leadership. It is not a given that there will be antagonistic rivals; it is a given that there will be resistance, balancing, or hedging, especially if we behave stupidly or incompetently.

11. INTERNATIONAL TERRORISM

Challenges

The Bush administration's 2002 National Security Strategy announced that "[T]he United States of America is fighting a war against terrorists with global reach." In time, controversy has arisen

over the use of the term “war,” the mix of means used to fight this war, and the success registered thus far. Administration critics have argued that terror is a tactic, not an enemy, that military tools have eclipsed political tools in this “war,” and that as a result the pool of active and potentially active terrorists is expanding. Virtually no one believes that the ultimate threat—terrorists conducting mass casualty attacks using WMD—has disappeared. The capacity of relatively small groups of individuals to disrupt remains very high. Inevitably, America’s war on terror has fundamentally complicated America’s relations with Islamic peoples. The U.S.’s tendency to lump all those who commit terrorist acts—al-Qaeda, Hamas, Hezbollah—has interfered with the formulation of differentiated policies.

Choices

Many choices will confront the next administration with respect to combating those who use terror for political disruption, including how the effort is characterized. The emerging base of operations for al-Qaeda in Pakistan’s tribal belt poses special choices for U.S. policymakers now and in the future. Certainly the current mix of counterterror tools—force, intelligence, finance, politics, and diplomacy—can be revised by the next administration. Decisions about negotiating with organizations (Hamas, Hezbollah) that use terror as a tactic or with countries that harbor terrorists (Syria, Iran) can also be revisited, though some prohibitions exist in law. There will be a fundamental decision about whether or not counterterrorism will be an organizing focus for the next administration.

Discussion

Significant successes have been scored against terrorists—in Indonesia, in Saudi Arabia, and against al-Qaeda in Iraq. The greatest successes have been registered where the United States has worked cooperatively with local authorities. By definition, this is a transnational challenge with local implications. But, the threat has become more dispersed and more potent with training and experience obtained by terrorists in Iraq, and the threat of homegrown terrorists appears to be expanding in Europe but also in Pakistan. Indeed, the assassination of former Prime Minister Benazir Bhutto and a wave of terrorist attacks in Pakistan seem to indicate that radical elements in that country are seeking to tip the balance of power in Pakistan in their direction.

Another catastrophic attack on the American homeland could once again make terrorism the primary driver of American foreign policy. In the absence of such an attack and for the foreseeable future—certainly through the next administration—American foreign policy will be confronted with the need to contain and eliminate terrorist threats, while at the same time not allowing these efforts to derail fundamental bilateral relationships or to unduly distort other priorities of American foreign policy.

12. NUCLEAR PROLIFERATION

Challenges

In retrospect, nonproliferation efforts may have passed a tipping point when two countries outside the NPT regime—India and Pakistan—exploded nuclear weapons and then, for different reasons, achieved fundamentally improved relations with the United States. Since then, Libya has abandoned its nuclear plans, and negotiations with North Korea (DPRK) have made progress, although a final agreement with the DPRK is unlikely to come while the Bush administration is still in office. The administration's approach has been criticized by former administration officials.

The Iranian nuclear program remains unresolved, and the risk of fissile material being acquired by terrorists from Russian or other sources remains high. Further, existing nuclear powers have not taken significant steps to reduce their arsenals—as they are required to do under the Non-Proliferation Treaty. The United States is actively seeking to upgrade and diversify its nuclear arsenal. It joins with other nuclear states in refusing to sign the Comprehensive Test Ban Treaty, which has yet to enter into force. In 2009, the Strategic Arms Reduction Treaty (START) between the United States and Russia expires—this at a time when Russia and the United States are in serious disagreement about U.S. efforts to introduce ground-based interceptors and radar into the Czech Republic and Poland to counter a potential Iranian threat.

Choices

The Bush administration has taken U.S. policies in the nonproliferation field in fundamentally new directions from previous administrations. There has been a diminished commitment to multilateral agreements and institutions and to long-term reductions, and an expanded willingness to apply different standards to democratic states (Israel and India) than to nondemocratic states (Libya, Iran, and North Korea). The administration has relied on

sanctions as primary tools to obtain compliance, though in the administration's last two years diplomacy has played a bigger role in dealing with North Korea. The Bush administration, in addition, has been prepared to attach great weight to building defenses against missile attacks. A future administration will have the opportunity to revisit all of these choices, including dropping the plan for ground-based interceptors in Europe, pursuing a Comprehensive Test Ban Treaty ratification, and diminishing the role that nuclear weapons play in U.S. national security policies.

Discussion

As the world's major nuclear weapons power, the United States has enormous authority in this area. American leadership in reviving the NPT regime and in pressing for significant weapons reductions could be decisive. This said, the combination of fear and pride may be sufficient to propel Iran into the nuclear club at some point in the future or just short of it. If Iran tips, other Middle East states could follow. The U.S.'s use of sanctions against Iran, both multilateral and, at the end of 2007, unilateral, may prove to be unsuccessful as China, India, Russia, and other countries expand economic ties with that country.

Nuclear weapons proliferation is one area in which the world could become significantly more dangerous during the life of the next U.S. administration. At the end of 2007, this danger appeared more pressing as Pakistan descended into political chaos and the specter of a chaotic state with nuclear weapons became possible, if not yet probable.

13. ENVIRONMENTAL CHALLENGES

Challenges

Addressing the causes and implications of climate change is widely viewed as among the greatest challenges confronting the next administration and certainly not one that can be resolved during the life of one administration. Increasingly, national security experts view this issue as a national security question, as possible implications of a warming climate come into clearer focus. Predicted effects of climate change include extreme weather, drought, flooding, mass migration, and spreading disease. These effects could have asymmetrical regional impacts, resulting in significant migration stresses as populations move out of afflicted areas. China has probably now passed the United States as the world's largest emitter of greenhouse gases. There is a developing consensus that present global warming trends cannot be reversed, only slowed. There is also a debate about economic costs

relative to the environmental gain from remedial measures being discussed. Developing countries ask why they should curtail development in addressing environmental problems—particularly CO₂ emissions—when developed economies grew without paying significant attention to these issues.

In December 2007, the United Nations Climate Change Conference (the Bali Conference) adopted the “Bali Roadmap,” an agreement by delegations, including the United States, to begin a two-year negotiating process for a successor agreement to the Kyoto Protocol, which expires in 2012.

While the conference did not agree to specific limits on greenhouse gas reductions, it did secure a commitment to a process to ensure continued climate change negotiations. In addition, the conference made a number of climate programmatic commitments related to adaptation, technology transfer, and the reduction of emissions from deforestation. By definition, therefore, substantive decisions in this area will await the next U.S. administration.

Choices

The Bush administration strongly opposed setting mandatory carbon emissions reductions over a set time frame. The next administration will need to make a fundamental strategic decision, namely whether to be an active leader in securing U.S. and global commitments to reduce greenhouse gas emissions. In so doing, it must address a number of related strategic options, including whether to

- a. **reverse the Bush administration’s strong resistance at Bali to binding cuts in emissions;**
- b. **participate in the development of a clear, definitive roadmap that will lead to a 2012 successor to the Kyoto Protocol;**
- c. **develop the domestic legislative and regulatory framework to support greenhouse gas emissions reductions; and**
- d. **make financial commitments through such vehicles as its foreign assistance programs to mitigate the impact of climate change through a wide range of activities including climate change-related adaptation, technology transfer, and reductions in emissions from deforestation.**

Discussion

As a major emitter of greenhouse gases (more than 20 percent of the world's annual total) the United States would have a central role in any global efforts to address the challenge of climate change. This said, the United States acting alone can accomplish relatively little. The major growth in CO₂ emissions is, according to the United Nations, going to come from developing economies in general and China, Indonesia, and India in particular.

Some have called this issue the most significant challenge to the planet in the twenty-first century. It is, however, particularly difficult for politicians to address, because it could involve short term economic costs for some to achieve long-term environmental (and perhaps economic) gains for many. The mounting evidence of negative national security implications from climate change—spreading disease, polluted water, drought, and famine—is providing incentives for action.

Appendix 1

Core Members, America's Role in the World Working Group

PROJECT CO-CHAIRS

Chester A. Crocker is the James R. Schlesinger professor of strategic studies at Georgetown University. From 1992 to 2004, he chaired the board of the U.S. Institute of Peace and continues as a member of its board. From 1981 to 1989, he was U.S. assistant secretary of State for African affairs. He serves as a member of the board of various public and private companies and not-for-profit institutions.

Thomas R. Pickering is vice chairman of Hills & Company, International Consultants. He is also chairman of the board of directors, Institute for the Study of Diplomacy, and co-chair of the International Crisis Group. He retired as senior vice president, international relations, and a member of the executive council of The Boeing Company. He served as U.S. under secretary of State for political affairs from 1997 to 2001. He has also served as ambassador to Russia (1993–96), India (1992–93), the United Nations (1989–92), Israel

(1985–88), El Salvador (1983–85), Nigeria (1981–83), and Jordan (1974–78).

PROJECT DIRECTOR

Casimir A. Yost is the director of the Institute for the Study of Diplomacy (ISD) and Marshall B. Coyne professor in the practice of diplomacy in the Edmund A. Walsh School of Foreign Service at Georgetown University. He previously served as executive director of the Asia Foundation's Center for Asian Pacific Affairs, president of the World Affairs Council of Northern California, and on the professional staff of the U.S. Senate Committee on Foreign Relations.

CORE MEMBERS

Gordon Adams serves as professor of international affairs at the American University's School of International Service. He was previously deputy director of the International Institute for Strategic Studies in London and served for five years as the associate director for national security and international affairs at the Office of Management and Budget, the senior White House budget official for national security.

Harriet Babbitt practices law at Jennings, Strouss & Salmon, P.L.C. She previously served as U.S. ambassador to the Organization of American States from 1993 to 1997 and as deputy administrator of the U.S. Agency for International Development from 1997 to 2001.

John Bailey serves as professor of government and foreign service and director of the Mexico Project at the Center for Latin American Studies at Georgetown University. During 1980–90, he directed the Mexico Seminar at the U.S. Department of State's Foreign Service Institute.

Hans Binnendijk serves as the Theodore Roosevelt chair in national security policy and founding director of the Center for Technology and National Security Policy at the National Defense University. He previously served on the National Security Council as special assistant to the president and senior director for defense policy and arms control (1999–2001).

Michael Callen serves as professorial lecturer at Georgetown University's Edmund A. Walsh School of Foreign Service. From 1978 to 1982, he was senior officer for Citibank's business in the Middle East. From 1982 to 1984, he was the head of all money market and foreign exchange trading for Citibank in North America as the bank's

treasurer. In October 1985, Callen was appointed group head for all of Citicorp's corporate banking activity in North America, at that time the largest of any financial institution in the United States. From 1993 to 1997, Callen served as chief executive officer (CEO) of the largest commercial bank in the Middle East, the National Commercial Bank of Saudi Arabia.

Joseph Cirincione serves as senior fellow and director for nuclear policy at the Center for American Progress. Prior to joining the center in May 2006, he served for eight years as director for nonproliferation at the Carnegie Endowment for International Peace.

Steve Cohen serves as a senior fellow in foreign policy studies at The Brookings Institution. He previously served as a member of the policy planning staff of the U.S. Department of State, where he dealt with South Asia.

Luigi Einaudi served as the acting secretary general of the Organization of American States (OAS) from 2004 to 2005. Previously, he served as assistant secretary general of the OAS.

Bruce Everett serves as professor at Georgetown University. Previously he worked for twenty-two years with ExxonMobil Corporation, in addition to holding positions at the U.S. Federal Energy Administration and the U.S. Department of Energy.

J. Michael Farrell is the founding partner of the law firm Farrell & Campo. The firm's primary activities include energy, international trade, environment, corporate, legislative, and administrative law. In the energy sector, Mr. Farrell specializes in the exploration, development, production, transportation, and distribution of petroleum and petroleum products. In international privatization projects, Mr. Farrell advises and represents international water purification and wastewater management companies in privatization proceedings in the Americas, Central Europe, and Asia.

Carl Ford Jr. serves as a senior consultant with Cassidy and Associates. Previously, he served as U.S. assistant secretary of State for intelligence and research.

Paul Frandano serves as an intelligence analyst and manager at the Central Intelligence Agency (CIA), currently in the agency's Office of

Strategy Management. He was CIA officer in residence at Georgetown from 2005 to 2007, prior to which he was co-chair of the CIA's Red Cell, an "alternative analysis" unit he helped create in 2001.

Robert L. Gallucci serves as the dean of the Edmund A. Walsh School of Foreign Service at Georgetown University. His career with the U.S. State Department included service on the first post-Gulf War arms inspection effort known as the UN Special Commission on Iraq and as the lead ambassador responsible for the negotiation of the 1994 Agreed Framework, which significantly impacted North Korea's nuclear weapons program.

John Gannon is vice president for global analysis, BAE-IT, in McLean, VA. He also is an adjunct professor at Georgetown University. Prior to joining BAE in 2005, Dr. Gannon served in the most senior analytical positions at the CIA and in the intelligence community; deputy director for intelligence at the CIA; chairman of the National Intelligence Council; and assistant director of central intelligence for analysis and production. He headed the White House team in the Department of Homeland Security's transition planning office, standing up the Information Analysis and Infrastructure Protection Directorate, and was the staff director of the House of Representatives' Select Committee on Homeland Security.

Michael Green serves as associate professor at Georgetown University. Previously he served in the White House as special assistant to the president and senior director for Asian affairs at the National Security Council (NSC).

Brian Henderson is senior vice president of Merrill Lynch & Co., Inc., and serves as chairman of the Global Public Sector Client Group in Global Markets and Investment Banking. Prior to assuming his current responsibilities, Mr. Henderson served as vice chairman of Merrill Lynch Europe, Middle East, and Africa (MLEMEA) and served as the senior regional business development and strategy executive for the MLEMEA region.

Richard Herold serves as director of international relations for BP Amoco Corporation. Prior to joining BP, Mr. Herold served in the U.S. Foreign Service from 1980 to 1990.

Christian Holmes is a senior vice president for program development at the Global Environment and Technology Foundation. In the envi-

ronmental protection area, his experience includes service as chief financial officer, assistant administrator for administration and resource management, deputy assistant administrator for enforcement and principal deputy assistant administrator for solid waste and emergency response at the U.S. Environmental Protection Agency (1989–93).

Arthur House is senior vice president of Webster Bank. He served at the World Bank, on the National Security Council staff, and on the staff of the U.S. Senate before accepting senior positions with financial services and manufacturing corporations. He is a former assistant dean of the Fletcher School of Law and Diplomacy.

L. Craig Johnston is the deputy high commissioner at the UN Refugee Agency. Previously, he served as director for resources, plans and policy in the office of the secretary of State, and he has served as a senior vice president for the U.S. Chamber of Commerce.

A. Elizabeth Jones serves as an executive vice president at APCO Worldwide. Previously, she served as assistant secretary of State for European and Eurasian affairs and as ambassador to Kazakhstan.

Geoffrey Kemp is the director of regional strategic programs at the Nixon Center. Prior to his current position, he was a senior associate at the Carnegie Endowment for International Peace, where he was director of the Middle East Arms Control Project.

Ellen Laipson is the president and CEO of the Henry L. Stimson Center. Previously, she served as vice chair of the National Intelligence Council (1997–2002) and as special assistant to the U.S. permanent representative to the United Nations (1995–97).

Carol Lancaster is an associate professor of politics in Georgetown University's Walsh School of Foreign Service, with a joint appointment in the department of government. She is also director of the Mortara Center for International Studies and the new initiative on international development. She has also served in various positions in the U.S. government, including deputy assistant secretary of State for Africa and deputy administrator of the U.S. Agency for International Development (USAID).

Samuel Lewis currently serves as a senior policy advisor to the Israel Policy Forum. Previously, he served as director of the Department of

State's policy planning staff in 1993 and 1994. He also served as assistant secretary of State for international organizations and as ambassador to Israel for eight years.

Robert Lieber is professor of government and international affairs at Georgetown University, where he has previously served as chair of the government department and interim chair of psychology.

Dennis Lockhart is the chief executive officer of the Federal Reserve Bank, Atlanta. From 2003 to 2007, Lockhart served on the faculty of Georgetown University's Walsh School of Foreign Service, teaching in the master's program.

Princeton Lyman is an adjunct senior fellow for Africa policy studies at the Council on Foreign Relations. Previously, he served as U.S. ambassador to South Africa and Nigeria and as assistant secretary of State for international organization affairs.

Susan Martin is the Donald G. Herzberg associate professor of international migration and serves as the executive director of the Institute for the Study of International Migration in the Walsh School of Foreign Service, Georgetown University. A long-time expert on immigration and refugee policy, Dr. Martin came to Georgetown after having served as the executive director of the U.S. Commission on Immigration Reform.

Wallace Mathai-Davis is co-CEO of ChinaVest, Ltd., a merchant bank headquartered in Shanghai, with offices in Beijing and San Francisco.

Mark Medish is the vice president for studies, Russia, China, and Eurasia, at the Carnegie Endowment for International Peace. Prior to joining the endowment, Medish was a partner in the Washington public law and policy practice group of Akin, Gump, Strauss, Hauer & Feld, L.L.P. Before joining Akin Gump, Medish served in the Clinton administration as special assistant to the president and senior director for Russian, Ukrainian, and Eurasian Affairs on the National Security Council from 2000 to 2001.

Thomas O. Melia is deputy executive director at Freedom House. He was previously director of research at the Institute for the Study of Diplomacy, and adjunct professor in the Walsh School of Foreign Ser-

vice, at Georgetown University, where he continues to teach graduate courses about democracy promotion.

William L. Nash is an adjunct senior fellow for conflict prevention and director of the Military Fellows Program at the Council on Foreign Relations. General Nash commanded the U.S. Army's First Armored Division from June 1995 to May 1997. In late 1995, he became the commander of Task Force Eagle, a multinational division of twenty-five thousand soldiers from twelve nations charged to enforce the military provisions of the Dayton Peace Accords in north-eastern Bosnia-Herzegovina.

Janne Nolan is professor of international affairs at the University of Pittsburgh's Graduate School of Public and International Affairs. She is a former national security official in the State Department and a staff representative to the Senate Armed Services Committee.

Phyllis E. Oakley currently serves as an adjunct professor at the Johns Hopkins' School of Advanced International Studies. Previously, she served twice as assistant secretary in the Department of State as a career Foreign Service Officer. Before her retirement in October 1999, she headed the Bureau of Intelligence and Research. She had previously led the Bureau of Population, Refugees, and Migration for three years. She was the first woman spokesman for the State Department.

William Odom is a senior fellow at the Hudson Institute's Washington, D.C. office. As director of the National Security Agency from 1985 to 1988, General Odom was responsible for the nation's signals intelligence and communications security. From 1981 to 1985, he served as assistant chief of staff for intelligence, the army's senior intelligence officer.

Daniel Poneman is a principal of The Scowcroft Group. From 1993 through 1996, he served as special assistant to the president and senior director for nonproliferation and export controls at the National Security Council.

William Rugh was a career Foreign Service Officer for thirty-one years, from 1964 to 1995. He served as ambassador to Yemen and the United Arab Emirates. In Washington he was assistant director of the U.S. Information Agency for the Near East, North Africa, and South Asia, 1989–92, having served in that same bureau from 1971 to 1972

as senior policy officer and again in 1973–76 as deputy for Near East and North Africa.

Howard B. Schaffer serves as deputy director and director of studies of Georgetown's Institute for the Study of Diplomacy. He served as ambassador to Bangladesh (1984–87) and political counselor in India (1977–79) and Pakistan (1974–77) and was twice deputy assistant secretary of State responsible for South Asian affairs.

James SeEVERS is director of research at Georgetown's Institute for the Study of Diplomacy. For fifteen years prior to joining the institute, Mr. SeEVERS was a State Department Foreign Service Officer, working on South Asia, Europe, Southeast Asia, and Latin America and on Capitol Hill.

Samer Shehata is an assistant professor at the Center for Contemporary Arab Studies at Georgetown University.

Richard Solomon is the president of the U.S. Institute of Peace. Prior to this assignment, Solomon was assistant secretary of State for East Asian and Pacific affairs, from 1989 to 1992. He negotiated the Cambodia peace treaty; the first UN "Permanent Five" peacemaking agreement; had a leading role in the dialogue on nuclear issues between the United States and South and North Korea; helped establish the Asia-Pacific Economic Cooperation initiative; and led U.S. negotiations with Japan, Mongolia, and Vietnam on important bilateral matters. In 1992–93, Solomon served as U.S. ambassador to the Philippines.

Elizabeth Stanley-Mitchell is assistant professor in the Walsh School of Foreign Service and the department of government, Georgetown University. She previously served as associate director of Georgetown's Security Studies Program and the Center for Peace and Security Studies.

Angela Stent is professor of government and director of the Center for Eurasian, Russian, and East European Studies in the Walsh School of Foreign Service. From 1999 to 2001, she served on the Policy Planning Staff of the Department of State, where she dealt with Russian and Central European affairs.

Robert Sutter is a visiting professor of Asian studies in the Walsh School of Foreign Service. He was for many years the senior specialist and director of the Foreign Affairs and National Defense Division of the Congressional Research Service. He also was the national intelligence officer for East Asia and the Pacific at the National Intelligence Council, and the China division director at the Department of State's Bureau of Intelligence and Research.

George Tenet was previously the director of central intelligence for the Central Intelligence Agency and is distinguished professor in the practice of diplomacy at Georgetown University.

Arturo Valenzuela is professor of government and director of the Center for Latin American Studies in the Walsh School of Foreign Service at Georgetown University. He has served in the White House as special assistant to the president for national security affairs and senior director for Inter-American affairs at the National Security Council.

J. Robinson West is the chairman of PFC Energy Team, which he founded in 1984. Before founding PFC, he served in the Reagan administration as assistant secretary of the Interior for policy, budget, and administration, with responsibility for U.S. offshore oil policy.

Catherine Lotrionte-Yoran is a senior fellow and director of research and development at Georgetown University's Institute for International Law & Politics. She served as counsel on the president's Foreign Intelligence Advisory Board (2002–06) and as legal counsel for the Joint Inquiry Committee of the Senate Select Committee on Intelligence in 2002.

Appendix 2

Doha Meeting Participants, America's Role Working Group

DOHA PARTICIPANTS

Farid Abboud is the ambassador from Lebanon to Tunisia. Prior to that, he was the ambassador from Lebanon to the United States from March 1999 until July 2007. From 1973 to 1977, Ambassador Abboud was assistant professor of political science at the University of St. Joseph in Beirut.

Gilles Andréani is adjunct professor of international relations at Paris II Panthéon-Assas University. He served twice, from 1995 to 1999, and from 2002 to 2004, as head of policy planning in the French Ministry of Foreign Affairs. From 1999 to 2000 he was a senior fellow for international security affairs at the IISS, where he was in charge of the nonproliferation program of the institute.

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Habib Ben Yahia is the secretary-general of the Arab Maghreb Union. Previously, he served as foreign minister for Tunisia.

Chan Heng Chee is the ambassador from Singapore to the United States. Prior to her appointment, she served as Singapore's permanent representative to the United Nations, high commissioner to Canada, and ambassador to Mexico. She was the executive director of the Singapore International Foundation, a Singaporean version of the U.S. Peace Corps, and also served as director of the Institute of Southeast Asian Studies.

Radhika Coomaraswamy is the UN secretary-general's special representative for children and armed conflict.

Chester A. Crocker serves as a co-chair of the Institute for the Study of Diplomacy's America's Role in the World Working Group.

Alvaro de Soto is a Peruvian diplomat who formerly served as UN special coordinator for the Middle East Peace Process.

Jeremy Greenstock served in the British Diplomatic Service from 1969 to 2004. He is currently the director of the Ditchley Foundation. He is also a former ambassador from the United Kingdom to the United Nations.

Han Sung-Joo is the president of Korea University. He was the Korean minister of foreign affairs (1993–94), the UN secretary-general's special representative for Cyprus (1996–97), a member of the UN Inquiry Commission on the 1994 Rwanda Genocide (1999), chairman of the East Asia Vision Group (2000–01), and ambassador from the Republic of Korea to the United States (2003–05).

Mehran Kamrava is the director of the Center for International and Regional Studies at Georgetown University's Walsh School of Foreign Service in Qatar and professor of political science at California State University, Northridge.

Zyad Limam is the CEO and editor-in-chief, *AM International*, France.

Osman Faruk Logoglu is the president of the Center for Eurasian Strategic Studies. Formerly he served as under secretary of the Turkish Ministry of Foreign Affairs.

Sheikha Abdulla-Al-Misnad is president of the University of Qatar. She previously served the university as vice president for research and community development (2000–03), head of the Department of Foundations of Education (1992–95), and as a member of the University Council (1986–89 and 1998–04).

Thomas R. Pickering serves as a co-chair of the Institute for the Study of Diplomacy's America's Role in the World Working Group.

Ahmed Rashid is a Pakistani journalist based in Lahore and is author of three books, including the best sellers *Taliban* and most recently *Jihad*. He has covered Pakistan, Afghanistan, and Central Asia for the past twenty-five years and writes for the *Far Eastern Economic Review*, the *Daily Telegraph*, and the *Wall Street Journal*.

James Reardon-Anderson is Sun Yat-sen professor of Chinese studies and dean of Georgetown University's Walsh School of Foreign Service in Qatar. He has served as director of the Inter-University Program for Chinese Language Studies in Taipei (1980–81, 1988); chief librarian of the C.V. Starr East Asian Library of Columbia University (1982–85); director of the Committee on Scholarly Communication with the People's Republic of China (1990–92); director of Asian studies at Georgetown (1992–95); and director of the Master of Science in Foreign Service program (2002–05).

James SeEVERS is director of research at the Institute for the Study of Diplomacy.

Amira Sonbol is professor of history at Georgetown University's Walsh School of Foreign Service in Qatar. She is also editor-in-chief of *HAWWA: the Journal of Women of the Middle East and the Islamic World*, published by E.J. Brill, and co-editor of *Islam and Christian-Muslim Relations*, a quarterly journal copublished with Selby Oak Colleges (UK).

Casimir A. Yost serves as the project director for the America's Role in the World Working Group.

Vahan ZanoYan is chairman and chief executive officer of PFC Energy International. Prior to assuming this role in 2005, he served for ten years as president and CEO of PFC Energy.

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4. Values and American Foreign Policy
5. Institutions, Alliances, and Coalitions

Regaining Global Leadership

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